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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended September 30, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5667

**Cabot Corporation**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

Two Seaport Lane, Suite 1300  
Boston, Massachusetts

(Address of Principal Executive Offices)

04-2271897

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

02210

(Zip Code)

(617) 345-0100

(Registrant's telephone number, including area code)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, \$1.00 par value per share

New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐

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

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

As of the last business day of the Registrant's most recently completed second fiscal quarter (March 31, 2015), the aggregate market value of the Registrant's common stock held by non-affiliates was \$2,832,098,400. As of November 19, 2015, there were 62,566,968 shares of the Registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive proxy statement for its 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this annual report on Form 10-K.

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## TABLE OF CONTENTS

	<a href="#"><u>PART I</u></a>	
ITEM 1.	<a href="#"><u>Business</u></a>	3
ITEM 1A.	<a href="#"><u>Risk Factors</u></a>	10
ITEM 1B.	<a href="#"><u>Unresolved Staff Comments</u></a>	15
ITEM 2.	<a href="#"><u>Properties</u></a>	15
ITEM 3.	<a href="#"><u>Legal Proceedings</u></a>	17
ITEM 4.	<a href="#"><u>Mine Safety Disclosures</u></a>	18
	<a href="#"><u>PART II</u></a>	
ITEM 5.	<a href="#"><u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	20
ITEM 6.	<a href="#"><u>Selected Financial Data</u></a>	20
ITEM 7.	<a href="#"><u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	24
ITEM 7A.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	41
ITEM 8.	<a href="#"><u>Financial Statements and Supplementary Data</u></a>	42
ITEM 9.	<a href="#"><u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u></a>	93
ITEM 9A.	<a href="#"><u>Controls and Procedures</u></a>	93
ITEM 9B.	<a href="#"><u>Other Information</u></a>	94
	<a href="#"><u>PART III</u></a>	
ITEM 10.	<a href="#"><u>Directors, Executive Officers and Corporate Governance</u></a>	95
ITEM 11.	<a href="#"><u>Executive Compensation</u></a>	95
ITEM 12.	<a href="#"><u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	95
ITEM 13.	<a href="#"><u>Certain Relationships and Related Transactions, and Director Independence</u></a>	95
ITEM 14.	<a href="#"><u>Principal Accounting Fees and Services</u></a>	95
	<a href="#"><u>PART IV</u></a>	
ITEM 15.	<a href="#"><u>Exhibits, Financial Statement Schedules</u></a>	96
	<a href="#"><u>Signatures</u></a>	99
	<a href="#"><u>Exhibit Index</u></a>	100

### Information Relating to Forward-Looking Statements

This annual report on Form 10-K contains “forward-looking statements” under the Federal securities laws. These forward-looking statements include statements relating to our expectations regarding our future business performance and overall prospects; demand for our products; the cost savings we expect to achieve from our restructuring plans; when we expect to cease manufacturing operations at our carbon black plant in Merak, Indonesia; the amount expected to be received from the sale of land by our carbon black joint venture in Malaysia; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit and commercial paper facilities to fund our cash requirements; anticipated capital spending, including environmental-related capital expenditures; cash requirements and uses of available cash, including future cash outlays associated with long-term contractual obligations, restructurings, contributions to employee benefit plans, environmental remediation costs and future respirator liabilities; exposure to interest rate and foreign exchange risk; future benefit plan payments we expect to make; future amortization expenses; our expected tax rate for fiscal 2016; our ability to recover deferred tax assets; and the possible outcome of legal and environmental proceedings. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements made by authorized officers.

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

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

## PART I

### Item 1. *Business*

#### General

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

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

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

During fiscal 2015, we realigned our global business segments to improve efficiency and resource prioritization, as well as to enable stronger customer focus. Our four business segments are: Reinforcement Materials; Performance Chemicals; Purification Solutions; and Specialty Fluids. The business segments are discussed in more detail later in this section. Financial information about our business segments appears in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 below (“MD&A”) and in Note V of the Notes to our Consolidated Financial Statements in Item 8 below (“Note V”).

Our internet address is [www.cabotcorp.com](http://www.cabotcorp.com). We make available free of charge on or through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. Information appearing on our website is not a part of, and is not incorporated in, this Annual Report on Form 10-K.

## **Reinforcement Materials**

### ***Products***

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

Our rubber blacks products are used in tires and industrial products. Rubber blacks have traditionally been used in the tire industry as a rubber reinforcing agent to increase tread durability and are also used as a performance additive to reduce rolling resistance and improve traction. In industrial products such as hoses, belts, extruded profiles and molded goods, rubber blacks are used to improve the physical performance of the product, including the product's physical strength, fluid resistance, conductivity and resistivity.

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

Sales of rubber blacks products are made by Cabot employees and through distributors and sales representatives. Sales to three major tire customers represent a material portion of Reinforcement Materials' total net sales and operating revenues. The loss of any of these customers, or a significant reduction in volumes sold to them, could have a material adverse effect on the Segment.

Under appropriate circumstances, we have entered into supply contracts with certain customers, the typical duration of which is one year. Many of these contracts provide for sales price adjustments to account for changes in relevant feedstock indices and, in some cases, changes in other relevant costs (such as the cost of natural gas). In fiscal 2015, approximately half of our rubber blacks volume was sold under these supply agreements. The majority of the volumes sold under these agreements are sold to customers in North America and Europe.

In addition to sales of our rubber blacks products, we have licensed our patented elastomer composites manufacturing process to Manufacture Francaise des Pneumatiques Michelin for their exclusive use in tire applications. This liquid phase process is used to manufacture compounds of carbon black and natural latex rubber that improve abrasion/wear resistance, reduce fatigue and reduce rolling resistance compared to carbon black/natural rubber compounds made by conventional dry mix methods. As consideration, we receive quarterly royalty payments extending through fiscal 2022.

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

### ***Competition***

We are one of the leading manufacturers of carbon black in the world. We compete in the manufacture of carbon black primarily with two companies with a global presence and numerous other companies that operate regionally. Competition for products within Reinforcement Materials is based on product performance, quality, reliability, price, service, technical innovation, and logistics. We believe our product differentiation, technological leadership, global manufacturing presence, operations and logistics excellence and customer service provide us with a competitive advantage.

### ***Raw Materials***

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

### ***Operations***

We own, or have a controlling interest in, and operate plants that produce rubber blacks in Argentina, Brazil, Canada, China, Colombia, the Czech Republic, France, Indonesia, Italy, Japan, Mexico, The Netherlands and the United States. Our equity affiliate operates a carbon black plant in Venezuela.

The following table shows our ownership interest as of September 30, 2015 in rubber blacks operations in which we own less than 100% of the common equity:

Location	Percentage Interest
Shanghai, China	70% (consolidated subsidiary)
Tianjin, China	70% (consolidated subsidiary)
Xingtai City, China	60% (consolidated subsidiary)
Valasske Mezirici (Valmez), Czech Republic	52% (consolidated subsidiary)
Cilegon and Merak, Indonesia <sup>(1)</sup>	97% (consolidated subsidiary)
Valencia, Venezuela	49% (equity affiliate)

(1) The Company intends to cease its manufacturing operations in Merak in January 2016.

## Performance Chemicals

Performance Chemicals is comprised of two businesses: (i) our Specialty Carbons and Formulations business, which manufactures and sells specialty grades of carbon black, specialty compounds and inkjet colorants, and (ii) our Metal Oxides business, which manufactures and sells fumed silica, fumed alumina and dispersions thereof and aerogel. In Performance Chemicals, we design, manufacture and sell materials that deliver performance in a broad range of customer applications across the automotive, construction and infrastructure, inkjet printing, electronics, and consumer products sectors.

### Products

#### *Specialty Carbons and Formulations Business*

Carbon black is a form of elemental carbon that is manufactured in a highly controlled process to produce particles and aggregates of varied structure and surface chemistry, resulting in many different performance characteristics for a wide variety of applications.

Our specialty grades of carbon black are used to impart color, provide rheology control, enhance conductivity and static charge control, provide UV protection, enhance mechanical properties, and provide formulation flexibility through surface treatment. These specialty carbon products are used in a wide variety of applications, such as inks, coatings, cables, pipes, toners and electronics.

Our thermoplastic concentrates and compounds, which we refer to as “specialty compounds”, are derived from our specialty grades of carbon black mixed with polymers and other additives. These products are generally used by plastics formulators in thermoplastic polymer applications, such as cable jacketings, films, fibers, moldings, pipes and sheets, as they are generally easier to handle, mix and disperse for these applications than carbon black alone. In addition, our electrically conductive compound products generally are used to reduce the risk of damage from electrostatic discharge in plastics applications.

Our inkjet colorants are high-quality pigment-based black and color dispersions based on our patented carbon black surface modification technology. The dispersions are used in aqueous inkjet inks to impart color, sharp print characteristics and durability, while maintaining high printhead reliability. These products are used in various inkjet printing applications, including commercial printing, small office/home office and corporate office, and niche applications that require a high level of dispersibility and colloidal stability. Our inkjet inks, which utilize our pigment-based colorant dispersions, are used in the emerging commercial printing segment for digital print.

#### *Metal Oxides Business*

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

Aerogel is a hydrophobic, silica-based particle with a high surface area that is used in a variety of thermal insulation and specialty chemical applications. In the building and construction industry, the product is used in insulative sprayable plasters and composite building products, as well as translucent skylight, window, wall and roof systems for insulating eco-daylighting applications. In the specialty chemicals industry, the product is used to provide matte finishing, insulating and thickening properties for use in a variety of applications.

## ***Sales and Customers***

Sales of these products are made by Cabot employees and through distributors and sales representatives. In our Specialty Carbons and Formulations business, sales are generally to a broad number of customers. In our Metal Oxides business, sales under long-term contracts with two customers account for a substantial portion of the revenue.

## ***Competition***

We are a leading producer of the products we sell in this segment. We compete in the manufacture of carbon black primarily with two companies with a global presence and several other companies that have a regional presence, some of which export product outside their region. We compete with several companies that produce specialty compounds, primarily in Europe, the Middle East and Asia. Our inkjet colorants and inks are designed to replace traditional pigment dispersions and dyes used in inkjet printing applications. Competitive products for inkjet colorants are organic dyes and other dispersed pigments manufactured and marketed by large chemical companies and small independent producers. For fumed silica, we compete primarily with two companies with a global presence and several other companies which have a regional presence. For aerogel, we compete principally with one other company that produces aerogel products. We also compete with non-aerogel insulation products manufactured by regional companies throughout the world.

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

## ***Raw Materials***

Raw materials for our products are, in general, readily available. The principal raw material used in the manufacture of carbon black is a portion of the residual heavy oils derived from petroleum refining operations, the distillation of coal tars, and the production of ethylene throughout the world. Natural gas is also used in the production of carbon black. These raw material costs generally are influenced by the availability of various types of carbon black feedstock and natural gas, supply and demand of such raw materials, and related transportation costs. Importantly, movements in the market price for crude oil typically affect carbon black feedstock costs. The primary raw materials used for our specialty compounds include carbon black sourced from our carbon black plants, thermoplastic resins and mineral fillers from various sources. Raw materials for inkjet colorants include carbon black sourced from our carbon black plants, organic pigments and other treating agents available from various sources. Raw materials for inkjet inks include pigment dispersions, solvents and other additives. We believe that all raw materials to produce inkjet colorants and inks are in adequate supply.

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

## ***Operations***

We own, or have a controlling interest in, and operate plants that produce specialty grades of carbon black primarily in China, The Netherlands and the United States. Our specialty compounds are produced in facilities that we own, or have a controlling interest in, located in Belgium, China and the United Arab Emirates. Our inkjet colorants and inks are manufactured at our facility in Haverhill, Massachusetts. We also own, or have a controlling interest in, manufacturing plants that produce fumed metal oxides in the United States, China, the United Kingdom, and Germany and a manufacturing plant that produces aerogel in Frankfurt, Germany. An equity affiliate operates a fumed metal oxides plant in Mettur Dam, India.

The following table shows our ownership interest as of September 30, 2015 in these segment operations in which we own less than 100%:

Location	Percentage Interest
Tianjin, China (Specialty Carbons and Formulations business)	90% (consolidated subsidiary)
Jiangxi Province, China (Metal Oxides business)	90% (consolidated subsidiary)
Mettur Dam, India (Metal Oxides business)	50% (equity affiliate)

## Purification Solutions

### Products

Activated carbon is a porous material consisting mainly of elemental carbon treated with heat, steam and/or chemicals to create high internal porosity, resulting in a large internal surface area that resembles a sponge. It is generally produced in two forms, powdered and granular, and is manufactured in different sizes, shapes and levels of purity and using a variety of raw materials for a wide variety of applications. Activated carbon is used to remove contaminants from liquids and gases using a process called adsorption, whereby the interconnected pores of activated carbon trap contaminants.

Our activated carbon products are used for the purification of water, air, food and beverages, pharmaceuticals and other liquids and gases, as either a colorant or a decolorizing agent in the production of products for food and beverage applications and as a chemical carrier in slow release applications. In gas and air applications, one of the uses of activated carbon is for the removal of mercury in flue gas streams. In certain applications, used activated carbon can be reactivated for further use by removing the contaminants from the pores of the activated carbon product. The most common applications for our reactivated carbon are water treatment and food and beverage purification. In addition to our activated carbon production and reactivation, we also provide activated carbon solutions through on-site equipment and services, including delivery systems for activated carbon injection in coal-fired utilities, mobile water filter units and carbon reactivation services.

### Sales and Customers

Sales of activated carbon are made by Cabot employees and through distributors and sales representatives to a broad range of customers, including coal-fired utilities, food and beverage processors, water treatment plants, pharmaceutical companies and catalyst producers. Some of our sales of activated carbon are made under annual contracts or longer-term agreements, particularly in mercury removal applications.

### Competition

We are one of the leading manufacturers of activated carbon in the world. We compete in the manufacture of activated carbon with a number of companies, some of whom have a global presence and others who have a regional or local presence, although not all of these companies manufacture activated carbon for the range of applications for which we sell our products.

Competition for activated carbon and activated carbon equipment and services is based on quality, performance, price and supply-chain stability. We believe our product and application diversity, product differentiation, technological leadership, quality, cost-effective access to raw materials, and scalable manufacturing capabilities provide us with a competitive advantage.

### Raw Materials

The principal raw materials we use in the manufacture of activated carbon are various forms of coal, including lignite, wood and other carbonaceous materials, which are, in general, readily available and we believe we have in adequate supply. We also own a lignite mine that is operated by Caddo Creek Resources Company, LLC, a subsidiary of the North American Coal Company. The mine began operations in November 2014 and supplies our Marshall, Texas facility.

### Operations

We own, or have a controlling interest in, and operate plants that produce activated carbon in the United States, the United Kingdom, The Netherlands and Italy. Our affiliates operate activated carbon plants in Canada and Mexico. The following table shows our ownership interest as of September 30, 2015 in activated carbon operations in which we own less than 100%:

Location	Percentage Interest
Estevan, Saskatchewan, Canada	50% (contractual joint venture)
Atitalaquia, Hidalgo, Mexico	49% (equity affiliate)

## Specialty Fluids

### Products

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

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

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

A large portion of our fluids has been used for drilling and completion of wells in the North Sea with a limited number of customers, where we have supplied cesium formate-based fluids for both reservoir drilling and completion activities on large gas and condensate field projects in the Norwegian Continental Shelf. We continue to look for opportunities to expand the use of our fluids to drilling operations outside of the North Sea, particularly in Asia and the Middle East.

### ***Competition***

Formate fluids compete mainly with traditional drilling fluid technologies. Competition in the well fluids business is based on product performance, quality, reliability, service, technical innovation, price, and proximity of inventory to customers' drilling operations. We believe our commercial strengths include our unique product offerings and their performance, and our customer service.

### ***Raw Materials***

The principal raw material used in this business is pollucite (cesium ore), of which we own a substantial portion of the world's known pollucite reserves. In November 2015, we successfully completed a development project at our mine in Manitoba, Canada. We believe we have sufficient raw material to enable us to continue to supply cesium products for the foreseeable future, based on our anticipated consumption. We are not currently mining at the site and will assess options to access additional reserves in the mine, various technologies to augment our cesium supply and alternative sources of ore as demand for our cesium products warrants.

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

### ***Operations***

Our mine and cesium formate manufacturing facility are located in Manitoba, Canada, and we have fluid blending and reclamation facilities in Aberdeen, Scotland and in Bergen, Norway. In addition, we warehouse fluid at various locations around the world to support existing and potential operations.

### ***Patents and Trademarks***

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

### ***Seasonality***

Our businesses are generally not seasonal in nature, although we may experience some regional seasonal declines during holiday periods and some weather-related seasonality in Purification Solutions.

### ***Backlog***

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

### ***Employees***

As of September 30, 2015, we had approximately 4,600 employees. Some of our employees in the United States and abroad are covered by collective bargaining or similar agreements. We believe that our relations with our employees are generally satisfactory.



## Research and Development

Cabot develops new and improved products and higher efficiency processes through Company-sponsored research and technical service activities, including those initiated in response to customer requests. Our expenditures for such activities generally are spread among our businesses and are shown in the consolidated statements of operations. Further discussion of our research and technical expenses incurred in each of our last three fiscal years appears in MD&A in Item 7 below.

## Safety, Health and Environment (“SH&E”)

Cabot has been named as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (the “Superfund law”) and comparable state statutes with respect to several sites primarily associated with our divested businesses. (See “Legal Proceedings” below.) During the next several years, as remediation of various environmental sites is carried out, we expect to spend against our \$16 million environmental reserve for costs associated with such remediation. Adjustments are made to the reserve based on our continuing analysis of our share of costs likely to be incurred at each site. Inherent uncertainties exist in these estimates due to unknown conditions at the various sites, changing governmental regulations and legal standards regarding liability, and changing technologies for handling site investigation and remediation. While the reserve represents our best estimate of the costs we expect to incur, the actual costs to investigate and remediate these sites may exceed the amounts accrued in the environmental reserve. While it is always possible that an unusual event may occur with respect to a given site and have a material adverse effect on our results of operations in a particular period, we do not believe that the costs relating to these sites, in the aggregate, are likely to have a material adverse effect on our consolidated financial position. Furthermore, it is possible that we may also incur future costs relating to environmental liabilities not currently known to us or as to which it is currently not possible to make an estimate.

Our ongoing operations are subject to extensive federal, state, local, and foreign laws, regulations, rules, and ordinances relating to safety, health, and environmental matters (“SH&E Requirements”). These SH&E Requirements include requirements to obtain and comply with various environmental-related permits for constructing any new facilities and operating all of our existing facilities and for product registrations. We have expended and will continue to expend considerable sums to construct, maintain, operate, and improve facilities for safety, health and environmental protection and to comply with SH&E Requirements. We spent approximately \$17 million in environmental-related capital expenditures at existing facilities in fiscal 2015 and anticipate spending approximately \$34 million for such matters in fiscal 2016.

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

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

REACH (Registration, Evaluation and Authorization of Chemicals), the European Union (“EU”) regulatory framework for chemicals developed by the European Commission (“EC”), applies to all chemical substances produced or imported into the EU in quantities greater than one metric ton a year. Manufacturers or importers of these chemical substances are required to submit specified health, safety, risk and use information about the substance to the European Chemical Agency. We have completed all required registrations under REACH to date and will continue to complete the registrations under REACH for our products in accordance with future registration deadlines. We will also continue to work with the manufacturers and importers of our raw materials, including our feedstocks, to ensure their registration prior to the applicable deadlines. In addition, the EC has adopted a harmonized definition of “nanomaterial” to be used in the EU to identify materials for which special provisions may apply, such as risk assessment and ingredient labeling. The EC definition is broad and applies to many of our existing products, including carbon black, fumed silica and alumina. Country-specific product registration and assessment programs have been implemented in some countries and are being developed by others. We will continue to address these requirements.

Environmental agencies worldwide are increasingly implementing regulations and other requirements resulting in more restrictive air emission limits globally, particularly as they relate to nitrogen oxide, sulphur dioxide and particulate matter emissions. In addition, global efforts to reduce greenhouse gas emissions impact the carbon black and activated carbon industries as carbon dioxide is emitted from those manufacturing processes. The EU Emission Trading Scheme applies to our carbon black facilities and one activated carbon facility in Europe. In China, two of our carbon black facilities are participating in an emissions trading regional pilot program associated with the development of a national trading program. In the U.S., some of our facilities are required to report their greenhouse gas emissions, but are not currently subject to programs requiring trading or emission controls. We generally expect to purchase emission credits where necessary to respond to allocation shortfalls. In addition, air emission regulations may be adopted in the future in other regions and countries where we operate which could have an impact on our operations.

A number of organizations and regulatory agencies have become increasingly focused on the issue of water scarcity and water quality, particularly in certain geographic regions. We are engaged in various activities to promote water conservation and wastewater recycling. The costs associated with these activities are not expected to have a material adverse effect on our operations.

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

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

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

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

In addition to factors described elsewhere in this report, the following are important factors that could cause our actual results to differ materially from those expressed in our forward-looking statements. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations and financial results.

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

Our operations and performance are affected by worldwide and regional economic conditions. Continued uncertainty or a deterioration in the economic conditions affecting the businesses to which, or geographic areas in which, we sell products could reduce demand for our products. We may also experience pricing pressure on products and services, which could decrease our revenues and have an adverse effect on our financial condition and cash flows. In addition, during periods of economic uncertainty, our customers may temporarily pursue inventory reduction measures that exceed declines in the actual underlying demand. Our businesses are sensitive to industry capacity utilization, particularly Reinforcement Materials and Purification Solutions. As a result, pricing tends to fluctuate when capacity utilization changes occur, which could affect our financial performance.

#### **As a chemical manufacturing company, our operations are subject to operational risks and have the potential to cause environmental or other damage as well as personal injury, which could adversely affect our business, results of operations and cash flows.**

The operation of a chemical manufacturing business as well as the sale and distribution of chemical products involve safety, health and environmental risks. For example, the production and/or processing of carbon black, fumed metal oxides, aerogel, activated carbon and other chemicals involve the handling, transportation, manufacture or use of certain substances or components that may be considered toxic or hazardous. Our manufacturing processes and the transportation of chemical products entail risks such as leaks, fires, explosions, toxic releases, mechanical failures or unscheduled downtime. If operational risks materialize, they could result in injury or loss of life, damage to the environment, or damage to property. In addition, the occurrence of material operating problems at our facilities may result in loss of production, which, in turn, may make it difficult for us to meet customer

needs. Accordingly, these events and their consequences could negatively impact the Company's results of operations and cash flows, both during and after the period of operational difficulties, and could harm our reputation.

**A significant adverse change in a customer relationship or the failure of a customer to perform its obligations under agreements with us could harm our business or cash flows.**

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

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

We have undertaken and expect to continue to undertake cost reduction initiatives and organizational restructurings to improve operating efficiencies, optimize our asset base and generate cost savings. For example, we have recently undertaken a restructuring plan to reduce our cost structure. We cannot be certain that we will be able to complete these initiatives as planned or without business interruption, or that the estimated operating efficiencies or cost savings from such activities will be fully realized or maintained over time.

**Volatility in the price of energy and raw materials could impact our margins and working capital.**

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

**The strategic growth plan of the mercury removal products portion of our Purification Solutions segment relies significantly on the enforcement of environmental laws and regulations, and if our assumptions about future sales and profitability prove incorrect, we may be required to impair certain assets.**

The strategic growth plan for the mercury removal products portion of our Purification Solutions segment relies significantly upon the enforcement of environmental laws and regulations, particularly those that would require industrial facilities to reduce the quantity of air pollutants they release. In particular, we expect demand for our activated carbon products to increase as coal fired utilities in the U.S. enhance their emission control systems in order to comply with the U.S. Mercury and Air Toxics Standards (MATS), which sets forth federal mercury emission levels. The implementation period for the MATS regulation began in April 2015, although state permitting agencies that enforce these standards were authorized to allow a one-year extension of time for compliance. In addition, the MATS regulation has been subject to legal challenge, and in June, 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants, including mercury, emitted by coal-fired utilities and remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. Pending these legal proceedings, the MATS regulation remains in effect and utilities are required to comply with these emission regulations unless they obtained an extension. However, there are a number of possible outcomes of the U.S. Court of Appeals' current review, ranging from the current rule staying in place to a significant multi-year delay in the time when compliance is required, if at all. In our assumptions about the future sales and profitability of the mercury removal products portion of our Purification Solutions segment, we have assumed an approximate two year delay in the time within which compliance with MATS will be required. If our assumptions concerning sales volumes or margins are incorrect because of a change

in the implementation of or requirements under MATS as a result of the Court's review or otherwise, our actual results for our activated carbon business could be less than expected, which could lead to an impairment of certain assets.

**Our mining operations have the potential to cause safety issues, including those that could result in significant personal injury.**

We own two mines, a cesium mine in Manitoba, Canada, a portion of which is located under Bernic Lake, and an above-ground lignite mine, which is located close to our Marshall, Texas facility and operated by a subsidiary of The North American Coal Company. Mining operations by their nature are activities that involve a high level of uncertainty and are often affected by risks and hazards outside of our control. At our lignite mine, the risks are primarily operational risks associated with the maintenance and operation of the heavy equipment required to dig and haul the lignite, and risks relating to lower than expected lignite quality or recovery rates. Our underground mine in Manitoba is subject to a number of risks, including industrial accidents, unexpected geological conditions, fall of ground accidents or structural collapses, which, in the case of our cesium mine, could lead to flooding, and lower than expected ore quality, ore grades or recovery rates. In 2013, following a fall of ground in a portion of the mine that contains significant cesium reserves, we implemented additional safety measures and added several types of monitoring devices in the mine. Since that time, the monitoring devices have indicated good structural stability in the mine, however, the structural stability may change at any time and there is a possibility of further deterioration and flooding of this mine. In November 2015, we successfully completed a development project at our mine in Manitoba, Canada and we are not currently mining at the site. The failure to adequately manage these risks could result in significant personal injury, loss of life, damage to mineral properties, production facilities or mining equipment, damage to the environment, delays in or reduced production, and potential legal liabilities.

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

Attainment of our strategic plan objectives requires, in part, strategic acquisitions or joint ventures intended to complement or expand our businesses globally or add product technology, or both. The success of acquisitions of businesses, new technologies and products, or arrangements with third parties is not always predictable and we may not be successful in realizing our objectives as anticipated. We may not be able to integrate any acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business results.

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

Our ability to complete capacity expansions and other site development projects as planned may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, unexpected cost increases, availability of labor and materials, unforeseen hazards such as weather conditions, and other risks customarily associated with construction projects. Moreover, the cost of these activities could have a negative impact on the financial performance of the relevant business, and in the case of capacity expansion projects, until capacity utilization at the particular facility is sufficient to absorb the incremental costs associated with the expansion. In addition, our ability to expand capacity in emerging regions depends in part on economic and political conditions in these regions and, in some cases, on our ability to establish operations, construct additional manufacturing capacity or form strategic business alliances.

**An interruption in our operations as a result of fence-line arrangements could disrupt our manufacturing operations and adversely affect our financial results.**

At certain of our facilities we have fence-line arrangements with adjacent third party manufacturing operations ("fence-line partners"), who provide raw materials for our manufacturing operations and/or take by-products generated from our operations. Accordingly, any unplanned disruptions or curtailments in a fence-line partner's production facilities that impacts their ability to supply us with raw materials or to take our manufacturing by-products could disrupt our manufacturing operations or cause us to incur increased operating costs to mitigate such disruption.

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

Sales outside of the U.S. constituted a majority of our revenues in fiscal 2015. Although much of our international business is currently in regions where the political and economic risk levels and established legal systems are similar to those in the U.S., we also conduct business in countries that have less stable legal systems and financial markets, and potentially more corrupt business environments than the U.S. Our operations in some countries may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; possible expropriation or other governmental actions; corruption by government officials and other third parties; social unrest, war, terrorist activities or other armed conflict; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global health, safety and environmental matters on economic conditions and market opportunities; and changes in financial policy and availability of credit. We have an equity method investment in Venezuela, a

country that has established rigid controls over the ability of foreign companies to repatriate cash and which has effectively devalued its currency in the past. Such exchange controls could potentially impact our ability, in both the short and long term, to recover both the cost of our investment and earnings from that investment.

**We face competition from other specialty chemical companies.**

We operate in a highly competitive marketplace. Our ability to compete successfully depends in part upon our ability to maintain a superior technological capability and to continue to identify, develop and commercialize new and innovative, high value-added products for existing and future customers. Increased competition from existing or newly developed products offered by our competitors or companies whose products offer a similar functionality as our products and could be substituted for our products, may negatively affect demand for our products. In addition, actions by our competitors could affect our ability to maintain or raise prices, successfully enter new markets or maintain or grow our market position.

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

As more fully described in "Item 3—Legal Proceedings", we are a party to or the subject of lawsuits, claims, and proceedings, including, but not limited to, those involving environmental, and health and safety matters as well as product liability and personal injury claims relating to asbestosis, silicosis, and coal worker's pneumoconiosis. We are also a potentially responsible party in various environmental proceedings and remediation matters wherein substantial amounts are at issue. Adverse rulings, judgments or settlements in pending or future litigation (including liabilities associated with respirator claims) or in connection with environmental remediation activities could adversely affect our financial results or cause our results to differ materially from those expressed or forecasted in any forward-looking statements.

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

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. In fiscal 2015, we derived a majority of our revenues from sales outside the U.S. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies. Due to the geographic diversity of our operations, weaknesses in some currencies might be offset by strengths in others over time. In addition, we are exposed to adverse changes in interest rates. We manage both these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments as well as foreign currency debt. We cannot be certain, however, that we will be successful in reducing the risks inherent in exposures to foreign currency and interest rate fluctuations.

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

**Our tax rate is dependent upon a number of factors, a change in any of which could impact our future tax rates and net income.**

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

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

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

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

Our ongoing operations are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to safety, health and environmental matters, many of which provide for substantial monetary fines and criminal sanctions for violations. These include requirements to obtain and comply with various environmental-related permits for constructing any new facilities and operating all of our existing facilities, and, in certain geographic areas, to pay emissions-related fees based on certain emissions levels. The enactment of new environmental laws and regulations and/or the more aggressive interpretation of existing requirements could require us to incur significant costs for compliance or capital improvements or limit our current or planned operations, any of which could have a material adverse effect on our earnings or cash flow. We attempt to offset the effects of these compliance costs through price increases, productivity improvements and cost reduction efforts. Success in offsetting any such increased regulatory costs is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased regulatory costs or may decrease demand for our products and our volume of sales. See “Item 3 Legal Proceedings—Environmental Proceedings”.

**Regulations requiring a reduction of greenhouse gas emissions may impact our carbon black and activated carbon operations.**

Global efforts to reduce greenhouse gas emissions impact the carbon black and activated carbon industries as carbon dioxide is emitted from those manufacturing processes. The European Commission’s Emissions Trading Scheme applies to our carbon black facilities and one of our activated carbon facilities in Europe, and we generally expect to purchase emission credits where necessary to respond to allocation shortfalls. However, if our carbon black or activated carbon operations generate more carbon dioxide than our allocations permit, the cost to purchase allocation credits at that time may be unacceptable to us. There are also regulatory developments in other regions and countries, including the U.S., Canada, China and Brazil, regarding greenhouse gas emission reduction programs. Those programs have not yet been fully defined and their potential impact on our manufacturing operations or financial results cannot be estimated at this time.

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

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

**The reduction or elimination of tariffs placed on U.S. imports of Chinese activated carbon could have a material adverse effect on our Purification Solutions segment.**

Purification Solutions faces pressure and competition in its U.S. markets from low-priced imports of activated carbon products that are frequently sold at less than fair value in the U.S. If the amounts of these low-priced imports increase, especially if they are sold at less than fair value, our sales of competing products could decline, which could have an adverse effect on the earnings of Purification Solutions. In addition, sales of these low-priced imports may negatively impact our pricing. To limit these activities, regulators in the U.S. have enacted antidumping duties on steam activated carbon products that are set to expire in 2017, subject to provisions for renewal. The amount of these antidumping duties are reviewed annually, and the lower the tariff, the less effective they may be in reducing the volume of low-priced activated carbon imports in the U.S., which could negatively effect demand or pricing for our products.

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

Our patents, trade secrets and other intellectual property rights are important to our success and competitive position. We own various patents and other intellectual property rights in the U.S. and other countries covering many of our products, as well as processes and product uses. Where we believe patent protection is not appropriate or obtainable, we rely on trade secret laws and practices to protect our proprietary technology and processes, such as physical security, limited dissemination and access and confidentiality agreements with our employees, customers, consultants, business partners, potential licensees and others to protect our trade secrets and other proprietary information. However, trade secrets can be difficult to protect and the protective measures we have put in place may not prevent disclosure or unauthorized use of our proprietary information or provide an adequate remedy in the event of misappropriation or other violations of our proprietary rights. In addition, we are a licensee of various patents and intellectual property rights belonging to others in the U.S. and other countries. Because the laws and enforcement mechanisms of some countries may not allow us to protect our proprietary rights to the same extent as we are able to do in the U.S., the strength of our intellectual property rights will vary from country to country.

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

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

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

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

Location by Region	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids
<b>Americas Region</b>				
Alpharetta, GA <sup>(1)</sup>	X	X	X	X
Tuscola, IL		X		
Canal, LA	X	X		
Ville Platte, LA	X			
Billerica, MA	X	X	X	X
Haverhill, MA		X		
Midland, MI		X		
Pryor, OK			X	
Marshall, TX			X	
Pampa, TX	X	X		
Campana, Argentina	X			
Maua, Brazil	X	X		
Sao Paulo, Brazil <sup>(1)</sup>	X	X	X	X
Cartagena, Colombia	X			
Lac du Bonnet, Manitoba <sup>**</sup>				X
Altamira, Mexico	X			
Sarnia, Ontario	X	X		

<sup>(1)</sup> Business service center

<sup>\*</sup> Leased premises

<sup>\*\*</sup> Building(s) owned by Cabot on leased land

Location by Region	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids
<b>EMEA Region</b>				
Loncin, Belgium		X		
Pepinster, Belgium		X		
Valasske Mezirici (Valmez), Czech Republic**	X			
Port Jerome, France**	X			
Frankfurt, Germany*		X		
Rheinfelden, Germany		X		
Ravenna, Italy (2 plants)	X		X	
Riga, Latvia*(1)	X	X	X	X
Bergen, Norway*				X
Schaffhausen, Switzerland*	X	X	X	X
Botlek, The Netherlands**	X	X		
Amersfoort, The Netherlands*			X	
Klazienaveen, The Netherlands			X	
Zaandam, The Netherlands			X	
Dubai, United Arab Emirates*		X		
Purton, United Kingdom (England)			X	
Aberdeen, United Kingdom (Scotland)*				X
Glasgow, United Kingdom (Scotland)			X	
Barry, United Kingdom (Wales)**		X		
<b>Asia Pacific Region</b>				
Jiangxi Province, China**		X		
Tianjin, China**	X	X		
Shanghai, China*(1)	X	X	X	X
Shanghai, China** (plant)	X			
Xingtai City, China**	X			
Mumbai, India*	X	X		
Cilegon, Indonesia**	X			
Jakarta, Indonesia*(1)	X	X		
Merak, Indonesia(2)	X			
Chiba, Japan	X			
Shimonoseki, Japan**	X			
Tokyo, Japan*(1)	X	X	X	X
Port Dickson, Malaysia**	X			

(1) Business service center

(2) The Company intends to cease its manufacturing operations in Merak in January 2016.

\* Leased premises

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

We conduct research and development for our various businesses primarily at facilities in Billerica, MA; Amersfoort, The Netherlands; Pampa, TX; Pepinster, Belgium; Frankfurt and Rheinfelden, Germany; and Shanghai, China.

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



### **Item 3.        *Legal Proceedings***

Cabot is a party in various lawsuits and environmental proceedings wherein substantial amounts are claimed. The following is a description of the significant proceedings pending on September 30, 2015, unless otherwise specified.

#### **Environmental Proceedings**

In November 2013, Cabot entered into a Consent Decree with the United States Environmental Protection Agency (“EPA”) and the Louisiana Department of Environmental Quality (“LDEQ”) regarding Cabot’s three carbon black manufacturing facilities in the United States. This settlement is related to EPA’s national enforcement initiative focused on the U.S. carbon black manufacturing sector alleging non-compliance with certain regulatory and permitting requirements under The Clean Air Act, including the New Source Review (“NSR”) construction permitting requirements. Pursuant to this settlement, which was approved by the U.S. District Court for the Western District of Louisiana in March, 2014, Cabot paid a combined \$975,000 civil penalty to EPA and LDEQ, agreed to fund environmental mitigation projects in the three communities where the plants are located for a total cost of approximately \$450,000, two of which have been completed, and will install technology controls for sulfur dioxide and nitrogen oxide. We expect that the capital costs to install these controls will total approximately \$100 million and be incurred through calendar year 2020. In addition, Cabot has agreed to certain best management practices (“BMPs”) to control emissions of particulate matter at the three locations. Continental Carbon settled with EPA on similar terms in 2015. It is expected that other carbon black manufacturers will also be required to install technology controls and agree to adopt BMPs at their U.S. facilities in connection with this initiative and are also likely to pay a civil penalty and fund mitigation projects.

In 1986, Cabot sold a beryllium manufacturing facility in Reading, Pennsylvania to NGK Metals, Inc. (“NGK”). In doing so, we agreed to share with NGK the costs of certain environmental remediation of the Reading plant site. After the sale, the EPA issued an order to NGK pursuant to the Resource Conservation and Recovery Act (“RCRA”) requiring NGK to address soil and groundwater contamination at the site. Soil remediation at the site has been completed and the groundwater remediation activities are ongoing pursuant to the RCRA order. We are contributing to the costs of the groundwater remediation activities pursuant to the cost-sharing agreement with NGK. Cabot and NGK also pursued various legal claims against the U.S. for cost recovery and participation in future remediation activities based on the U.S.’s previous involvement at the site and contractual arrangements, beginning in World War II and continuing thereafter. Those claims were recently settled by the U.S. Government with a cash payment toward past costs and a commitment to pay a designated share of future costs to be incurred at the site.

We continue to perform certain sampling and remediation activities at a former pine tar manufacturing site in Gainesville, Florida that we sold in the 1960s. Those activities are pursuant to a formal Record of Decision and 1991 Consent Decree with EPA. Cabot installed a groundwater treatment system at the site in the early 1990s, and that system is still in operation. We have also been requested by EPA and other stakeholders to carry out various other additional work at the site, the scope of which has yet to be determined. We continue to work cooperatively with EPA, the Florida Department of Environmental Protection and the local authorities on this matter.

As of September 30, 2015, we had a \$16 million reserve for environmental remediation costs at various sites. The operation and maintenance component of this reserve was \$7 million. The \$16 million reserve represents our current best estimate of costs likely to be incurred for remediation based on our analysis of the extent of cleanup required, alternative cleanup methods available, the ability of other responsible parties to contribute and our interpretation of laws and regulations applicable to each of our sites.

#### **Other Proceedings**

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

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

Generally, these respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker’s pneumoconiosis, allegedly resulting from the use of respirators that are alleged to have been negligently designed and/or labeled. Neither Cabot, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. At no time did this respiratory product line represent a significant portion of the respirator market.

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

In addition to Cabot's subsidiary and as described above, other parties are responsible for significant portions of the costs of respirator liabilities, leaving Cabot's subsidiary with a portion of the liability in only some of the pending cases. These parties include Aearo, AO, AO's insurers, another former owner and its insurers, and a third-party manufacturer of respirators formerly sold under the AO brand and its insurers (collectively, with Cabot's subsidiary, the "Payor Group").

As of September 30, 2015 and 2014, there were approximately 38,000 and 41,000 claimants, respectively, in pending cases asserting claims against AO in connection with respiratory products. Cabot has contributed to the Payor Group's defense and settlement costs with respect to a percentage of pending claims depending on several factors, including the period of alleged product use. In order to quantify our estimated share of liability for pending and future respirator liability claims, we have engaged, through counsel, the assistance of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a leading consulting firm in the field of tort liability valuation. The methodology used by HR&A addresses the complexities surrounding our potential liability by making assumptions about future claimants with respect to periods of asbestos, silica and coal mine dust exposure and respirator use. Using those and other assumptions, HR&A estimates the number of future asbestos, silica and coal mine dust claims that will be filed and the related costs that would be incurred in resolving both currently pending and future claims. On this basis, HR&A then estimates the value of the share of these liabilities that reflect our period of direct manufacture and our contractual obligations. Based on the HR&A estimates, we have recorded an \$11 million reserve for our estimated share of liability for pending and future respirator claims. We made payments related to our respirator liability of \$2 million in each of fiscal 2015, 2014 and 2013.

Our current estimate of the cost of our share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect our estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of members of the Payor Group, (viii) a change in the availability of the insurance coverage of the members of the Payor Group or the indemnity provided by AO's former owner, (ix) changes in the allocation of costs among the Payor Group, and (x) a determination that the assumptions that were used to estimate our share of liability are no longer reasonable. We cannot determine the impact of these potential developments on our current estimate of our share of liability for these existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount.

#### ***Other Matters***

We have various other lawsuits, claims and contingent liabilities. In our opinion, although final disposition of some or all of these other suits and claims may impact our financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on our consolidated financial statements.

#### **Item 4. *Mine Safety Disclosures***

Not applicable.

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

Set forth below is certain information about Cabot's executive officers as of November 25, 2015.

Patrick M. Prevost, age 60, is President and Chief Executive Officer and a member of Cabot's Board of Directors, positions he has held since joining Cabot in January 2008. Prior to joining Cabot, since October 2005, Mr. Prevost served as President, Performance Chemicals, of BASF AG, an international chemical company. Prior to that, he was responsible for BASF Corporation's Chemicals and Plastics business in North America. Prior to joining BASF in 2003, he held senior management positions at BP plc and Amoco.

Eduardo E. Cordeiro, age 48, is Executive Vice President and Chief Financial Officer and President of the Americas and Europe, Middle East and Africa ("EMEA") regions. Mr. Cordeiro joined Cabot in 1998 and has served in a variety of leadership positions, including Corporate Controller, General Manager of the Fumed Metal Oxides business and General Manager of the Supermetals business. He was responsible for Corporate Strategy from May 2008 until February 2009, when he became Cabot's Chief Financial Officer. Mr. Cordeiro was appointed Vice President in March 2003 and Executive Vice President in March 2009.

Nicholas S. Cross, age 54, is Executive Vice President and President of Performance Chemicals and Specialty Fluids. Mr. Cross joined Cabot in September 2009 as President of the EMEA region and was appointed President of Advanced Technologies in January 2013 and President of Performance Chemicals in November 2014. He was appointed Vice President upon joining Cabot in 2009, Senior Vice President in March 2012 and Executive Vice President in November 2014. Prior to joining Cabot, Mr. Cross held a variety of leadership positions in BP plc's Chemicals, Oil and Gas businesses, including Director of Chemicals Strategy and Head of International NGLs.

Sean D. Keohane, age 48, is Executive Vice President and President of Reinforcement Materials. Mr. Keohane joined Cabot in August 2002 and was named General Manager of Performance Chemicals in May 2008. From March 2012 until November 2014, he was Senior Vice President and President of Performance Chemicals and in November 2014 he was appointed President of Reinforcement Materials. He was appointed Vice President in March 2005, Senior Vice President in March 2012 and Executive Vice President in November 2014.

Brian A. Berube, age 53, is Senior Vice President and General Counsel. Mr. Berube joined Cabot in 1994 as an attorney in Cabot's law department and became Deputy General Counsel in June 2001, business General Counsel in March 2002, and General Counsel in March 2003. Mr. Berube was appointed Vice President in March 2002 and Senior Vice President in March 2012.

Friedrich von Gottberg, age 47, is Senior Vice President and President of Purification Solutions. Mr. von Gottberg joined Cabot in 1997. Since joining the Company he has held a variety of leadership positions in Research and Development and Finance. Prior to assuming his current role in January 2013, he was Vice President of the New Business Group from March 2008 until March 2012, and Senior Vice President and President of Advanced Technologies from March 2012 until January 2013. Mr. von Gottberg was appointed Vice President in March 2005 and Senior Vice President in March 2012.

## PART II

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

Cabot's common stock is listed for trading (symbol CBT) on the New York Stock Exchange. As of November 19, 2015, there were 792 holders of record of Cabot's common stock. The tables below show the high and low sales price for Cabot's common stock for each of the fiscal quarters ended December 31, March 31, June 30, and September 30 and the quarterly cash dividend paid on Cabot's common stock for the past two fiscal years.

#### Stock Price and Dividend Data

	Quarters Ended			
	December 31	March 31	June 30	September 30
<b>Fiscal 2015</b>				
Cash dividends per share	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
Price range of common stock:				
High	\$ 50.86	\$ 47.94	\$ 47.27	\$ 38.59
Low	\$ 39.62	\$ 40.33	\$ 37.24	\$ 31.04
<b>Fiscal 2014</b>				
Cash dividends per share	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.22
Price range of common stock:				
High	\$ 51.72	\$ 59.28	\$ 61.46	\$ 59.12
Low	\$ 41.59	\$ 46.24	\$ 55.05	\$ 50.36

#### Issuer Purchases of Equity Securities

The table below sets forth information regarding Cabot's purchases of its equity securities during the quarter ended September 30, 2015:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1, 2015—July 31, 2015	—	\$ —	—	4,125,700
August 1, 2015—August 31, 2015	380,000	\$ 33.99	380,000	3,745,700
September 1, 2015—September 30, 2015	80,000	\$ 33.54	80,000	3,665,700
Total	460,000		460,000	

- (1) On January 13, 2015, Cabot publicly announced that the Board of Directors authorized the Company to repurchase up to five million shares of its common stock on the open market or in privately negotiated transactions. The prior repurchase authorization was terminated at that time. The current authorization does not have a set expiration date. In the fourth quarter of 2015, Cabot repurchased 460,000 shares under this authorization.

### Item 6. *Selected Financial Data*

On July 31, 2012, Cabot completed the purchase of Norit N.V. ("Purification Solutions"). The operating results and ratios presented below for fiscal 2012 include two months of results of Purification Solutions. Beginning September 30, 2012 the balance sheet items presented below include those of Purification Solutions.

On November 18, 2013, Cabot purchased all of its joint venture partner's common stock in NHUMO, S.A. de C.V. ("NHUMO"), which represented approximately 60% of the outstanding common stock of the joint venture. Prior to this transaction, the Company owned approximately 40% of the outstanding common stock of NHUMO, and the NHUMO entity was accounted for as an equity affiliate of the Company. The results of fiscal 2014 in the table below include 11 months of results at 100% consolidation and one month of results accounted for under the equity method at 40%. Results for all years prior to fiscal 2014 are reported under the equity method at 40%.

The Company completed the sales of its Supermetals business and Security Materials business on January 20, 2012 and July 31, 2014, respectively. The results of operations for both businesses for all periods presented are reflected as discontinued operations in the Consolidated Statements of Operations.

	Years Ended September 30				
	2015	2014	2013	2012	2011
	(Dollars in millions, except per share amounts and ratios)				
<b>Consolidated Net (Loss) Income</b>					
Net sales and other operating revenues	\$ 2,871	\$ 3,647	\$ 3,456	\$ 3,291	\$ 3,091
Gross profit	585	721	633	644	553
Selling and administrative expenses	282	326	297	281	247
Research and technical expenses	58	60	68	72	63
Purification Solutions long-lived assets impairment charge	210	—	—	—	—
Purification Solutions goodwill impairment charge	352	—	—	—	—
(Loss) income from operations	(317)	335	268	291	243
Net interest expense and other charges <sup>(1)</sup>	(60)	(27)	(58)	(45)	(40)
(Loss) income from continuing operations <sup>(2)</sup>	(377)	308	210	246	203
Benefit (provision) for income taxes <sup>(3)</sup>	45	(92)	(60)	(55)	(6)
Equity in earnings of affiliated companies	4	—	11	11	8
Income (loss) from discontinued operations, net of tax	2	2	(1)	204	53
Net (loss) income	(326)	218	160	406	258
Net income attributable to noncontrolling interests, net of tax	8	19	7	18	22
Net (loss) income attributable to Cabot Corporation	\$ (334)	\$ 199	\$ 153	\$ 388	\$ 236
<b>Common Share Data</b>					
Diluted net (loss) income attributable to Cabot Corporation:					
(Loss) income from continuing operations	\$ (5.29)	\$ 3.01	\$ 2.37	\$ 2.84	\$ 2.77
Income (loss) from discontinued operations	0.02	0.02	(0.01)	3.15	0.80
Net (loss) income attributable to Cabot Corporation	\$ (5.27)	\$ 3.03	\$ 2.36	\$ 5.99	\$ 3.57
Dividends	\$ 0.88	\$ 0.84	\$ 0.80	\$ 0.76	\$ 0.72
Closing prices	\$ 31.56	\$ 50.77	\$ 42.71	\$ 36.57	\$ 24.78
Weighted-average diluted shares outstanding—millions	63.4	65.1	64.5	64.2	65.4
Shares outstanding at year end—millions	62.5	64.4	64.0	63.3	63.9
<b>Consolidated Financial Position</b>					
Current assets	\$ 1,048	\$ 1,364	\$ 1,495	\$ 1,443	\$ 1,555
Net property, plant, and equipment	1,383	1,581	1,600	1,547	1,031
Other assets	644	1,139	1,138	1,409	555
Total assets	\$ 3,075	\$ 4,084	\$ 4,233	\$ 4,399	\$ 3,141
Current liabilities	\$ 441	\$ 630	\$ 844	\$ 919	\$ 656
Long-term debt	970	1,004	1,020	1,172	556
Other long-term liabilities	326	386	286	369	313
Cabot Corporation stockholders' equity	1,234	1,942	1,951	1,813	1,487
Noncontrolling interests	104	122	132	126	129
Total liabilities and stockholders' equity	\$ 3,075	\$ 4,084	\$ 4,233	\$ 4,399	\$ 3,141
<b>Selected Financial Ratios</b>					
Adjusted return on invested capital <sup>(4)</sup>	8%	9%	8%	12%	16%
Net debt to capitalization ratio <sup>(5)</sup>	41%	33%	36%	40%	20%
Adjusted return on net assets <sup>(6)</sup>	9%	10%	9%	12%	14%

(1) Net interest expense and other charges includes foreign currency activity as follows: a loss of \$8 million for fiscal 2015, a loss of \$2 million for fiscal 2014, a gain of \$2 million for fiscal 2013, and losses of \$2 million and \$6 million for fiscal 2012 and 2011, respectively.

- (2) Income from operations includes certain items as presented in the table below. Refer to Note V to the consolidated financial statements for a description of certain items.

	Years Ended September 30				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Global restructuring activities (Note P)	\$ (21)	\$ (29)	\$ (35)	\$ (17)	\$ (18)
Legal and environmental matters and reserves	—	(18)	(1)	(8)	(1)
Acquisition and integration-related charges	(5)	(7)	(21)	(26)	—
Employee benefit plan settlement and other charges (Note N)	(21)	—	—	—	—
Impairment of goodwill and long-lived assets of Purification Solutions (Note G)	(562)	—	—	—	—
Foreign currency (loss) gain on revaluations	(2)	(3)	3	—	—
Gain on existing investment in NHUMO	—	29	—	—	—
Inventory adjustment (Note E)	(6)	—	—	—	—
Certain items, pre-tax	<u>\$ (617)</u>	<u>\$ (28)</u>	<u>\$ (54)</u>	<u>\$ (51)</u>	<u>\$ (19)</u>

- (3) The Company's effective tax rate for fiscal 2015 was a benefit of 12%, which included \$13 million of discrete tax benefits composed of \$7 million for tax settlements, \$4 million for repatriation, and \$2 million for the renewal of the U.S. research and experimentation credit. The Company's effective tax rate for fiscal 2014 was a provision of 30% which included net discrete charges of \$17 million, composed of a \$20 million charge for a valuation allowance, offset by \$3 million of net tax benefit primarily related to tax settlements. The Company's effective tax rate for fiscal 2013 was a provision of 28% which included net discrete charges of \$3 million, composed of a \$13 million foreign currency related charge, offset by \$10 million of net tax benefit related to tax settlements, renewal of the U.S. research and experimentation ("R&E") credit, and other miscellaneous tax items in the tax provision. The Company's effective tax rate for fiscal 2012 was a provision of 22% which includes net discrete tax benefits of \$8 million from the release of a valuation allowance and \$3 million from settlements and miscellaneous tax items. The Company's effective tax rate for fiscal 2011 was a provision of 3% which includes net tax benefits of \$24 million from the repatriation of high taxed income, \$10 million from the settlements of various tax audits, \$2 million from the renewal of the R&E credit and \$2 million for investment incentive tax credits recognized in China.
- (4) Adjusted return on invested capital ("Adjusted ROIC") is a non-GAAP financial measure that management believes is useful to investors as a measure of performance and the effectiveness of our use of capital. We use Adjusted ROIC as one measure to monitor and evaluate performance. ROIC is not a measure of financial performance under GAAP and may not be defined and calculated by other companies in the same manner. Adjusted ROIC, which excludes items management does not consider representative of the Company's segment results, is calculated as follows.

Numerator (four quarter rolling):

	Net income (loss) attributable to Cabot Corporation
Less the after-tax impact of:	
	Noncontrolling interest in net income
	Interest expense
	Interest income
	Certain items
	Discontinued operations

Denominator:

Previous five quarter average ending invested capital calculated as follows:

	Total Cabot Corporation stockholders' equity
Plus:	Noncontrolling interests' equity
	Long-term debt
	Current portion of long-term debt
	Notes payable
Less:	Cash and cash equivalents
	Less the four quarter rolling impact of after tax certain items.

- (5) Net debt to capitalization ratio is calculated by dividing total debt (the sum of short-term and long-term debt less cash and cash equivalents) by total capitalization (the sum of Total stockholders' equity plus total Debt).
- (6) Adjusted return on net assets ("Adjusted RONA") is a non-GAAP financial measure that management believes is useful to investors as a measure of performance and the effectiveness of our use of capital. We use Adjusted RONA as one measure to monitor and evaluate performance. RONA is not a measure of financial performance under GAAP and may not be defined and calculated by other companies in the same manner. Adjusted RONA, which excludes items management does not consider representative of the Company's segment results, is calculated as follows.

Numerator (four quarter rolling):

Net income (loss) attributable to Cabot Corporation  
Less the after-tax impact of:  
Noncontrolling interest in net income  
Certain items  
Discontinued operations

Denominator:

Previous five quarter average ending net asset balance calculated as follows:

Net Working Capital (Accounts Receivable plus Inventory less Accounts Payable and Accruals)  
Plus: Property Plant & Equipment (net of depreciation)  
Assets held for rent  
External investments, including Equity affiliates

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

### Critical Accounting Policies

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

### Revenue Recognition and Accounts and Notes Receivable

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

Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sales price. Taxes collected on sales to customers are excluded from revenues.

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

	Years ended September 30		
	2015	2014	2013
Reinforcement Materials	54%	59%	57%
Performance Chemicals	33%	29%	30%
Purification Solutions	11%	9%	10%
Specialty Fluids	2%	3%	3%

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

Revenue in Purification Solutions is typically recognized when the product is shipped and title and risk of loss have passed to the customer. For major activated carbon injection systems projects, revenue is recognized using the percentage-of-completion method.

A significant portion of the revenue in Specialty Fluids arises from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. We also generate revenues from cesium formate sold outside of a rental process and revenue is recognized upon delivery of the fluid.

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

### Inventory Valuation

The cost of all carbon black inventories in the U.S. is determined using the last-in, first-out ("LIFO") method. Total U.S. inventories utilizing this cost flow assumption was \$24 million at September 30, 2015 and \$28 million at September 30, 2014. These inventories represent 6% and 5% of total worldwide inventories at September 30, 2015 and 2014, respectively. Had we used the first-in, first-out ("FIFO") method instead of the LIFO method for such inventories, the value of those inventories would have been \$30 million and \$52 million higher as of September 30, 2015 and 2014, respectively. The cost of Specialty Fluids inventories, which are classified as assets held for rent, is determined using the average cost method. The cost of other U.S. and all non-U.S. inventories is determined using the FIFO method. In periods of rapidly rising or declining raw material costs, the inventory method we employ



can have a significant impact on our profitability. Under our current LIFO method, when raw material costs are rising, our most recent higher priced purchases are the first to be charged to Cost of sales. If, however, we were using a FIFO method, our purchases from earlier periods, which were at lower prices, would instead be the first charged to Cost of sales. The opposite result could occur during a period of rapid decline in raw material costs.

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

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

#### ***Intangible Assets and Goodwill Impairment***

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the acquisition method of accounting. Amounts paid for an acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition. Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is reviewed for impairment annually as of May 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. A reporting unit, for the purpose of the impairment test, is at or below the operating segment level, and constitutes a business for which discrete financial information is available and regularly reviewed by segment management. The separate businesses included within Performance Chemicals are considered separate reporting units. The goodwill balance relative to this segment is recorded in the Metal Oxides reporting unit.

For the purpose of the goodwill impairment test, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, an additional quantitative evaluation is performed under the two-step impairment test. Alternatively, we may elect to proceed directly to the quantitative goodwill impairment test. If based on the quantitative evaluation the fair value of the reporting unit is less than its carrying amount, we perform an analysis of the fair value of all assets and liabilities of the reporting unit. If the implied fair value of the reporting unit's goodwill is determined to be less than its carrying amount, an impairment is recognized for the difference. The fair value of a reporting unit is based on discounted estimated future cash flows. The fair value is also benchmarked against a market approach using the guideline public companies method. The assumptions used to estimate fair value include management's best estimates of future growth rates, operating cash flows, capital expenditures and discount rates over an estimate of the remaining operating period at the reporting unit level. Should the fair value of any of our reporting units decline below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Based on our most recent annual goodwill impairment test performed as of May 31, 2015, the fair values of the Reinforcement Materials and Metal Oxides reporting units were substantially in excess of their carrying values. The fair value of the Purification Solutions reporting unit was less than its carrying amount and an impairment charge was recorded in the third quarter of fiscal 2015 as described below under "Purification Solutions Goodwill and Long-Lived Assets Impairment Charges." Due to the impairment recorded, the fair value of the Purification Solutions reporting unit was insignificantly higher than its carrying value. No events occurred in the fourth fiscal quarter of 2015 that would suggest that it is more likely than not that the carrying values of any of our reporting units exceeded its fair value.

We use assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets requires the use of significant judgment with regard to assumptions used in the valuation model. We estimate the fair value of identifiable acquisition-related intangible assets principally based on projections of cash flows that will arise from these assets. The projected cash flows are discounted to determine the fair value of the assets at the dates of acquisition.

Definite-lived intangible assets, which are comprised of customer relationships and developed technologies, are amortized over their estimated useful lives and are reviewed for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. We evaluate indefinite-lived intangible assets, which are comprised of the trademarks of Purification Solutions, for impairment annually or when events occur or circumstances change that may reduce the fair value of the asset below its carrying amount. The annual review is performed as of May 31. We may first perform a qualitative assessment to determine whether it is necessary to perform the quantitative impairment test or bypass the qualitative assessment and proceed directly to performing the quantitative impairment test. The quantitative impairment test is based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth rates and discount rates over an estimate of the remaining operating period at the unit of accounting level. Refer to the "Purification Solutions Goodwill and Long-Lived Assets Impairment Charges" section below for details on the impairment test performed on intangible assets of the Purification Solutions reporting unit and the resulting impairment charges recorded. Effective in the third quarter of fiscal year 2015 and as a part of the impairment assessment performed, we determined that the trademarks for Purification Solutions no longer had an indefinite life.

#### ***Long-lived Assets Impairment***

Our long-lived assets primarily include property, plant and equipment, intangible assets, long-term investments and assets held for rent. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable.

To test for impairment of assets we generally use a probability-weighted estimate of the future undiscounted net cash flows of the assets over their remaining lives to determine if the value of the asset is recoverable. Long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable.

Refer to the "Purification Solutions Goodwill and Long-Lived Assets Impairment Charges" section below for details on the Purification Solutions goodwill impairment test and the resulting impairment charge recorded.

An asset impairment is recognized when the carrying value of the asset is not recoverable based on the analysis described above, in which case the asset is written down to its fair value. If the asset does not have a readily determinable market value, a discounted cash flow model may be used to determine the fair value of the asset. In circumstances when an asset does not have separate identifiable cash flows, an impairment charge is recorded when we no longer intend to use the asset.

#### ***Purification Solutions Goodwill and Long-Lived Assets Impairment Charges***

During fiscal 2015 and as a result of the impairment tests performed on goodwill and long-lived assets of the Purification Solutions reporting unit, we recorded impairment charges and an associated tax benefit in the Consolidated Statements of Operations as follows:

	Year Ended September 30, 2015 (Dollars in millions)
Purifications Solutions goodwill impairment charge	\$ 352
Purification Solutions long-lived assets impairment charge	210
Provision (benefit) for income taxes	(80)
Impairment charges, after tax	<u>\$ 482</u>

The future growth in the Purification Solutions segment is highly dependent on achieving the expected volumes and margins in the activated carbon based mercury removal business. These volumes and margins are highly dependent on demand for mercury removal products and our successful realization of our anticipated share of volumes in this segment. The expected demand for mercury removal products significantly depends on: (1) the implementation and enforcement of environmental laws and regulations, particularly those that would require U.S. based coal-fired electric utilities to reduce the quantity of air pollutants they release, including mercury, to comply with the Mercury and Air Toxics Standards ("MATS") issued by the U.S. Environmental Protection Agency ("EPA") and (2) other factors such as the anticipated usage of activated carbon in the coal-fired energy units. In November 2014, the U.S. Supreme Court agreed to consider whether the EPA appropriately considered costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants emitted by electric utilities. On June 29, 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants emitted by coal-fired utilities, and remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings.

The implementation period for the MATS regulations began in April 2015. With this recent implementation and associated customer and industry developments during the third fiscal quarter, as well as the Supreme Court's ruling, we reassessed our previous estimates for expected growth in volumes, prices and margins in the Purification Solutions reporting unit. The main drivers of growth, including the size of the overall mercury removal industry, utility adoption rates, usage levels, and pricing, among others were lowered from previous estimates. Based on these revised estimates and as part of step one of the annual impairment test, we determined the estimated fair value of the Purification Solutions reporting unit was lower than the reporting unit's carrying value. As such, the reporting unit failed step one of the goodwill impairment test.

In determining the fair value of the Purification Solutions reporting unit, we used an income approach (a discounted cash flow analysis) which incorporated significant estimates and assumptions related to future periods including, timing of MATS implementation, the anticipated size of the mercury removal industry, and growth rates and pricing assumptions of activated carbon, among others. We assumed a two year delay in the final MATS implementation due to the U.S. Supreme Court's ruling. Additional impairment charges may be required if the rulings of the U.S. Court of Appeals for the District of Columbia Circuit on remand result in a delay in the implementation of MATS that is longer than two years or if the regulation is vacated. In addition, an estimate of the reporting unit's weighted average cost of capital ("WACC") is used to discount future estimated cash flows to their present value. The WACC was based upon externally available data considering market participants' costs of equity and debt, capital structure and risk factors specific to the Purification Solutions reporting unit.

Step two of the goodwill impairment test requires us to perform a theoretical purchase price allocation for the reporting unit to determine the implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount of goodwill. The estimate of fair value is complex and requires significant judgment. Accounting guidance provides that a company should recognize an estimated impairment charge to the extent that it determines that it is probable that an impairment loss has occurred and such impairment can be reasonably estimated. As of June 30, 2015, we recorded a pre-tax goodwill impairment charge in the amount of \$353 million. We completed the step two analysis in the fourth quarter of fiscal year 2015, which resulted in recording a credit of \$1 million to the pre-tax goodwill impairment charge. Therefore, for the year ended September 30, 2015, the pre-tax goodwill impairment charge was \$352 million.

Based on the same factors leading to goodwill impairment, we also considered whether the reporting unit's carrying values of definite-lived intangible assets and property, plant and equipment may not be recoverable or whether the carrying value of certain indefinite-lived intangible assets were impaired. We used the income approach to determine the fair value of the indefinite-lived intangible assets represented by the trademarks of Purification Solutions and determined that the fair value of these intangible assets was lower than their carrying value. As such, an impairment loss was recorded in the amount of \$39 million. Subsequent to this impairment analysis, we concluded that an indefinite life of such assets could no longer be supported and have begun amortizing these assets on their estimated useful life. We also performed an impairment analysis to assess if definite-lived intangible assets and property, plant and equipment were recoverable based on the estimated undiscounted cash flows of the reporting unit, which was determined to be the lowest level of identifiable cash flows, and these cash flows were not sufficient to recover the carrying value of the long-lived assets over their remaining useful lives. Accordingly, an impairment charge was recorded based on the lower of the carrying amount or fair value of the long-lived assets. We used the income approach to determine the fair value of the definite-lived intangible assets and a combination of the cost and market approaches to fair value our property, plant and equipment. We recorded impairment charges of \$119 million and \$51 million, to our definite-lived intangible assets and property, plant and equipment, respectively, in the quarter ended June 30, 2015. We completed the impairment analysis in the fourth quarter of fiscal year 2015 which resulted in increasing the property, plant and equipment impairment charge by \$1 million to \$52 million. Therefore, for the year ended September 30, 2015, the long-lived assets impairment charge was \$210 million. In connection with the long-lived assets impairment charges, we recorded a deferred tax benefit of \$80 million to our income tax provision.

The performance of the Purification Solutions reporting unit will continue to be monitored. If the reporting unit does not achieve the financial performance that we expect or events or circumstances change, it is possible that additional impairment charges may result.

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

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

care cost trends. Actual results that differ from the assumptions are generally accumulated and amortized over future periods and could therefore affect the recognized expense and recorded obligation in such future periods. However, cash flow requirements may be different from the amounts of expense that are recorded in the consolidated financial statements.

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

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

The most significant reserves that we have established are for environmental remediation and respirator litigation claims. The amount accrued for environmental matters reflects our assumptions about remediation requirements at the contaminated sites, the nature of the remedies, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. These liabilities can be affected by the availability of new information, changes in the assumptions on which the accruals are based, unanticipated government enforcement action or changes in applicable government laws and regulations, which could result in higher or lower costs.

Our current estimate of the cost of our share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect our estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of other parties which contribute to the settlement of respirator claims, (viii) a change in the availability of insurance coverage maintained by certain of the other parties which contribute to the settlement of respirator claims, or the indemnity provided by a former owner of the business, (ix) changes in the allocation of costs among the various parties paying legal and settlement costs and (x) a determination that the assumptions that were used to estimate our share of liability are no longer reasonable. We cannot determine the impact of these potential developments on our current estimate of our share of liability for these existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount.

### ***Income Taxes***

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

Significant judgment is required in determining our worldwide provision for income taxes and recording the related tax assets and liabilities. In the ordinary course of our business, there are operational decisions, transactions, facts and circumstances, and calculations which make the ultimate tax determination uncertain. Furthermore, our tax positions are periodically subject to challenge by taxing authorities throughout the world. We have recorded reserves for taxes and associated interest and penalties that may become payable in future years as a result of audits by tax authorities. Any significant impact as a result of changes in underlying facts, law, tax rates, tax audit, or review could lead to adjustments to our income tax expense, our effective tax rate, and/or our cash flow.

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

Additionally, we have established valuation allowances against a variety of deferred tax assets, including net operating loss carry-forwards, foreign tax credits, and other income tax credits. Valuation allowances take into consideration our ability to use these deferred tax assets and reduce the value of such items to the amount that is deemed more likely than not to be recoverable. Our ability to utilize these deferred tax assets is dependent on achieving our forecast of future taxable operating income over an extended period of time. We review our forecast in relation to actual results and expected trends on a quarterly basis. Failure to

achieve our operating income targets may change our assessment regarding the recoverability of our net deferred tax assets and such change could result in a valuation allowance being recorded against some or all of our net deferred tax assets. An increase in a valuation allowance would result in additional income tax expense, while a release of valuation allowances in periods when these tax attributes become realizable would reduce our income tax expense.

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

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

## **Results of Operations**

### ***Definition of Terms and Non-GAAP Financial Measures***

When discussing our results of operations, we use several terms as described below.

The term “product mix” refers to the mix of types and grades of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business or segment.

The term “LIFO” includes two factors: (i) the impact of current inventory costs being recognized immediately in Cost of sales under a last-in first-out method, compared to the older costs that would have been included in Cost of sales under a first-in first-out method (“Cost of sales impact”); and (ii) the impact of reductions in inventory quantities, causing historical inventory costs to flow through Cost of sales (“liquidation impact”).

The discussion under the heading “Provision for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate” includes a discussion of our “effective tax rate” and our “operating tax rate” and includes a reconciliation of the two rates. Our operating tax rate is a non-GAAP financial measure and should not be considered as an alternative to our effective tax rate, the most comparable GAAP financial measure. In calculating our operating tax rate, we exclude discrete tax items, which include: i) unusual or infrequent items such as a significant release of a valuation allowance, ii) items related to uncertain tax positions such as the tax impact of audit settlements, interest on tax reserves, and the release of tax reserves from the expiration of statutes of limitations, and iii) other discrete tax items, such as the tax impact of legislative changes and, on a quarterly basis, the timing of losses in certain jurisdictions and the cumulative rate adjustment, if applicable. We also exclude the tax impact of certain items, as defined below in the discussion of Total segment EBIT, on both operating income and the tax provision. Our definition of the operating tax rate may not be comparable to the definition used by other companies. Management believes that the non-GAAP financial measure is useful supplemental information because it helps our investors compare our tax rate year to year on a consistent basis and understand what our tax rate on current operations would be without the impact of these items which we do not believe are reflective of the underlying business results.

Total segment EBIT is a non-GAAP performance measure, and should not be considered an alternative for Income from continuing operations before taxes, the most directly comparable GAAP financial measure. In calculating Total segment EBIT, we make certain adjustments such as excluding certain items, meaning items that management does not consider representative of our fundamental segment results, as well as items that are not allocated to our business segments, such as interest expense and other corporate costs. Our Chief Operating Decision Maker uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT provides useful supplemental information for our investors as it is an important indicator of the Company’s operational strength and performance. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another. A reconciliation of Total segment EBIT to Income from continuing operations before income taxes and equity in earnings of affiliated companies is provided in Note V of our consolidated financial statements.

Cabot is organized into four reportable business segments: Reinforcement Materials, Performance Chemicals, Purification Solutions, and Specialty Fluids. In fiscal 2015, we realigned our business reporting structure into these four segments. Segment results have been recast for all periods presented to reflect the realignment of our global business segments. The new segment structure is designed to improve efficiency and resource prioritization and reflects how our chief operating decision maker reviews segment results to assess performance and allocate resources.

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

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

Drivers of demand and key factors affecting our profitability differ by segment. In Reinforcement Materials, demand is influenced on a long-term basis primarily by: i) the number of vehicle miles driven globally; ii) the number of original equipment and replacement tires produced; and iii) the number of automotive builds. Over the past several years, operating results have been driven by a number of factors, including: i) increases or decreases in our sales volumes driven by changes in production levels for tires or industrial rubber products and the level at which we service that demand; ii) changes in raw material costs and our ability to adjust the sales price for our products commensurate with changes in raw material costs; iii) changes in pricing and product mix dependent on the level of price increases or decreases to customers as well as the mix of products sold or the region in which they are sold; iv) global and regional capacity utilization for carbon black; v) fixed cost savings achieved through restructuring and other cost saving activities; vi) the growth of our volumes and market position in emerging economies; vii) capacity management and technology investments, including the impact of energy utilization and yield improvement technologies at our manufacturing facilities; and viii) royalties and technology payments related to our patented elastomer composites technology that is used in tire applications.

In Performance Chemicals, longer term demand is driven primarily by the construction and infrastructure, automotive, electronics and consumer products industries. In recent years, operating results in Performance Chemicals have been driven by: i) increases or decreases in sales volumes to the industries previously noted; ii) our ability to deliver differentiated products that drive enhanced performance in customers' applications; iii) our ability to obtain value pricing for this differentiation; iv) the cost of new capacity; and v) the adoption of new products for use in our customers' applications.

In Purification Solutions, longer term demand is driven primarily by the demand for activated carbon based solutions for water, gas and air, pharmaceuticals, food and beverages, catalysts and other chemical applications. Operating results in Purification Solutions have been influenced by i) changes in volume in the various applications previously noted, ii) the amount of coal-based power generation utilized in the U.S. and the regulation of those utilities, iii) management of our operations, including inventory levels, and the commensurate costs, iv) changes in price and product mix, and v) industry capacity utilization.

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

### **Overview of Results for Fiscal 2015**

During fiscal 2015, Income from continuing operations before income taxes and equity in earnings (loss) of affiliated companies decreased compared to fiscal 2014 largely due to an impairment charge related to the assets of Purification Solutions. The impairment was driven by a less favorable estimate of the developing business for activated carbon in mercury removal applications and uncertainty created by the June 2015 U.S. Supreme Court decision regarding the Mercury and Air Toxics Standards ("MATS") regulations. This resulted in a pre-tax Long-lived assets impairment charge of \$210 million and a pre-tax Goodwill impairment charge of \$352 million. The total after-tax charge was \$482 million. In addition, results declined due to margin pressure in Reinforcement Materials and lower project activity in Specialty Fluids, partially offset by improved EBIT results in Purification Solutions and Performance Chemicals.

### **Fiscal 2015 compared to Fiscal 2014 and Fiscal 2014 compared to Fiscal 2013—Consolidated**

#### **Net Sales and other operating revenue and Gross Profit**

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Net sales and other operating revenues	\$ 2,871	\$ 3,647	\$ 3,456
Gross profit	\$ 585	\$ 721	\$ 633

The \$776 million decrease in net sales from fiscal 2014 to fiscal 2015 was due primarily to a less favorable price and product mix (combined \$433 million), an unfavorable impact from foreign currency translation (\$203 million), a decrease in volumes (\$116 million), lower elastomer composites royalties and technology payments (\$10 million), and lower royalties in Purification Solutions (\$3 million). The less favorable price and product mix impact was primarily due to lower selling prices during the year from price adjustments to customers for decreases in raw materials costs. The \$191 million increase in net sales from fiscal 2013 to fiscal 2014 was due primarily to an increase in volumes (\$247 million). The improvement was partially offset by a less favorable price and product mix (combined \$57 million).

Gross profit decreased by \$136 million in fiscal 2015 when compared to fiscal 2014 driven by lower margins in Reinforcement Materials and lower volumes in Specialty Fluids. Gross profit increased by \$88 million in fiscal 2014 when compared to fiscal 2013 driven by higher volumes, raw material purchasing savings, and the benefits from energy efficiency investments.

#### *Selling and Administrative Expenses*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Selling and administrative expenses	\$ 282	\$ 326	\$ 297

Selling and administrative expenses decreased by \$44 million in fiscal 2015 when compared to fiscal 2014. The decrease was principally driven by reduced spending on travel and corporate projects, lower incentive compensation expense, and lower expenses related to a 2014 restructuring in our Europe, Middle East and Africa ("EMEA") business service center. Selling and administrative expenses increased by \$29 million in fiscal 2014 when compared to fiscal 2013. The increase was principally driven by higher expenses related to the restructuring of our EMEA business service center, the addition of NHUMO, and higher costs associated with corporate projects.

#### *Research and Technical Expenses*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Research and technical expenses	\$ 58	\$ 60	\$ 68

Research and technical expenses decreased by \$2 million in fiscal 2015 when compared to fiscal 2014 due to lower spending on projects across the segments. Research and technical expenses decreased by \$8 million in fiscal 2014 when compared to fiscal 2013 primarily due to lower costs from the benefits associated with restructuring-related activities as we focus on activities that are closer to our existing businesses.

#### *Purification Solutions Long-Lived Assets and Goodwill Impairment Charges*

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Purification Solutions long-lived assets impairment charge	\$ 210	\$ —	\$ —
Purification Solutions goodwill impairment charge	\$ 352	\$ —	\$ —

The Purification Solutions long-lived assets and goodwill impairment charges were recorded during fiscal 2015. Refer to Note G for further information on these charges.

#### *Interest and Dividend Income*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Interest and dividend income	\$ 4	\$ 3	\$ 5

Interest and dividend income increased by \$1 million in fiscal 2015 when compared to fiscal 2014 due to higher interest earned on cash balances. Interest and dividend income decreased by \$2 million in fiscal 2014 when compared to fiscal 2013 due to lower interest earned on cash balances.

#### *Interest Expense*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Interest expense	\$ 53	\$ 55	\$ 62

Interest expense decreased by \$2 million in fiscal 2015 as compared to fiscal 2014. The decrease was primarily due to the repayment of certain long-term debt. Interest expense decreased by \$7 million in fiscal 2014 as compared to fiscal 2013. The decrease was due to the maturity of long-term debt in the fourth quarter of fiscal 2013 that was refinanced with commercial paper carrying a lower interest rate.

*Other (Expense) Income*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Other (expense) income	\$ (11)	\$ 25	\$ (1)

Other (expense) income during fiscal 2015 changed by \$36 million as compared to fiscal 2014 due primarily to a gain recognized on our existing equity investment in NHUMO (\$29 million) in fiscal 2014 as a result of the NHUMO transaction and the unfavorable comparison of foreign currency movements (\$6 million). Other (expense) income during fiscal 2014 changed by \$26 million as compared to fiscal 2013 due primarily to a gain recognized on our existing equity investment in NHUMO (\$29 million) as a result of the NHUMO transaction. This gain was partially offset by an unfavorable comparison of foreign currency movements.

*Provision for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
(Benefit) provision for income taxes	\$ (45)	\$ 92	\$ 60
Effective tax rate	12%	30%	28%
Impact of discrete tax items:			
Unusual or infrequent items	(2)%	(7%)	(3%)
Items related to uncertain tax positions	(2)%	3%	2%
Other discrete tax items	1%	(2%)	1%
Impact of certain items	17%	3%	(2%)
Operating tax rate	26%	27%	26%

The benefit for income taxes was \$45 million for fiscal 2015, resulting in an effective tax rate of 12%. This amount included net tax benefits of \$107 million, principally comprised of an \$80 million benefit from the impairment of the Purification Solutions segment, \$14 million of benefits from other certain items and \$13 million of benefits from discrete tax items. See Note G of the consolidated financial statements for details of the impairment. The operating tax rate for fiscal 2015 was 26%.

The provision for income taxes was \$92 million for fiscal 2014, resulting in an effective tax rate of 30%. This amount included net discrete charges of \$17 million, principally comprised of a \$20 million valuation allowance, partially offset by a non-taxable gain of \$29 million recognized on the Company's pre-existing investment in NHUMO as a result of the NHUMO transaction. This gain is reported as a certain item. See Note C of the consolidated financial statements for details of the transaction. The operating tax rate for fiscal 2014 was 27%.

The provision for income taxes was \$60 million for fiscal 2013, resulting in an effective tax rate of 28%. The increase in the effective tax rate for fiscal 2013, as compared to fiscal 2012, is due to a change in our geographic mix of earnings and an increase in losses from jurisdictions for which no benefit can be recognized. This amount included net discrete charges of \$3 million composed of \$13 million foreign currency related charge, offset by \$10 million of net tax benefit related to tax settlements, renewal of the U.S. research and experimentation credit, and other miscellaneous tax items in the tax provision. The operating tax rate for fiscal 2013 was 26%.

Our anticipated operating tax rate for fiscal 2016 is between 26% and 28%. The IRS has not yet commenced the audit of our 2012 and later tax years and certain Cabot subsidiaries are under audit in a number of jurisdictions outside of the U.S. It is possible that some of these audits will be resolved in fiscal 2016 and could impact our anticipated effective tax rate. We have filed our tax returns in accordance with the tax laws in each jurisdiction and maintain tax reserves for uncertain tax positions.

*Equity in Earnings of Affiliated Companies and Net Income Attributable to Noncontrolling Interest, net of tax*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Equity in earnings of affiliated companies, net of tax	\$ 4	\$ —	\$ 11
Net income attributable to noncontrolling interests, net of tax	\$ 8	\$ 19	\$ 7

Equity in earnings of affiliated companies, net of tax, increased by \$4 million in fiscal 2015 compared to fiscal 2014. The increase was primarily due to higher earnings from our Venezuelan equity affiliate. Equity in earnings of affiliated companies, net of tax, decreased by \$11 million in fiscal 2014 compared to fiscal 2013. The decline was primarily due to the consolidation of the earnings



of NHUMO following the NHUMO transaction and lower earnings from our Venezuelan equity affiliate, including the unfavorable impact from the devaluation of the Venezuelan bolivar.

For fiscal 2015, net income attributable to noncontrolling interests, net of tax, decreased by \$11 million compared to fiscal 2014 due to lower profitability of our joint ventures. For fiscal 2014, net income attributable to noncontrolling interests, net of tax, increased by \$12 million compared to fiscal 2013 due to higher profitability of our joint ventures and charges associated with our 2013 restructuring in Malaysia that did not repeat in fiscal 2014.

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

During fiscal 2014, we divested our Security Materials business and during fiscal 2012, we divested our Supermetals business. Accordingly, for all periods we have classified the income or loss from these businesses as Income from discontinued operations, net of tax.

*Net (Loss) Income Attributable to Cabot Corporation*

In fiscal 2015, we reported a net loss of \$334 million (\$5.27 per diluted common share). The loss is driven by the Purification Solutions long-lived asset and goodwill impairment charges more fully discussed in Note G to our consolidated financial statements. This is compared to net income of \$199 million (\$3.03 per diluted common share) in fiscal 2014 and net income of \$153 million (\$2.36 per diluted common share) in fiscal 2013.

***Fiscal 2015 compared to Fiscal 2014 and Fiscal 2014 compared to Fiscal 2013—By Business Segment***

Total segment EBIT, certain items, other unallocated items and Income from continuing operations before income taxes and equity in earnings of affiliated companies for fiscal 2015, 2014 and 2013 are set forth in the table below. The details of certain items and other unallocated items are shown below and in Note V of our Consolidated Financial Statements.

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Total segment EBIT	\$ 332	\$ 447	\$ 386
Certain items	(617)	(28)	(54)
Other unallocated items	(92)	(111)	(122)
(Loss) income from continuing operations before income taxes and equity in earnings of affiliated companies	\$ (377)	\$ 308	\$ 210

In fiscal 2015, total segment EBIT decreased by \$115 million when compared to fiscal 2014. The decrease was driven by lower volumes (\$69 million), lower unit margins (\$44 million), an unfavorable comparison of foreign currency movements (\$20 million), lower elastomer composites royalties and technology payments (\$10 million), lower Purification Solutions royalties (\$3 million) and the absence of a one-time insurance recovery in fiscal 2014 that did not repeat in fiscal 2015 in Purification Solutions (\$9 million). These impacts were partially offset by lower fixed costs (\$46 million).

In fiscal 2014, total segment EBIT increased by \$61 million when compared to fiscal 2013. The increase was driven by higher volumes (\$84 million), higher unit margins (\$23 million) that resulted from raw material purchasing savings and the benefits from energy efficiency investments, a favorable comparison of foreign currency movements (\$15 million), and higher royalty and technology payments in elastomer composites (\$11 million). These increases were partially offset by higher fixed costs (\$73 million) driven by costs from new capacity in the Reinforcement Materials segment and higher maintenance costs in the Purification Solutions segment.

*Certain Items:*

Details of the certain items for fiscal 2015, 2014, and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Impairment of goodwill and long-lived assets of Purification Solutions	\$ (562)	\$ —	\$ —
Global restructuring activities	(21)	(29)	(35)
Acquisition and integration-related charges	(5)	(7)	(21)
Employee benefit plan settlement and other charges	(21)	—	—
Foreign currency (loss) gain on revaluations	(2)	(3)	3
Gain on existing investment in NHUMO	—	29	—
Legal and environmental matters and reserves	—	(18)	(1)
Inventory reserve adjustment	(6)	—	—
Total certain items, pre-tax	<u>\$ (617)</u>	<u>\$ (28)</u>	<u>\$ (54)</u>
<b>Tax-related certain items</b>			
Tax impact of certain items	\$ 94	\$ 17	\$ 10
Tax impact of certain foreign exchange (losses) gains	—	—	(12)
Tax impact of non-deductible interest expense	—	—	—
Discrete tax items	13	(17)	11
Total tax-related certain items	<u>—</u>	<u>—</u>	<u>9</u>
Total certain items after tax	<u>\$ (510)</u>	<u>\$ (28)</u>	<u>\$ (45)</u>

Certain items for fiscal 2015 include charges related to the impairment of Purification Solutions long-lived assets and goodwill, restructuring activities, acquisition and integration-related charges, foreign currency impacts on revaluations, employee benefit plan settlements, an inventory adjustment, and tax certain items. Details of the impairment of goodwill and long-lived assets are included in Note G of the Consolidated Financial Statements. Details of restructuring activities are included in Note P of the Consolidated Financial Statements. Acquisition and integration-related charges include legal and professional fees, the incremental value of inventory as a result of purchase accounting adjustments and other expenses related to the completion of the acquisitions and the integrations of Purification Solutions and NHUMO. A discussion of employee benefit plan settlements is included in Note N of the consolidated financial statements. A discussion of the inventory reserve adjustment is included in Note E of the consolidated financial statements. Tax-related certain items include discrete tax items, which are unusual and infrequent, and the tax impact of certain foreign exchange losses.

*Other Unallocated Items:*

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Interest expense	\$ (53)	\$ (55)	\$ (62)
Equity in earnings of affiliated companies, net of tax	(4)	—	(11)
Unallocated corporate costs	(46)	(54)	(48)
General unallocated income (expense)	11	(2)	(1)
Total other unallocated items	<u>\$ (92)</u>	<u>\$ (111)</u>	<u>\$ (122)</u>

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

In fiscal 2015, costs from total other unallocated items decreased by \$19 million when compared to fiscal 2014. The decrease was driven by a change of \$13 million of General unallocated income (expense) due to the cost of sales impact of LIFO accounting from changes in carbon black raw material costs that resulted in a favorable comparison (\$19 million) partially offset by the unfavorable impact of changes in foreign currency movements (\$6 million). In addition, Unallocated corporate costs decreased by \$8 million primarily associated with lower spending for corporate projects and lower expenses related to incentive compensation.

In fiscal 2014, costs from total other unallocated items decreased by \$11 million when compared to fiscal 2013. The decrease was driven by \$11 million of lower Equity in earnings of affiliated companies, net of tax, due to the consolidation of the earnings of NHUMO following the NHUMO transaction and lower earnings from our Venezuelan equity affiliate. Interest expense also decreased by \$7 million due to the maturity of long-term debt in the fourth quarter of fiscal 2013 that was refinanced with commercial paper carrying a lower interest rate. These decreases were partially offset by a \$6 million increase in Unallocated corporate costs primarily associated with spending for corporate projects and higher expenses related to incentive compensation.

### **Reinforcement Materials**

Sales and EBIT for Reinforcement Materials for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Reinforcement Materials Sales	\$ 1,507	\$ 2,108	\$ 1,931
Reinforcement Materials EBIT	\$ 143	\$ 259	\$ 195

In fiscal 2015, sales in Reinforcement Materials decreased by \$601 million when compared to fiscal 2014. The decrease was principally driven by a less favorable price and product mix (combined \$418 million), an unfavorable comparison of foreign currency translation (\$116 million), 2% lower volumes (\$55 million), and lower elastomer composites royalties and technology payments (\$10 million). The less favorable price and product mix was primarily due to price adjustments to customers for decreases in raw material costs, lower pricing, and a shift in regional mix from North America to Asia. Lower volumes were driven by a reduction in rubber blacks volumes from lower contractual volumes in North America and weaker demand in China and South America. The lower elastomer composites royalties and technology payments were due to the transition from a fixed to a variable royalty arrangement and lower technology milestone payments.

In fiscal 2014, sales in Reinforcement Materials increased by \$177 million when compared to fiscal 2013. The increase was principally driven by 13% higher rubber blacks volumes (\$254 million). The increase was offset by a less favorable rubber blacks price and product mix (combined \$67 million) and an unfavorable comparison of foreign currency translation (\$14 million). Higher rubber blacks volumes were due to improved carbon black demand, the addition of new capacity in China, and the acquisition of NHUMO. The less favorable rubber blacks price and product mix was primarily due to price adjustments to customers for decreases in raw material costs.

In fiscal 2015, Reinforcement Materials EBIT decreased by \$116 million when compared to fiscal 2014 driven principally by lower rubber blacks unit margins (\$91 million), lower rubber blacks volumes (\$14 million), lower elastomer composites royalties and technology payments (\$10 million), and an unfavorable comparison of foreign currency translation (\$7 million). The decreases were partially offset by lower rubber blacks fixed costs (\$9 million). The less favorable rubber blacks unit margins were due to lower contract pricing and increased competition in Asia, negative feedstock effects from lower raw materials purchasing savings, lower benefits from our energy efficiency investments, and the impact of high cost inventory that moved through our supply chain during the first half of the year. We also experienced a less favorable sales mix, with lower sales in North America and higher sales in Asia. Lower rubber blacks fixed costs were primarily associated with cost management efforts to operate more efficiently and lower discretionary spending.

In fiscal 2014, Reinforcement Materials EBIT increased by \$64 million when compared to fiscal 2013 driven principally by higher rubber blacks volumes (\$85 million), higher rubber blacks unit margins (\$16 million) from raw material purchasing savings and the benefit from energy efficiency investments, a favorable comparison of foreign currency translation (\$12 million), and higher elastomer composites royalties and technology payments (\$11 million). The increase was partially offset by higher rubber blacks fixed costs (\$58 million). Higher rubber blacks fixed costs were primarily associated with new carbon black capacity in China and the acquisition of NHUMO.

### **Performance Chemicals**

Sales and EBIT for Performance Chemicals for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Specialty Carbons and Formulations Sales	\$ 630	\$ 709	\$ 686
Metal Oxides Sales	297	313	303
Performance Chemicals Sales	\$ 927	\$ 1,022	\$ 989
Performance Chemicals EBIT	\$ 178	\$ 168	\$ 149

In fiscal 2015, sales in Performance Chemicals decreased by \$95 million when compared to fiscal 2014 due to an unfavorable comparison of foreign currency translation (\$64 million), and a less favorable price and product mix (combined \$32 million). The change in price and product mix was mainly driven by price adjustments to customers for decreases in raw material costs.

In fiscal 2014, sales in Performance Chemicals increased by \$33 million when compared to fiscal 2013 due to higher volumes (\$41 million) and a favorable comparison of foreign currency translation (\$9 million), offset by a less favorable price and product mix (combined \$10 million) and lower aerogel royalties (\$8 million). During fiscal 2014, volumes in Specialty Carbons and Formulations increased by 4% and volumes in Metal Oxides increased by 4%. Higher volumes were due to improved demand in our key end markets. The change in price and product mix was driven by price adjustments to customers for decreases in raw material costs.

In fiscal 2015, EBIT in Performance Chemicals was \$10 million higher when compared to fiscal 2014 due to higher unit margins (\$20 million) and lower fixed costs (\$8 million). The improvement in unit margins was driven by lower raw material costs in the specialty carbons product line. Lower fixed costs were a result of cost management efforts across the segment. These benefits were partially offset by unfavorable foreign currency translation (\$16 million) and slightly lower volumes (\$2 million). Volumes were relatively flat across the segment during fiscal 2015.

In fiscal 2014, EBIT in Performance Chemicals was \$19 million higher when compared to fiscal 2013 due to higher volumes (\$21 million) as demand improved in our key end markets.

#### **Purification Solutions**

Sales and EBIT for Purification Solutions for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Purification Solutions Sales	\$ 296	\$ 315	\$ 328
Purification Solutions EBIT	\$ 5	\$ (19)	\$ (4)

Sales in Purification Solutions decreased by \$19 million in fiscal 2015 when compared to fiscal 2014 due to an unfavorable comparison of foreign currency translation (\$23 million), lower royalties (\$3 million) and lower volumes (\$3 million) partially offset by a more favorable price and product mix (combined \$10 million). The more favorable price and product mix was primarily due to the implementation of price increases and an improved product mix. Overall volumes declined slightly from the effect on volumes of increasing prices, however, volumes sold to mercury removal customers increased. This was due to the first wave of customers complying with the MATS regulation in April of 2015.

Sales in Purification Solutions decreased by \$13 million in fiscal 2014 when compared to fiscal 2013 due to lower volumes (\$31 million) partially offset by a more favorable price and product mix (combined \$13 million) and a favorable comparison of foreign currency translation (\$5 million). Lower volumes were driven by a decline in demand in the air and gas sector. The more favorable price and product mix was primarily due to the implementation of price increases.

EBIT in Purification Solutions increased by \$24 million in fiscal 2015 when compared to fiscal 2014 driven by improved unit margins (\$21 million), lower fixed costs (\$14 million), and the favorable comparison of foreign currency translation (\$2 million). These improvements were partially offset by lower royalties (\$3 million) and the absence of a one-time insurance recovery in fiscal 2014 that did not repeat in fiscal 2015 (\$9 million), and lower volumes (\$2 million). Higher unit margins were due to the implementation of price increases, improvement in the product mix and lower variable costs. Lower fixed costs were a result of improved operational performance, cost management efforts and \$5 million of lower depreciation and amortization.

EBIT in Purification Solutions decreased by \$15 million in fiscal 2014 when compared to fiscal 2013 driven by lower volumes (\$17 million) and higher fixed costs (\$10 million). These declines were partially offset by higher unit margins (\$2 million) due to price increases and the benefit from insurance proceeds (\$9 million). Lower volumes were primarily due to a decline in demand in the air and gas sector. Higher fixed costs were primarily related to higher maintenance costs and higher allocation of certain functional and indirect costs. The insurance proceeds were related to business interruption and property damage insurance recoveries for operating issues experienced in late fiscal 2013 and early fiscal 2014.

## Specialty Fluids

Sales and EBIT for Specialty Fluids for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Specialty Fluids Sales	\$ 42	\$ 98	\$ 101
Specialty Fluids EBIT	\$ 6	\$ 39	\$ 46

Sales in Specialty Fluids decreased by \$56 million in fiscal 2015 when compared to fiscal 2014. The decrease was primarily due to lower volumes (\$62 million) from lower project activity levels that resulted in lower rental and sales volumes for our drilling fluids. The lower level of project activity was caused by the downturn in the oil and gas industry, which resulted in fewer investments, project delays, and stringent cost management by our customers. The decrease in volumes was partially offset by a more favorable price and product mix (combined \$6 million).

Sales in Specialty Fluids decreased by \$3 million in fiscal 2014 when compared to fiscal 2013. The decrease was primarily due to lower volumes (\$8 million) partially offset by a more favorable price and product mix (combined \$6 million).

EBIT in Specialty Fluids decreased by \$33 million in fiscal 2015 when compared to fiscal 2014. The decrease was primarily due to lower volumes (\$46 million). In response, we improved our price and product mix (\$5 million) and reduced fixed costs (\$8 million) to help partially offset the lower volumes.

EBIT in Specialty Fluids decreased by \$7 million in fiscal 2014 when compared to fiscal 2013. The decrease is primarily due to higher fixed costs (\$10 million) driven by higher mine-related costs, and lower volumes (\$1 million), partially offset by a more favorable price and product mix (combined \$5 million).

## Outlook

We expect modest growth in volumes in fiscal year 2016 in Reinforcement Materials and Performance Chemicals driven by demand growth for our products in the developed economies and continued economic uncertainty in Asia and South America. We anticipate continued margin pressure in the Reinforcement Materials segment during the remainder of calendar year 2015 from feedstock-related effects and an increasingly competitive environment in Asia. For Purification Solutions, we are repositioning our cost profile and until a decision from the U.S. Court of Appeals for the District of Columbia about next steps for MATS can provide clarity of direction for the regulation, we expect that Purification Solutions will operate at roughly breakeven EBIT in the near-term. Specialty Fluids continues to work on strengthening the project pipeline, but the short-term outlook remains difficult for the segment. To respond to the current environment, we remain focused on managing costs and cash flow. In October 2015, we announced our intention to implement a restructuring plan that is expected to result in Company-wide cost savings of approximately \$50 million in fiscal 2016 as compared to fiscal 2015, with savings starting in the second quarter of fiscal 2016. In November 2015, we announced our intention to close our Merak, Indonesia carbon black manufacturing facility by the end of January 2016. It is expected that this closure will result in annual cost savings of approximately \$8 million. We anticipate capital expenditures to be approximately \$150 million in fiscal 2016.

## Cash Flows and Liquidity

### Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, increased by \$28 million during fiscal 2015. The increase was largely attributable to an increase in cash and the paydown of commercial paper. As of September 30, 2015, we had cash and cash equivalents of \$77 million and borrowing availability under our revolving credit agreement of \$738 million. Our revolving credit agreement, which was amended in October 2015 to increase the borrowing limit from \$750 million to \$1 billion, supports our commercial paper program. The outstanding balance of commercial paper as of September 30, 2015 was \$12 million and is included within the Notes payable caption on our Consolidated Balance Sheets. At September 30, 2015, we were in compliance with all applicable covenants including the total consolidated debt to consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) covenant.

We generally manage our cash and debt on a global basis to provide for working capital requirements as needed by region or site. Cash and debt are generally denominated in the local currency of the subsidiary holding the assets or liabilities, except where there are operational cash flow reasons to hold non-functional currency or debt. The vast majority of our cash and cash equivalent holdings tend to be held outside the U.S., as excess cash balances in the U.S. are generally used to repay commercial paper.

We anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from our revolving credit agreement and our commercial paper program to meet our operational and capital investment needs and financial

obligations for the foreseeable future. Our liquidity derived from cash flows from operations is, to a large degree, predicated on our ability to collect our receivables in a timely manner, the cost of our raw materials, and our ability to manage inventory levels.

Our Consolidated Statements of Cash Flows have been presented to include discontinued operations with continuing operations. Therefore, unless noted otherwise, the following discussion of our cash flows and liquidity position include both continuing and discontinued operations.

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

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

Cash provided by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled \$499 million in fiscal 2015. Operating activities provided \$315 million and \$419 million in fiscal 2014 and 2013, respectively.

Cash provided by operating activities in fiscal 2015 was driven primarily by our non-cash charges for depreciation and amortization and asset impairments, which more than offset our net loss for the period. In addition, there was a net decrease in accounts receivable and inventories largely driven by lower raw material costs and associated price reductions.

Cash provided from operating activities in fiscal 2014 was driven primarily by net income of \$218 million plus \$201 million of depreciation and amortization and \$25 million of dividends from equity affiliates, \$14 million of which was received from NHUMO prior to our purchase of the remaining outstanding common stock of the joint venture. These sources of cash were partially offset by an increase in accounts receivable and inventories due to higher sales and the inclusion of NHUMO balances.

Cash provided from operating activities in fiscal 2013 was driven primarily by net income of \$160 million plus \$190 million of depreciation and amortization and a decrease in accounts receivable and inventories.

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

**Restructurings** — As of September 30, 2015, we had \$9 million of total restructuring costs in accrued expenses in the consolidated balance sheet related to our global restructuring activities. We made cash payments of \$24 million during fiscal 2015 and expect to make cash payments of approximately \$9 million in fiscal 2016 and thereafter related to these restructuring plans.

In the first quarter of fiscal 2016, we announced our intention to restructure our operations subject to local consultation requirements and processes in certain locations. Additionally, we announced our commitment to close our carbon black manufacturing facility in Merak, Indonesia. These actions are expected to result in net cash outlays of approximately \$38 million, substantially all of which is expected to be paid in fiscal 2016.

We may receive cash in the future from the sale of certain assets and land relating to restructured sites, which is not included in these amounts.

**Environmental Reserves and Litigation Matters**—As of September 30, 2015, we have recorded a \$16 million reserve for environmental remediation costs at various sites. These sites are primarily associated with businesses divested in prior years. We anticipate that the expenditures at these sites will be made over a number of years, and will not be concentrated in any one year. Additionally, as of September 30, 2015 we have recorded an \$11 million reserve for respirator claims. These expenditures will be incurred over many years. We also have other litigation costs arising in the ordinary course of business.

The following table represents the estimated future payments related to our environmental reserve.

	Future Payments by Fiscal Year						
	2016	2017	2018	2019	2020	Thereafter	Total
	(Dollars in millions)						
Environmental	\$ 2	\$ 3	\$ 3	\$ 1	\$ 1	\$ 6	\$ 16

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

In fiscal 2015, capital expenditures were \$141 million. Major capital project expenditures were related to the completion of our lignite mine development project in the Purification Solutions segment, mine development activities for our Specialty Fluids segment, and sustaining and compliance capital projects at our operating facilities. In fiscal 2014, capital expenditures of \$171 million and cash paid for NHUMO of \$73 million (net of cash acquired of \$7 million) were partially offset by the receipt of the final cash payment for the sale of the Supermetals business of \$215 million. Capital expenditures were primarily related to our lignite mine development project in the Purification Solutions segment, sustaining and compliance capital projects at our operating facilities, and mine development activities for the Specialty Fluids segment. In fiscal 2013, investing activities consumed \$227 million of cash and were primarily driven by capital expenditures of \$264 million partially offset by cash received from the notes receivable from the sale of the Supermetals business (\$40 million in total, comprised of \$39 million of principal and \$1 million of interest).

Capital expenditures for fiscal 2016 are expected to be approximately \$150 million. Our planned capital spending program for fiscal 2016 is primarily for sustaining and compliance capital projects at our operating facilities.

In January 2012, we completed the sale of our Supermetals business, which we classified as discontinued operations beginning in the fourth quarter of fiscal 2011 when we entered into the sale and purchase agreement. In connection with the sale, we received \$175 million on the closing date and notes for additional minimum consideration totaling approximately \$277 million that were payable at various dates through March 2014. Total cash proceeds collected were \$452 million, of which the final payment of \$215 million was received in fiscal 2014.

In July 2014, we completed the sale of our Security Materials business, which we classified as discontinued operations. In connection with the sale, we received approximately \$20 million in cash proceeds.

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

Financing activities consumed \$256 million of cash in fiscal 2015 compared to \$302 million of cash in fiscal 2014 and \$206 million in fiscal 2013. During fiscal 2015, our overall debt balance decreased by \$78 million. The decrease was driven primarily by our repayment of certain long-term debt and commercial paper. As of September 30, 2015, we had outstanding notes under our commercial paper program in an aggregate amount of \$12 million, with a weighted average interest rate of 0.36%. During fiscal 2014, our overall debt balance decreased by \$226 million. The decrease was driven primarily by our repayment of commercial paper using the cash received from the sale of the Supermetals business. As of September 30, 2014, we had outstanding notes under our commercial paper program in an aggregate amount of \$30 million, with a weighted average interest rate of 0.25%.

The following table provides a summary of our outstanding debt.

	September 30	
	2015	2014
	(Dollars in millions)	
Notes payable	\$ 22	\$ 44
Variable rate debt	—	28
Total variable rate debt	22	72
Fixed rate debt, net of discount	958	984
Unamortized bond discounts	(1)	(1)
Capital leases	14	17
Total debt	<u>\$ 993</u>	<u>\$ 1,072</u>

At September 30, 2015, we had \$738 million of availability under our credit agreement.

Our long-term total debt, of which \$1 million is current, matures at various times as presented in Note J. The weighted-average interest rate on our fixed rate long-term debt was 4.04% as of September 30, 2015.

At September 30, 2015, we have provided standby letters of credit totaling \$11 million, which expire throughout fiscal 2016.

On October 23, 2015, we entered into a new revolving credit agreement that amended and extended our \$750 million revolving credit agreement (which was scheduled to mature October 3, 2019). With this amendment and extension, we increased our borrowing availability to \$1 billion. The new credit agreement matures on October 23, 2020, subject to two one-year options to extend on the first and second anniversaries of the effective date. The new credit agreement continues to support our commercial paper program. Borrowings under the new revolving credit agreement may be used for working capital, letters of credit and other general corporate purposes. The new revolving credit agreement contains affirmative and negative covenants, a single financial covenant (consolidated total debt to consolidated EBITDA) and events of default customary for financings of this type.

We issued \$300 million of 5% fixed rate debt in fiscal 2009 that matures in early fiscal 2017 (October 1, 2016). Our intention is to refinance these securities prior to maturity during fiscal 2016.

### ***Share repurchases***

During fiscal 2015 and fiscal 2014, we repurchased approximately 2.3 million and 0.2 million shares of our common stock on the open market for an aggregate purchase price of \$96 million and \$11 million, respectively. We did not make any repurchases on the open market in fiscal 2013. As of September 30, 2015, we had approximately 3.7 million shares available for repurchase under the Board of Directors' share repurchase authorization.

### ***Dividend payments***

In fiscal 2015, 2014 and 2013, we paid cash dividends on our common stock of \$0.88, \$0.84 and \$0.80 per share, respectively. These cash dividend payments totaled \$56 million in fiscal 2015, \$54 million in fiscal 2014, and \$51 million in fiscal 2013.

## Venezuela

We own 49% of an operating carbon black affiliate in Venezuela, which is accounted for as an equity affiliate, through wholly-owned subsidiaries that carry the investment and receive its dividends. As of September 30, 2015, these subsidiaries carried the operating affiliate investment of \$14 million and held 18 million bolivars (less than \$1 million) in cash.

During fiscal 2015, 2014 and 2013, we received dividends in the amounts of \$6 million, \$5 million and \$3 million, respectively, which were paid in U.S. dollars.

A significant portion of our operating affiliate's sales are exports denominated in U.S. dollars. The Venezuelan government mandates that a certain percentage of the dollars collected from these sales be converted into bolivars. The operating affiliate and our wholly owned subsidiaries used an exchange rate that was available to us when converting these dollars into bolivars to remeasure their bolivar denominated monetary accounts. The exchange rate made available to us on September 30, 2015 was 52 bolivars to the U.S. dollar (B/\$).

The operating entity has generally been profitable. We continue to closely monitor developments in Venezuela and their potential impact on the recoverability of our equity affiliate investment.

We closely monitor our ability to convert our bolivar holdings into U.S. dollars, as we intend to convert substantially all bolivars held by our wholly-owned subsidiaries in Venezuela to U.S. dollars as soon as practical. Any future change in the exchange rate or opening of additional parallel markets could cause us to change the exchange rate we use and result in gains or losses on the bolivar denominated assets held by our wholly-owned subsidiaries.

## Employee Benefit Plans

As of September 30, 2015, we had a consolidated pension obligation, net of the fair value of plan assets, of \$139 million, comprised of \$86 million for pension benefit plan liabilities and \$53 million for postretirement benefit plan liabilities.

The \$86 million of unfunded pension benefit plan liabilities is derived as follows:

	U.S.	Foreign	Total
	(Dollars in millions)		
Fair Value of Plan Assets	\$ 153	\$ 279	\$ 432
Benefit Obligation	\$ 170	\$ 348	\$ 518
Unfunded Status	\$ (17)	\$ (69)	\$ (86)

In fiscal 2015, we made cash contributions totaling approximately \$9 million to our foreign pension benefit plans. In fiscal 2016, we expect to make cash contributions of \$8 million to our foreign pension plans.

The \$53 million of unfunded postretirement benefit plan liabilities is comprised of \$38 million for our U.S. and \$15 million for our foreign postretirement benefit plans. These postretirement benefit plans provide certain health care and life insurance benefits for retired employees. Typical of such plans, our postretirement plans are unfunded and, therefore, have no plan assets. We fund these plans as claims or insurance premiums come due. In fiscal 2015, we paid postretirement benefits of \$4 million under our U.S. postretirement plans and less than \$1 million under our foreign postretirement plans. For fiscal 2016, we expect to make benefit payments of approximately \$4 million under our U.S. postretirement plans and less than \$1 million under our foreign postretirement plans.

## Off-balance sheet arrangements

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

## Contractual Obligations

The following table sets forth our long-term contractual obligations.

	Payments Due by Fiscal Year						
	2016	2017	2018	2019	2020	Thereafter	Total
	(Dollars in millions)						
<b>Contractual Obligations(1)</b>							
Purchase Commitments	\$ 302	\$ 225	\$ 216	\$ 212	\$ 174	\$ 2,001	\$ 3,130
Long-term debt	—	305	250	30	—	373	958
Capital lease obligations(2)	3	4	3	3	3	17	33
Fixed interest on long-term debt	39	24	19	15	15	30	142
Operating leases	21	14	12	10	8	67	132
Total	<u>\$ 365</u>	<u>\$ 572</u>	<u>\$ 500</u>	<u>\$ 270</u>	<u>\$ 200</u>	<u>\$ 2,488</u>	<u>\$ 4,395</u>



- (1) We are unable to estimate the timing of potential future payments related to our accrual for uncertain tax positions in the amount of \$16 million at September 30, 2015.
- (2) Capital lease obligations include executory costs and interest.

#### *Purchase commitments*

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

#### *Capital Leases*

We have capital lease obligations primarily for certain equipment and buildings. These obligations are payable over the next 16 years.

#### *Operating Leases*

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

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

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

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

By using derivative instruments, we are subject to credit and market risk. The derivative instruments are booked to our balance sheet at fair market value and reflect the asset or (liability) position as of September 30, 2015. If a counterparty fails to fulfill its performance obligations under a derivative contract, our exposure will equal the fair value of the derivative. Generally, when the fair value of a derivative contract is positive, the counterparty owes Cabot, thus creating a payment risk for Cabot. We minimize counterparty credit (or repayment) risk by entering into these transactions with major financial institutions of investment grade credit rating. As of September 30, 2015, the counterparty that we had executed derivatives with was rated AA- by Standard and Poor's. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

#### **Foreign Currency Risk**

Our international operations are subject to certain risks, including currency exchange rate fluctuations and government actions. Foreign currency exposures also relate to assets and liabilities denominated in foreign currencies other than the functional currency of a given subsidiary as well as the risk that currency fluctuations could affect the dollar value of future cash flows generated in foreign currencies. Accordingly, we use short-term forward contracts to reduce the exposure to foreign currency risk. At September 30, 2015, we had \$2 million in net notional foreign currency contracts, which were denominated in British pound sterling and Czech koruna. These forwards had a fair value of less than \$1 million as of September 30, 2015.

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

The primary currencies for which we have exchange rate exposure are the Euro, the Yen and the Brazilian Real. In fiscal year 2015, the unfavorable impact from foreign currency translations on our business segment EBIT was \$20 million, affecting most significantly the results of the Performance Chemicals segment. This was largely from the depreciation of the Euro versus the U.S. dollar, which depreciated by 13% from September 30, 2014 to September 30, 2015, and the Yen versus the U.S. dollar, which depreciated by 9% in that same period. In addition, we recognized an \$8 million unfavorable impact in Other (expense) income in fiscal 2015 related to the translation of monetary assets and liabilities, largely attributable to the depreciation of the Brazilian Real by 66% from September 30, 2014 to September 30, 2015.

**Item 8. Financial Statements and Supplementary Data**

**INDEX TO FINANCIAL STATEMENTS**

<u>Description</u>	<u>Page</u>
(1) <a href="#">Consolidated Statements of Operations for each of the fiscal years ended September 30, 2015, 2014, and 2013</a>	43
(2) <a href="#">Consolidated Statements of Comprehensive (Loss) Income for each of the fiscal years ended September 30, 2015, 2014, and 2013</a>	44
(3) <a href="#">Consolidated Balance Sheets at September 30, 2015 and 2014</a>	45
(4) <a href="#">Consolidated Statements of Cash Flows for each of the fiscal years ended September 30, 2015, 2014, and 2013</a>	47
(5) <a href="#">Consolidated Statements of Changes in Stockholders' Equity for each of the fiscal years ended September 30, 2015, 2014, and 2013</a>	48
(6) <a href="#">Notes to the Consolidated Financial Statements</a>	51
(7) <a href="#">Report of Independent Registered Public Accounting Firm</a>	91

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

	Years Ended September 30		
	2015	2014	2013
	(In millions, except per share amounts)		
Net sales and other operating revenues	\$ 2,871	\$ 3,647	\$ 3,456
Cost of sales	2,286	2,926	2,823
Gross profit	585	721	633
Selling and administrative expenses	282	326	297
Research and technical expenses	58	60	68
Purification Solutions long-lived assets impairment charge (Note G)	210	—	—
Purification Solutions goodwill impairment charge (Note G)	352	—	—
(Loss) income from operations	(317)	335	268
Interest and dividend income	4	3	5
Interest expense	(53)	(55)	(62)
Other (expense) income	(11)	25	(1)
(Loss) income from continuing operations before income taxes and equity in earnings of affiliated companies	(377)	308	210
Benefit (provision) for income taxes	45	(92)	(60)
Equity in earnings of affiliated companies, net of tax	4	—	11
(Loss) income from continuing operations	(328)	216	161
Income (loss) from discontinued operations, net of tax of \$-, \$2 and \$(6)	2	2	(1)
Net (loss) income	(326)	218	160
Net income attributable to noncontrolling interests, net of tax of \$5, \$5 and \$5	8	19	7
Net (loss) income attributable to Cabot Corporation	\$ (334)	\$ 199	\$ 153
Weighted-average common shares outstanding, in millions:			
Basic	63.4	64.4	63.8
Diluted	63.4	65.1	64.5
(Loss) income per common share:			
Basic:			
(Loss) income from continuing operations attributable to Cabot Corporation	\$ (5.29)	\$ 3.04	\$ 2.39
Income (loss) from discontinued operations	\$ 0.02	0.02	(0.01)
Net (loss) income attributable to Cabot Corporation	\$ (5.27)	\$ 3.06	\$ 2.38
Diluted:			
(Loss) income from continuing operations attributable to Cabot Corporation	\$ (5.29)	\$ 3.01	\$ 2.37
Income (loss) from discontinued operations	\$ 0.02	0.02	(0.01)
Net (loss) income attributable to Cabot Corporation	\$ (5.27)	\$ 3.03	\$ 2.36
Dividends per common share	\$ 0.88	\$ 0.84	\$ 0.80

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

**CABOT CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

	Years Ended September 30		
	2015	2014	2013
	(In millions)		
Net (loss) income	\$ (326)	\$ 218	\$ 160
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment (net of tax (benefit) provision of \$(3), \$(10), \$(12))	(270)	(131)	(10)
Unrealized holding gains (losses) arising during the period (net of tax provision of \$—, \$—, \$1)	—	—	2
Pension and other postretirement benefit liability adjustments			
Pension and other postretirement benefit liability adjustments arising during the period (net of tax provision (benefit) of \$5, \$(1), \$13)	28	(40)	20
Amortization of net loss and prior service credit included in net periodic pension cost (net of tax provision of \$—, \$—, \$—)	3	—	2
Other comprehensive (loss) income	(239)	(171)	14
Comprehensive (loss) income	(565)	47	174
Net income attributable to noncontrolling interests, (net of tax provision of \$5, \$5, \$5)	8	19	7
Noncontrolling interests foreign currency translation adjustment	(4)	(4)	3
Comprehensive income attributable to noncontrolling interests	4	15	10
Comprehensive (loss) income attributable to Cabot Corporation	<u>\$ (569)</u>	<u>\$ 32</u>	<u>\$ 164</u>

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

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

	September 30	
	2015	2014
	(In millions, except share and per share amounts)	
Current assets:		
Cash and cash equivalents	\$ 77	\$ 67
Accounts and notes receivable, net of reserve for doubtful accounts of \$7 and \$7	477	688
Inventories	397	498
Prepaid expenses and other current assets	54	69
Deferred income taxes	43	42
Total current assets	1,048	1,364
Property, plant and equipment	3,385	3,710
Accumulated depreciation	(2,002)	(2,129)
Net property, plant and equipment	1,383	1,581
Goodwill	154	536
Equity affiliates	57	68
Intangible assets, net	153	347
Assets held for rent	86	56
Deferred income taxes	152	80
Other assets	42	52
Total assets	\$ 3,075	\$ 4,084

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

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

	September 30	
	2015	2014
	(In millions, except share and per share amounts)	
Current liabilities:		
Notes payable	\$ 22	\$ 44
Accounts payable and accrued liabilities	389	512
Income taxes payable	28	49
Deferred income taxes	1	1
Current portion of long-term debt	1	24
Total current liabilities	441	630
Long-term debt	970	1,004
Deferred income taxes	59	68
Other liabilities	240	291
Redeemable Preferred Stock	27	27
Commitments and contingencies (Note T)		
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Issued and Outstanding: None and none	—	—
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 62,704,966 and 64,634,731 shares		
Outstanding 62,458,396 and 64,382,366 shares	63	64
Less cost of 246,570 and 252,365 shares of common treasury stock	(8)	(7)
Additional paid-in capital	—	49
Retained earnings	1,478	1,900
Accumulated other comprehensive loss	(299)	(64)
Total Cabot Corporation stockholders' equity	1,234	1,942
Noncontrolling interests	104	122
Total stockholders' equity	1,338	2,064
Total liabilities and stockholders' equity	\$ 3,075	\$ 4,084

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

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

	Years Ended September 30		
	2015	2014	2013
<b>Cash Flows from Operating Activities:</b>			
Net (loss) income	\$ (326)	\$ 218	\$ 160
Adjustments to reconcile net (loss) income to cash provided (used in) by operating activities:			
Depreciation and amortization	183	201	190
Purification Solutions long-lived asset impairment charge (Note G)	210	—	—
Purification Solutions goodwill impairment charge (Note G)	352	—	—
Deferred tax (benefit) provision	(86)	8	(9)
Gain on existing investment in NHUMO	—	(29)	—
Gain on sale of business	—	(4)	—
Employee benefit plan settlement	18	—	—
Equity in net income of affiliated companies	(4)	—	(11)
Non-cash compensation	12	14	16
Other non-cash expense	6	22	18
Changes in assets and liabilities:			
Accounts and notes receivable	154	(54)	34
Inventories	58	(56)	64
Prepaid expenses and other current assets	16	2	5
Accounts payable and accrued liabilities	(75)	(29)	(18)
Income taxes payable	(21)	15	(29)
Other liabilities	(17)	(14)	(11)
Cash dividends received from equity affiliates	14	25	8
Other	5	(4)	2
Cash provided by operating activities	<u>499</u>	<u>315</u>	<u>419</u>
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(141)	(171)	(264)
Proceeds from notes receivable from sales of business	—	20	—
Receipts from notes receivable from sale of business	—	215	39
Change in assets held for rent	(21)	(7)	(2)
Cash paid for acquisition of business, net of cash acquired of \$7	—	(73)	—
Cash used in investing activities	<u>(162)</u>	<u>(16)</u>	<u>(227)</u>
<b>Cash Flows from Financing Activities:</b>			
Borrowings under financing arrangements	—	13	6
Repayments under financing arrangements	(3)	(17)	(33)
Decrease in notes payable, net	—	(4)	(12)
(Repayments) proceeds from issuance of commercial paper, net	(18)	(211)	241
Proceeds from long-term debt, net of issuance costs	—	17	117
Repayments of long-term debt	(57)	(23)	(442)
Settlement of derivatives	—	—	(31)
Proceeds from cash contributions received from noncontrolling stockholders	—	—	13
Purchases of common stock	(101)	(18)	(6)
Proceeds from sales of common stock	6	14	9
Cash dividends paid to noncontrolling interests	(27)	(19)	(17)
Cash dividends paid to common stockholders	(56)	(54)	(51)
Cash used in financing activities	<u>(256)</u>	<u>(302)</u>	<u>(206)</u>
Effects of exchange rate changes on cash	<u>(71)</u>	<u>(25)</u>	<u>(11)</u>
Increase (decrease) in cash and cash equivalents	<u>10</u>	<u>(28)</u>	<u>(25)</u>
Cash and cash equivalents at beginning of year	67	95	120
Cash and cash equivalents at end of year	<u>\$ 77</u>	<u>\$ 67</u>	<u>\$ 95</u>
Income taxes paid	78	53	84
Interest paid	42	47	51

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

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

2013	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Deferred Employee Benefits	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Cost							
Balance at September 30, 2012	63,348	\$ 56	\$ 20	\$ 1,653	\$ (8)	\$ 92	\$ 1,813	\$ 126	\$ 1,939
Net income attributable to Cabot Corporation				153			153		153
Net income attributable to non-controlling interests								7	7
Total other comprehensive income						11	11	3	14
Contribution from noncontrolling interests								13	13
Noncontrolling interest—dividends								(17)	(17)
Cash dividends paid to common stockholders				(51)			(51)		(51)
Issuance of stock under employee compensation plans	784	—	12				12		12
Amortization of share-based compensation			13				13		13
Purchase and retirement of common stock	(161)		(6)				(6)		(6)
Principal payment by Employee Stock Ownership Plan under guaranteed loan					6		6		6
Balance at September 30, 2013	<u>63,971</u>	<u>\$ 56</u>	<u>\$ 39</u>	<u>\$ 1,755</u>	<u>\$ (2)</u>	<u>\$ 103</u>	<u>\$ 1,951</u>	<u>\$ 132</u>	<u>\$ 2,083</u>

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



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

2014	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Deferred Employee Benefits	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Cost							
Balance at September 30, 2013	63,971	\$ 56	\$ 39	\$ 1,755	\$ (2)	\$ 103	\$ 1,951	\$ 132	\$ 2,083
Net income attributable to Cabot Corporation				199			199		199
Net income attributable to non-controlling interests								19	19
Total other comprehensive loss						(167)	(167)	(4)	(171)
Noncontrolling interest—other								(1)	(1)
Noncontrolling interest—dividends								(24)	(24)
Cash dividends paid to common stockholders				(54)			(54)		(54)
Issuance of stock under employee compensation plans	758	1	13				14		14
Amortization of share-based compensation			14				14		14
Purchase and retirement of common stock	(346)		(17)				(17)		(17)
Principal payment by Employee Stock Ownership Plan under guaranteed loan					2		2		2
Balance at September 30, 2014	<u>64,383</u>	<u>\$ 57</u>	<u>\$ 49</u>	<u>\$ 1,900</u>	<u>\$ —</u>	<u>\$ (64)</u>	<u>\$ 1,942</u>	<u>\$ 122</u>	<u>\$ 2,064</u>

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

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

2015	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Non- controlling Interests	Total Stockholders' Equity
	Shares	Cost						
Balance at September 30, 2014	64,383	\$ 57	\$ 49	\$ 1,900	\$ (64)	\$ 1,942	\$ 122	\$ 2,064
Net loss attributable to Cabot Corporation				(334)		(334)		(334)
Net income attributable to non-controlling interests							8	8
Total other comprehensive loss					(235)	(235)	(4)	(239)
Noncontrolling interest—dividends							(22)	(22)
Cash dividends paid to common stockholders				(56)		(56)		(56)
Issuance of stock under employee compensation plans	450	—	6			6		6
Amortization of share-based compensation			12			12		12
Purchase and retirement of common stock	(2,375)	(2)	(67)	(32)		(101)		(101)
Balance at September 30, 2015	<u>62,458</u>	<u>\$ 55</u>	<u>\$ —</u>	<u>\$ 1,478</u>	<u>\$ (299)</u>	<u>\$ 1,234</u>	<u>\$ 104</u>	<u>\$ 1,338</u>

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

## Notes to Consolidated Financial Statements

### Note A. Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The significant accounting policies of Cabot Corporation ("Cabot" or "the Company") are described below.

In November 2013, the Company purchased all of Grupo Kuo S.A.B. de C.V.'s ("KUO") common stock in NHUMO, S.A. de C.V. ("NHUMO"), a carbon black joint venture between the Company and KUO in Mexico, which represented approximately 60% of the outstanding common stock of NHUMO (the "NHUMO transaction"). Prior to this transaction, the Company owned approximately 40% of the outstanding common stock of NHUMO, and the NHUMO entity was accounted for as an equity affiliate of the Company. The financial position, results of operations and cash flows of NHUMO are included in the Company's consolidated financial statements from the date of acquisition.

In July 2014, the Company completed the sale of its Security Materials business. The results of this business are reflected as discontinued operations in the Consolidated Statements of Operations.

In the first quarter of fiscal 2015, the Company realigned its business reporting structure into four segments that consist of Reinforcement Materials, Performance Chemicals, Purification Solutions and Specialty Fluids. The new structure is aligned with senior management changes and it better leverages Cabot's global activities across common customer applications, production, and research and development activities. Prior period segment results have been recast to reflect the realignment.

Unless otherwise indicated, all disclosures and amounts in the Notes to Consolidated Financial Statements relate to the Company's continuing operations.

Certain amounts in prior years' Consolidated Statement of Cash Flows have been reclassified to conform to the current presentation.

#### ***Principles of Consolidation***

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

#### ***Cash and Cash Equivalents***

Cash equivalents include all highly liquid investments with a maturity of three months or less at date of acquisition. Cabot continually assesses the liquidity of cash equivalents and, as of September 30, 2015, has determined that they are readily convertible to cash.

#### ***Inventories***

Inventories are stated at the lower of cost or market. The cost of all carbon black inventories in the U.S. is determined using the last-in, first-out ("LIFO") method. The cost of Specialty Fluids inventories, which are classified as assets held for rent, is determined using the average cost method. The cost of other U.S. and non-U.S. inventories is determined using the first-in, first-out ("FIFO") method.

Cabot reviews inventory for both potential obsolescence and potential declines in anticipated selling prices. In this review, the Company makes assumptions about the future demand for and market value of the inventory, and based on these assumptions estimates the amount of any obsolete, unmarketable, slow moving, or overvalued inventory. Cabot writes down the value of these inventories by an amount equal to the difference between the cost of the inventory and its estimated net realizable value.

#### ***Investments***

The Company has investments in equity affiliates and marketable securities. As circumstances warrant, all investments are subject to periodic impairment reviews. Unless consolidation is required, investments in equity affiliates, where Cabot generally owns between 20% and 50% of the affiliate, are accounted for using the equity method. Cabot records its share of the equity affiliate's results of operations based on its percentage of ownership of the affiliate. Dividends declared from equity affiliates are a return on investment and are recorded as a reduction to the equity investment value. At September 30, 2015 and 2014, Cabot had equity affiliate investments of \$57 million and \$68 million, respectively. Dividends declared and received from these investments were \$14 million, \$25 million and \$8 million in fiscal 2015, 2014 and 2013, respectively.

All investments in marketable securities are classified as available-for-sale and are recorded at fair value with the corresponding unrealized holding gains or losses, net of taxes, recorded as a separate component of Other comprehensive loss within stockholders' equity. Unrealized losses that are determined to be other-than-temporary, based on current and expected

market conditions, are recognized in earnings. The fair value of marketable securities is determined based on quoted market prices at the balance sheet dates. The cost of marketable securities sold is determined by the specific identification method. The Company's investment in marketable securities was immaterial as of both September 30, 2015 and 2014.

#### ***Intangible Assets and Goodwill Impairment***

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the acquisition method of accounting. Amounts paid for an acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition. Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is reviewed for impairment annually as of May 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. A reporting unit, for the purpose of the impairment test, is at or below the operating segment level, and constitutes a business for which discrete financial information is available and regularly reviewed by segment management. The reporting units with goodwill balances are Reinforcement Materials, Purification Solutions, and Fumed Metal Oxides. The separate businesses included within Performance Chemicals are considered separate reporting units. As such, the goodwill balance relative to Performance Chemicals is recorded in the Fumed Metal Oxides reporting unit.

For the purpose of the goodwill impairment test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, an additional quantitative evaluation is performed under the two-step impairment test. Alternatively, the Company may elect to proceed directly to the quantitative goodwill impairment test. If based on the quantitative evaluation the fair value of the reporting unit is less than its carrying amount, the Company performs an analysis of the fair value of all assets and liabilities of the reporting unit. If the implied fair value of the reporting unit's goodwill is determined to be less than its carrying amount, an impairment is recognized for the difference. The fair value of a reporting unit is based on discounted estimated future cash flows. The fair value is also benchmarked against a market approach using the guideline public companies method. The assumptions used to estimate fair value include management's best estimates of future growth rates, operating cash flows, capital expenditures and discount rates over an estimate of the remaining operating period at the reporting unit level. Should the fair value of any of the Company's reporting units decline below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Based on the Company's most recent annual goodwill impairment test performed as of May 31, 2015, the fair values of the Reinforcement Materials and Fumed Metal Oxides reporting units were substantially in excess of their carrying values. The fair value of the Purification Solutions reporting unit was less than its carrying amount. Refer to Note G for details on the Purification Solutions goodwill impairment test and the resulting impairment charge recorded in the third fiscal quarter of 2015. Due to the impairment recorded, the fair value of the Purification Solutions reporting unit was insignificantly higher than its carrying value. No events occurred in the fourth fiscal quarter of 2015 that would suggest that it is more likely than not that the carrying values of any of our reporting units exceeded its fair value.

The Company uses assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets requires the use of significant judgment with regard to assumptions used in the valuation model. The Company estimates the fair value of identifiable acquisition-related intangible assets principally based on projections of cash flows that will arise from these assets. The projected cash flows are discounted to determine the fair value of the assets at the dates of acquisition.

Definite-lived intangible assets, which are comprised of customer relationships and developed technologies, are amortized over their estimated useful lives and are reviewed for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. The Company evaluates indefinite-lived intangible assets, which are comprised of the trademarks of Purification Solutions, for impairment annually or when events occur or circumstances change that may reduce the fair value of the asset below its carrying amount. The annual review is performed as of May 31. The Company may first perform a qualitative assessment to determine whether it is necessary to perform the quantitative impairment test or bypass the qualitative assessment and proceed directly to performing the quantitative impairment test. The quantitative impairment test is based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth rates and discount rates over an estimate of the remaining operating period at the unit of accounting level. Refer to Note G for details on the impairment test performed on intangible assets of the Purification Solutions reporting unit and the resulting impairment charges recorded. Effective in the third quarter of 2015 and as a part of the impairment assessment performed, the Company determined that the trademarks for Purification Solutions no longer have an indefinite life.

### ***Long-lived Assets Impairment***

The Company's long-lived assets primarily include property, plant and equipment, intangible assets, long-term investments and assets held for rent. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable.

To test for impairment of assets, the Company generally uses a probability-weighted estimate of the future undiscounted net cash flows of the assets over their remaining lives to determine if the value of the asset is recoverable. Long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable.

An asset impairment is recognized when the carrying value of the asset is not recoverable based on the analysis described above, in which case the asset is written down to its fair value. If the asset does not have a readily determinable market value, a discounted cash flow model may be used to determine the fair value of the asset. In circumstances when an asset does not have separate identifiable cash flows, an impairment charge is recorded when the Company no longer intends to use the asset. Refer to Note G regarding the results of the impairment test performed on the long-lived assets of the Purification Solutions segment.

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

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

Cabot capitalizes interest costs when they are part of the historical cost of acquiring and constructing certain assets that require a period of time to prepare for their intended use. During fiscal 2015, 2014 and 2013, Cabot capitalized less than \$1 million, \$3 million and \$5 million of interest costs, respectively. These amounts will be amortized over the lives of the related assets.

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

Assets held for rent represent Specialty Fluids cesium formate product that is available to customers in the normal course of business and \$11 million of ore that has been mined and will be converted into cesium formate. Assets held for rent are stated at average cost.

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

Cabot estimates incremental costs for special handling, removal and disposal of materials that may or will give rise to conditional asset retirement obligations ("ARO") and then discounts the expected costs back to the current year using a credit adjusted risk free rate. Cabot recognizes ARO liabilities and costs when the timing and/or settlement can be reasonably estimated. The ARO reserves were \$20 million and \$15 million at September 30, 2015 and 2014, respectively.

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

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

Realized and unrealized foreign currency gains and losses arising from transactions denominated in currencies other than the subsidiary's functional currency are reflected in earnings with the exception of (i) intercompany transactions considered to be of a long-term investment nature; and (ii) foreign currency borrowings designated as net investment hedges. Gains or losses arising from these transactions are included as a component of other comprehensive (loss) income. In fiscal 2015, 2014 and 2013, net foreign currency transaction losses of \$8 million, losses of \$2 million, and gains of \$2 million, respectively, are included in Other (expense) income in the Consolidated Statements of Operations.

## Financial Instruments

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

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

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

## Revenue Recognition

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

Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sales price. Taxes collected on sales to customers are excluded from revenues.

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

	Years ended September 30		
	2015	2014	2013
Reinforcement Materials	54%	59%	57%
Performance Chemicals	33%	29%	30%
Purification Solutions	11%	9%	10%
Specialty Fluids	2%	3%	3%

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

Revenue in Purification Solutions is typically recognized when the product is shipped and title and risk of loss have passed to the customer. For major activated carbon injection systems projects, revenue is recognized using the percentage-of-completion method.

Revenue in Specialty Fluids arises primarily from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. The Company also generates revenues from cesium formate sold outside of a rental process and revenue is recognized upon delivery of the fluid.

#### ***Cost of Sales***

Cost of sales consists of the cost of raw and packaging materials, direct manufacturing costs, depreciation, internal transfer costs, inspection costs, inbound and outbound freight and shipping and handling costs, plant purchasing and receiving costs and other overhead expenses necessary to manufacture the products.

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

Trade receivables are recorded at the invoiced amount and generally do not bear interest. Trade receivables in China may at certain times be settled with the receipt of bank issued non-interest bearing notes. These notes totaled 95 million Chinese Renminbi ("RMB") (\$15 million) and 193 million RMB (\$31 million) as of September 30, 2015 and 2014, respectively, and are included in accounts and notes receivable. Cabot periodically sells a portion of the trade receivables in China and other customer receivables at a discount and such sales are accounted for as asset sales. The Company does not have any continuing involvement with the notes after the sale. The difference between the proceeds from the sale and the carrying value of the receivables is recognized as a loss on the sale of receivables and is included in Other (expense) income in the accompanying Consolidated Statements of Operations. During each of fiscal 2015, 2014 and 2013, the Company recorded charges of \$3 million, \$3 million, and \$4 million, respectively, for the sale of these receivables.

Cabot maintains allowances for doubtful accounts based on an assessment of the collectability of specific customer accounts, the aging of accounts receivable and other economic information on both a historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. There were no material changes in the allowance for any of the years presented. There is no material off-balance sheet credit exposure related to customer receivable balances.

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

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

#### ***Selling and Administrative Expenses***

Selling and administrative expenses consist of salaries and fringe benefits of sales and office personnel, general office expenses and other expenses not directly related to manufacturing operations.

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

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

#### ***Income Taxes***

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

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

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

### ***Accumulated Other Comprehensive (Loss) Income***

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

### ***Environmental Costs***

Cabot accrues environmental costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single liability amount cannot be reasonably estimated, but a range can be reasonably estimated, Cabot accrues the amount that reflects the best estimate within that range or the low end of the range if no estimate within the range is better. The amount accrued reflects Cabot's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Cabot does not reduce its estimated liability for possible recoveries from insurance carriers. Proceeds from insurance carriers are recorded when realized by either the receipt of cash or a contractual agreement.

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

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

### **Note B. Recent Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new standard related to the "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The standard requires, unless certain conditions exist, an unrecognized tax benefit or a portion of an unrecognized tax benefit to be presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar to a tax loss or a tax credit carryforward. This standard is applicable for fiscal years beginning after December 15, 2013, and for interim periods within those years. The Company adopted this standard on October 1, 2014 and the implementation of the new standard did not have a material impact on its consolidated financial statements.

In April 2014, the FASB issued a new standard related to "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". The standard requires discontinued operations treatment for disposals of a component or group of components of a business that represents a strategic shift that has or will have a major impact on an entity's operations or financial results and requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. This standard is applicable for fiscal years beginning after December 15, 2014 and for interim periods within those years and early adoption is permitted, but only for disposals that have not been reported in consolidated financial statements previously issued. The Company will adopt this standard beginning on October 1, 2015 and does not expect it to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued a new standard related to the "Revenue from Contracts with Customers" which amends the existing accounting standards for revenue recognition. The standard requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. This standard is applicable for fiscal years beginning after December 15, 2017 and for interim periods within those years and early adoption is permitted for the fiscal years beginning after December 15, 2016. The Company expects to adopt this standard on October 1, 2018. The Company is currently evaluating the impact the adoption of this standard may have on its consolidated financial statements.

In April 2015, the FASB issued a new standard simplifying the presentation of debt issuance costs by requiring debt issuance costs to be presented as a reduction of the corresponding debt liability. This will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. This standard is applicable for fiscal years beginning after December 15, 2015 and for interim periods within those years and early adoption is permitted. The Company expects to adopt this standard on October 1, 2016. The adoption of this standard is not expected to materially impact the Company's consolidated financial statements.



### Note C. Acquisition of NHUMO

In November 2013, the Company purchased all of KUO's common stock in the former NHUMO joint venture, which represented approximately 60% of the outstanding common stock of the joint venture. Prior to this transaction, the Company owned approximately 40% of the outstanding common stock of NHUMO, and the NHUMO entity was accounted for as an equity affiliate of the Company.

At the close of the transaction, the Company paid KUO \$80 million in cash and NHUMO issued redeemable preferred stock to KUO with a redemption value of \$25 million. The preferred stock accumulates dividends at a fixed rate of 6% annually and is redeemable at the option of KUO or the Company for \$25 million starting in November 2018 or upon the occurrence of certain other conditions. Annual payment by NHUMO of the dividends is contingent on NHUMO achieving a minimum EBITDA (earnings before interest, taxes, depreciation and amortization) level and if such minimum EBITDA is not achieved in any year, the dividend will be accumulated and paid at the time the preferred shares are redeemed. The minimum EBITDA was achieved in both 2014 and 2015. A dividend payment of \$1.5 million was made in December 2014 related to fiscal 2014 and a dividend payment of \$1.5 million related to fiscal 2015 is due in December 2015. The preferred stock issued in connection with the transaction is not mandatorily redeemable and has embedded put and call rights at the fixed redemption price. Accordingly, the instrument is accounted for as a financing obligation and has been separately presented in the Consolidated Balance Sheets as a long-term liability. Upon acquisition, the Company began consolidating NHUMO into its consolidated financial statements. Prior to closing, the Company received a \$14 million dividend from NHUMO.

The Company incurred acquisition costs of approximately \$2 million in fiscal 2014, which are included in Selling and administrative expenses in the Consolidated Statements of Operations.

As of September 2014, the Company completed the valuation of its assets acquired and liabilities assumed. The allocation of the purchase price is based on the fair value of assets acquired and liabilities assumed, and Cabot's previously held equity interest in NHUMO as of the acquisition date. The following table presents the components and allocation of the purchase price:

	(Dollars in millions)
<b>Assets</b>	
Current assets	\$ 54
Property, plant and equipment	48
Other non-current assets	1
Intangible assets	63
Goodwill	45
Total assets acquired	211
<b>Liabilities</b>	
Accounts payable, accruals and other liabilities	(20)
Deferred tax liabilities - long-term	(29)
Total liabilities assumed	(49)
<b>Net assets acquired</b>	<b>\$ 162</b>
Cash consideration paid	80
Fair value of redeemable preferred stock	28
Previously held equity interest in NHUMO	54
<b>Total</b>	<b>\$ 162</b>

As a result of the acquisition, the Company recorded a gain of \$29 million for the difference between the carrying value and the fair value of the previously held equity interest in NHUMO, which was included in Other (expense) income in the first quarter of fiscal 2014. The fair value of \$54 million for the previously held equity interest was determined based on the fair value of Cabot's pre-existing interest in NHUMO as adjusted for a control premium derived from synergies gained as a result of the Company obtaining control of NHUMO.

As part of the purchase price allocation, the Company determined that a separately identifiable intangible asset was customer relationships in the amount of \$63 million, which is being amortized over a period of 20 years. The Company estimated the fair value of the identifiable acquisition-related intangible asset based on projections of cash flows that will arise from the asset. The projected cash flows are discounted to determine the fair value of the asset at the date of acquisition. The determination of the fair value of the intangible asset acquired required the use of significant judgment with regard to assumptions in the discounted cash flow model used.

The fair value of the redeemable preferred stock was determined based on a discounted cash flow model, using the expected timing of the cash flows and an appropriate discount rate.

The excess of the purchase price, which includes the cash consideration paid and the fair values of redeemable preferred stock and the previously held equity interest in NHUMO, over the fair value of the tangible net assets and intangible asset acquired, was recorded as goodwill. The goodwill recognized is attributable to the expected growth and operating synergies that the Company expects to realize from this acquisition. Goodwill generated from the acquisition is not deductible for tax purposes.

#### Note D. Discontinued Operations

In July 2014, the Company sold its Security Materials business to SICPA SA. The Consolidated Statements of Operations for all periods presented have been recast to reflect the Security Materials business in discontinued operations.

In January 2012, the Company sold its Supermetals business to Global Advanced Metals Pty Ltd., an Australian company ("GAM") for \$452 million, including cash consideration of \$175 million received on the closing date and notes receivable ("GAM Notes") totaling \$277 million that were payable at various dates through March 2014. In fiscal 2014, Cabot received the final payment on the GAM Notes in the amount of \$215 million.

During fiscal 2015, Cabot recorded \$2 million of income from discontinued operations related to sales of businesses that occurred in prior years.

#### Note E. Inventories

Inventories, net of LIFO, obsolete, unmarketable and slow moving reserves, are as follows:

	September 30	
	2015	2014
	(Dollars in millions)	
Raw materials	\$ 69	\$ 111
Work in process	1	2
Finished goods	287	341
Other	40	44
Total	<u>\$ 397</u>	<u>\$ 498</u>

Inventories valued under the LIFO method comprised approximately 6% and 5% of total inventories at September 30, 2015 and 2014, respectively. At September 30, 2015 and 2014, the LIFO reserve was \$30 million and \$52 million, respectively. Other inventory is comprised of certain spare parts and supplies.

During fiscal 2015 and 2013, inventory quantities carried on a LIFO basis were decreased at the Company's U.S. carbon black sites. In fiscal 2015, these reductions led to liquidations of LIFO inventory quantities and resulted in an increase of Cost of sales of \$1 million and a decrease in consolidated Net income of \$1 million (\$0.01 per diluted common share). In fiscal 2013, these reductions led to liquidations of LIFO inventory quantities and resulted in a decrease of Cost of sales of \$1 million and an increase in consolidated Net income of \$1 million (\$0.01 per diluted common share). No such reductions occurred in fiscal 2014.

Cabot reviews inventory for both potential obsolescence and potential loss of value periodically. In this review, Cabot makes assumptions about the future demand for and market value of the inventory and, based on these assumptions, estimates the amount of obsolete, unmarketable or slow moving inventory. Total inventory reserves were \$20 million and \$14 million, respectively, as of September 30, 2015 and 2014. During fiscal year 2015, the Company recorded a lower cost or market reserve in the amount of \$6 million related to its Purification Solutions inventory held in Marshall, TX. This reserve reflects less favorable sales trends for activated carbon in mercury removal applications in the U.S., which continued into the fourth fiscal quarter of 2015.

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

Property, plant and equipment consists of the following:

	September 30	
	2015	2014
	(Dollars in millions)	
Land and land improvements	\$ 154	\$ 132
Buildings	509	536
Machinery and equipment	2,391	2,593
Other	225	233
Construction in progress	106	216
Total property, plant and equipment	3,385	3,710
Less: accumulated depreciation	(2,002)	(2,129)
Net property, plant and equipment	\$ 1,383	\$ 1,581

Depreciation expense was \$169 million, \$184 million and \$175 million for fiscal 2015, 2014 and 2013, respectively.

**Note G. Purification Solutions Goodwill and Long-Lived Assets Impairment Charges**

During fiscal 2015 and as a result of the impairment tests performed on goodwill and long-lived assets of the Purification Solutions reporting unit, the Company recorded impairment charges and an associated tax benefit in the Consolidated Statements of Operations as follows:

	Year Ended September 30, 2015 (Dollars in millions)
Purification Solutions goodwill impairment charge	\$ 352
Purification Solutions long-lived assets impairment charge	210
Provision (benefit) for income taxes	(80)
Impairment charges, after tax	\$ 482

The future growth in the Purification Solutions segment is highly dependent on achieving the expected volumes and margins in the activated carbon based mercury removal business. These volumes and margins are highly dependent on demand for mercury removal products and the Company's successful realization of its anticipated share of volumes in this business. The expected demand for mercury removal products significantly depends on: (1) the implementation and enforcement of environmental laws and regulations, particularly those that would require U.S. based coal-fired electric utilities to reduce the quantity of air pollutants they release, including mercury, to comply with the Mercury and Air Toxics Standards ("MATS") issued by the U.S. Environmental Protection Agency ("EPA") and (2) other factors such as the anticipated usage of activated carbon in the coal-fired energy units. In November 2014, the U.S. Supreme Court agreed to consider whether the EPA appropriately considered costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants emitted by electric utilities. On June 29, 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants emitted by coal-fired utilities, and remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit further proceedings.

The implementation period for the MATS regulations began in April 2015. With this recent implementation and associated customer and industry developments during the third fiscal quarter, as well as the U.S. Supreme Court's ruling, the Company reassessed its previous estimates for expected growth in volumes, prices and margins in the Purification Solutions reporting unit. The main drivers of growth, including the size of the overall mercury removal industry, utility adoption rates, usage levels, and pricing, among others, were lowered from previous estimates. Based on these revised estimates and as part of step one of the annual impairment test, the Company determined that the estimated fair value of the Purification Solutions reporting unit was lower than the reporting unit's carrying value. As such, the reporting unit failed step one of the goodwill impairment test.

In determining the fair value of the Purification Solutions reporting unit, the Company used an income approach (a discounted cash flow analysis) which incorporated significant estimates and assumptions related to future periods, including timing of MATS implementation, the anticipated size of the mercury removal industry, and growth rates and pricing assumptions of activated carbon, among others. The Company assumed a two year delay in the final MATS implementation due to the U.S. Supreme Court's ruling. Total charges incurred could be higher if the rulings of the U.S. Court of Appeals for the District of Columbia Circuit on remand result in a delay in the implementation of MATS that is longer than two years. In addition, an estimate of the reporting unit's weighted average cost of capital ("WACC") is used to discount future estimated cash flows to their present value. The WACC was based upon externally available data considering market participants' cost of equity and debt, capital structure and risk factors specific to the Purification Solutions reporting unit.

Step two of the goodwill impairment test requires the Company to perform a theoretical purchase price allocation for the reporting unit to determine the implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount of goodwill. The estimate of fair value is complex and requires significant judgment. Accounting guidance provides that a company should recognize an estimated impairment charge to the extent that it determines that it is probable that an impairment loss has occurred and such impairment can be reasonably estimated. As of June 30, 2015, we recorded a pre-tax goodwill impairment charge in the amount of \$353 million. We completed the step two analysis in the fourth quarter of fiscal 2015, which resulted in recording a credit of \$1 million to the pre-tax goodwill impairment charge. Therefore, for the year ended September 30, 2015, the pre-tax goodwill impairment charge was \$352 million.

Based on the same factors leading to goodwill impairment, the Company also considered whether the reporting unit's carrying values of definite-lived intangible assets and property, plant and equipment may not be recoverable or whether the carrying value of certain indefinite-lived intangible assets were impaired. The Company used the income approach to determine the fair value of the indefinite-lived intangible assets, which are the trademarks of Purification Solutions, and determined that the fair value of these intangible assets was lower than their carrying value. As such, an impairment loss was recorded in the amount of \$39 million. Subsequent to this impairment analysis, the Company concluded that such assets no longer had an indefinite life and began amortizing these assets over their estimated useful life. The Company also performed an impairment analysis to assess if definite-lived intangible assets and property, plant and equipment were recoverable based on the estimated undiscounted cash flows of the reporting unit, and these cash flows were not sufficient to recover the carrying value of the long-lived assets over their remaining useful lives. Accordingly, an impairment charge was recorded based on the lower of the carrying amount or fair value of the long-lived assets. The Company used the income approach to determine the fair value of the definite-lived intangible assets and a combination of the cost and market approaches to fair value its property, plant and equipment. The Company recorded impairment charges of \$119 million and \$51 million, to its definite-lived intangible assets and property, plant and equipment, respectively. We completed the impairment analysis in the fourth quarter of fiscal year 2015 which resulted in increasing the property, plant and equipment impairment charge by \$1 million to \$52 million. Therefore, for the year ended September 30, 2015, the long-lived assets impairment charge was \$210 million.

In connection with the long-lived assets impairment charges, the Company recorded a deferred tax benefit of \$80 million to its income tax provision.

The performance of the Purification Solutions reporting unit will continue to be monitored. If the reporting unit does not achieve the financial performance that the Company expects or events or circumstances change, it is possible that additional impairment charges may result.

#### Note H. Goodwill and Intangible Assets

Cabot had goodwill balances of \$154 million and \$536 million at September 30, 2015 and September 30, 2014, respectively. The carrying amount of goodwill attributable to each reportable segment with goodwill balances and the changes in those balances during the period ended September 30, 2015 are as follows:

	Reinforcement Materials	Performance Chemicals	Purification Solutions	Total
(Dollars in millions)				
Balance at September 30, 2014	\$ 68	\$ 10	\$ 458	\$ 536
Impairment charge	—	—	(352)	(352)
Foreign currency impact	(13)	(1)	(16)	(30)
Balance at September 30, 2015	<u>\$ 55</u>	<u>\$ 9</u>	<u>\$ 90</u>	<u>\$ 154</u>
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Total
(Dollars in millions)				
Accumulated impairment losses at September 30, 2014	—	—	—	—
Accumulated impairment losses at September 30, 2015	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (352)</u>	<u>\$ (352)</u>

Goodwill impairment tests are performed at least annually. The Company performed its most recent annual impairment assessment as of May 31, 2015 and determined there was an impairment of the assets attributable to the Purification Solutions reporting unit. Refer to Note G.

The following table provides information regarding the Company's intangible assets:

	September 30, 2015			September 30, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
(Dollars in millions)						
Intangible assets with finite lives <sup>(1)</sup>						
Developed technologies	\$ 48	\$ (1)	\$ 47	\$ 152	\$ (16)	\$ 136
Trademarks	16	—	16	57	—	57
Customer relationships	96	(6)	90	171	(17)	154
Total intangible assets	<u>\$ 160</u>	<u>\$ (7)</u>	<u>\$ 153</u>	<u>\$ 380</u>	<u>\$ (33)</u>	<u>\$ 347</u>

(1) Refer to Note G for intangible assets impairment charges recorded in fiscal 2015.

Intangible assets are amortized over their estimated useful lives, which range from fourteen to twenty-five years, with a weighted average amortization period of approximately nineteen years. Amortization expense for the years ended September 30, 2015, 2014 and 2013 was \$14 million, \$17 million and \$14 million, respectively, and is included in Cost of sales and Selling and administrative expenses in the Consolidated Statements of Operations. Total amortization expense is estimated to be approximately \$9 million each year for the next five fiscal years.

#### Note I. Accounts Payable, Accrued Liabilities and Other Liabilities

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

	September 30	
	2015	2014
(Dollars in millions)		
Accounts payable	\$ 274	\$ 351
Accrued employee compensation	34	48
Other accrued liabilities	81	113
Total	<u>\$ 389</u>	<u>\$ 512</u>

Other long-term liabilities consist of the following:

	September 30	
	2015	2014
(Dollars in millions)		
Employee benefit plan liabilities	\$ 138	\$ 174
Non-current tax liabilities	17	33
Other accrued liabilities	85	84
Total	<u>\$ 240</u>	<u>\$ 291</u>

## Note J. Debt and Other Obligations

### Long-term Obligations

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

	September 30	
	2015	2014
	(Dollars in millions)	
<b>Variable Rate Debt:</b>		
\$750 million Revolving Credit Facility, expires 2019	\$ —	\$ —
Chinese Renminbi Notes, due through 2016, 6.15%—6.77%	—	28
Total variable rate debt	—	28
<b>Fixed Rate Debt:</b>		
5% Notes due 2017	\$ 300	\$ 300
2.55% Notes due 2018	250	250
3.7% Notes due 2022	350	350
<b>Medium Term Notes:</b>		
Notes due 2019, 7.42%	30	30
Notes due 2022, 8.35%—8.47%	15	15
Notes due 2028, 6.57%—7.28%	8	8
Total Medium Term Notes	\$ 53	\$ 53
Chinese Renminbi Notes, due through 2017, 4.63%—6.15%	5	31
Total fixed rate debt	958	984
Capital lease obligations, due through 2031	14	17
Unamortized debt discount	(1)	(1)
Total debt	971	1,028
Less current portion of long-term debt	(1)	(24)
Total long-term debt	\$ 970	\$ 1,004

**\$750 million Revolving Credit Facility**—The amount available for borrowing under the revolving credit agreement, after consideration of letters of credit and commercial paper outstanding, was \$738 million as of September 30, 2015. Effective October 23, 2015, the Company entered into a new revolving credit agreement that amended and extended the \$750 million revolving credit agreement, which was scheduled to mature on October 3, 2019. The borrowing capacity on the new revolving credit agreement, which matures on October 23, 2020, subject to two one-year options to extend on the first and second anniversaries of the effective date, is \$1 billion and continues to support the Company's commercial paper program. Borrowings under the new revolving credit agreement may be used for working capital, letters of credit and other general corporate purposes. The new revolving credit agreement contains affirmative and negative covenants, a single financial covenant (consolidated total debt to consolidated EBITDA) and events of default customary for financings of this type.

**Chinese Renminbi Debt**—The Company's consolidated Chinese subsidiaries had \$5 million and \$59 million of unsecured long-term debt outstanding as of September 30, 2015 and September 30, 2014, respectively.

**5% Notes due fiscal 2017**—In fiscal 2009, Cabot issued \$300 million in registered notes with a coupon of 5% that will mature on October 1, 2016. These notes are unsecured and pay interest on April 1 and October 1. The net proceeds of this offering were \$296 million after deducting discounts and issuance costs. The discount of approximately \$2 million was recorded at issuance and is being amortized over the life of the notes.

**2.55% Notes due fiscal 2018**—In July 2012, Cabot issued \$250 million in registered notes with a coupon of 2.55% that will mature on January 15, 2018. These notes are unsecured and pay interest on January 15 and July 15. The net proceeds of this offering were \$248 million after deducting discounts and issuance costs. The discount of less than \$1 million was recorded at issuance and is being amortized over the life of the notes.

**3.7% Notes due fiscal 2022**—In July 2012, Cabot issued \$350 million in registered notes with a coupon of 3.7% that will mature on July 15, 2022. These notes are unsecured and pay interest on January 15 and July 15. The net proceeds of this offering were \$347 million after deducting discounts and issuance costs. The discount of less than \$1 million was recorded at issuance and is being amortized over the life of the notes.

**Medium Term Notes**—At both September 30, 2015 and 2014, there were \$53 million of unsecured medium term notes outstanding issued to numerous lenders with various fixed interest rates and maturity dates. The weighted average maturity of the total outstanding medium term notes is 6 years with a weighted average interest rate of 7.65%.

**Capital Lease Obligations**—Cabot had capital lease obligations for certain equipment and buildings with a recorded value of \$14 million and \$17 million at September 30, 2015 and 2014, respectively. Cabot will make payments totaling \$33 million over the next 16 years, including \$9 million of imputed interest. At September 30, 2015 and 2014, the original cost of capital lease assets was \$20 million and \$22 million, respectively, and the associated accumulated depreciation of assets under capital leases was \$9 million at both September 30, 2015 and 2014. The amortization related to those assets under capital lease is included in depreciation expense.

#### **Future Years Payment Schedule**

The aggregate principal amounts of long-term debt and capital lease obligations due in each of the five years from fiscal 2016 through 2020 and thereafter are as follows:

Fiscal Years Ending September 30,	Principal Payments on Long-Term Debt	Payments on Capital Lease Obligations	Total
	(Dollars in millions)		
2016	\$ —	\$ 3	\$ 3
2017	305	4	309
2018	250	3	253
2019	30	3	33
2020	—	3	3
Thereafter	373	17	390
Less: executory costs and interest	—	(19)	(19)
Total	<u>\$ 958</u>	<u>\$ 14</u>	<u>\$ 972</u>

**Standby letters of credit**—At September 30, 2015, the Company had provided standby letters of credit that were outstanding and not drawn totaling \$11 million, which expire through fiscal 2016.

#### **Short-term Obligations**

**Short-term Notes Payable**—The Company had unsecured short-term notes of \$22 million and \$44 million as of September 30, 2015 and 2014, respectively, with maturities of less than one year. The weighted-average interest rate on short-term notes payable, including commercial paper, was 4.6% and 3.9% as of September 30, 2015 and 2014, respectively.

The Company has a commercial paper program and the maximum aggregate balance of commercial paper notes outstanding and the amounts borrowed under the revolving credit facility may not exceed the borrowing capacity of the revolving credit facility, \$750 million (increased to \$1 billion in October 2015). The proceeds from the issuance of the commercial paper have been used for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, and acquisitions. The revolving credit facility is available to repay the outstanding commercial paper, if necessary.

The outstanding balance of commercial paper, included within the Notes payable caption on the Consolidated Balance Sheets, was \$12 million as of September 30, 2015 bearing a weighted-average interest rate of 0.36% with a weighted-average maturity of 1 day. The outstanding balance of commercial paper was \$30 million as of September 30, 2014 bearing a weighted-average interest rate of 0.25% with a weighted-average maturity of 1 day.

#### **Note K. Financial Instruments and Fair Value Measurements**

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

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

There were no transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2, or transfers into or out of Level 3, during fiscal 2015 or 2014.

At September 30, 2015 and 2014, the fair value of Guaranteed investment contracts, included in Other assets on the Consolidated Balance Sheets, was \$12 million and \$13 million, respectively. Guaranteed investment contracts were classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on other observable inputs.

At September 30, 2015 and 2014, the fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities, and notes payable and variable rate debt approximated their carrying values due to the short-term nature of these instruments. The carrying value and fair value of the long-term fixed rate debt were \$0.96 billion and \$1.02 billion, respectively, as of September 30, 2015. The carrying value and fair value of the long-term fixed rate debt were \$0.98 billion and \$1.05 billion, respectively, as of September 30, 2014. The fair values of Cabot's fixed rate long-term debt and capital lease obligations are estimated based on comparable quoted market prices at the respective period ends. The carrying amounts of Cabot's floating rate long-term debt and capital lease obligations approximate their fair values. All such measurements are based on observable inputs and are classified as Level 2 within the fair value hierarchy. The valuation technique used is the discounted cash flow model.

## **Note L. Derivatives**

### ***Risk Management***

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

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

By using derivative instruments, Cabot is subject to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, Cabot's credit risk will equal the fair value of the derivative. Generally, when the fair value of a derivative contract is positive, the counterparty owes Cabot, thus creating a payment risk for Cabot. The Company minimizes counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. As of September 30, 2015, the counterparty with which the Company has executed derivatives carried a Standard and Poor's credit rating of AA-. Cabot's exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow. No significant concentration of credit risk existed at September 30, 2015.

### ***Interest Rate Risk Management***

Cabot's objective is to maintain a certain fixed-to-variable interest rate mix on the Company's debt obligations. Cabot may enter into interest rate swaps as a hedge of the underlying debt instruments to effectively change the characteristics of the interest rate without changing the debt instrument. As of both September 30, 2015 and 2014, there were no derivatives held to manage interest rate risk.

### ***Foreign Currency Risk Management***

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

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

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

In certain situations where the Company has forecasted purchases under a long-term commitment or forecasted sales denominated in a foreign currency, Cabot may enter into appropriate financial instruments in accordance with the Company's risk management policy to hedge future cash flow exposures.



The following table provides details of the derivatives held as of September 30, 2015 and 2014 to manage foreign currency risk.

Description	Borrowing	Notional Amount		Hedge Designation
		September 30, 2015	September 30, 2014	
Forward Foreign Currency Contracts (1)	N/A	USD 2 million	USD 32 million	No designation

(1) Cabot's forward foreign exchange contracts are denominated primarily in the British pound sterling, Brazilian real, and Czech koruna.

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

The Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of the financial counterparty to perform. For interest rate and cross-currency swaps, the significant inputs to these models are interest rate curves for discounting future cash flows. For forward foreign currency contracts, the significant inputs are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows.

#### ***Fair Value Hedge***

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current period earnings.

#### ***Cash Flow Hedge***

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is recorded in Accumulated other comprehensive (loss) income and reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period earnings.

#### ***Other Derivative Instruments***

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

During fiscal 2015 and 2014, there were no derivatives designated as hedges. During fiscal 2013, for derivatives designated as hedges, the change in unrealized gains in Accumulated other comprehensive (loss) income, the hedge ineffectiveness recognized in earnings, the realized gains or losses reclassified from Accumulated other comprehensive (loss) income, and the losses reclassified from Accumulated other comprehensive (loss) income to earnings were immaterial.

During fiscal 2013 a gain of \$4 million was recognized in earnings as a result of the remeasurement to Euros of the \$175 million bond held by one of Cabot's European subsidiaries. The gain was recognized in earnings through Other (expense) income within the Consolidated Statements of Operations. The gain was offset by a loss of \$2 million from Cabot's cross currency swaps that are not designated as hedges, but which Cabot entered into to offset the foreign currency remeasurement exposure on the debt. Additionally, during fiscal 2013, Cabot recognized in earnings through Other (expense) income within the Consolidated Statements of Operations, a gain of \$5 million related to its foreign currency forward contracts, which were not designated as hedges.

At both September 30, 2015 and 2014, the fair value of derivative instruments were immaterial and were presented in Prepaid expenses and other current assets and Accounts payable and accrued liabilities on the Consolidated Balance Sheets.

**Note M. Venezuela**

Cabot owns 49% of an operating carbon black affiliate in Venezuela, which is accounted for as an equity affiliate, through wholly-owned subsidiaries that carry the investment and receive its dividends. As of September 30, 2015, these subsidiaries carried the operating affiliate investment of \$14 million and held 18 million bolivars (less than \$1 million) in cash.

During fiscal 2015, 2014 and 2013, the Company received dividends in the amounts of \$6 million, \$5 million and \$3 million, respectively, which were paid in U.S. dollars.

A significant portion of the Company's operating affiliate's sales are exports denominated in U.S. dollars. The Venezuelan government mandates that a certain percentage of the dollars collected from these sales be converted into bolivars. The operating affiliate and the Company's wholly owned subsidiaries used an exchange rate that was available to Cabot when converting these dollars into bolivars to remeasure their bolivar denominated monetary accounts. The exchange rate made available to us on September 30, 2015 was 52 bolivars to the U.S. dollar (B/S).

The operating entity has generally been profitable. The Company continues to closely monitor developments in Venezuela and their potential impact on the recoverability of its equity affiliate investment.

The Company closely monitors its ability to convert its bolivar holdings into U.S. dollars, as the Company intends to convert substantially all bolivars held by its wholly-owned subsidiaries in Venezuela to U.S. dollars as soon as practical. Any future change in the exchange rate made available to the Company or opening of additional parallel markets could cause the Company to change the exchange rate it uses and result in gains or losses on the bolivar denominated assets held by its operating affiliate and wholly-owned subsidiaries.

**Note N. Employee Benefit Plans**

The information below provides detail concerning the Company's benefit obligations under the defined benefit and postretirement benefit plans it sponsors.

Defined benefit plans provide pre-determined benefits to employees that are distributed upon retirement. Cabot is making all required contributions to these plans. The accumulated benefit obligation was \$170 million for the U.S. defined benefit plans and \$326 million for the foreign plans as of September 30, 2015 and \$173 million for the U.S. defined benefit plans and \$462 million for the foreign plans as of September 30, 2014.

In addition to benefits provided under the defined benefit and postretirement benefit plans, the Company provided benefits under defined contribution plans. One of these plans included an Employee Stock Ownership Plan ("ESOP") component, which is described below. Cabot recognized expenses related to these plans, not including the expenses related to the ESOP, of \$20 million in fiscal 2015, \$14 million in fiscal 2014 and \$9 million in fiscal 2013.

*Employee Stock Ownership Plan*

In the first quarter of fiscal 2014, all shares that remained available for distribution under the ESOP were allocated to participant accounts and no further contributions under the plan have been or will be made. Compensation expense related to the ESOP, which is based on the fair value of the shares on the date of allocation, was \$1 million in fiscal 2014 and \$4 million in fiscal 2013.

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

	Years Ended September 30							
	2015				2014			
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
(Dollars in millions)								
<b>Change in Benefit Obligations:</b>								
Benefit obligation at beginning of year	\$ 173	\$ 491	\$ 170	\$ 439	\$ 50	\$ 17	\$ 55	\$ 17
Service cost	1	9	2	9	—	—	—	—
Interest cost	7	11	7	16	2	1	2	1
Plan participants' contribution	—	2	—	2	—	—	—	—
Foreign currency exchange rate changes	—	(45)	—	(28)	—	(2)	—	—
Loss (gain) from changes in actuarial assumptions and plan experience	3	(23)	6	75	1	(1)	(3)	—
Benefits paid <sup>(1)</sup>	(13)	(13)	(11)	(18)	(4)	—	(4)	(1)
Settlements or curtailment gain <sup>(2)</sup>	—	(85)	—	(7)	—	—	—	—
Acquisition / business combination	—	—	—	3	—	—	—	—
Plan amendments	—	—	—	—	(11)	—	—	—
Other	(1)	1	(1)	—	—	—	—	—
Benefit obligation at end of year	\$ 170	\$ 348	\$ 173	\$ 491	\$ 38	\$ 15	\$ 50	\$ 17

	Years Ended September 30							
	2015				2014			
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
(Dollars in millions)								
<b>Change in Plan Assets:</b>								
Fair value of plan assets at beginning of year	\$ 167	\$ 388	\$ 155	\$ 375	—	—	—	—
Actual return on plan assets	(1)	11	21	41	—	—	—	—
Employer contribution	1	10	3	12	4	—	4	1
Plan participants' contribution	—	2	—	2	—	—	—	—
Foreign currency exchange rate changes	—	(34)	—	(20)	—	—	—	—
Benefits paid <sup>(1)</sup>	(13)	(13)	(11)	(18)	(4)	—	(4)	(1)
Settlements <sup>(2)</sup>	—	(85)	—	(4)	—	—	—	—
Acquisition / business combination	—	—	—	1	—	—	—	—
Expenses paid from assets	(1)	—	(1)	(1)	—	—	—	—
Fair value of plan assets at end of year	\$ 153	\$ 279	\$ 167	\$ 388	\$ —	\$ —	\$ —	\$ —
Funded status	\$ (17)	\$ (69)	\$ (6)	\$ (103)	\$ (38)	\$ (15)	\$ (50)	\$ (17)
Recognized liability	\$ (17)	\$ (69)	\$ (6)	\$ (103)	\$ (38)	\$ (15)	\$ (50)	\$ (17)

(1) Included in this amount are \$6 million and \$7 million that the Company paid directly to the participants in its defined benefit plans in fiscal 2015 and 2014, respectively.

(2) The \$85 million settlement amount is primarily driven by the transfer of certain plan assets and obligations to a third party, as discussed further under Curtailments and Settlements of Employee Benefit Plans.

### Pension Assumptions and Strategy

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

	Assumptions as of September 30					
	2015		2014		2013	
	Pension Benefits					
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Actuarial assumptions as of the year-end measurement date:						
Discount rate	4.2 %	2.9 %	4.0 %	3.0 %	4.5 %	3.8 %
Rate of increase in compensation	N/A	2.8 %	N/A	2.8 %	3.0 %	3.1 %
Actuarial assumptions used to determine net periodic benefit cost during the year:						
Discount rate	4.0 %	3.0 %	4.5 %	3.8 %	3.5 %	3.6 %
Expected long-term rate of return on plan assets	7.5 %	5.4 %	7.8 %	5.3 %	7.8 %	5.3 %
Rate of increase in compensation	N/A	2.8 %	3.0 %	3.1 %	3.5 %	3.1 %

### Postretirement Assumptions and Strategy

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

		Assumptions as of September 30					
		2015		2014		2013	
		Postretirement Benefits					
		U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Actuarial assumptions as of the year-end measurement date:							
Discount rate		3.7%	3.9%	3.8%	3.9%	4.0%	4.4%
Initial health care cost trend rate		6.5%	6.8%	7.0%	7.1%	7.5%	7.5%
Actuarial assumptions used to determine net cost during the year:							
Discount rate		3.8%	3.9%	4.0%	4.4%	3.3%	3.9%
Initial health care cost trend rate		7.0%	7.1%	7.5%	7.5%	8.0%	7.4%

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

	Years Ended September 30							
	2015				2014			
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
(Dollars in millions)								
Net Amounts Recognized in the Consolidated Balance Sheets:								
Noncurrent assets	\$ —	\$ 5	\$ —	\$ 4	\$ —	\$ —	\$ —	\$ —
Current liabilities	(1)	(1)	—	(1)	(4)	—	(5)	—
Noncurrent liabilities	(16)	(73)	(6)	(106)	(34)	(15)	(45)	(17)

Amounts recognized in Accumulated other comprehensive (loss) income at September 30, 2015 and 2014 were as follows:

	Years Ended September 30							
	2015				2014			
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Net actuarial loss (gain)	\$ 5	\$ 65	\$ (9)	\$ 118	\$ (6)	\$ 1	\$ (7)	\$ 2
Net prior service credit	—	(1)	—	—	(11)	—	(3)	—
Balance in accumulated other comprehensive (loss) income, pretax	\$ 5	\$ 64	\$ (9)	\$ 118	\$ (17)	\$ 1	\$ (10)	\$ 2

In fiscal 2016, the Company expects an estimated net loss of \$3 million will be amortized from Accumulated other comprehensive (loss) income to net periodic benefit cost. In addition, the Company expects prior service credits of \$4 million for other postretirement benefits will be amortized from Accumulated other comprehensive (loss) income to net periodic benefit costs in fiscal 2016.

#### Estimated Future Benefit Payments

The Company expects that the following benefit payments will be made to plan participants in the years from 2016 to 2025:

Years Ended:	Pension Benefits		Postretirement Benefits	
	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)			
2016	\$ 12	\$ 14	\$ 4	\$ —
2017	10	12	4	—
2018	11	13	3	1
2019	11	13	3	1
2020	11	14	3	1
2021-2025	55	77	14	4

Postretirement medical benefits are unfunded and impact Cabot's cash flows as benefits become due. The Company expects to contribute \$8 million to its foreign pension plans in fiscal 2016.

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

	Years Ended September 30											
	2015		2014		2013		2015		2014		2013	
	Pension Benefits						Postretirement Benefits					
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)											
Service cost	\$ 1	\$ 9	\$ 2	\$ 9	\$ 6	\$ 9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	7	11	7	16	6	15	2	1	2	1	2	1
Expected return on plan assets	(11)	(14)	(10)	(19)	(10)	(18)	—	—	—	—	—	—
Amortization of prior service cost	—	3	—	—	—	—	(4)	—	(3)	—	(3)	—
Net losses	—	4	—	3	1	4	—	—	—	—	—	—
Settlements or curtailments cost	—	18	—	—	1	2	—	—	—	—	—	—
Net periodic (benefit) cost	\$ (3)	\$ 31	\$ (1)	\$ 9	\$ 4	\$ 12	\$ (2)	\$ 1	\$ (1)	\$ 1	\$ (1)	\$ 1

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

	Years Ended September 30											
	2015		2014		2013		2015		2014		2013	
	Pension Benefits						Postretirement Benefits					
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)											
Net losses (gains)	\$ 14	\$ (8)	\$ (4)	\$ 50	\$ (32)	\$ 8	\$ 1	\$ —	\$ (4)	\$ —	\$ (6)	\$ —
Prior service (credit) cost	—	(2)	—	—	—	—	(11)	—	3	—	3	—
Amortization of prior service credit	—	—	—	—	—	—	—	—	—	—	—	—
Amortization of prior unrecognized loss	—	(4)	—	(3)	(2)	(4)	4	—	—	—	—	—
Other	—	(27)	—	(1)	—	(4)	—	—	—	—	—	—
Total other Comprehensive loss (income)	\$ 14	\$ (41)	\$ (4)	\$ 46	\$ (34)	\$ —	\$ (6)	\$ —	\$ (1)	\$ —	\$ (3)	\$ —

#### ***Curtailments and Settlements of Employee Benefit Plans***

In recent years, the Company incurred curtailments and settlements of certain of its employee benefit plans. Associated with these curtailments and settlements, the Company recognized net losses of \$17 million, less than \$1 million, and \$3 million in fiscal 2015, 2014 and 2013, respectively.

Effective October 1, 2014, the Company transferred the defined benefit obligations and pension plan assets in one of its foreign defined benefit plans to a multi-employer plan. This action effectively moves the administrative, asset custodial, asset investment, actuarial, communication and benefit payment obligations to the multi-employer fund administrator. Cabot is required to make contributions to the multi-employer plan which is over 80% funded. Contributed assets by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. As a result of the transfer a pre-tax charge of \$18 million was recorded in the first quarter of fiscal 2015. In addition, there was an approximately \$85 million reduction in plan assets and plan obligations as a result of the transfer of assets and obligations of this foreign plan.

#### ***Sensitivity Analysis***

Measurement of postretirement benefit expense is based on actuarial assumptions used to value the postretirement benefit liability at the beginning of the year. Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. The fiscal 2015 weighted-average assumed health care cost trend rate is 7.0% for U.S. plans and 7.1% for foreign plans. The ultimate weighted-average health care cost trend rate has been designated as 5.0% for U.S. plans and 6.6% for foreign plans, and is anticipated to be achieved during 2019 and 2016, respectively. A one percentage point change in the 2015 assumed health care cost trend rate would have the following effects:

	1-Percentage-Point			
	Increase		Decrease	
	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)			
Effect on postretirement benefit obligation	\$ —	\$ 3	\$ —	\$ (2)

#### ***Plan Assets***

The Company's defined benefit pension plans weighted-average asset allocations at September 30, 2015 and 2014, by asset category, are as follows:

Asset Category:	Pension Assets			
	September 30			
	2015		2014	
	U.S.	Foreign	U.S.	Foreign
Equity securities	55%	39%	55%	37%
Debt securities	45%	54%	45%	47%
Cash and other securities	—	7%	—	16%
Total	100%	100%	100%	100%

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

Cabot's investment strategy for each of its defined benefit plans in the U.S. and abroad is generally based on a set of investment objectives and policies that cover time horizons and risk tolerance levels consistent with plan liabilities. Periodic studies are performed to determine the asset mix that will meet pension obligations at a reasonable cost to the Company. The assets of the defined benefit plans are comprised principally of investments in equity and high quality fixed income securities, which are broadly diversified across the capitalization and style spectrum and are managed using both active and passive strategies. The weighted average target asset allocation for the U.S. plans is 60% in equity and 40% in fixed income and for the foreign plans is 40% in equity, 53% in fixed income, 3% in real estate and 4% in cash and other securities.

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

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

The fair value of the Company's pension plan assets at September 30, 2015 and 2014 by asset category is as follows:

Asset Category:	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Observable Inputs (Level 2)	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Observable Inputs (Level 2)				
	2015		Total		2014		Total					
Cash	\$	1	\$	—	\$	1	\$	69	\$	—	\$	69
Direct investments:												
U.S. equity securities		22		—		22		22		—		22
Total direct investments		22		—		22		22		—		22
Investment funds:												
Equity funds(1)		60		108		168		68		120		188
Fixed income funds(2)		70		150		220		90		163		253
Real estate funds(3)		—		9		9		—		9		9
Common and collective investment trust funds(4)		—		—		—		—		1		1
Cash equivalent funds		—		1		1		—		—		—
Total investment funds		130		268		398		158		293		451
Alternative investments:												
Insurance contracts(5)		—		11		11		—		13		13
Total alternative investments		—		11		11		—		13		13
Total pension plan assets	\$	153	\$	279	\$	432	\$	249	\$	306	\$	555

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

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

(3) The real estate funds asset class includes funds that primarily invest in entities which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial

- and residential. These funds typically seek long-term growth of capital and current income that is above average relative to public equity funds.
- (4) The investment objective of the portfolio of this common and collective investment trust is to achieve long-term, total return in excess of the MSCI World Index Benchmark by investing in equity securities of companies worldwide, emphasizing those with above-average potential for capital appreciation.
- (5) Insurance contracts held by the Company's non-U.S. plans are issued by well-known, highly rated insurance companies.

#### Note O. Stock-Based Compensation

The Company has established equity compensation plans that provide stock-based compensation to eligible employees. The 2009 Long-Term Incentive Plan (the "2009 Plan"), which was approved by Cabot's stockholders on March 12, 2009 and amended on March 8, 2012, authorizes the issuance of approximately 8.9 million shares of common stock. This is the Company's only equity incentive plan under which awards may currently be made to employees.

The terms of awards made under Cabot's equity compensation plans are generally determined by the Compensation Committee of Cabot's Board of Directors. The 2009 Plan allows for grants of stock options, restricted stock, restricted stock units and other stock-based awards to employees. The awards made in fiscal 2015, 2014 and 2013 under the 2009 Plan consist of grants of stock options, time-based restricted stock units, performance-based restricted stock units, and restricted stock units that will be settled in cash. The options were issued with an exercise price equal to 100% of the market price of Cabot's common stock on the date of grant, vest over a three year period (30% on each of the first and second anniversaries of the date of grant and 40% on the third anniversary of the date of grant) and have a ten-year term. The restricted stock units vest three years from the date of the grant. The number of shares issuable, if any, when a performance-based restricted stock unit award vests will depend on the degree of achievement (threshold, target or maximum performance) of the corporate performance metrics for each year within the three-year performance period of the award. Accordingly, future compensation costs associated with outstanding awards of performance-based restricted stock units may increase or decrease based on the probability of the Company achieving the performance metrics.

As of September 30, 2015, there were 35,769 outstanding time-based and performance-based restricted stock units which will be settled by the payment of cash, assuming unbanked awards will be settled at target performance. Compensation expense related to these awards is remeasured throughout the vesting period and until ultimate settlement of the award. Cumulative compensation expense and the associated liability is recorded equal to the fair value of Cabot common stock multiplied by the applicable vesting percentage. The Company recorded liabilities associated with these cash settled awards of \$1 million at both September 30, 2015 and 2014.

Stock-based employee compensation expense was \$8 million, \$9 million and \$8 million, after tax, for fiscal 2015, 2014 and 2013, respectively. The Company recognized the full impact of its stock-based employee compensation expense in the Consolidated Statements of Operations for fiscal 2015, 2014 and 2013 and did not capitalize any such costs on the Consolidated Balance Sheets because those that qualified for capitalization were not material. The following table presents stock-based compensation expenses included in the Company's Consolidated Statements of Operations:

	2015	2014	2013
	(Dollars in millions)		
Cost of sales	\$ 4	\$ 5	\$ 4
Selling and administrative expenses	7	8	7
Research and technical expenses	1	1	1
Stock-based compensation expense	12	14	12
Income tax benefit	(4)	(5)	(4)
Net stock-based compensation expense	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 8</u>

As of September 30, 2015, Cabot has \$12 million and \$2 million of total unrecognized compensation cost related to restricted stock units and options, respectively, granted under the Company's equity incentive plans. These costs are expected to be recognized over a weighted-average period of 1.3 years and 0.8 years for restricted stock units and options, respectively.



### Equity Incentive Plan Activity

The following table summarizes the total stock option and restricted stock unit activity in the equity incentive plans for fiscal 2015:

	Stock Options			Restricted Stock Units	
	Total Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Restricted Stock Units <sup>(1)</sup>	Weighted Average Grant Date Fair Value
(Shares in thousands)					
Outstanding at September 30, 2014	1,421	\$31.22	\$10.71	946	\$39.31
Granted	245	46.03	15.68	345	45.85
Performance-based adjustment <sup>(2)</sup>	—	—	—	(202)	41.72
Exercised / Vested	(137)	26.47	8.50	(289)	33.10
Cancelled / Forfeited	(19)	41.97	15.81	(65)	42.88
Outstanding at September 30, 2015	1,510	33.91	11.65	735	43.84
Exercisable at September 30, 2015	1,023	29.10			
Vested and expected to vest <sup>(3)</sup>	1,500	33.85			

- (1) The number granted represents the number of shares issuable upon vesting of time-based restricted stock units and performance-based restricted stock units, assuming the Company performs at the target performance level in each year of the three-year performance period.
- (2) Represents the number of performance based restricted stock units cancelled based on the Company's actual performance against certain performance targets applicable to outstanding restricted stock units.
- (3) Stock options vested and expected to vest in the future, net of estimated forfeitures, have a weighted average remaining contractual life of 6.3 years.

### Stock Options

The following table summarizes information related to the outstanding and vested options on September 30, 2015:

	Total Options Outstanding	Exercisable Options	Vested and Expected to Vest
Aggregate Intrinsic Value (in millions of dollars)	\$ (4)	\$ 3	\$ (3)
Weighted Average Remaining Contractual Term (in years)	6.30	5.30	6.30

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, based on the Company's closing common stock price of \$31.56 on September 30, 2015, which would have been received by the option holders had all option holders exercised their options and immediately sold their shares on that date.

The intrinsic value of options exercised during fiscal 2015, 2014 and 2013 was \$2 million, \$12 million and \$5 million, respectively, and the Company received cash of \$4 million, \$9 million and \$5 million, respectively, from these exercises.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options at the grant date. The estimated weighted average grant date fair values of options granted during fiscal 2015, 2014 and 2013 was \$15.68, \$18.36, and \$12.51 per option, respectively. The fair values on the grant date were calculated using the following weighted-average assumptions:

	Years Ended September 30		
	2015	2014	2013
Expected stock price volatility	41%	45%	46%
Risk free interest rate	2.0%	1.9%	0.9%
Expected life of options (years)	6	6	6
Expected annual dividends per year	\$ 0.88	\$ 0.80	\$ 0.80

The expected stock price volatility assumption was determined using the historical volatility of the Company's common stock over the expected life of the option. The expected term reflects the anticipated time period between the measurement date and the exercise date or post-vesting cancellation date.

### Restricted Stock Units

The value of restricted stock unit awards is the closing stock price at the date of the grant. The weighted average grant date fair values of restricted stock unit awards granted during fiscal 2015, 2014 and 2013 was \$45.85, \$47.63 and \$35.28, respectively. The intrinsic value of restricted stock units (meaning the fair value of the units on the date of vest) that vested during fiscal 2015, 2014 and 2013 were \$14 million, \$17 million and \$16 million, respectively.

### Restricted Stock

The fair value of restricted stock awards is derived by calculating the difference between the share price and the purchase price at the date of the grant. There were no restricted stock awards granted during fiscal 2015, 2014 or 2013. There was no restricted stock activity during 2015, as all awards were vested as of September 2014. The intrinsic value of restricted stock that vested during each of fiscal 2014 and 2013 was less than \$1 million.

### Supplemental 401(k) Plan

Cabot's Deferred Compensation and Supplemental Retirement Plan ("SERP 401(k)") provides benefits to highly compensated employees in circumstances in which the maximum limits established under ERISA and the Internal Revenue Code prevent them from receiving all of the Company matching and retirement contributions that would otherwise be provided under the qualified 401(k) plan. The SERP 401(k) is non-qualified and unfunded. Contributions under the SERP 401(k) are treated as if invested in Cabot common stock. The majority of the distributions made under the SERP 401(k) are required to be paid with shares of Cabot common stock. The remaining distributions, which relate to certain grandfathered accounts, will be paid in cash based on the market price of Cabot common stock at the time of distribution. The aggregate value of the accounts that will be paid out in stock, which is equivalent to approximately 150,000 and 146,000 shares of Cabot common stock as of September 30, 2015 and 2014, respectively, is reflected at historic cost in stockholders' equity, and the aggregate value of the accounts that will be paid in cash, which is \$1 million as of both September 30, 2015 and 2014, is reflected in other long-term liabilities and marked-to-market quarterly.

### Note P. Restructuring

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

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Cost of sales	\$ 10	\$ 12	\$ 28
Selling and administrative expenses	11	17	7
Total	<u>\$ 21</u>	<u>\$ 29</u>	<u>\$ 35</u>

Details of these restructuring activities and the related reserves for fiscal 2015 and 2014 were as follows:

	Severance and Employee Benefits	Environmental Remediation	Asset Impairment and Accelerated Depreciation	Asset Sales	Other	Total
	(Dollars in millions)					
Reserve at September 30, 2013	\$ 7	\$ 2	\$ —	\$ —	\$ 1	\$ 10
Charges	18	1	4	1	5	29
Costs charged against assets and other	—	—	(4)	—	—	(4)
Cash paid	(8)	(1)	—	(1)	(5)	(15)
Foreign currency translation adjustment	(1)	—	—	—	—	(1)
Reserve at September 30, 2014	\$ 16	\$ 2	\$ —	\$ —	\$ 1	\$ 19
Charges	9	—	5	—	7	21
Costs charged against assets and other	—	—	(5)	—	—	(5)
Cash paid	(18)	—	—	—	(6)	(24)
Foreign currency translation adjustment	(2)	—	—	—	—	(2)
Reserve at September 30, 2015	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 9</u>

## **2016 Plan**

On October 20, 2015, in response to challenging macroeconomic conditions, the Company announced its intention to restructure its operations subject to local consultation requirements and processes in certain locations.

In addition, on November 11, 2015, the Company announced that it had committed to a plan to close its carbon black manufacturing facility in Merak, Indonesia. It is anticipated that manufacturing operations at this location will cease by the end of January 2016 and the production in Asia will be consolidated in the Company's Cilegon, Indonesia and other global carbon black production sites to meet demand. As proposed, these combined 2016 plan actions would result in a reduction of approximately 370 positions across the Company's global locations. In response to current market conditions, these actions are intended to result in a more competitive cost structure.

### ***Business Service Center Transition***

In January 2014, the Company announced its intention to open a new Europe, Middle East and Africa ("EMEA") business service center in Riga, Latvia, and to close its Leuven, Belgium site, subject to the Belgian information and consultation process, which was successfully completed in June 2014. These actions were developed following an extensive evaluation of the Company's business service capabilities in the EMEA region and a determination that the future EMEA business service center will enable the Company to provide the highest quality of service at the most competitive cost.

During fiscal 2015 and 2014, the Company has recorded pre-tax restructuring charges of \$6 million and \$18 million, respectively, comprised primarily of employee severance costs and other transition costs. The majority of actions related to the transition of the business service center have been completed and have resulted in total charges of approximately \$24 million comprised of \$16 million of severance charges and \$8 million of other transition costs including training costs and redundant salaries. Through September 30, 2015, the Company has made \$20 million in cash payments related to this plan, comprised of \$13 million of severance payments and \$7 million of other transition related costs, and expects to make cash payments of approximately \$2 million, comprised mainly of severance, in fiscal 2016. The difference between the initial accrual and subsequent cash payments was due to changes in foreign exchange rates.

As of September 30, 2015, Cabot has \$2 million of accrued restructuring costs in the Consolidated Balance Sheet related to this closure, which is mainly comprised of accrued severance charges.

### ***Closure of Port Dickson, Malaysia Manufacturing Facility***

On April 26, 2013, the Company announced that the Board of its carbon black joint venture, Cabot Malaysia Sdn. Bhd. ("CMSB"), decided to cease production at its Port Dickson, Malaysia facility. The facility ceased production in June 2013. The Company holds a 50.1 percent equity share in CMSB. The decision, which affected approximately 90 carbon black employees, was driven by the facility's manufacturing inefficiencies and raw materials costs.

During fiscal 2015, 2014 and 2013, the Company recorded pre-tax restructuring charges related to this plan of less than \$1 million, \$2 million and \$18 million, respectively. These pre-tax restructuring costs were comprised mainly of accelerated depreciation and asset write-offs of \$15 million, severance charges of \$2 million, site demolition, clearing and environmental remediation charges of \$2 million, and other closure related charges of \$1 million. CMSB's net income or loss is attributable to Cabot Corporation and to the noncontrolling interest in the joint venture. The portion of the charges that are allocable to the noncontrolling interest in CMSB (49.9%) are recorded within Net income (loss) attributable to noncontrolling interests, net of tax, in the Consolidated Statements of Operations. The majority of actions related to closure of the plant were completed in fiscal 2014.

Cumulative net cash outlays related to this plan are expected to be approximately \$4 million comprised primarily of \$1 million for site demolition, clearing and environmental remediation, \$2 million for severance, and \$1 million for other closure related charges and does not include any gain expected to be recorded on the sale of land. Through September 30, 2015, CMSB has made approximately \$3 million in cash payments related to this plan related mainly to severance and site demolition and clearing costs.

CMSB expects to make net cash payments of \$1 million during fiscal 2016 and thereafter mainly comprised of site demolition, clearing and environmental remediation costs. Approximately \$8 million is expected to be received from the sale of land in fiscal 2016, pending the completion of certain activities.

As of September 30, 2015, Cabot has less than \$1 million of accrued restructuring costs in the Consolidated Balance Sheets related to this closure which is mainly comprised of accrued environmental and other charges.

### ***Other Activities***

The Company has recorded pre-tax charges of approximately \$13 million, \$8 million and \$13 million during fiscal 2015, 2014 and 2013, respectively, related to restructuring activities at several other locations. Fiscal 2015 charges are comprised of \$7 million of severance charges, \$4 million of assets write-offs and accelerated depreciation and \$2 million of other costs and were comprised of charges at the Company's corporate headquarters in Boston, Massachusetts and Specialty Fluids facility in Bergen, Norway, as well as other locations. Fiscal 2014 charges are comprised of accelerated depreciation and asset write-offs of \$5 million and severance charges of \$3 million and were comprised of charges at the Company's carbon black facilities in Port Dickson, Malaysia and Maua, Brazil, as well as other locations. Fiscal 2013 costs are comprised of \$8 million of severance charges, \$3 million of accelerated depreciation and asset write-offs and \$2 million of other expenses and were comprised of charges at the Company's research and development facility in Billerica, Massachusetts, certain Purification Solutions sites, and other locations. The Company anticipates that it will record additional charges of less than \$1 million in fiscal 2016 related to these actions.

Through September 30, 2015, Cabot has made cash payments of \$23 million related to these activities and expects to pay \$5 million in fiscal 2016 mainly for severance and other closure related costs at the impacted locations.

As of September 30, 2015, Cabot has \$5 million of accrued severance and other closure related costs in the Consolidated Balance Sheets related to these activities.

### ***Previous Actions and Sites Pending Sale***

Beginning in fiscal 2009, the Company entered into several different restructuring plans which have been substantially completed, pending the sale of former manufacturing sites in Thane, India, and Hong Kong. The Company has incurred total cumulative pre-tax charges of approximately \$165 million related to these plans through September 30, 2015, comprised of \$67 million for severance charges, \$66 million for accelerated depreciation and asset impairments, \$10 million for environmental, demolition and site clearing costs, and \$23 million of other closure related charges partially offset by gains on asset sales of \$1 million. These amounts do not include any gain that may be recorded if the Company successfully sells its land rights and certain manufacturing related assets in India or Hong Kong.

Pre-tax restructuring expenses related to these plans were approximately \$2 million, \$1 million and \$3 million during fiscal 2015, 2014 and 2013, respectively. Fiscal 2015 charges are comprised mainly of severance, accelerated depreciation and other expenses. Fiscal 2014 charges are comprised mainly of environmental charges and other post closure costs. Fiscal 2013 charges are comprised mainly of severance, accelerated depreciation and other expenses. Since fiscal 2009, Cabot has made net cash payments of \$87 million related to these plans and expects to pay approximately \$1 million in fiscal 2016 and thereafter. The remaining payments consist mainly of environmental and other closure related costs. These amounts do not include any proceeds that may be received if the Company successfully sells its land rights and certain manufacturing related assets in India or Hong Kong.

As of September 30, 2015, Cabot has \$2 million of accrued environmental, severance and other closure related costs in the Consolidated Balance Sheets related to these activities.

**Note Q. Accumulated Other Comprehensive (Loss) Income**

Changes in each component of Accumulated other comprehensive (loss) income, net of tax, are as follows for fiscal 2014 and 2015:

	Currency Translation Adjustment	Unrealized Gains on Investment	Pension and Other Postretirement Benefit Liability Adjustment	Total
(Dollars in millions)				
Balance at September 30, 2013 attributable to Cabot Corporation	\$ 154	\$ 2	\$ (53)	\$ 103
Other comprehensive loss before reclassifications	(131)	—	(40)	(171)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	—	—
Net other comprehensive items	23	2	(93)	(68)
Less: Noncontrolling interest	(4)	—	—	(4)
Balance at September 30, 2014 attributable to Cabot Corporation	27	2	(93)	(64)
Other comprehensive (loss) income before reclassifications	(270)	—	7	(263)
Amounts reclassified from accumulated other comprehensive income	—	—	24	24
Net other comprehensive items	(243)	2	(62)	(303)
Less: Noncontrolling interest	(4)	—	—	(4)
Balance at September 30, 2015 attributable to Cabot Corporation	\$ (239)	\$ 2	\$ (62)	\$ (299)

The amounts reclassified out of Accumulated other comprehensive (loss) income and into the Statements of Operations for the fiscal year ended September 30, 2015, 2014 and 2013 are as follows:

	Affected Line Item in the Consolidated Statements of Operations	September 30		
		2015	2014	2013
		(Dollars in Millions)		
Pension and other postretirement benefit liability adjustment				
Amortization of actuarial losses	Net Periodic Benefit Cost- see Note N for details	\$ (1)	\$ 3	\$ 5
Amortization of prior service cost	Net Periodic Benefit Cost- see Note N for details	4	(3)	(3)
Settlement costs	Net Periodic Benefit Cost - see Note N for details	27	—	—
Total before tax		30	—	2
Tax impact	Provision for income taxes	(6)	—	—
Total after tax		\$ 24	\$ —	\$ 2

## Note R. Earnings Per Share

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

	Years Ended September 30		
	2015	2014	2013
	(In millions, except per share amounts)		
<b>Basic EPS:</b>			
Net (loss) income attributable to Cabot Corporation	\$ (334)	\$ 199	\$ 153
Less: Dividends and dividend equivalents to participating securities	—	1	—
Less: Undistributed earnings allocated to participating securities(1)	—	1	1
(Loss) earnings allocated to common shareholders (numerator)	\$ (334)	\$ 197	\$ 152
Weighted average common shares and participating securities outstanding	63.9	65.0	64.4
Less: Participating securities(1)	0.5	0.6	0.6
Adjusted weighted average common shares (denominator)	63.4	64.4	63.8
Per share amounts—basic:			
(Loss) income from continuing operations attributable to Cabot Corporation	\$ (5.29)	\$ 3.04	\$ 2.39
Income (loss) from discontinued operations	0.02	0.02	(0.01)
Net (loss) income attributable to Cabot Corporation	\$ (5.27)	\$ 3.06	\$ 2.38
<b>Diluted EPS:</b>			
(Loss) earnings allocated to common shareholders	\$ (334)	\$ 197	\$ 152
Plus: Earnings allocated to participating securities	—	1	1
Less: Adjusted earnings allocated to participating securities(2)	—	1	1
(Loss) earnings available to common shares (numerator)	\$ (334)	\$ 197	\$ 152
Adjusted weighted average common shares outstanding	63.4	64.4	63.8
Effect of dilutive securities:			
Common shares issuable(3)	—	0.7	0.7
Adjusted weighted average common shares (denominator)	63.4	65.1	64.5
Per share amounts—diluted:			
(Loss) income from continuing operations attributable to Cabot Corporation	\$ (5.29)	\$ 3.01	\$ 2.37
Income (loss) from discontinued operations	0.02	0.02	(0.01)
Net (loss) income attributable to Cabot Corporation	\$ (5.27)	\$ 3.03	\$ 2.36

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

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

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
<b>Calculation of undistributed earnings:</b>			
Net (loss) income attributable to Cabot Corporation	\$ (334)	\$ 199	\$ 153
Less: Dividends declared on common stock	56	54	51
Less: Dividends and dividend equivalents to participating securities	—	1	—
Undistributed (loss) earnings	<u>\$ (390)</u>	<u>\$ 144</u>	<u>\$ 102</u>
<b>Allocation of undistributed earnings:</b>			
Undistributed (loss) earnings allocated to common shareholders	\$ (390)	\$ 143	\$ 101
Undistributed earnings allocated to participating securities	—	1	1
Undistributed (loss) earnings	<u>\$ (390)</u>	<u>\$ 144</u>	<u>\$ 102</u>

- (2) Undistributed (loss) earnings are adjusted for the assumed distribution of dividends to the dilutive securities, which are described in (3) below, and then reallocated to participating securities.
- (3) Represents incremental shares of common stock from the (i) assumed exercise of stock options issued under Cabot's equity incentive plans; (ii) assumed issuance of shares to employees pursuant to the Company's Supplemental 401(k) Plan; and (iii) assumed issuance of shares for outstanding and achieved performance-based stock unit awards issued under Cabot's equity incentive plans using the treasury stock method. For fiscal 2015, 2014 and 2013, respectively, 897,056, 197,072 and 301,328 incremental shares of common stock were not included in the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive.

#### Note S. Income Taxes

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

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Income from continuing operations:			
Domestic	\$ (439)	\$ 50	\$ 40
Foreign	62	258	170
Total	\$ (377)	\$ 308	\$ 210

Tax provision (benefit) for income taxes consisted of the following:

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
U.S. federal and state:			
Current	\$ (7)	\$ (4)	\$ (3)
Deferred	(74)	(4)	(6)
Total	<u>(81)</u>	<u>(8)</u>	<u>(9)</u>
Foreign:			
Current	48	86	70
Deferred	(12)	14	(1)
Total	<u>36</u>	<u>100</u>	<u>69</u>
Total U.S. and foreign	\$ (45)	\$ 92	\$ 60

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

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Computed tax expense at the federal statutory rate	\$ (132)	\$ 108	\$ 74
Foreign income:			
Impact of taxation at different rates, repatriation and other	(24)	(29)	(27)
Impact of (decrease) increase in valuation allowance on deferred taxes	(7)	20	—
Impact of investment incentive credits	—	—	(1)
Impact of foreign losses for which a current tax benefit is not available	9	7	9
Impact of non-deductible net currency losses	(1)	—	18
U.S. and state benefits from research and experimentation activities	(2)	—	(4)
Tax settlements	(7)	(7)	(6)
Impact of goodwill impairment charge	123	—	—
Nontaxable gain on existing equity investment	—	(10)	—
Permanent differences, net	—	3	(4)
State taxes, net of federal effect	(4)	—	1
Total	<u>\$ (45)</u>	<u>\$ 92</u>	<u>\$ 60</u>

Significant components of deferred income taxes were as follows:

	September 30	
	2015	2014
	(Dollars in millions)	
Deferred tax assets:		
Deferred expenses	\$ 38	\$ 37
Intangible assets	32	—
Inventory	9	11
Other	3	20
Pension and other benefits	72	74
Net operating loss carry-forwards	145	171
Foreign tax credit carry-forwards	42	40
R&D credit carry-forwards	31	28
Other business credit carry-forwards	40	38
Subtotal	<u>412</u>	<u>419</u>
Valuation allowances	(161)	(186)
Total deferred tax assets	<u>\$ 251</u>	<u>\$ 233</u>
Deferred tax liabilities:		
Intangible assets	\$ —	\$ (37)
Property, plant and equipment	(116)	(143)
Total deferred tax liabilities	<u>\$ (116)</u>	<u>\$ (180)</u>

In the fiscal 2015 tax benefit, Cabot recorded \$13 million of discrete tax benefits including benefits of \$7 million for tax settlements, \$4 million for repatriation, and \$2 million for the renewal of the U.S. research and experimentation credit.

In the fiscal 2014 tax provision, Cabot recorded \$17 million of net discrete tax charges including a \$20 million charge for a valuation allowance on deferred tax assets in a foreign jurisdiction, a \$2 million charge for return to provision adjustments, a \$2



million charge for interest on uncertain tax positions and a \$4 million charge for miscellaneous tax items, offset by an \$11 million net tax benefit for tax audit settlements.

In the fiscal 2013 tax provision, Cabot recorded \$3 million of net discrete tax charges including a \$13 million foreign currency charge, offset by \$10 million of net tax benefit related to tax settlements, renewal of the U.S. research and experimentation credit, and other miscellaneous tax items.

Approximately \$677 million of net operating loss carryforwards ("NOLs") and \$114 million of other tax credit carryforwards remain at September 30, 2015. The benefits of these carryforwards are dependent upon taxable income during the carryforward period in the jurisdictions in which they arose. Accordingly, a valuation allowance has been provided where management has determined that it is more likely than not that the carryforwards will not be utilized. The following table provides detail surrounding the expiration dates of these carryforwards:

	NOLs	Credits
	(Dollars in millions)	
Expiration periods		
2016 to 2022	\$ 323	\$ 51
2023 and thereafter	95	41
Indefinite carry-forwards	259	22
Total	<u>\$ 677</u>	<u>\$ 114</u>

As of September 30, 2015, provisions have not been made for U.S. income taxes or non-U.S. withholding taxes on approximately \$1.5 billion of undistributed earnings of non-U.S. subsidiaries, as these earnings are considered indefinitely reinvested. Cabot continually reviews the financial position and forecasted cash flows of its U.S. consolidated group and foreign subsidiaries in order to reaffirm the Company's intent and ability to continue to indefinitely reinvest earnings of its foreign subsidiaries or whether such earnings will need to be repatriated in the foreseeable future. Such review encompasses operational needs and future capital investments. From time to time, however, the Company's intentions relative to specific indefinitely reinvested amounts change because of certain unique circumstances. These earnings could become subject to U.S. income taxes and non-U.S. withholding taxes if they were remitted as dividends, were loaned to Cabot Corporation or a U.S. subsidiary, or if Cabot should sell its stock in the subsidiaries with the reinvested earnings.

As of September 30, 2015, net deferred tax assets of \$155 million are in the U.S. Management believes that the Company's history of generating domestic profits provides adequate evidence that it is more likely than not that all of the U.S. net deferred tax assets will be realized in the normal course of business. U.S. income from continuing operations adjusted for U.S. permanent differences and excluding the impairment of long-lived assets within the U.S. (see Note G) was a profit of \$75 million for the year ended September 30, 2015 and was a cumulative profit of \$190 million for the three years ended September 30, 2015 including dividends from non-U.S. subsidiaries. Realization of deferred tax assets is dependent upon future taxable income generated over an extended period of time.

As of September 30, 2015, the Company needs to generate approximately \$443 million in cumulative future U.S. taxable income at various times over approximately 20 years to realize all of its net U.S. deferred tax assets. The Company reviews its forecast in relation to actual results and expected trends on a quarterly basis. Failure to achieve operating income targets may change the Company's assessment regarding the realization of Cabot's deferred tax assets and such change could result in a valuation allowance being recorded against some or all of the Company's deferred tax assets. Any increase in a valuation allowance would result in additional income tax expense, lower stockholders' equity and could have a significant impact on Cabot's earnings in future periods.

The valuation allowances at September 30, 2015 and 2014 represent management's best estimate of the non-realizable portion of the deferred tax assets. The valuation allowance decreased by \$25 million in 2015 primarily due to reduction in value of certain future tax benefits and net operating losses generated or acquired that are included in deferred tax assets. The valuation allowance increased by \$20 million in 2014 due to the uncertainty of the ultimate realization of certain future tax benefits and net operating losses generated or acquired that are included in deferred tax assets.

Cabot has filed its tax returns in accordance with the tax laws in each jurisdiction and recognizes tax benefits for uncertain tax positions when the position would more likely than not be sustained based on its technical merits and recognizes measurement adjustments when needed. As of September 30, 2015, the total amount of unrecognized tax benefits was \$30 million, of which \$16 million was recorded in the Company's Consolidated Balance Sheet and \$14 million of deferred tax assets, principally related to state net operating loss carry-forwards, have not been recorded. In addition, accruals of \$1 million and \$8 million have been recorded for penalties and interest, respectively, as of September 30, 2015 and \$1 million and \$11 million, respectively, as of September 30, 2014. Total penalties and interest recorded in the tax provision in the Consolidated Statement of Operations was \$2 million in fiscal 2015 and \$3 million in both fiscal 2014 and 2013. If the unrecognized tax benefits were recognized at a given point in time, there would be approximately \$20 million favorable impact on the Company's tax provision before consideration of the impact of the potential need for valuation allowances.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal years 2015, 2014 and 2013 is as follows:

	Years ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Balance at beginning of the year	\$ 41	\$ 50	\$ 55
Additions based on tax provisions related to the current year	1	1	1
Additions for tax positions of prior years	—	—	2
Reductions of tax provisions of prior years	(1)	(1)	(5)
Reductions related to settlements	(9)	(5)	—
Reductions from lapse of statute of limitations	(2)	(4)	(3)
Balance at end of the year	<u>\$ 30</u>	<u>\$ 41</u>	<u>\$ 50</u>

Certain Cabot subsidiaries are under audit in jurisdictions outside of the U.S. In addition, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a further change in the unrecognized tax benefits may occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations; however, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2012 through 2014 tax years generally remain subject to examination by the IRS and various tax years from 2005 through 2014 remain subject to examination by the respective state tax authorities. In significant non-U.S. jurisdictions, various tax years from 2002 through 2014 remain subject to examination by their respective tax authorities. As of September 30, 2015, Cabot's significant non-U.S. jurisdictions include Canada, China, France, Germany, Italy, Japan, and the Netherlands.

## Note T. Commitments and Contingencies

### Operating Lease Commitments

Cabot leases certain transportation vehicles, warehouse facilities, office space, machinery and equipment under cancelable and non-cancelable operating leases, most of which expire within ten years and may be renewed by Cabot. Escalation clauses, lease payments dependent on existing rates/indexes and other lease concessions are included in the minimum lease payments and such lease payments are recognized on a straight-line basis over the minimum lease term. Rent expense under such arrangements for fiscal 2015, 2014 and 2013 totaled \$29 million, \$26 million and \$23 million, respectively. Future minimum rental commitments under non-cancelable leases are as follows:

	(Dollars in millions)
2016	\$ 21
2017	14
2018	12
2019	10
2020	8
2021 and thereafter	67
Total future minimum rental commitments	<u>\$ 132</u>

### Other Long-Term Commitments

Cabot has entered into long-term purchase agreements primarily for the purchase of raw materials. Under certain of these agreements, the quantity of material being purchased is fixed, but the price paid changes as market prices change. Raw materials purchased under these agreements by segment for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Reinforcement Materials	\$ 276	\$ 354	\$ 371
Performance Chemicals	62	43	34
Purification Solutions	14	32	34
Other	—	3	2
Total	<u>\$ 352</u>	<u>\$ 432</u>	<u>\$ 441</u>

Included in the table above are raw materials purchases from noncontrolling shareholders of consolidated subsidiaries. These purchases were \$169 million, \$241 million and \$150 million during fiscal 2015, 2014 and 2013, respectively, and accounts payable and accrued liabilities owed to noncontrolling shareholders as of September 30, 2015 and 2014, were \$8 million and \$16 million, respectively.

The purchase commitments for Reinforcement Materials, Performance Chemicals, and Purification Solutions covered by these agreements are with various suppliers and purchases are expected to take place as follows:

	Payments Due by Fiscal Year						Total
	2016	2017	2018	2019	2020	Thereafter	
	(Dollars in millions)						
Reinforcement Materials	\$ 228	\$ 177	\$ 176	\$ 173	\$ 137	\$ 1,821	\$ 2,712
Performance Chemicals	60	38	33	33	30	178	372
Purification Solutions	14	10	7	6	7	2	46
Total	<u>\$ 302</u>	<u>\$ 225</u>	<u>\$ 216</u>	<u>\$ 212</u>	<u>\$ 174</u>	<u>\$ 2,001</u>	<u>\$ 3,130</u>

These commitments have been estimated using current market prices. As noted above, these will fluctuate based on the actual market price at the time of purchase.

### Guarantee Agreements

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

### Self-Insurance and Retention for Certain Contingencies

The Company is partially self-insured for certain third-party liabilities globally, as well as workers' compensation and employee medical benefits in the United States. The third-party and workers' compensation liabilities are managed through a wholly-owned insurance captive and the related liabilities are included in the consolidated financial statements. The employee medical obligations are managed by a third-party provider and the related liabilities are included in the consolidated financial statements. To limit Cabot's potential liabilities for these risks, however, the Company purchases insurance from third-parties that provides individual and aggregate stop-loss protection. The aggregate self-insured liability in fiscal 2015 for combined U.S. / Canadian third-party liabilities and U.S. workers' compensation was \$6.9 million, and the retention for medical costs in the United States is at most \$225,000 per person per annum. There is no aggregate self-insurance limitation outside of the U.S. and Canada for third party liabilities.

## **Contingencies**

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

### *Environmental Matters*

As of September 30, 2015 and September 30, 2014, Cabot had \$16 million and \$17 million, respectively, reserved for environmental matters. These environmental matters mainly relate to closed sites. These reserves represent Cabot's best estimates of the probable costs to be incurred at those sites where costs are reasonably estimable based on the Company's analysis of the extent of clean up required, alternative clean-up methods available, abilities of other responsible parties to contribute and its interpretation of laws and regulations applicable to each site. In fiscal 2015 and 2014, there was \$4 million and \$4 million in Accounts payable and accrued liabilities and \$12 million and \$13 million in Other liabilities, respectively, in the Consolidated Balance Sheets for environmental matters. Cabot reviews the adequacy of the reserves as circumstances change at individual sites and adjusts the reserves as appropriate. Almost all of Cabot's environmental issues relate to sites that are mature and have been investigated and studied and, in many cases, are subject to agreed upon remediation plans. However, depending on the results of future testing, changes in risk assessment practices, remediation techniques and regulatory requirements, newly discovered conditions, and other factors, it is reasonably possible that the Company could incur additional costs in excess of environmental reserves currently recorded. Management estimates, based on the latest available information, that any such future environmental remediation costs that are reasonably possible to be in excess of amounts already recorded would be immaterial to the Company's consolidated financial statements.

Charges for environmental expense were \$1 million, \$15 million, and \$1 million in fiscal 2015, 2014 and 2013, respectively, which are included in Cost of sales in the Consolidated Statements of Operations. Cash payments related to these environmental matters were \$2 million in fiscal 2015, \$3 million in fiscal 2014, and \$2 million in fiscal 2013.

The operation and maintenance component of the \$16 million reserve for environmental matters was \$7 million at September 30, 2015. Cabot expects to make payments of \$2 million in fiscal 2016, \$3 million in fiscal 2017 and 2018, less than \$1 million in fiscal 2019 and 2020, and a total of \$6 million thereafter.

In November 2013, Cabot entered into a Consent Decree with the United States Environmental Protection Agency ("EPA") and the Louisiana Department of Environmental Quality ("LDEQ") regarding Cabot's three carbon black manufacturing facilities in the United States. This settlement is related to EPA's national enforcement initiative focused on the U.S. carbon black manufacturing sector alleging non-compliance with certain regulatory and permitting requirements under The Clean Air Act, including the New Source Review ("NSR") construction permitting requirements. Pursuant to this settlement, Cabot paid a combined \$975,000 civil penalty to EPA and LDEQ, agreed to fund environmental mitigation projects in the three communities where the plants are located for a total cost of approximately \$450,000, two of which have been completed, and will install technology controls for sulfur dioxide and nitrogen oxide.

### **Other Matters**

#### *Respirator Liabilities*

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

Generally, these respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of respirators that are alleged to have been negligently designed and/or labeled. Neither Cabot, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. At no time did this respiratory product line represent a significant portion of the respirator market.

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

In addition to Cabot's subsidiary and as described above, other parties are responsible for significant portions of the costs of respirator liabilities, leaving Cabot's subsidiary with a portion of the liability in only some of the pending cases. These parties include Aearo, AO, AO's insurers, another former owner and its insurers and a third-party manufacturer of respirators formerly sold under the AO brand and its insurers (collectively, with the Company's subsidiary, the "Payor Group").

As of September 30, 2015 and 2014, there were approximately 38,000 and 41,000 claimants, respectively, in pending cases asserting claims against AO in connection with respiratory products. Cabot has contributed to the Payor Group's defense and settlement costs with respect to a percentage of pending claims depending on several factors, including the period of alleged product use. In order to quantify Cabot's estimated share of liability for pending and future respirator liability claims, Cabot has engaged, through counsel, the assistance of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a leading consulting firm in the field of tort liability valuation. The methodology used by HR&A addresses the complexities surrounding Cabot's potential liability by making assumptions about future claimants with respect to periods of asbestos, silica and coal mine dust exposure and respirator use. Using those and other assumptions, HR&A estimates the number of future asbestos, silica and coal mine dust claims that will be filed and the related costs that would be incurred in resolving both currently pending and future claims. On this basis, HR&A then estimates the value of the share of these liabilities that reflect Cabot's period of direct manufacture and Cabot's contractual obligations. Based on the HR&A estimates, Cabot has recorded an \$11 million reserve to accrue for its estimated share of liability for pending and future respirator claims. The Company made payments related to its respirator liability of \$2 million in each of fiscal 2015, 2014 and 2013.

The Company's current estimate of the cost of its share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect the Company's estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of members of the Payor Group, (viii) a change in the availability of the insurance coverage of the members of the Payor Group or the indemnity provided by AO's former owner, (ix) changes in the allocation of costs among the Payor Group and (x) a determination that the assumptions that were used to estimate the Company's share of liability are no longer reasonable. The Company cannot determine the impact of these potential developments on its current estimate of its share of liability for existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount.

#### *Other*

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

#### **Note U. Concentration of Credit Risk**

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

No customer individually represented 10% or more of consolidated net sales for fiscal 2015, 2014 and 2013.

Tire manufacturers comprise a significant portion of Cabot's trade receivable balance. The accounts receivable balance for these significant customers as a group is as follows:

	September 30	
	2015	2014
	(Dollars in millions)	
Tire manufacturers	\$ 217	\$ 311

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

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

### ***Segment Information***

The Company identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The Company has determined that all of its businesses are operating segments. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Operating segments are aggregated into a reportable segment if the operating segments are determined to have similar economic characteristics and if the operating segments are similar in the following areas: i) nature of products and services; ii) nature of production processes; iii) type or class of customer for their products and services; iv) methods used to distribute the products or provide services; and v) if applicable, the nature of the regulatory environment.

In the first quarter of fiscal 2015, the Company realigned its business reporting structure into four segments that consist of Reinforcement Materials, Performance Chemicals, Purification Solutions and Specialty Fluids. Segment results have been recast for all periods presented to reflect the realignment of the Company's global business segments. The new segment structure is designed to improve efficiency and resource prioritization and reflects how the Company's CODM reviews segment results to assess performance and allocate resources.

The Reinforcement Materials segment combines the rubber blacks and elastomer composites product lines.

The Performance Chemicals segment combines the specialty carbons and compounds and inkjet colorants product lines into the Specialty Carbons and Formulations business, and combines the fumed metal oxides and aerogel product lines into the Metal Oxides business. These businesses are similar in terms of economic characteristics, nature of products, processes, customer class and product distribution methods, and therefore have been aggregated into one reportable segment.

The Purification Solutions segment represents the Company's activated carbon business and the Specialty Fluids segment includes cesium formate oil and gas drilling fluids and high-purity fine cesium chemicals product lines.

Reportable segment operating profit (loss) before interest and taxes ("Segment EBIT") is presented for each reportable segment in the financial information by the reportable segment table below on the line entitled Income (loss) from continuing operations before taxes. Segment EBIT excludes certain items, meaning items management does not consider representative of segment results. In addition, Segment EBIT includes Equity in earnings of affiliated companies, net of tax, the full operating results of a contractual joint venture in Purification Solutions, royalties, Net income attributable to noncontrolling interests, net of tax, and discounting charges for certain Notes receivable, but excludes Interest expense, foreign currency transaction gains and losses, interest income, dividend income, unearned revenue, the effects of LIFO accounting for inventory, general unallocated expense and unallocated corporate costs. Segment assets exclude cash, short-term investments, cost investments, income taxes receivable, deferred taxes and headquarters' assets, which are included in unallocated and other. Expenditures for additions to long-lived assets include total equity and other investments (including available-for-sale securities) and property, plant and equipment.

### ***Reinforcement Materials***

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

Our rubber blacks products are used in tires and industrial products. Rubber blacks have traditionally been used in the tire industry as a rubber reinforcing agent to increase tread durability and are also used as a performance additive to reduce rolling resistance and improve traction. In industrial products such as hoses, belts, extruded profiles and molded goods, rubber blacks are used to improve the physical performance of the product, including the product's physical strength, fluid resistance, conductivity and resistivity.

### *Performance Chemicals*

Performance Chemicals is comprised of two businesses: (i) our Specialty Carbons and Formulations business, which manufactures and sells specialty grades of carbon black, specialty compounds and inkjet colorants, and (ii) our Metal Oxides business, which manufactures and sells fumed silica, fumed alumina and dispersions thereof and aerogel. In Performance Chemicals, we design, manufacture and sell materials that deliver performance in a broad range of customer applications across the automotive, construction and infrastructure, inkjet printing, electronics, and consumer products sectors. The net sales from each of these businesses for fiscal 2015, 2014 and 2013 are as follows:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Specialty Carbons and Formulations	\$ 630	\$ 709	\$ 686
Metal Oxides	297	313	303
Total Performance Chemicals	<u>\$ 927</u>	<u>\$ 1,022</u>	<u>\$ 989</u>

#### *Specialty Carbons and Formulations Business*

Carbon black is a form of elemental carbon that is manufactured in a highly controlled process to produce particles and aggregates of varied structure and surface chemistry, resulting in many different performance characteristics for a wide variety of applications.

Our specialty grades of carbon black are used to impart color, provide rheology control, enhance conductivity and static charge control, provide UV protection, enhance mechanical properties, and provide formulation flexibility through surface treatment. These specialty carbon products are used in a wide variety of applications, such as inks, coatings, cables, pipes, toners and electronics. Our thermoplastic concentrates and compounds, which we refer to as “specialty compounds”, are derived from our specialty grades of carbon black mixed with polymers and other additives. These products are generally used by plastics formulators in thermoplastic polymer applications, such as cable jacketings, films, fibers, moldings, pipes and sheets, as they are generally easier to handle, mix and disperse for these applications than carbon black alone. In addition, our electrically conductive compound products generally are used to reduce the risk of damage from electrostatic discharge in plastics applications.

Our inkjet colorants are high-quality pigment-based black and color dispersions based on our patented, carbon black, surface modification technology. The dispersions are used in aqueous inkjet inks to impart color, sharp print characteristics and durability, while maintaining high printhead reliability. These products are used in various inkjet printing applications, including commercial printing, small office/home office and corporate office, and niche applications that require a high level of dispersibility and colloidal stability. Our inkjet inks, which utilize our pigment-based colorant dispersions, are used in the emerging commercial printing segment for digital print.

#### *Metal Oxides Business*

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

Aerogel is a hydrophobic, silica-based particle with a high surface area that is used in a variety of thermal insulation and specialty chemical applications. In the building and construction industry, the product is used in insulative sprayable plasters and composite building products, as well as translucent skylight, window, wall and roof systems for insulating eco-daylighting applications. In the specialty chemicals industry, the product is used to provide matte finishing, insulating and thickening properties for use in a variety of applications.

#### *Purification Solutions*

The Company’s activated carbon products are used for the purification of water, air, food and beverages, pharmaceuticals and other liquids and gases, as either a colorant or a decoloring agent in the production of products for food and beverage applications and as a chemical carrier in slow release applications. In gas and air applications, one of the uses of activated carbon is for the removal of mercury in flue gas streams. In certain applications, used activated carbon can be reactivated for further use by removing the contaminants from the pores of the activated carbon product. In addition to activated carbon production and reactivation, the Company also provides activated carbon solutions through on-site equipment and services, including delivery systems for activated carbon injection in coal-fired utilities, mobile water filter units and carbon reactivation services.

### Specialty Fluids

The Specialty Fluids segment principally produces and markets cesium formate as a drilling and completion fluid for use primarily in high-pressure and high-temperature oil and gas well construction. The fluid is resistant to high temperatures, minimizes damage to producing reservoirs and is readily biodegradable in accordance with testing guidelines set by the Organization for Economic Cooperation and Development. The business also manufactures and sells fine cesium chemicals that are used in a wide range of applications, including catalysts and brazing fluxes.

Financial information by reportable segment is as follows:

	Reinforcement Materials	Performance Chemicals	Purification Solutions	Specialty Fluids	Segment Total	Unallocated and Other <sup>(1), (3)</sup>	Consolidated Total
(Dollars in millions)							
<b>Years Ended September 30</b>							
<b>2015</b>							
Revenues from external customers <sup>(2)</sup>	\$ 1,507	\$ 927	\$ 296	\$ 42	\$ 2,772	\$ 99	\$ 2,871
Depreciation and amortization	83	54	45	2	184	(1)	183
Equity in earnings of affiliated companies	2	1	6	—	9	(5)	4
Income (loss) from continuing operations before taxes <sup>(3)</sup>	143	178	5	6	332	(709)	(377)
Assets <sup>(4)</sup>	1,220	625	789	119	2,753	322	3,075
Total expenditures for additions to long-lived assets <sup>(5)</sup>	44	29	48	16	137	4	141
<b>2014</b>							
Revenues from external customers <sup>(2)</sup>	2,108	1,022	315	98	3,543	104	3,647
Depreciation and amortization	88	56	54	3	201	—	201
Equity in earnings of affiliated companies	(3)	1	6	—	4	(4)	—
Income (loss) from continuing operations before taxes <sup>(3)</sup>	259	168	(19)	39	447	(139)	308
Assets <sup>(4)</sup>	1,632	731	1,389	115	3,867	217	4,084
Total expenditures for additions to long-lived assets <sup>(5)</sup>	65	29	64	7	165	6	171
<b>2013</b>							
Revenues from external customers <sup>(2)</sup>	1,931	989	328	101	3,349	107	3,456
Depreciation and amortization	82	56	54	2	194	(4)	190
Equity in earnings of affiliated companies	9	2	4	—	15	(4)	11
Income (loss) from continuing operations before taxes <sup>(3)</sup>	195	149	(4)	46	386	(176)	210
Assets <sup>(4)</sup>	1,523	752	1,388	110	3,773	460	4,233
Total expenditures for additions to long-lived assets <sup>(5)</sup>	172	46	38	5	261	3	264

(1) Unallocated and Other includes certain items and eliminations necessary to reflect management's reporting of operating segment results. These items are reflective of the segment reporting presented to the CODM.

(2) Revenue from external customers that are categorized as Unallocated and Other reflects royalties, other operating revenues, external shipping and handling fees, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain Notes receivable. Details are provided in the table below.

	Years Ended September 30		
	2015	2014	2013
(Dollars in millions)			
Royalties, other operating revenues, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain Notes receivable	\$ 9	\$ (7)	\$ 5
Shipping and handling fees	90	111	102
Total	\$ 99	\$ 104	\$ 107



- (3) Income (loss) from continuing operations before taxes that are categorized as Unallocated and Other includes:

	Years Ended September 30		
	2015	2014	2013
	(Dollars in millions)		
Interest expense	\$ (53)	\$ (55)	\$ (62)
Total certain items, pre-tax <sup>(a)</sup>	(617)	(28)	(54)
Equity in earnings of affiliated companies, net of tax <sup>(b)</sup>	(4)	—	(11)
Unallocated corporate costs <sup>(c)</sup>	(46)	(54)	(48)
General unallocated expense <sup>(d)</sup>	11	(2)	(1)
Total	<u>\$ (709)</u>	<u>\$ (139)</u>	<u>\$ (176)</u>

- (a) Certain items are items that management does not consider representative of operating segment results and they are, therefore, excluded from Segment EBIT. Certain items, pre-tax for fiscal 2015 include \$562 million related to goodwill and long-lived asset impairment charges for the Purification Solutions business (refer to Note G), \$21 million related to global restructuring activities (Refer to Note P), \$5 million for acquisition and integration-related charges, \$21 million related to employee benefit plan settlement and other charges (refer to note N), and \$2 million related to foreign currency loss on revaluations, and \$6 million related to an inventory reserve adjustment (refer to Note E). Certain items, pre-tax, for fiscal 2014 primarily include \$29 million related to global restructuring activities, \$7 million for acquisition and integration-related charges, \$18 million for legal and environmental matters and reserves and \$3 million of certain foreign currency gains recorded by foreign subsidiaries offset by a \$29 million non-cash gain recognized on the Company's pre-existing investment in NHUMO as a result of the NHUMO transaction. Certain items, pre-tax, for fiscal 2013 primarily include \$35 million related to global restructuring activities, \$21 million for acquisition and integration-related charges (consisting of \$10 million for certain other one-time integration costs and \$11 million of additional charges related to acquisition accounting adjustments for the acquired inventory) and \$1 million for legal and environmental matters and reserves offset by \$3 million of certain foreign currency gains recorded by foreign subsidiaries.
- (b) Equity in earnings of affiliated companies, net of tax is included in Segment EBIT and is removed from Unallocated and other to reconcile to income (loss) from operations before taxes.
- (c) Unallocated corporate costs are not controlled by the segments and primarily benefit corporate interests.
- (d) General unallocated expense consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, the impact of accounting for certain inventory on a LIFO basis, the profit or loss related to the corporate adjustment for unearned revenue, and the impact of including the full operating results of an equity affiliate in Purification Solutions Segment EBIT.
- (4) Unallocated and Other assets includes cash, marketable securities, cost investments, income taxes receivable, deferred taxes, headquarters' assets, and current and non-current assets held for sale.
- (5) Expenditures for additions to long-lived assets include total equity and other investments (including available-for-sale securities) and property, plant and equipment.

#### Geographic Information

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

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

	United States		China		The Netherlands		Other Foreign Countries		Consolidated Total	
	(Dollars in millions)									
Years Ended September 30,										
2015										
Revenues from external customers	\$	705	\$	548	\$	176	\$	1,442	\$	2,871
Net property, plant and equipment	\$	480	\$	311	\$	157	\$	435	\$	1,383
2014										
Revenues from external customers	\$	847	\$	628	\$	220	\$	1,952	\$	3,647
Net property, plant and equipment	\$	496	\$	355	\$	197	\$	533	\$	1,581
2013										
Revenues from external customers	\$	818	\$	558	\$	224	\$	1,856	\$	3,456
Net property, plant and equipment	\$	488	\$	385	\$	211	\$	516	\$	1,600

**Note W. Unaudited Quarterly Financial Information**

Unaudited financial results by quarter for fiscal 2015 and 2014 are summarized below:

	Quarter Ended					Year
	December	March	June	September		
(Dollars in millions, except per share amounts)						
Fiscal 2015						
Consolidated Net Income						
Net sales and other operating revenues	\$ 812	\$ 694	\$ 694	\$ 671	\$ 2,871	
Gross profit	157	139	150	139	585	
Purification Solutions long-lived assets impairment charge	—	—	209	1	210	
Purification Solutions goodwill impairment charge	—	—	353	(1)	352	
Income from discontinued operations, net of tax	—	—	1	1	2	
Net income (loss)	49	27	(443)	41	(326)	
Net income (loss) attributable to Cabot Corporation	45	26	(445)	40	(334)	
Income per share—basic:						
Income (loss) from continuing operations	\$ 0.70	\$ 0.41	\$ (7.05)	\$ 0.63	\$ (5.29)	
Income from discontinued operations	—	—	0.01	0.01	0.02	
Net income (loss) attributable to Cabot Corporation	\$ 0.70	\$ 0.41	\$ (7.04)	\$ 0.64	\$ (5.27)	
Income per share—diluted:						
Income (loss) from continuing operations	\$ 0.69	\$ 0.41	\$ (7.05)	\$ 0.62	\$ (5.29)	
Income from discontinued operations	—	—	0.01	0.01	0.02	
Net income (loss) attributable to Cabot Corporation	\$ 0.69	\$ 0.41	\$ (7.04)	\$ 0.63	\$ (5.27)	
	Quarter Ended					Year
	December	March	June	September		
(Dollars in millions, except per share amounts)						
Fiscal 2014						
Consolidated Net Income						
Net sales and other operating revenues	\$ 898	\$ 898	\$ 940	\$ 911	\$ 3,647	
Gross profit	179	176	184	182	721	
(Loss) income from discontinued operations, net of tax	(1)	—	(1)	4	2	
Net income	86	39	57	36	218	
Net income attributable to Cabot Corporation	80	36	52	31	199	
Income per share—basic:						
Income from continuing operations	\$ 1.25	\$ 0.56	\$ 0.80	\$ 0.43	\$ 3.04	
Income from discontinued operations	(0.01)	(0.01)	(0.01)	0.05	0.02	
Net income attributable to Cabot Corporation	\$ 1.24	\$ 0.55	\$ 0.79	\$ 0.48	\$ 3.06	
Income per share—diluted:						
Income from continuing operations	\$ 1.24	\$ 0.55	\$ 0.79	\$ 0.43	\$ 3.01	
(Loss) income from discontinued operations	(0.01)	(0.01)	(0.01)	0.05	0.02	
Net income attributable to Cabot Corporation	\$ 1.23	\$ 0.54	\$ 0.78	\$ 0.48	\$ 3.03	

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Cabot Corporation and subsidiaries (the “Company”) as of September 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders’ equity and cash flows for each of the three years in the period ended September 30, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cabot Corporation and subsidiaries as of September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of September 30, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 25, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
November 25, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Cabot Corporation and subsidiaries (the “Company”) as of September 30, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2015 of the Company and our report dated November 25, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
November 25, 2015

## PART II

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

None.

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

#### **Disclosure Controls and Procedures**

Cabot carried out an evaluation, under the supervision and with the participation of its management, including the Company's President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2015. Based on that evaluation, Cabot's President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective with respect to the recording, processing, summarizing and reporting, within the time periods specified in the Securities and Exchange Commission's rules and forms, of information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and such information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

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

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

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

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

Cabot's management assessed the effectiveness of Cabot's internal control over financial reporting as of September 30, 2015 based on the framework established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, Cabot's management concluded that Cabot's internal control over financial reporting was effective as of September 30, 2015.

Cabot's internal control over financial reporting as of September 30, 2015 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report above.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ending September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

Following the issuance of the Company's earnings release on November 2, 2015 for the fourth quarter and fiscal year ended September 30, 2015, the Company made certain adjustments to the recorded amounts for taxes and value added tax credits. The adjustments, which were identified in connection with the Company's fiscal year end procedures, are reflected in the consolidated financial statements included in this annual report on Form 10-K. If these adjustments had been reflected in the results the Company reported in its earnings release, the Company would have reported diluted earnings per share for the fourth quarter ended September 30, 2015 of \$0.63 compared to \$0.68 and diluted earnings per share loss for the fiscal year ended September 30, 2015 of \$5.27 compared to \$5.23. The adjustment also lowered adjusted earnings per share for the fourth quarter and fiscal year ended September 30, 2015 by \$0.04 from the amounts reported in the earnings release. The adjustment primarily impacted the results of Reinforcement Materials.

## PART III

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

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

Cabot has adopted a Code of Business Ethics that applies to all of the Company’s employees and directors, including the Chief Executive Officer, the Chief Financial Officer, the Controller and other senior financial officers. The Code of Business Ethics is posted on our website, [www.cabotcorp.com](http://www.cabotcorp.com) (under the “About Cabot” caption under “Company”). We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Business Ethics applicable to the Chief Executive Officer, the Chief Financial Officer, the Controller or other senior financial officers by posting such information on our website.

The other information required by this item will be included in our Proxy Statement for the 2016 Annual Meeting of Stockholders (“Proxy Statement”) and is herein incorporated by reference.

### Item 11. *Executive Compensation*

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

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

The information relating to security ownership of certain beneficial owners of our common stock, and information relating to the security ownership of our management required by this item will be included in our Proxy Statement and is incorporated herein by reference

The following table provides information as of September 30, 2015 about: (i) the number of shares of common stock that may be issued upon exercise of outstanding options and vesting of restricted stock units; (ii) the weighted-average exercise price of outstanding options; and (iii) the number of shares of common stock available for future issuance under our active plans: the 2009 Long-Term Incentive Plan and the 2015 Directors’ Stock Compensation Plan. All of our equity compensation plans have been approved by our stockholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted-average exercise price of outstanding option, warrants and rights (b)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(3)
Equity compensation plans approved by security holders	2,320,862	\$ 33.91	3,294,265
Equity compensation plans not approved by security holders	N/A	N/A	N/A

(1) Includes (i) 1,510,126 shares issuable upon exercise of outstanding stock options, (ii) 490,336 shares issuable upon vesting of time-based restricted stock units, (iii) 92,055 shares issuable upon vesting of performance-based restricted stock units based upon the achievement of the annual financial performance metrics for the three years within the three-year performance period of the fiscal 2013 awards, the first two years within the three-year performance period of the fiscal 2014 awards, and the first year within the three-year performance period of the fiscal 2015 awards; and (iv) 228,345 shares issuable upon vesting of the performance-based stock units attributable to year three of the 2014 awards and years two and three of the 2015 awards, assuming Cabot performs at the maximum performance level in each of those years. If, instead, Cabot performs at the target level of performance in those years, a total of 152,230 shares would be issuable for year three of the 2014 awards and years two and three of the 2015 awards.

(2) The weighted-average exercise price includes all outstanding stock options but does not include restricted stock units which do not have an exercise price.

(3) Of these shares, (i) 2,944,265 shares remain available for future issuance under our 2009 Long-Term Incentive Plan, and (ii) 350,000 remain available for future issuance under our 2015 Directors’ Stock Compensation Plan.

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

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

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

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

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

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

(a) *Financial Statements.* See “Index to Financial Statements” under Item 8 on page 42 of this Form 10-K.

(b) *Exhibits.* (Certain exhibits not included in copies of the Form 10-K sent to stockholders.)

The exhibit numbers in the following list correspond to the numbers assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K. Cabot will furnish to any stockholder, upon written request, any exhibit listed below, upon payment by such stockholder of the Company’s reasonable expenses in furnishing such exhibit.

Exhibit Number	Description
3(a)	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
3(b)	The By-laws of Cabot Corporation as amended September 9, 2011 (incorporated herein by reference to Exhibit 3(b) of Cabot’s Annual Report on Form 10-K for the year ended September 30, 2011, file reference 1-5667, filed with the SEC on November 29, 2011).
4(a)(i)	Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (the “Indenture”) (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot’s Registration Statement on Form S-3, Registration Statement No. 33-18883, filed with the SEC on December 10, 1987).
4(a)(ii)	First Supplemental Indenture, dated as of June 17, 1992, to the Indenture (incorporated herein by reference to Exhibit 4.3 of Cabot’s Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the SEC on June 18, 1992).
4(a)(iii)	Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4 of Cabot’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1996, file reference 1-5667, filed with the SEC on February 14, 1997).
4(a)(iv)	Third Supplemental Indenture, dated as of November 20, 1998, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot’s Current Report on Form 8-K, dated November 20, 1998, file reference 1-5667, filed with the SEC on November 20, 1998).
4(a)(v)	Indenture, dated as of September 21, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot’s Registration Statement on Form S-3 ASR, Registration Statement No. 333-162021, filed with the SEC on September 21, 2009).
4(a)(vi)	First Supplemental Indenture, dated as of September 24, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot’s Current Report on Form 8-K dated September 24, 2009, file reference 1-5667, filed with the SEC on September 24, 2009).
4(a)(vii)	Second Supplemental Indenture, dated as of July 12, 2012 between Cabot Corporation, as Issuer, and U.S. Bank National Association, as Trustee, including the form of Global Note attached as Annex A thereto, supplementing the Indenture dated as of September 21, 2009 (incorporated herein by reference to Exhibit 4.1 of Cabot’s Current Report on Form 8-K dated July 9, 2012, file reference 1-5667, filed with the SEC on July 12, 2012).
10(a)†	Credit Agreement, dated October 23, 2015, among Cabot Corporation, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Citibank, N.A., Bank of America, N.A., Mizuho Bank, Ltd., TD Bank, N.A., and Wells Fargo Bank, National Association, and the other lenders party thereto.
10(b)(i)*	2009 Long-Term Incentive Plan (incorporated herein by reference to Appendix B of Cabot’s Proxy Statement on Schedule 14A relating to the 2012 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 30, 2012).
10(b)(ii)*	2015 Directors’ Stock Compensation Plan (incorporated herein by reference to Appendix B of Cabot’s Proxy Statement on Schedule 14A relating to the 2015 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2015).



Exhibit Number	Description
10(b)(iii)*	Cabot Corporation Short-Term Incentive Compensation Plan (incorporated herein by reference to Appendix A of Cabot's Proxy Statement on Schedule 14A relating to the 2011 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2011).
10(c)*†	Summary of Compensation for Non-Employee Directors.
10(d)*	Cabot Corporation Amended and Restated Senior Management Severance Protection Plan, dated March 9, 2012 (incorporated herein by reference to Exhibit 10.5 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, file reference 1-5667, filed with the SEC on May 7, 2012).
10(e)*	Form of Restricted Stock Unit Award Certificate under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10(i)(i) of Cabot's Annual Report on Form 10-K for the period ended September 30, 2013, file reference 1-5667, filed with the SEC on November 27, 2013).
10(f)*	Form of Non-Qualified Stock Option Award Agreement under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10(i)(ii) of Cabot's Annual Report on Form 10-K for the period ended September 30, 2013, file reference 1-5667, filed with the SEC on November 27, 2013).
10(g)*	Cabot Corporation Deferred Compensation and Supplemental Retirement Plan, amended and restated January 1, 2014 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2013, file reference 1-5667, filed with the SEC on February 6, 2014).
10(h)*	Cabot Corporation Non-Employee Directors' Deferral Plan, amended and restated January 1, 2014 (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2013, file reference 1-5667, filed with the SEC on February 6, 2014).
10(i)*	The Separation Agreement between Cabot Corporation and David A. Miller dated November 28, 2014 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2014, file reference 1-5667, filed with the SEC on February 5, 2015).
10(j)*	Employment Agreement between Nicholas Stewart Cross and Cabot Switzerland GmbH effective April 1, 2010, as modified by the Assignment Letter between Nicholas Cross and Cabot Corporation effective May 15, 2015 (incorporated herein by reference to Exhibit 10.1 of Cabot Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, file reference 1-5667, filed with the SEC on May 7, 2015).
10(k)	Asset Transfer Agreement, dated as of June 13, 1995, among Cabot Safety Corporation, Cabot Canada Ltd., Cabot Safety Limited, Cabot Corporation, Cabot Safety Holdings Corporation and Cabot Safety Acquisition Corporation (incorporated herein by reference to Exhibit 2(a) of Cabot Corporation's Current Report on Form 8-K dated July 11, 1995, file reference 1-5667, filed with the SEC on July 26, 1995).
21†	Subsidiaries of Cabot Corporation.
23†	Consent of Deloitte & Touche LLP.
31(i)†	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31(ii)†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32††	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS†	XBRL Instance Document.
101.SCH†	XBRL Taxonomy Extension Schema Document.
101.CAL†	XBRL Taxonomy Calculation Linkbase Document.
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	XBRL Taxonomy Label Linkbase Document.
101.PRE†	XBRL Taxonomy Presentation Linkbase Document.
*	Management contract or compensatory plan or arrangement.
†	Filed herewith.
††	Furnished herewith.

Attached as Exhibit 101 to the report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations for the years ended September 30, 2015, 2014, 2013; (ii) Consolidated Statements of Comprehensive Income for years ended September 30, 2015, 2014, or 2013. (iii) the Consolidated Balance Sheets at September 30, 2015 and September 30, 2014; (iv) the Consolidated Statement of Cash flows for the years ended September 30, 2015, 2014 and 2013; (v) the Consolidated Statement of Changes in Stockholders' Equity September 30, 2015, 2014 and 2013; and (vi) Notes to the Consolidated Financial Statements, September 30, 2015.

- (c) *Schedules*. The Schedules have been omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CABOT CORPORATION

BY:                     /s/ PATRICK M. PREVOST                      
**Patrick M. Prevost**  
**President and Chief Executive Officer**

Date: November 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
<u>                    /s/ PATRICK M. PREVOST                    </u> Patrick M. Prevost	Director, President and Chief Executive Officer	November 25, 2015
<u>                    /s/ EDUARDO E. CORDEIRO                    </u> Eduardo E. Cordeiro	Executive Vice President and Chief Financial Officer (principal financial officer)	November 25, 2015
<u>                    /s/ JAMES P. KELLY                    </u> James P. Kelly	Vice President and Controller (principal accounting officer)	November 25, 2015
<u>                    /s/ JOHN F. O'BRIEN                    </u> John F. O'Brien	Director, Non-Executive Chairman of the Board	November 25, 2015
<u>                    /s/ JUAN ENRIQUEZ                    </u> Juan Enriquez	Director	November 25, 2015
<u>                    /s/ WILLIAM C. KIRBY                    </u> William C. Kirby	Director	November 25, 2015
<u>                    /s/ RODERICK C.G. MACLEOD                    </u> Roderick C.G. MacLeod	Director	November 25, 2015
<u>                    /s/ HENRY F. MCCANCE                    </u> Henry F. McCance	Director	November 25, 2015
<u>                    /s/ JOHN K. MCGILLICUDDY                    </u> John K. McGillicuddy	Director	November 25, 2015
<u>                    /s/ SUE H. RATAJ                    </u> Sue H. Rataj	Director	November 25, 2015
<u>                    /s/ RONALDO H. SCHMITZ                    </u> Ronaldo H. Schmitz	Director	November 25, 2015
<u>                    /s/ LYDIA W. THOMAS                    </u> Lydia W. Thomas	Director	November 25, 2015
<u>                    /s/ MATTHIAS L. WOLFGRUBER                    </u> Matthias L. Wolfgruber	Director	November 25, 2015
<u>                    /s/ MARK S. WRIGHTON                    </u> Mark S. Wrighton	Director	November 25, 2015

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†	Filed herewith.
††	Furnished herewith.
	Attached as Exhibit 101 to the report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations for the years ended September 30, 2015, 2014, 2013; (ii) Consolidated Statements of Comprehensive Income for years ended September 30, 2015, 2014, or 2013. (iii) the Consolidated Balance Sheets at September 30, 2015 and September 30, 2014; (iv) the Consolidated Statement of Cash flows for the years ended September 30, 2015, 2014 and 2013; (v) the Consolidated Statement of Changes in Stockholders' Equity September 30, 2015, 2014 and 2013; and (vi) Notes to the Consolidated Financial Statements, September 30, 2015.
(c)	<i>Schedules.</i> The Schedules have been omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.



CREDIT AGREEMENT

dated as of

October 23, 2015,

among

CABOT CORPORATION  
and Certain of its Subsidiaries,

as Borrowers,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

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J.P. MORGAN SECURITIES LLC, and  
CITIGROUP GLOBAL MARKETS INC.,  
as Joint Lead Arrangers and Joint Bookrunners,

CITIBANK, N.A.,  
as Syndication Agent

MIZUHO BANK, LTD.,  
TD BANK, N.A. and  
BANK OF AMERICA, N.A.,  
as Joint Lead Arrangers and Co-Documentation Agents

and

Wells Fargo Bank, National Association  
as Co-Documentation Agent

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## TABLE OF CONTENTS

	Page
ARTICLE I Definitions	1
SECTION 1.01 Defined Terms	1
SECTION 1.02 Classification of Loans and Borrowings	21
SECTION 1.03 Terms Generally	21
SECTION 1.04 Accounting Terms; GAAP	21
ARTICLE II The Credits	22
SECTION 2.01 Commitments	22
SECTION 2.02 Loans and Borrowings	22
SECTION 2.03 Requests for Revolving Borrowings	23
SECTION 2.04 Determination of Dollar Amounts	24
SECTION 2.05 Swingline Loans	24
SECTION 2.06 Letters of Credit	25
SECTION 2.07 Funding of Borrowings	29
SECTION 2.08 Interest Elections	29
SECTION 2.09 Termination and Reduction of Commitments	31
SECTION 2.10 Repayment of Loans; Evidence of Debt	31
SECTION 2.11 Prepayment of Loans	32
SECTION 2.12 Fees	33
SECTION 2.13 Interest	34
SECTION 2.14 Alternate Rate of Interest	35
SECTION 2.15 Increased Costs	35
SECTION 2.16 Break Funding Payments	36
SECTION 2.17 Taxes	37
SECTION 2.18 Payments Generally; Pro Rata Treatment; Sharing of Set-offs	41
SECTION 2.19 Mitigation Obligations; Replacement of Lenders	43
SECTION 2.20 Defaulting Lenders	44
SECTION 2.21 Expansion Option	45
SECTION 2.22 Judgment Currency	46
SECTION 2.23 Designated Borrowers	47
SECTION 2.24 Extension Options	48
ARTICLE III Representations and Warranties	49
SECTION 3.01 Organization; Powers	49
SECTION 3.02 Authorization; Enforceability	50
SECTION 3.03 Governmental Approvals; No Conflicts	50
SECTION 3.04 Financial Condition; No Material Adverse Change	50
SECTION 3.05 Litigation and Environmental Matters	50
SECTION 3.06 Compliance with Laws and Agreements; No Default	51
SECTION 3.07 Investment Company Status; Margin Regulations	51
SECTION 3.08 Taxes	51
SECTION 3.09 ERISA	51
SECTION 3.10 Disclosure	51
SECTION 3.11 Subsidiaries	52
SECTION 3.12 Representations as to Foreign Obligors	52
SECTION 3.13 Use of Proceeds	52
SECTION 3.14 Anti-Corruption Laws and Sanctions	52

ARTICLE IV Conditions		53
SECTION 4.01	Effective Date	53
SECTION 4.02	Each Credit Event	54
SECTION 4.03	Initial Credit Event for each Additional Borrower	54
ARTICLE V Affirmative Covenants		55
SECTION 5.01	Financial Statements and Other Information	55
SECTION 5.02	Notices of Material Events	56
SECTION 5.03	Existence; Conduct of Business	56
SECTION 5.04	Payment of Obligations	57
SECTION 5.05	Maintenance of Properties; Insurance	57
SECTION 5.06	Books and Records; Inspection Rights	57
SECTION 5.07	Compliance with Laws	57
SECTION 5.08	Use of Proceeds	57
ARTICLE VI Negative Covenants		58
SECTION 6.01	Liens	58
SECTION 6.02	Fundamental Changes	59
SECTION 6.03	Investments, Loans, Advances, Guarantees and Acquisitions	60
SECTION 6.04	Transactions with Affiliates	60
SECTION 6.05	Financial Covenant	60
SECTION 6.06	Organization Documents	60
SECTION 6.07	Use of Proceeds	60
SECTION 6.08	Subsidiary Indebtedness	60
ARTICLE VII Events of Default		60
ARTICLE VIII The Administrative Agent		62
ARTICLE IX Guaranty		64
ARTICLE X Miscellaneous		65
SECTION 10.01	Notices	65
SECTION 10.02	Waivers; Amendments	67
SECTION 10.03	Expenses; Indemnity; Damage Waiver	68
SECTION 10.04	Successors and Assigns	69
SECTION 10.05	Survival	72
SECTION 10.06	Counterparts; Integration; Effectiveness; Electronic Execution	72
SECTION 10.07	Severability	72
SECTION 10.08	Right of Setoff	72
SECTION 10.09	Governing Law; Jurisdiction; Consent to Service of Process	73
SECTION 10.10	WAIVER OF JURY TRIAL	73
SECTION 10.11	Headings	73
SECTION 10.12	Confidentiality	74
SECTION 10.13	Interest Rate Limitation	74
SECTION 10.14	USA PATRIOT Act	75
SECTION 10.15	No Advisory or Fiduciary Responsibility	75



SCHEDULES:

Schedule 2.01 – Commitments  
Schedule 2.23 – Designated Borrowers  
Schedule 6.01 – Existing Liens

EXHIBITS:

Exhibit A – Form of Assignment and Assumption  
Exhibit B – Form of U.S. Tax Compliance Certificates  
Exhibit C – Form of Designated Borrower Request and Assumption Agreement  
Exhibit D – Form of Designated Borrower Notice  
Exhibit E – Form of Compliance Certificate  
Exhibit F – Form of Increasing Lender Supplement – Existing Lender  
Exhibit G – Form of Augmenting Lender Supplement – New Lender

CREDIT AGREEMENT (this “**Agreement**”) dated as of October 23, 2015, among CABOT CORPORATION, a Delaware corporation (the “**Company**”), certain Subsidiaries of the Company from time to time party hereto pursuant to Section 2.23 (each, a “**Designated Borrower**” and, together with the Company, the “**Borrowers**” and each, a “**Borrower**”), the LENDERS from time to time party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“**ABR**”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bear interest at a rate determined by reference to the Alternate Base Rate.

“**Acquisition**”, by any Person, means the acquisition by such Person (other than a transaction that would be classified as a capital expenditure in accordance with GAAP), in a single transaction or in a series of related transactions, of all or any substantial portion (constituting a separate business unit) of the assets of another Person or at least a majority of the Equity Interests with ordinary voting power of another Person, in each case whether or not involving a merger or consolidation with such other Person and whether for cash, property, services, assumption of Indebtedness, securities or otherwise.

“**Act**” has the meaning assigned to such term in Section 10.14.

“**Adjusted LIBO Rate**” means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

“**Administrative Agent**” means JPMorgan Chase Bank, N.A. (including its subsidiaries and Affiliates), in its capacity as administrative agent for the Lenders hereunder.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agent Party**” has the meaning assigned to it in Section 10.01(d)(ii).

“**Agreed Currencies**” means (a) U.S. Dollars, (b) Euro, (c) Pounds Sterling, (d) Swiss Francs, (e) Australian Dollars, (f) Japanese Yen, (g) Canadian Dollars, (h) Singapore Dollars and (i) any other Foreign Currency acceptable to all of the Lenders and the Issuing Bank.

“**Agreement**” has the meaning assigned to such term in the preamble.

“**Alternate Base Rate**” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, the Adjusted LIBO Rate for any day shall be based on the LIBO Rate at approximately 11:00 a.m. London time on such day but shall otherwise be calculated in accordance with

the definition of “LIBO Rate”, subject to the interest rate floors set forth therein. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“**Applicable Foreign Obligor Documents**” has the meaning assigned to such term in [Section 3.12\(a\)](#).

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to any Borrower or any of its Affiliates from time to time concerning or relating to bribery or corruption.

“**Applicable Percentage**” means, with respect to any Lender, the percentage of the total Commitments represented by such Lender’s Commitment; provided that in the case of [Section 2.20](#) when a Defaulting Lender shall exist, “Applicable Percentage” shall mean the percentage of the total Commitments (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Credit Exposure then in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“**Applicable Rate**” means, for any day, with respect to any ABR Loan, Eurocurrency Revolving Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “ABR/Canadian Prime Rate Spread”, “Eurocurrency/CDOR/BBSY/SOR Spread” or “Facility Fee Rate”, as the case may be, based upon the ratings by Moody’s and S&P, respectively, applicable on such date to the Index Debt:

<u>Tier</u>	<u>Rating</u>	<u>Eurocurrency/CDOR/ BBSY/SOR Spread</u>	<u>ABR/Canadian Prime Rate Spread</u>	<u>Facility Fee Rate</u>
<u>I</u>	≥ A2 / A	0.680%	0%	0.070%
<u>II</u>	< A2 / A and ≥ A3 / A-	0.900%	0%	0.100%
<u>III</u>	< A3 / A- and ≥ Baa1 / BBB+	1.000%	0%	0.125%
<u>IV</u>	< Baa1 / BBB+ and ≥ Baa2 / BBB	1.100%	0.100%	0.150%
<u>V</u>	≤ Baa3 / BBB-	1.200%	0.200%	0.175%

For purposes of the foregoing, (i) if either Moody’s or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Tier V; (ii) if the ratings established or deemed to have been established by Moody’s and S&P for the Index Debt shall fall within different Tiers, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Tiers lower than the other, in which case the Applicable Rate shall be determined by reference to the Tier next above that of the lower of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody’s and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody’s or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Company to the Administrative Agent and the Lenders pursuant to [Section 5.01](#) or otherwise. Each change in the Applicable Rate shall apply during the period

commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

**"Applicant Borrower"** has the meaning assigned to such term in Section 2.23(b).

**"Approved Fund"** means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

**"Arrangers"** means, collectively, (i) J.P. Morgan Securities LLC and Citigroup Global Markets Inc., in their capacity as Joint Lead Arrangers and Joint Bookrunners, and (ii) Mizuho Bank, LTD., TD Bank, N.A., and Bank of America, N.A., in their capacity as Joint Lead Arrangers.

**"Assignment and Assumption"** means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

**"Augmenting Lender"** has the meaning assigned to such term in Section 2.21(a).

**"Australian Bill Rate"** means, for any Interest Period, the rate per annum equal to the average bid rate for a term to maturity equal or comparable to such Interest Period appearing on the Reuters Screen BBSY Page (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the **"BBSY Screen Rate"**) as of 10:30 a.m., Sydney time, on the first day of such Interest Period or, if such day is not a Business Day, on the immediately preceding Business Day; provided that if the BBSY Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that if the BBSY Screen Rate shall not be available at such time for such Interest Period then the Australian Bill Rate shall be the Interpolated Rate or, if applicable pursuant to the terms of Section 2.14(a), the applicable Reference Bank Rate, in either case as of 10:30 a.m., Sydney time, on such day or, if such day is not a Business Day, on the immediately preceding Business Day.

**"Australian Bill Rate Loan"** means a Loan which bears interest at the Australian Bill Rate.

**"Australian Dollars"** means the lawful currency of Australia.

**"Availability Period"** means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

**"Bankruptcy Event"** means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, unless such ownership interest results in or provides such Person with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such

Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

**"BBSY Screen Rate"** has the meaning assigned to such term in the definition of "Australian Bill Rate".

**"Board"** means the Board of Governors of the Federal Reserve System of the United States of America.

**"Borrower"** and **"Borrowers"** each has the meaning assigned to such term in the preamble.

**"Borrower DTTP Filing"** means an HM Revenue & Customs' Form DTTP2, duly completed and filed by the relevant Borrower within the applicable time limit, which contains the scheme reference number and jurisdiction of tax residence provided by the applicable Lender to the Company and the Administrative Agent.

**"Borrowing"** means (a) Revolving Loans of the same Type and currency, made, converted or continued on the same date and, in the case of Eurocurrency Loans, Canadian Prime Rate Loans, CDOR Rate Loans, Australian Bill Rate Loans or SOR Rate Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

**"Borrowing Request"** means a request by the Company, for itself or on behalf of a Designated Borrower, for a Revolving Borrowing in accordance with Section 2.03.

**"Business Day"** means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that (a) when used in connection with a Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in the applicable Agreed Currency in the London interbank market or (other than in respect of Borrowings denominated in U.S. Dollars or Euro) the principal financial center of such Agreed Currency (including (i) Toronto, Canada, in the case of a Canadian Prime Rate Loan or CDOR Rate Loan made to a Canadian Borrower, and (ii) Sydney, Australia, in the case of an Australian Bill Rate Loan), and (b) when used in connection with a Eurocurrency Loan denominated in Euro, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in Euro.

**"Canadian Borrower"** means any Borrower that is organized under the laws of Canada or any province thereof.

**"Canadian Dollars"** means the lawful currency of Canada.

**"Canadian Prime Rate"** means, on any day, a rate per annum equal to the greater of (a) the annual rate of interest determined by the Administrative Agent on such day as its reference rate for Canadian Dollar-denominated commercial loans made in Canada and commonly known as its "prime rate" (or its equivalent or analogous such rate), such rate not being intended to be the lowest rate of interest charged by the Administrative Agent, and (b) the annual rate of interest equal to the sum of (i) the CDOR Rate on such day for a one-month Interest Period and (ii) 1.00%.

**"Canadian Prime Rate Loan"** means a Loan which bears interest at the Canadian Prime Rate.

**"Capital Lease Obligations"** of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

**"CDOR Rate"** means, for any Interest Period, the rate per annum based on the average rate applicable to bankers' acceptances in Canadian Dollars for a term to maturity equal or comparable to such Interest Period

appearing on the Reuters Screen CDOR Page (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the **"CDOR Screen Rate"**) as of 10:00 a.m., Toronto time, on the first day of such Interest Period or, if such day is not a Business Day, on the immediately preceding Business Day; provided that if the CDOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that if the CDOR Screen Rate shall not be available at such time for such Interest Period then the CDOR Rate shall be the Interpolated Rate or, if applicable pursuant to the terms of Section 2.14(a), the applicable Reference Bank Rate, in either case as of 10:00 a.m., Toronto time, on the first day of such Interest Period or, if such day is not a Business Day, on the immediately preceding Business Day.

**"CDOR Rate Loan"** means a Loan which bears interest at the CDOR Rate.

**"CDOR Screen Rate"** has the meaning assigned to such term in the definition of **"CDOR Rate"**.

**"Change in Control"** means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding members of the Cabot family, any employee benefit plan of the Company or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an **"option right"**), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of twenty-five percent (25%) or more of the equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of twenty-four (24) consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Company cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

**"Change in Law"** means (a) the adoption of or taking effect of any law, rule, regulation, or treaty (including any rules or regulations issued under or implementing any existing law) after the date of this Agreement, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or by any applicable lending office of such Lender or the Issuing Bank) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith or in implementation thereof, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities, in each case under Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

**"Charges"** has the meaning assigned to such term in Section 10.13.

**“Class”**, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Commitment”** means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04, and (c) increased from time to time pursuant to Section 2.21. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders’ Commitments is \$1,000,000,000.

**“Communications”** has the meaning assigned to such term in Section 10.01(d)(iii).

**“Company”** has the meaning assigned to such term in the preamble.

**“Compliance Certificate”** means a certificate substantially in the form of Exhibit E.

**“Computation Date”** has the meaning assigned to such term in Section 2.04.

**“Consolidated”** or **“consolidated”** means, with reference to any term defined herein, that term as applied to the accounts of the Company and its Subsidiaries, consolidated in accordance with GAAP.

**“Consolidated EBITDA”** means, with reference to any period, Consolidated Net Income for such period plus (a) without duplication, to the extent deducted from revenues in determining such Consolidated Net Income, (i) interest expense (including capitalized interest, premium payments, debt discount, fees, charges and related expenses in connection with all Indebtedness, including for the deferred purchase price of assets and services, and fees and charges incurred under any Securitization Transactions), (ii) the provision for federal, state, local, foreign or other income taxes payable, (iii) depreciation expense, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) any extraordinary, unusual or non-recurring expenses, losses and charges, including (A) impairment charges, (B) any restructuring charges or restructuring reversals, (C) any loss from the sales of assets outside the ordinary course of business, (D) costs related to acquisitions and dispositions, including transaction costs (whether or not the transaction is consummated), charges for the sale of inventories revalued at the date of acquisition and in-process research and development acquired, and the amortization of acquisition-related intangible assets, and (E) amortization or write-off of debt discount and debt issuance costs and commissions, discounts, debt refinancing costs and commissions and other fees and charges associated with Indebtedness, and (vii) other non-cash charges and expenses, minus (b) to the extent included in such Consolidated Net Income, (i) all non-cash income or gains, (ii) interest income, (iii) any extraordinary, unusual or non-recurring income or gains (including any gain from the sales of assets outside of the ordinary course of business), and (iv) income tax credits (to the extent not netted from income tax expense), all calculated for the Company and its Subsidiaries in accordance with GAAP on a consolidated basis. For the purposes of calculating Consolidated EBITDA for any period, if during such period the Company or any Subsidiary shall have made a Permitted Acquisition or sale of any business or Subsidiary permitted hereunder, Consolidated EBITDA for such period shall be calculated after giving effect to such Permitted Acquisition (and all associated Indebtedness) or such sale of any business or Subsidiary on a Pro Forma Basis as if such Permitted Acquisition or sale of any business or Subsidiary occurred on the first day of such period.

**“Consolidated Leverage Ratio”** means, as of the last day of any fiscal quarter, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the Reference Period ended on such date.

**"Consolidated Net Income"** means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated in accordance with GAAP on a consolidated basis (without duplication) for such period.

**"Consolidated Tangible Net Worth"** means, as of any date, (i) the consolidated stockholders' equity of the Company as of such date (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement Nos. 52 and 133), minus (ii) to the extent reflected in determining such consolidated stockholders' equity as of such date, the amount of Intangible Assets of the Company and its Subsidiaries on a consolidated basis.

**"Consolidated Total Debt"** means, as of any date of determination, the outstanding principal amount as of such date of all Indebtedness of the Company and its Subsidiaries on a consolidated basis.

**"Consolidated Total Tangible Assets"** means the aggregate amount of all assets of the Company and its Subsidiaries on a consolidated basis other than Intangible Assets.

**"Contractual Obligation"** means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

**"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlling"** and **"Controlled"** have meanings correlative thereto.

**"Credit Party"** means the Administrative Agent, the Issuing Banks, the Swingline Lenders or any other Lender.

**"Default"** means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

**"Defaulting Lender"** means any Lender that (a) has failed, within two (2) Business Days after the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified any Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a Lender Parent that has, become the subject of a Bankruptcy Event.

**"Designated Borrower"** has the meaning assigned to such term in the preamble.

**"Designated Borrower Notice"** has the meaning assigned to such term in Section 2.23(b).



**“Designated Borrower Request and Assumption Agreement”** has the meaning assigned to such term in [Section 2.23\(b\)](#).

**“Disclosed Litigation”** has the meaning assigned to such term in [Section 3.05\(a\)](#).

**“Dollar Amount”** of any currency at any date means (a) if such currency is U.S. Dollars, the amount of such currency, or (b) if such currency is a Foreign Currency, the equivalent in such currency of U.S. Dollars, calculated on the basis of the Exchange Rate for such currency on or as of the most recent Computation Date provided for in [Section 2.04](#).

**“Domestic Subsidiary”** means any Subsidiary that is organized under the laws of any political subdivision of the United States of America.

**“Effective Date”** means the date on which the conditions specified in [Section 4.01](#) are satisfied (or waived in accordance with [Section 10.02](#)).

**“Electronic Signature”** means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

**“Electronic System”** means any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, Debt Domain, Syndtrak and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent and the Issuing Bank and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

**“Environmental Laws”** means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating to pollution and the protection of the environment, or the release of any Hazardous Material.

**“Environmental Liability”** means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

**“Equity Interests”** means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

**“Equivalent Amount”** of any currency with respect to any amount of U.S. Dollars at any date means the equivalent in such currency of such amount of U.S. Dollars, calculated on the basis of the Exchange Rate for such other currency at 11:00 a.m. London time on the date on or as of which such amount is to be determined.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

**“ERISA Affiliate”** means any trade or business (whether or not incorporated) that, together with any Borrower, is treated as a single employer under subsections (b) and (c) of Section 414 of the Code (and, solely for the purposes of Section 412 of the Code, including subsections (m) and (o) of Section 414 of the Code).

**“ERISA Event”** means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b)

the existence with respect to any Multiemployer Plan of an “accumulated funding deficiency” (as defined in Sections 412 and 431 of the Code or Sections 302 and 304 of ERISA), whether or not waived, or the determination that any Multiemployer Plan is in either “endangered status” or “critical status” (as defined in Section 432 of the Code or Section 305 of ERISA), or the failure of any Plan that is not a Multiemployer Plan to satisfy the minimum funding standards of Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA, or the determination that any Plan that is not a Multiemployer Plan is in “at-risk” status (as defined in Section 430(i) of the Code or Section 303(i) of ERISA) or the imposition of any lien on any Borrower or any of its ERISA Affiliates pursuant to Section 430(k) of the Code or Section 303(k) of ERISA; (c) the filing pursuant to Section 412(c) of the Code or Section 303(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan; (g) the receipt by any Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (h) the withdrawal by any Borrower or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA); (i) the engagement by any Borrower or any ERISA Affiliate in a transaction that could reasonably be expected to be subject to Section 4069 or Section 4212(c) of ERISA; (j) the engagement by any Borrower in a non-exempt “prohibited transaction” (as defined under Section 406 of ERISA or Section 4975 of the Code) or a breach of a fiduciary duty under ERISA that could reasonably be expected to result in liability to the Company or any Subsidiary; (k) notification by the IRS of the failure of any Plan (and any related trust) that is intended to be qualified under Sections 401 and 501 of the Code to be so qualified; (l) the commencement, existence or threatening of a claim, action, suit or audit or other regulatory examination with respect to any Plan, other than a routine claim for benefits; or (m) the occurrence of an event with respect to any employee benefit plan described in Section 3(2) of ERISA that results in the imposition of an excise tax or any other liability on any Borrower or of the imposition of a Lien on the assets of any Borrower.

“Euro” or “€” means the single currency of the participating member states of the European Union.

“Eurocurrency”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

“Eurocurrency Payment Office” of the Administrative Agent shall mean, for each Foreign Currency, the office, branch, affiliate or correspondent bank of the Administrative Agent for such currency as specified from time to time by the Administrative Agent to each Borrower and each Lender.

“Event of Default” has the meaning assigned to such term in Article VII.

“Exchange Rate” means, on any day, with respect to any Foreign Currency, the rate at which such Foreign Currency may be exchanged into U.S. Dollars, as set forth at approximately 11:00 a.m., Local Time, on such date on the Reuters World Currency Page for such Foreign Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate with respect to such Foreign Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be reasonably selected by the Administrative Agent or, in the event no such service is selected, such Exchange Rate shall instead be calculated on the basis of the arithmetical average of the spot rates of exchange of the Administrative Agent for such Foreign Currency on the London market at 11:00 a.m., Local Time, on such date for the purchase of U.S. Dollars with such Foreign Currency, for delivery two (2) Business Days later; provided, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

***“Existing Credit Agreement”*** means that certain Credit Agreement dated as of October 3, 2014, by and among the Company, the other borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

***“Existing Termination Date”*** has the meaning assigned to such term in Section 2.24(a).

***“Excluded Taxes”*** means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed by the United States of America, (ii) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (iii) that are Other Connection Taxes, (b) in the case of a Lender, withholding Taxes (excluding, in the case of United Kingdom withholding Taxes, (x) the portion of United Kingdom withholding Taxes with respect to which the applicable Lender is entitled to claim a reduction under an income tax treaty, and (y) United Kingdom withholding Taxes on payments made by any guarantor under any guarantee of the obligations) that are or would be required to be withheld on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan, Letter of Credit or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan, Letter of Credit or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.19(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender acquired the applicable interest in a Loan, Letter of Credit or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.17(f) and (g), and (d) any U.S. federal withholding Taxes imposed under FATCA.

***“Extending Lender”*** has the meaning assigned to such term in Section 2.24(a).

***“FATCA”*** means (a) Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction with the purpose (in either case) of facilitating the implementation of clause (a) above, or (c) any agreement pursuant to the implementation of clauses (a) or (b) above with the IRS, the United States government or any governmental or taxation authority in the United States.

***“Federal Funds Effective Rate”*** means, for any day, the rate calculated by the FRBNY based on such day’s federal funds transactions depository institutions (as determined in such manner as the FRBNY shall set forth on its public website from time to time) and published on the next succeeding Business Day by the FRBNY as the federal funds effective rate; provided, that if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

***“Financial Officer”*** means, with respect to any Borrower, the chief financial officer, principal accounting officer, treasurer or controller of such Borrower.

***“Foreign Currencies”*** means Agreed Currencies other than U.S. Dollars.

***“Foreign Currency Letter of Credit”*** means a Letter of Credit denominated in a Foreign Currency.

***“Foreign Lender”*** means a Lender that is not a U.S. Person.

***“Foreign Obligor”*** means a Designated Borrower that is a Foreign Subsidiary.

***“Foreign Subsidiary”*** means any Subsidiary that is not a Domestic Subsidiary.

**"FRBNY"** means the Federal Reserve Bank of New York.

**"GAAP"** means generally accepted accounting principles in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States of America, that are applicable to the circumstances as of the date of determination, consistently applied, or if the Company adopts the International Financial Reporting Standards ("**IFRS**"), IFRS, consistently applied.

**"Governmental Authority"** means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Guarantee"** of or by any Person (the "**guarantor**") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

**"Hazardous Materials"** means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

**"HMRC DT Treaty Passport Scheme"** means the Board of H.M. Revenue and Customs Double Taxation Treaty Passport scheme.

**"Increasing Lender"** has the meaning assigned to such term in [Section 2.21\(a\)](#).

**"Incremental Term Loan"** has the meaning assigned to such term in [Section 2.21\(a\)](#).

**"Incremental Term Loan Amendment"** has the meaning assigned to such term in [Section 2.21\(e\)](#).

**"Indebtedness"** of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business and payable in accordance with customary practices), (e) all Indebtedness (excluding prepaid interest thereon) of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed or is limited in recourse, (f) all Guarantees by such Person of Indebtedness of another Person, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person arising under letters of credit, letters of guaranty, bankers' acceptances and similar instruments (other than (i) commercial letters of credit

issued in the ordinary course of business to the extent there is no overdue reimbursement obligation in respect thereof, (ii) solely for purposes of calculating the Consolidated Leverage Ratio, standby letters of credit and letters of guaranty issued in the ordinary course of business to the extent there is no overdue reimbursement obligation in respect thereof, and (iii) endorser liability with respect to bankers' acceptances received by such Person as payment for goods or services in the ordinary course of business, so long as such Person is not the account party or drawer of the underlying draft), and (i) the outstanding principal amount of any Securitization Transaction of such Person, after taking into account reserve accounts. The Indebtedness of any Person shall include the Indebtedness of any other Person (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

**"Indemnified Taxes"** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Borrower under any Loan Document and (b) to the extent not otherwise described in the foregoing clause (a) hereof, Other Taxes.

**"Index Debt"** means senior, unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person (other than a Subsidiary that is a Designated Borrower or guarantor of the Obligations) or subject to any other credit enhancement.

**"Ineligible Assignee"** means (a) a natural person, (b) any Borrower or any Affiliate or Subsidiary of a Borrower, or (c) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or a relative thereof; provided that such company, investment vehicle or trust shall not constitute an Ineligible Assignee if it (x) has not been established for the primary purpose of acquiring any Loans or Commitments, (y) is managed by a professional advisor, who is not such natural person or a relative thereof, having significant experience in the business of making or purchasing commercial loans, and (z) has assets greater than \$25,000,000 and a significant part of its activities consist of making or purchasing commercial loans and similar extensions of credit in the ordinary course of its business.

**"Intangible Assets"** means the amount of all unamortized debt discount and expense, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copyrights, organization or developmental expenses and other assets treated as intangible assets under GAAP (but not in any event including deferred taxes).

**"Interest Election Request"** means a request by the Company to convert or continue a Revolving Borrowing in accordance with Section 2.08.

**"Interest Payment Date"** means (a) with respect to any ABR Loan (other than a Swingline Loan) or Canadian Prime Rate Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Borrowing with an Interest Period of more than three (3) months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three (3) months' duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

**"Interest Period"** means, with respect to any Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one (1), two (2), three (3) or six (6) months thereafter, as the Company may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For

purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

**"Interpolated Rate"** means, at any time, for any currency and for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between (a) the LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate, as applicable, for the longest period (for which a LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate is available for such currency) that is shorter than such Interest Period; and (b) the LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate, as applicable, for the shortest period (for which a LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate is available for such currency) that exceeds such Interest Period, in each case, at such time; provided, that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

**"Investment"** means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or guaranty of any obligation or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

**"IRS"** means the United States Internal Revenue Service.

**"Issuing Bank"** means JPMorgan Chase Bank, N.A., Citibank, N.A., and any other Lender that agrees to act as an Issuing Bank, each in its capacity as the issuer of, and with respect to, all Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). Any Issuing Bank, may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. Each reference to the "Issuing Bank" shall be deemed to be a reference to the relevant Issuing Bank.

**"Japanese Yen" or "¥"** means the lawful currency of Japan.

**"LC Disbursement"** means a payment made by the Issuing Bank pursuant to a Letter of Credit.

**"LC Exposure"** means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrowers at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

**"Lender Parent"** means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

**"Lenders"** means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to Section 2.21 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lenders.

**"Letter of Credit"** means any letter of credit issued pursuant to this Agreement.

**“Letter of Credit Commitment”** means, with respect to each Issuing Bank, the commitment of such Issuing Bank to issue Letters of Credit hereunder. The initial amount of each Issuing Bank’s Letter of Credit Commitment is set forth on Schedule 2.01, or if an Issuing Bank has entered into an Assignment and Assumption, the amount set forth for such Issuing Bank as its Letter of Credit Commitment in the Register maintained by the Administrative Agent. The initial aggregate amount of the Letter of Credit Commitment is \$100,000,000.

**“LIBO Rate”** means, with respect to any Eurocurrency Borrowing for any applicable currency and for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for the relevant currency) for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the **“LIBO Screen Rate”**) at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period (or, in the case of Loans denominated in Pounds Sterling, on the day of); provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that if the LIBO Screen Rate shall not be available at such time for such Interest Period with respect to the applicable currency then the LIBO Rate shall be the Interpolated Rate or, if applicable pursuant to the terms of Section 2.14(a), the applicable Reference Bank Rate, in either case at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period.

**“LIBO Screen Rate”** has the meaning assigned to such term in the definition of “LIBO Rate”.

**“Lien”** means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

**“Loan Documents”** means, collectively, this Agreement, each promissory note delivered pursuant to this Agreement, any Letter of Credit applications and any agreements between any Borrower and any Issuing Bank regarding such Issuing Bank’s Letter of Credit Commitment or the respective rights and obligations between any Borrower and such Issuing Bank in connection with the issuance of Letters of Credit, and any other agreements, instruments, documents and certificates executed by or on behalf of any Borrower and delivered to or in favor of the Credit Parties concurrently herewith or hereafter in connection with the Transactions hereunder, including any amendments, modifications or supplements thereto or waivers thereof.

**“Loans”** means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

**“Local Time”** means (a) in the case of a Loan, Borrowing or LC Disbursement denominated in U.S. Dollars, New York City time, and (b) in the case of a Loan, Borrowing or LC Disbursement denominated in a Foreign Currency, local time (it being understood that such local time shall mean London, England time unless otherwise notified by the Administrative Agent).

**“Material Acquisition”** means any Permitted Acquisition where the aggregate cash consideration exceeds \$500,000,000.

**“Material Adverse Effect”** means a material adverse effect on (a) the business, assets, property or financial condition of the Company and its Subsidiaries taken as a whole, or (b) the validity or enforceability of any material provision of any Loan Document or the rights or remedies of the Credit Parties thereunder.

**“Maturity Date”** means October 23, 2020 (the fifth anniversary of the Effective Date), as the same may be extended pursuant to Section 2.24.

**“Maximum Rate”** has the meaning assigned to such term in [Section 10.13](#).

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Multiemployer Plan”** means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

**“Non-Extending Lender”** has the meaning assigned to such term in [Section 2.24\(a\)](#).

**“Obligations”** means all advances to, and debts, liabilities, obligations, covenants and duties of, any Borrower arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower of any proceeding under any debtor relief laws naming such Borrower as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

**“Organization Documents”** means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-United States jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

**“Other Connection Taxes”** means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising solely from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan, Letter of Credit or Loan Document) and which shall, for the avoidance of doubt, be treated as Excluded Taxes.

**“Other Taxes”** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to [Section 2.19](#)).

**“Overnight Foreign Currency Rate”** means, for any amount payable in a Foreign Currency, the rate of interest per annum as determined by the Administrative Agent at which overnight or weekend deposits in such Foreign Currency (or if such amount due remains unpaid for more than three (3) Business Days, then for such other period of time as the Administrative Agent may elect) for delivery in immediately available and freely transferable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for such Foreign Currency as determined above and in an amount comparable to the unpaid principal amount of the related Borrowing or LC Disbursement, plus any taxes, levies, imposts, duties, deductions, charges or withholdings imposed upon, or charged to, the Administrative Agent by any relevant correspondent bank in respect of such amount in such Foreign Currency.

**“Participant”** has the meaning assigned to such term in [Section 10.04\(c\)](#).

**“Participant Register”** has the meaning assigned to such term in [Section 10.04\(c\)](#).

**“PBGC”** means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.



**"Permitted Acquisition"** means any Acquisition by the Company or any Subsidiary that satisfies the following conditions:

- (a) in the case of an Acquisition of the Equity Interests of any Person, the board of directors (or other comparable governing body) of such other Person shall have approved the Acquisition; and
- (b) (i) no Default shall exist and be continuing immediately before or immediately after giving effect thereto, (ii) the representations and warranties made by the Borrowers in any Loan Document (other than the representations and warranties contained in Sections 3.04(b), 3.05 and 3.09) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Acquisition (after giving effect thereto), and (iii) in the case of an Acquisition of any Person where the aggregate cash consideration exceeds \$200,000,000, the Company shall have delivered to the Administrative Agent a certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, the Borrowers would be in compliance with the Consolidated Leverage Ratio covenant set forth in Section 6.05 as of the most recent fiscal quarter for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b).

**"Permitted Encumbrances"** means:

- (a) Liens imposed by law (other than Liens imposed under ERISA) for Taxes that are not yet due or are being contested in compliance with Section 5.04(a);
- (b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, lessors' and other like Liens arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in compliance with Section 5.04(a);
- (c) pledges and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security laws or regulations (other than any Lien imposed under ERISA);
- (d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
- (e) Liens securing judgments for the payment of money not constituting an Event of Default under clause (i) of Article VII; and
- (f) easements, zoning restrictions, rights-of-way and similar encumbrances affecting real property that do not secure any substantial amount and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the applicable Person;

provided that the term **"Permitted Encumbrances"** shall not include any Lien securing Indebtedness.

**"Permitted Investments"** means any Investment by the Company or any Subsidiary that satisfies the following conditions: (a) no Default shall exist and be continuing immediately before or immediately after giving effect thereto, (b) the representations and warranties made by the Borrowers in any Loan Document (other than the representations and warranties contained in Sections 3.04(b), 3.05 and 3.09) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Investment (after giving effect thereto), and (c) in the case of an Investment in any Person (other than the Company or any of its Subsidiaries) where the aggregate amount of such Investment exceeds \$200,000,000, the Company shall have delivered to the Administrative Agent a certificate demonstrating that, upon giving effect to such Investment on a Pro Forma Basis, the Borrowers would be in

compliance with the Consolidated Leverage Ratio covenant set forth in Section 6.05 as of the most recent fiscal quarter for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b).

**“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

**“Plan”** means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Borrower or any of its ERISA Affiliates is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

**“Platform”** means Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system.

**“Pounds Sterling”** or **“£”** means the lawful currency of the United Kingdom.

**“Prime Rate”** means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

**“Pro Forma Basis”** means, for purposes of calculating the Consolidated Leverage Ratio covenant set forth in Section 6.05, that any Acquisition, Investment or any sale of any business or Subsidiary shall be deemed to have occurred as of the first day of the most recent four (4) fiscal quarter period preceding the date of such transaction for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b). In connection with the foregoing, (a) income statement items (whether positive or negative) attributable to the Person or property acquired, or business or Subsidiary sold, shall be included to the extent relating to any period applicable in such calculations to the extent (i) such items are not otherwise included in such income statement items for the Company and its Subsidiaries in accordance with GAAP or in accordance with any defined terms set forth in Section 1.01 and (ii) such items are supported by audited financial statements or other information reasonably satisfactory to the Administrative Agent and (b) any Indebtedness incurred or assumed by the Company or any Subsidiary (including the Person or property acquired) in connection with such transaction and any Indebtedness of the Person or property acquired which is not retired in connection with such transaction shall be deemed to have been incurred as of the first day of the applicable period.

**“Public-Sider”** means a Lender whose representatives may trade in securities of the Borrower or its controlling person or any of its Subsidiaries while in possession of the financial statements provided by the Company under the terms of this Agreement.

**“Recipient”** means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) any Issuing Bank.

**“Reference Bank Rate”** means the arithmetic mean of the rates supplied to the Administrative Agent at its request by the Reference Banks (as the case may be) for Loans in the applicable currency and the applicable Interest Period (a) in relation to Canadian Prime Rate Loans or CDOR Rate Loans, as the rate at which the relevant Reference Bank is willing to extend credit by the purchase of bankers’ acceptances in Canadian Dollars which have been accepted by banks which are for the time being customarily regarded as being of appropriate credit standing for such purpose with a term to maturity equal or comparable to the applicable Interest Period, (b) in relation to Australian Bill Rate Loans, as the rate at which the relevant Reference Bank is willing to extend credit by the purchase of bills of exchange in Australian Dollars with a term to maturity equal or comparable to the applicable Interest Period, (c) in relation to SOR Rate Loans, as the rate quoted by the relevant Reference Bank to leading banks in the Singapore interbank market for the offering of deposits in Singapore Dollars and for a period equal or comparable to the applicable Interest Period, and (d) in relation to Eurocurrency Loans, as the rate quoted by the relevant Reference Bank to leading banks in the London interbank market for the offering of deposits in the

applicable currency and for a period equal or comparable to the applicable Interest Period; provided that if any Reference Bank Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

**"Reference Banks"** means the principal London (or other applicable) offices of JPMorgan Chase Bank, N.A., and such other banks as may be appointed by the Administrative Agent in consultation with the Company (with the consent of any such bank).

**"Reference Period"** means, as of the last day of any fiscal quarter, the period of four (4) consecutive fiscal quarters of the Company and its Subsidiaries ending on such date.

**"Register"** has the meaning assigned to such term in Section 10.04(b).

**"Related Parties"** means, with respect to any specified Person, such Person's Affiliates and the respective partners, directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

**"Required Lenders"** means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than fifty percent (50%) of the sum of the Total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, then, as to each Lender, clause (a) of the definition of Swingline Exposure shall only be applicable for purposes of determining its Revolving Credit Exposure to the extent such Lender shall have funded its participation in the outstanding Swingline Loans; provided further that for the purpose of determining the Required Lenders needed for any waiver, amendment, modification or consent, any Lender that is the Borrower, or any Affiliate of the Borrower shall be disregarded. For the avoidance of doubt, assignments to any Borrower, or any Affiliate or Subsidiary of any Borrower shall not be permitted hereunder in accordance with Section 10.04(b).

**"Revolving Credit Exposure"** means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans, its LC Exposure and its Swingline Exposure at such time.

**"Revolving Loan"** means a Loan made pursuant to Section 2.03.

**"S&P"** means Standard & Poor's.

**"Sanctioned Country"** means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

**"Sanctioned Person"** means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union or any European Union member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

**"Sanctions"** means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty's Treasury of the United Kingdom.

**"SEC"** means the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission.

**"Securitization Transaction"** means any financing transaction or series of financing transactions (including factoring arrangements) pursuant to which the Company or any Subsidiary may sell, convey or otherwise transfer, or grant a security interest in, accounts, payments, receivables, rights to future lease payments or residuals or similar rights to payment to a special purpose subsidiary or affiliate of the Company.

**"Significant Subsidiary"** means each Domestic Subsidiary now existing or hereafter acquired or formed, and each successor thereto, with respect to which, after giving pro forma effect to such acquisition or formation, or at any other time thereafter:

(a) the Company's and its other Subsidiaries' Investments in such Domestic Subsidiary exceed ten percent (10%) of the total assets of the Company and its Subsidiaries on a consolidated basis;

(b) the Company's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Domestic Subsidiary exceeds ten percent (10%) of the total assets of the Company and its Subsidiaries on a consolidated basis; or

(c) the Company's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Domestic Subsidiary exceeds ten percent (10%) of such income of the Company and its Subsidiaries on a consolidated basis.

**"Singapore Dollars"** means the lawful currency of Singapore.

**"SOR Rate"** means, for any Interest Period, the annual rate of interest administered by the Association of Banks in Singapore (or any other Person that takes over the administration of such rate) for Singapore Dollars and a period equal or comparable to such Interest Period as displayed on page ABSFIX01 of the Reuters screen (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the **"SOR Screen Rate"**) as of 12:00 p.m., London time, on the first day of such Interest Period or, if such day is not a Business Day, on the immediately preceding Business Day; provided that if the SOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that if the SOR Screen Rate shall not be available at such time for such Interest Period then the SOR Rate shall be the Interpolated Rate or, if applicable pursuant to the terms of Section 2.14(a), the applicable Reference Bank Rate, in either case as of 12:00 p.m., London time, on such day or, if such day is not a Business Day, on the immediately preceding Business Day.

**"SOR Rate Loan"** means a Loan which bears interest at the SOR Rate.

**"SOR Screen Rate"** has the meaning assigned to such term in the definition of "SOR Rate".

**"Statutory Reserve Rate"** means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Services Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in such currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall, in the case of Loans denominated in U.S. Dollars, include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D of the Board. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

**"subsidiary"** means, with respect to any Person (the **"parent"**) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than fifty percent (50%) of the equity or more than fifty percent (50%) of the ordinary voting power or, in the case of a partnership, more than fifty percent (50%) of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

**"Subsidiary"** means any subsidiary of the Company.

**"Swap Agreement"** means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or its Subsidiaries shall be a Swap Agreement.

**"Swingline Commitment"** means, as to any Lender, (a) the applicable amount set forth opposite such Lender's name on Schedule 2.01 or (b) if such Lender has entered into an Assignment and Assumption, the amount set forth for such Lender as its Swingline Commitment in the Register.

**"Swingline Exposure"** means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be the sum of (a) its Applicable Percentage of the total Swingline Exposure at such time other than with respect to any Swingline Loans made by such Lender in its capacity as a Swingline Lender and (b) the aggregate principal amount of all Swingline Loans made by such Lender as a Swingline Lender outstanding at such time (less the amount of participations funded by the other Lenders in such Swingline Loans).

**"Swingline Lenders"** means, collectively, JPMorgan Chase Bank, N.A., and any Lender that assumes all or any portion of another Lender's Swingline Commitment in accordance with Section 2.05(a)(ii), each in its capacity as a lender of Swingline Loans hereunder.

**"Swingline Loan"** means a Loan made pursuant to Section 2.05.

**"Swiss Francs"** means the lawful currency of Switzerland.

**"TARGET"** means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in Euro.

**"Taxes"** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**"Total Capitalization"** means, as of any date, Consolidated Total Debt plus the consolidated stockholders' equity of the Company and its Subsidiaries (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement Nos. 52 and 133), all as would be presented according to GAAP in a consolidated balance sheet of the Company as of such date.

**"Total Revolving Credit Exposure"** means, the sum of the outstanding principal amount of all Lenders' Revolving Loans, their LC Exposure and their Swingline Exposure at such time; provided, that, clause (a) of the definition of Swingline Exposure shall only be applicable to the extent Lenders shall have funded their respective participations in the outstanding Swingline Loans.

**"Transactions"** means the execution, delivery and performance by each Borrower of each Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

**"Type"**, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, Alternate Base Rate, CDOR Rate, Canadian Prime Rate, Australian Bill Rate or SOR Rate.

**"UK Borrower"** means any Borrower (a) that is organized or formed under the laws of the United Kingdom or (b) payments from which under this Agreement or any other Loan Document are subject to withholding Taxes imposed by the laws of the United Kingdom.

**"U.S. Dollars"** or **"\$"** means the lawful currency of the United States of America.

**"U.S. Person"** means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

**"U.S. Tax Compliance Certificate"** has the meaning assigned to such term in Section 2.17(f)(ii)(B)(3).

**"Withdrawal Liability"** means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a **"Revolving Loan"**) or by Type (e.g., a **"Eurocurrency Loan"**) or by Class and Type (e.g., a **"Eurocurrency Revolving Loan"**). Borrowings also may be classified and referred to by Class (e.g., a **"Revolving Borrowing"**) or by Type (e.g., a **"Eurocurrency Borrowing"**) or by Class and Type (e.g., a **"Eurocurrency Revolving Borrowing"**).

SECTION 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies

the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Such amendment, regardless of whether requested by the Company or the Required Lenders, shall be negotiated in good faith by the Company, the Administrative Agent and the Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Financial Accounting Standards Board Accounting Standards Codification 825 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Company or any Subsidiary at "fair value", as defined therein.

## ARTICLE II

### The Credits

SECTION 2.01        Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers in Agreed Currencies from time to time during the Availability Period in an aggregate principal amount that will not result (after giving effect to any application of proceeds of such Borrowing pursuant to Section 2.10) in, subject to Sections 2.04 and 2.11(c), (a) the Dollar Amount of such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the Dollar Amount of the Total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

### SECTION 2.02        Loans and Borrowings.

(a)        Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b)        Subject to Section 2.14(b), (i) each Revolving Borrowing denominated in U.S. Dollars shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Company may request in accordance herewith, provided that ABR Loans in U.S. Dollars shall be only available to the Company and each Designated Borrower that is a Domestic Subsidiary, (ii) each Revolving Borrowing denominated in Canadian Dollars shall be comprised entirely of Canadian Prime Rate Loans or CDOR Rate Loans as the Company may request in accordance herewith, (iii) each Revolving Borrowing denominated in Australian Dollars shall be comprised entirely of Australian Bill Rate Loans, (iv) each Revolving Borrowing denominated in Singapore Dollars shall be comprised entirely of SOR Rate Loans, and (v) each Revolving Borrowing denominated in a Foreign Currency (other than Canadian Dollars, Australian Dollars and Singapore Dollars) shall be comprised entirely of Eurocurrency Loans. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan to any Borrower, or any Loan to a Foreign Obligor, by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement.

(c)        At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, Canadian Prime Rate Revolving Borrowing, CDOR Rate Revolving Borrowing, Australian Bill Rate Revolving Borrowing or SOR Rate Revolving Borrowing, such Borrowing shall be in an aggregate amount that is (i) an integral multiple of (A) in the case of a Borrowing denominated in U.S. Dollars, \$1,000,000, (B) in the case of a Borrowing denominated in Japanese Yen, ¥100,000,000, and (C) in the case of a Borrowing denominated in any

other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000, and (ii) not less than (A) in the case of a Borrowing denominated in U.S. Dollars, \$1,000,000, (B) in the case of a Borrowing denominated in Japanese Yen, ¥100,000,000, and (C) in the case of a Borrowing denominated in any other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is not less than \$250,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is not less than \$250,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten (10) Eurocurrency Revolving Borrowings, Canadian Prime Rate Revolving Borrowings, CDOR Rate Revolving Borrowings, Australian Bill Rate Revolving Borrowings and SOR Rate Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Company shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

**SECTION 2.03** Requests for Revolving Borrowings. To request a Revolving Borrowing, the Company shall notify the Administrative Agent of such request by telecopy of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Company (or, in the case of a Revolving Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Company) (a) in the case of a Eurocurrency Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed Borrowing, (b) in the case of a Eurocurrency Borrowing denominated in a Foreign Currency, a Canadian Prime Rate Borrowing, a CDOR Rate Borrowing, an Australian Bill Rate Borrowing or an SOR Rate Borrowing, not later than 11:00 a.m., Local Time, four (4) Business Days before the date of the proposed Borrowing, or (c) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

- (i) the Borrower requesting such Borrowing;
- (ii) the currency and aggregate amount of the requested Borrowing;
- (iii) the date of such Borrowing, which shall be a Business Day;
- (iv) whether such Borrowing is to be an ABR Borrowing, Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, as applicable;
- (v) in the case of a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (vi) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no currency is specified with respect to any requested Eurocurrency Borrowing, then the requested Revolving Borrowing shall be denominated in U.S. Dollars. If no election as to the Type of Revolving Borrowing is specified, then, (A) in the case of a Borrowing denominated in U.S. Dollars, the requested Revolving Borrowing shall be an ABR Borrowing, (B) in the case of a Borrowing denominated in Canadian Dollars, the requested



Revolving Borrowing shall be a CDOR Rate Borrowing, (C) in the case of a Borrowing denominated in Australian Dollars, the requested Revolving Borrowing shall be an Australian Bill Rate Borrowing, (D) in the case of a Borrowing denominated in Singapore Dollars, the requested Revolving Borrowing shall be an SOR Rate Borrowing, and (E) in the case of a Borrowing denominated in any other Foreign Currency, the requested Revolving Borrowing shall be a Eurocurrency Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, Canadian Prime Rate Revolving Borrowing, CDOR Rate Revolving Borrowing, Australian Bill Rate Revolving Borrowing or SOR Rate Revolving Borrowing, then the Company shall be deemed to have selected an Interest Period of one (1) month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04      Determination of Dollar Amounts. The Administrative Agent will determine the Dollar Amount of:

- (a) each Eurocurrency Borrowing as of the date two (2) Business Days prior to the date of such Borrowing or, if applicable, the date of conversion or continuation of any Borrowing as a Eurocurrency Borrowing;
- (b) each Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing and SOR Rate Borrowing as of the date of such Borrowing or, if applicable, the date of conversion or continuation of any Borrowing as a Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing;
- (c) the LC Exposure as of the date of each request for the issuance, amendment, renewal or extension of any Letter of Credit;  
and
- (d) all outstanding Revolving Loans and the LC Exposure on and as of the last Business Day of each calendar quarter and, during the continuation of an Event of Default, on any other Business Day elected by the Administrative Agent in its discretion or upon instruction by the Required Lenders.

Each day upon or as of which the Administrative Agent determines Dollar Amounts as described in the preceding clauses (a), (b), (c) and (d) is herein described as a "**Computation Date**" with respect to each Borrowing, Letter of Credit or LC Exposure for which a Dollar Amount is determined on or as of such day.

SECTION 2.05      Swingline Loans.

- (a) Subject to the terms and conditions set forth herein, each Swingline Lender may in its sole discretion (and without any obligation to do so) make Swingline Loans in U.S. Dollars to the Company from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans made by such Swingline Lender exceeding such Swingline Lender's Swingline Commitment, (ii) the Dollar Amount of such Swingline Lender's Revolving Credit Exposure exceeding its Commitment (such Commitment to be calculated without giving effect to any assignment of any portion of the initial Swingline Lender's original Commitment as of the Effective Date, unless such Swingline Lender also assigns a proportional amount of its Swingline Commitment to the assignee or to another Lender with a Commitment at least equal to the Commitment amount being assigned), or (iii) the Dollar Amount of the Total Revolving Credit Exposures exceeding the total Commitments; provided that a Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans.
- (b) To request a Swingline Loan, the Company shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 1:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall

be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lenders of any such notice received from the Company. Each Swingline Lender shall make its ratable portion of the requested Swingline Loan (such ratable portion to be calculated based upon such Swingline Lender's Swingline Commitment in proportion to the total Swingline Commitments of all of the Swingline Lenders) available to the Company by means of a credit to an account of the Company with the Administrative Agent designated for such purpose (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to such Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The failure of any Swingline Lender to make its ratable portion of a Swingline Loan shall not relieve any other Swingline Lender of its obligation hereunder to make its ratable portion of such Swingline Loan on the date of such Swingline Loan, but no Swingline Lender shall be responsible for the failure of any other Swingline Lender to make the ratable portion of a Swingline Loan to be made by such other Swingline Lender on the date of any Swingline Loan.

(d) Any Swingline Lender may by written notice given to the Administrative Agent require the Lenders to acquire participations in all or a portion of its Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loans. Each Lender hereby absolutely and unconditionally agrees, promptly upon receipt of such notice from the Administrative Agent (and in any event, if such notice is received by 12:00 Noon, New York City time, on a Business Day, then no later than 5:00 p.m., New York City time, on such Business Day, and if received after 12:00 Noon, New York City time, on a Business Day, then no later than 10:00 a.m., New York City Time, on the immediately succeeding Business Day), to pay to the Administrative Agent, for the account of such Swingline Lender, such Lender's Applicable Percentage of such Swingline Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to such Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to such Swingline Lender. Any amounts received by a Swingline Lender from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to such Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Company for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof.

## SECTION 2.06      Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Company may request the issuance of Letters of Credit denominated in Agreed Currencies as the applicant thereof for the support of its or its Subsidiaries' obligations, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding

anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit the proceeds of which would be made available to any Person (i) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions so as to result in a violation of any Sanctions or (ii) in any other manner that would result in a violation of any Sanctions by any party to this Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (no less than three (3) Business Days in advance of the requested date of issuance, amendment, renewal or extension, or such later date and time as the Administrative Agent and the Issuing Bank may agree in a particular instance in their sole discretion) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the Agreed Currency applicable thereto, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Company also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrowers shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, subject to Sections 2.04 and 2.11(c), (i) (x) the aggregate undrawn amount of all outstanding Letters of Credit issued by the Issuing Bank at such time plus (y) the aggregate amount of all LC Disbursements made by the Issuing Bank that have not yet been reimbursed by or on behalf of the Borrower at such time shall not exceed its Letter of Credit Commitment, (ii) the sum of the Dollar Amount of the Revolving Credit Exposure of each Lender shall not exceed such Lender's Commitment, and (iii) the Dollar Amount of the Total Revolving Credit Exposures shall not exceed the total Commitments. The Company may, at any time and from time to time, reduce the Letter of Credit Commitment of any Issuing Bank with the consent of such Issuing Bank; provided that the Company shall not reduce the Letter of Credit Commitment of any Issuing Bank if, after giving effect of such reduction, the conditions set forth in clauses (i) through (iii) above shall not be satisfied.

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one (1) year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one (1) year after such renewal or extension) and (ii) the date that is five (5) Business Days prior to the Maturity Date (unless such Letter of Credit has been cash collateralized in a manner satisfactory to the Issuing Bank); provided that any Letter of Credit may contain customary automatic renewal provisions agreed upon by the Company and the Issuing Bank pursuant to which the expiration date of such Letter of Credit shall be automatically extended for a period of up to 12 months (but not to a date later than the date set forth in clause (ii) above (unless such Letter of Credit has been cash collateralized in a manner satisfactory to the Issuing Bank)).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Company on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Company for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the

Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) **Reimbursement.** If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent in an amount equal to such LC Disbursement not later than 1:00 p.m., Local Time, on the date that such LC Disbursement is made, if the Company shall have received notice of such LC Disbursement prior to 10:00 a.m., Local Time, on such date, or, if such notice has not been received by the Company prior to such time on such date, then not later than 1:00 p.m., Local Time, on the Business Day immediately following the day that the Company receives such notice; provided that, if such LC Disbursement is not less than the Equivalent Amount of \$100,000, the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in the Dollar Amount of such LC Disbursement and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Company fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Company in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Company, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement. If the Company's reimbursement of, or obligation to reimburse, any amounts in any Foreign Currency would subject a Credit Party to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in U.S. Dollars, the Company shall, at its option, either (x) pay the amount of any such tax requested by such Credit Party or (y) reimburse each LC Disbursement made in such Foreign Currency in U.S. Dollars, in an amount equal to the Dollar Amount, calculated using the applicable exchange rates, on the date such LC Disbursement is made, of such LC Disbursement.

(f) **Obligations Absolute.** The Company's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. Neither the Credit Parties nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company

that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Company by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the reimbursement is due and payable at the rate per annum then applicable to ABR Revolving Loans (or, if such LC Disbursement is denominated in a Foreign Currency, at the Overnight Foreign Currency Rate for such Foreign Currency plus the then effective Applicable Rate with respect to Eurocurrency Revolving Loans), and such interest shall be due and payable on the date when such reimbursement is payable; provided that, if the Company fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Company shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent at the written request of the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than fifty percent (50%) of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Issuing Bank and the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to

any Borrower described in clause (g) or (h) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account, and the Borrowers hereby grant to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, a security interest in such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than fifty percent (50%) of the total LC Exposure), be applied to satisfy other Obligations. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three (3) Business Days after all Events of Default have been cured or waived.

SECTION 2.07      Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds (i) in the case of Loans denominated in U.S. Dollars, by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, and (ii) in the case of Loans denominated in a Foreign Currency, by 12:00 noon, Local Time, in the city of the Administrative Agent's Eurocurrency Payment Office for such Foreign Currency and at such Eurocurrency Payment Office; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to (x) in the case of Loans denominated in U.S. Dollars, an account of such Borrower maintained with the Administrative Agent in New York City and designated by the Company in the applicable Borrowing Request, and (y) in the case of Loans denominated in a Foreign Currency, an account of such Borrower in the relevant jurisdiction and designated by the Company in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency) or (ii) in the case of such Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08      Interest Elections.

(a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Company may elect to convert such Borrowing to a different

Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Company shall notify the Administrative Agent of such election by telecopy of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company (or, in the case of a Revolving Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company) by the time that a Borrowing Request would be required under Section 2.03 if the Company were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Notwithstanding any other provision of this Section, the Company shall not be permitted to (i) change the currency of any Borrowing, (ii) elect an Interest Period for Eurocurrency Loans, Canadian Prime Rate Loans, CDOR Rate Loans, Australian Bill Rate Loans or SOR Rate Loans that does not comply with Section 2.02(d) or (iii) convert any Borrowing to a Borrowing of a Type not available to the applicable Borrower for such Borrowing when it was made.

(c) Each telephonic and written Interest Election Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

- (i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);
- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iii) whether the resulting Borrowing is to be an ABR Borrowing, Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, as applicable; and
- (iv) if the resulting Borrowing is a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which Interest Period shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one (1) month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Company fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing, Canadian Prime Rate Revolving Borrowing, CDOR Rate Revolving Borrowing, Australian Bill Rate Revolving Borrowing or SOR Rate Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period (i) in the case of a Borrowing denominated in U.S. Dollars, such Borrowing shall be converted to an ABR Borrowing,

(ii) in the case of a Canadian Prime Rate Borrowing, such Borrowing shall automatically continue as a Canadian Prime Rate Borrowing with an Interest Period of one (1) month, (iii) in the case of a CDOR Rate Borrowing, such Borrowing shall automatically continue as a CDOR Rate Borrowing with an Interest Period of one (1) month, (iv) in the case of an Australian Bill Rate Borrowing, such Borrowing shall automatically continue as an Australian Bill Rate Borrowing with an Interest Period of one (1) month, (v) in the case of an SOR Rate Borrowing, such Borrowing shall automatically continue as an SOR Rate Borrowing with an Interest Period of one (1) month, and (vi) in the case of a Borrowing denominated in any other Foreign Currency, such Borrowing shall automatically continue as a Eurocurrency Borrowing in the same Agreed Currency with an Interest Period of one (1) month. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company, then, so long as an Event of Default is continuing (x) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, and (y) unless repaid, each Eurocurrency Revolving Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Revolving Borrowing, Australian Bill Rate Revolving Borrowing and SOR Rate Revolving Borrowing shall be converted to an ABR Borrowing (and any such Eurocurrency Revolving Borrowing denominated in a Foreign Currency, Canadian Prime Rate Revolving Borrowing, CDOR Rate Revolving Borrowing, Australian Bill Rate Revolving Borrowing or SOR Rate Revolving Borrowing shall be redenominated in Dollars at the time of such conversion) at the end of the Interest Period applicable thereto.

SECTION 2.09      Termination and Reduction of Commitments.

- (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.
- (b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$1,000,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Dollar Amount of the Total Revolving Credit Exposures would exceed the total Commitments.
- (c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10      Repayment of Loans; Evidence of Debt.

- (a) (i) Each Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan made to such Borrower on the Maturity Date in the currency of such Loan and (ii) the Company hereby unconditionally promises to pay to the Administrative Agent for the account of the Swingline Lenders the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the fifth (5<sup>th</sup>) Business Day after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made to the Company, the Company shall repay all Swingline Loans then outstanding, and the proceeds of any such Borrowing shall be applied by the Administrative Agent to repay any Swingline Loans outstanding.
- (b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made to such Borrower by



such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Agreed Currency and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Subject to Section 10.04(b)(iv), the entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the Obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of each Borrower to repay the Loans made to such Borrower in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

#### SECTION 2.11 Prepayment of Loans.

(a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that each prepayment shall be in an aggregate amount that is (i) an integral multiple of (A) in the case of an ABR Revolving Borrowing, \$100,000, (B) in the case of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, \$1,000,000, (C) in the case of a Eurocurrency Revolving Borrowing denominated in Japanese Yen, ¥100,000,000, and (D) in the case of a Eurocurrency Revolving Borrowing denominated in any other Foreign Currency, a Canadian Prime Rate Revolving Borrowing, a CDOR Rate Revolving Borrowing, an Australian Bill Rate Revolving Borrowing or an SOR Rate Revolving Borrowing, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000, and (ii) not less than (A) in the case of a Swingline Borrowing, \$100,000, (B) in the case of an ABR Revolving Borrowing, \$1,000,000, (C) in the case of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, \$1,000,000, (D) in the case of a Eurocurrency Revolving Borrowing denominated in Japanese Yen, ¥100,000,000, and (E) in the case of a Eurocurrency Revolving Borrowing denominated in any other Foreign Currency, Canadian Prime Rate Revolving Borrowing, a CDOR Rate Revolving Borrowing, an Australian Bill Rate Revolving Borrowing or an SOR Rate Revolving Borrowing, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000.

(b) The Company, on behalf of the applicable Borrower, shall notify the Administrative Agent (and, in the case of prepayment of Swingline Loans, the Company shall notify the Swingline Lenders) by telecopy of a written notice signed by the Borrower (or, in the case of a prepayment of a Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written notice signed by the Borrower) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of prepayment, (ii) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in a Foreign Currency, a Canadian Prime Rate Revolving Borrowing, a CDOR Rate Revolving Borrowing, an Australian Bill Rate Revolving Borrowing or an SOR Rate Revolving Borrowing, not later than 11:00 a.m., Local Time, four (4) Business Days before the date of prepayment, (iii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment or (iv) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of

prepayment. Each such telephonic and written notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and break funding payments to the extent required by Section 2.16.

(c) If at any time, (i) other than as a result of fluctuations in currency exchange rates, the sum of the aggregate principal Dollar Amount of the Total Revolving Credit Exposures (calculated, with respect to Revolving Loans and LC Exposure denominated in Foreign Currencies, as of the most recent Computation Date with respect to each such Revolving Loans and LC Exposure) exceeds the total Commitments or (ii) solely as a result of fluctuations in currency exchange rates, the aggregate principal Dollar Amount of the Total Revolving Credit Exposures (so calculated), as of the most recent Computation Date, exceeds one hundred five percent (105%) of the total Commitments, the Borrowers shall, in each case, immediately repay Borrowings or cash collateralize LC Exposure in accordance with the procedures set forth in Section 2.06(j), as applicable, in an aggregate principal amount sufficient to cause the Dollar Amount of the Total Revolving Credit Exposures (so calculated) to be less than or equal to the total Commitments.

## SECTION 2.12 Fees.

(a) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of three hundred sixty (360) days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Company agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurocurrency Revolving Loans on the average daily Dollar Amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Company and the Issuing Bank on the average daily Dollar Amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third (3<sup>rd</sup>) Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any

other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten (10) days after demand. All participation fees and fronting fees shall be computed on the basis of a year of three hundred sixty (360) days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay to the Administrative Agent and the Arrangers, for their own respective accounts, fees payable in the amounts and at the times separately agreed upon between the Company, on the one hand, and the Administrative Agent or either Arranger, on the other.

(d) All fees payable hereunder shall be paid on the dates due, in U.S. Dollars and immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

#### SECTION 2.13 Interest.

(a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate, and the Loans comprising each Canadian Prime Rate Borrowing shall bear interest at the Canadian Prime Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate. The Loans comprising each CDOR Rate Borrowing shall bear interest at the CDOR Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate. The Loans comprising each Australian Bill Rate Borrowing shall bear interest at the Australian Bill Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate. The Loans comprising each SOR Rate Borrowing shall bear interest at the SOR Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, two percent (2%) plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, two percent (2%) plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan or a Canadian Prime Rate Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion. All interest shall be payable in the currency in which the applicable Loan is denominated.

(e) All interest hereunder shall be computed on the basis of a year of three hundred sixty (360) days, except that (i) interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate, interest on Borrowings denominated in Canadian Dollars, and interest based on the Australian Bill Rate or the SOR Rate, shall be computed on the basis of a year of three hundred sixty-five (365) days (or three hundred sixty-six (366) days in a leap year) and (ii) for Borrowings denominated in Pounds Sterling shall be computed on the basis of a year of three hundred sixty-five (365) days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Canadian Prime Rate, Adjusted LIBO Rate, LIBO Rate, Canadian Prime Rate, CDOR Rate,

Australian Bill Rate or SOR Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14      Alternate Rate of Interest.

(a) If, at the time that the Administrative Agent shall seek to determine the relevant LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate for any Interest Period, the applicable LIBO Screen Rate, CDOR Screen Rate, BBSY Screen Rate or SOR Screen Rate shall not be available for such Interest Period and/or for the applicable currency for any reason and the Administrative Agent shall determine that it is not possible to determine the Interpolated Rate (which conclusion shall be conclusive and binding absent manifest error), then the LIBO Rate, CDOR Rate, Australian Bill Rate or SOR Rate, as the case may be, for such Interest Period for the relevant Borrowing shall be the applicable Reference Bank Rate supplied to the Administrative Agent by two or more Reference Banks.

(b) If prior to the commencement of any Interest Period for a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate, LIBO Rate, Canadian Prime Rate, CDOR Rate, Australian Bill Rate or SOR Rate, as applicable, for such Interest Period (including, for the avoidance of doubt, pursuant to Section 2.14(a)); or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate, LIBO Rate, Canadian Prime Rate, CDOR Rate, Australian Bill Rate or SOR Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing, Canadian Prime Rate Borrowing, CDOR Rate Borrowing, Australian Bill Rate Borrowing or SOR Rate Borrowing, as the case may be, shall be ineffective, (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, such Borrowing shall be made as an ABR Borrowing, (iii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in Canadian Dollars, such Borrowing shall be made as an Canadian Prime Rate Borrowing, and (iv) if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in any other Foreign Currency, such Borrowing Request shall be ineffective; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15      Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank;

(ii) impose on any Lender or the Issuing Bank or any applicable interbank market any other condition, cost or expense (other than Taxes) affecting any Loan Document or Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes (other than Indemnified Taxes or Excluded Taxes; provided, however, that Other Connection Taxes imposed specifically with respect to banks, financial institutions, or financial transactions by any national or international taxing authority shall not be treated as Excluded Taxes for purposes of this Section 2.15(a)(iii)) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, continuing, converting or maintaining any Loan or of maintaining its obligation to make any such Loan (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency) or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency) or to reduce the amount of any sum received or receivable by such Lender, the Issuing Bank or such other Recipient hereunder, whether of principal, interest or otherwise (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency), then the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender, the Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, the Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank reasonably determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of any Loan Document or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy and liquidity), then from time to time the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay (or cause the applicable Designated Borrower to pay) such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that no Borrower shall be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than two hundred seventy (270) days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the two hundred seventy (270) day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16 Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or as a result of any prepayment pursuant to Section 2.11), (b) the conversion of any Eurocurrency

Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan or SOR Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19, then, in any such event, the Company shall compensate (or cause the applicable Designated Borrower to compensate) each Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate, Canadian Prime Rate, CDOR Rate, Australian Bill Rate or SOR Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency of a comparable amount and period from other banks in the London interbank market, Canadian Prime Rate market, CDOR Rate market, Australian Bill Rate market or SOR Rate market, as applicable. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay (or cause the applicable Designated Borrower to pay) such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.17      Taxes.

(a)      Payments Free of Taxes. Any and all payments by or on account of any obligation of any Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.17) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b)      Payment of Other Taxes by the Borrowers. The Borrowers shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(c)      Evidence of Payment. As soon as practicable after any payment of Taxes by any Borrower to a Governmental Authority pursuant to this Section 2.17, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d)      Indemnification by the Borrowers. The Borrowers shall indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or

liability delivered to the applicable Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrowers to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of any applicable withholding Tax with respect to payments made under any Loan Document shall deliver to the Company and the Administrative Agent, at the time or times reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender, (it being understood that providing any information currently required by any U.S. federal income tax withholding form shall not be considered prejudicial to the position of a Recipient).

(ii) Without limiting the generality of the foregoing, in the event that any Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Company and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of

interest under any Loan Document, executed originals of IRS Form W-8BEN or Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(2) in the case of a Foreign Lender claiming that its extension of credit will generate U.S. effectively connected income, executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit B-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of such Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “**U.S. Tax Compliance Certificate**”) and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit B-2, or Exhibit B-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit B-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Company or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Company and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Company or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.



Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Administrative Agent in writing of its legal inability to do so.

(g) Additional United Kingdom Withholding Tax Matters.

(i) Subject to clause (ii) below, each Lender and each UK Borrower which makes a payment to such Lender shall cooperate in completing any procedural formalities necessary for such UK Borrower to obtain authorization to make such payment without withholding or deduction for Taxes imposed under the laws of the United Kingdom.

(ii)

(A) A Lender which at any time (x) holds a passport under the HMRC DT Treaty Passport scheme and (y) wishes such scheme to apply to this Agreement, shall provide its scheme reference number and its jurisdiction of tax residence to each UK Borrower and the Administrative Agent.

(B) Upon satisfying either clause (A) above, such Lender shall have satisfied its obligation under paragraph (g)(i) above.

(iii) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii) above, the UK Borrower(s) shall make a Borrower DTTP Filing with respect to such Lender, and shall promptly provide such Lender with a copy of such filing; provided that, if:

(A) each UK Borrower making a payment to such Lender has not made a Borrower DTTP Filing in respect of such Lender; or

(B) each UK Borrower making a payment to such Lender has made a Borrower DTTP Filing in respect of such Lender but:

(1) such Borrower DTTP Filing has been rejected by HM Revenue & Customs; or

(2) HM Revenue & Customs has not given such UK Borrower authority to make payments to such Lender without a deduction for tax within sixty (60) days of the date of such Borrower DTTP Filing;

and in each case, such UK Borrower has notified that Lender in writing of either (1) or (2) above, then such Lender and such UK Borrower shall co-operate in completing any additional procedural formalities necessary for such UK Borrower to obtain authorization to make that payment without withholding or deduction for Taxes imposed under the laws of the United Kingdom.

(iv) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with paragraph (g)(ii) above, no UK Borrower shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in any Loan unless the Lender otherwise agrees.

(v) Each UK Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of such Borrower DTTP Filing to the Administrative Agent for delivery to the relevant Lender.

(vi) Each Lender shall notify the Company and Administrative Agent if it determines in its sole discretion that it is ceases to be entitled to claim the benefits of an income tax treaty to which the United Kingdom is a party with respect to payments made by any U.K. Borrower hereunder.

(vii) If a Lender assigns or transfers any of its rights or obligations under the Loan Documents or changes its lending office, and as a result of circumstances existing at the date the assignment, transfer or change occurs, a U.K. Borrower would be obligated to make a payment to the new Lender or Lender acting through its new lending office under Section 2.17, then a new Lender or Lender acting through its new lending office is only entitled to receive payment under this Section 2.17 to the same extent as the assigning Lender or Lender acting through its previous lending office would have been if the assignment, transfer or change had not occurred.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.17 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(j) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that no Borrower shall be required to compensate a Lender or the Issuing Bank pursuant to this Section for any Indemnified Taxes or Other Taxes paid or payable by a Recipient pursuant to Section 2.17(d) incurred more than two hundred seventy (270) days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Company of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the two hundred seventy (270) day period referred to above shall be extended to include the period of retroactive effect thereof.

(k) Defined Terms. For purposes of this Section 2.17, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

SECTION 2.18 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, Local Time, on the date when due, in immediately available

funds, without set off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at (x) in the case of payments denominated in U.S. Dollars, its offices at 270 Park Avenue, New York, New York, and (y) in the case of payments denominated in a Foreign Currency, its Eurocurrency Payment Office for such Foreign Currency, in each case except payments to be made directly to the Issuing Bank or Swingline Lenders as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder of principal or interest in respect of any Loan or LC Disbursement shall, except as otherwise expressly provided herein, be made in the currency of such Loan or LC Disbursement, and all other payments hereunder and under each other Loan Document shall be made in U.S. Dollars. Notwithstanding the foregoing provisions of this Section, if, after the making of any Borrowing or LC Disbursement in any Foreign Currency, currency control or exchange regulations are imposed in the country which issues such Foreign Currency with the result that such Foreign Currency no longer exists or the applicable Borrower is not able to make payment to the Administrative Agent for the account of the Lenders in such Foreign Currency, then all payments to be made by such Borrower hereunder in such Foreign Currency shall instead be made when due in U.S. Dollars in an amount equal to the Dollar Amount (as of the date of repayment) of such payment due, it being the intention of the parties hereto that such Borrower takes all risks of the imposition of any such currency control or exchange regulations.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing

Bank hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency).

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(d), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid, and/or (ii) hold such amounts in a segregated account over which the Administrative Agent shall have exclusive control as cash collateral for, and application to, any future funding obligations of such Lender under any such Section, in the case of each of clause (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

SECTION 2.19      Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay (or cause the applicable Designated Borrower to pay) all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) any Lender requests compensation under Section 2.15, (ii) any Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, (iii) any Lender becomes a Defaulting Lender, or (iv) any Lender becomes a Non-Extending Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights (other than its existing rights to payments pursuant to Section 2.15 or 2.17) and obligations under the Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) the Company shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank and Swingline Lenders), which consent shall not unreasonably be withheld, (y) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts) and (z) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

SECTION 2.20 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

- (a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);
- (b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.02); provided that any waiver, amendment or other modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender disproportionately when compared to the other affected Lenders, or increases or extends the Commitment of such Defaulting Lender, shall require the consent of such Defaulting Lender;
- (c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:
  - (i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender (other than the portion of such Swingline Exposure referred to in clause (b) of the definition of such term) shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only (A) to the extent that the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments, (B) to the extent that such reallocation does not cause the Revolving Credit Exposure of any non-Defaulting Lender to exceed such non-Defaulting Lender's Commitment, and (C) if the conditions set forth in Section 4.02 are satisfied at such time;
  - (ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Company shall within one (1) Business Day following notice by the Administrative Agent (A) first, prepay such Swingline Exposure and (B) second, cash collateralize for the benefit of the Issuing Bank only the Company's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(i) for so long as such LC Exposure is outstanding;
  - (iii) if the Company cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Company shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;
  - (iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and
  - (v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all facility fees that otherwise would have been payable under Section 2.12(a) to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and
- (d) so long as such Lender is a Defaulting Lender, (i) no Swingline Lender shall be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend, renew or extend any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding LC Exposure

will be one hundred percent (100%) covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Company in accordance with clause (c) above, and (ii) Swingline Exposure related to any newly made Swingline Loan or LC Exposure related to any newly issued, amended, renewed or extended Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with clause (c)(i) above (and such Defaulting Lender shall not participate therein).

In the event that the Administrative Agent, the Company, each Swingline Lender and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

SECTION 2.21      Expansion Option.

(a) The Company may from time to time, but not more than five (5) times during the term of this Agreement, elect to increase the aggregate Commitments and/or enter into one or more tranches of term loans (each, an **"Incremental Term Loan"**), in each case in a minimum amount of \$10,000,000 and an integral multiple of \$5,000,000 in excess thereof so long as, after giving effect thereto, the aggregate amount of such Commitment increases and all such Incremental Term Loans does not exceed \$500,000,000. The Company may arrange for any such Commitment increase or Incremental Term Loan to be provided by one or more Lenders (each Lender so agreeing to an increase in its Commitment, or to participate in such Incremental Term Loans, an **"Increasing Lender"**), or by one or more new banks, financial institutions or other entities (each such new bank, financial institution or other entity, an **"Augmenting Lender"**), to increase their existing Commitments, or to participate in such Incremental Term Loans, or extend Commitments, as the case may be; provided that (i) each Augmenting Lender shall be subject to the approval of the Company and the Administrative Agent and, except in the case of an Incremental Term Loan, the Swingline Lenders and the Issuing Banks, which approvals shall not be unreasonably withheld and (ii) (A) in the case of an Increasing Lender, the Company and such Increasing Lender execute an agreement substantially in the form of Exhibit F, and (B) in the case of an Augmenting Lender, the Company and such Augmenting Lender execute an agreement substantially in the form of Exhibit G hereto. No consent of any Lender (other than the Lenders participating in such Commitment increase or Incremental Term Loan) shall be required for any such increase or Incremental Term Loan pursuant to this Section 2.21.

(b) Commitment increases, new Commitments and Incremental Term Loans created pursuant to this Section 2.21 shall become effective on the date agreed by the Company, the Administrative Agent and the relevant Increasing Lenders and/or Augmenting Lenders, and the Administrative Agent shall notify each Lender thereof. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Lender) or Incremental Term Loan shall become effective under this paragraph unless (i) on the proposed date of the effectiveness of such Commitment increase or Incremental Term Loan, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied both before and immediately after giving effect to such Commitment increase or Incremental Term Loan or waived by the Required Lenders, and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company and (B) the Company shall be in pro forma compliance with the Consolidated Leverage Ratio covenant set forth in Section 6.05, with Consolidated Total Debt measured as of the date of and immediately after giving effect to any funding in connection with such Commitment increase or Incremental Term Loan (and the application of proceeds thereof to the repayment of any other Indebtedness) and Consolidated EBITDA measured for the Reference Period then most recently ended for which the Company has delivered financial statements pursuant to Sections 5.01(a) or (b), and (ii) the Administrative Agent shall have received documents consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrowers to borrow hereunder immediately after giving effect to such Commitment increase or Incremental Term Loan.

(c) On the effective date of any increase in the aggregate Commitments or any Incremental Term Loan being made, (i) each relevant Increasing Lender and Augmenting Lender shall make

available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such Commitment increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its Applicable Percentage of such outstanding Revolving Loans, and (ii) the Borrowers shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Company, in accordance with the requirements of Section 2.03). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurocurrency Loan, Canadian Prime Rate Loan, CDOR Rate Loan, Australian Bill Rate Loan and SOR Rate Loan, shall be subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods.

(d) The Incremental Term Loans (i) shall rank pari passu in right of payment with the Revolving Loans, (ii) shall not mature earlier than the Maturity Date (but may have amortization prior to such date) and (iii) shall be treated substantially the same as (and in any event no more favorably than) the Revolving Loans; provided that (x) the terms and conditions applicable to any Incremental Term Loan maturing after the Maturity Date may provide for material additional or different financial or other covenants or prepayment requirements applicable only during periods after the Maturity Date and (y) the Incremental Term Loans may be priced differently than the Revolving Loans.

(e) Incremental Term Loans may be made hereunder pursuant to an amendment or restatement (an "**Incremental Term Loan Amendment**") of this Agreement and, as appropriate, the other Loan Documents, executed by the Company, each Increasing Lender participating in such Incremental Term Loan, each Augmenting Lender participating in such Incremental Term Loan, if any, and the Administrative Agent. Each Incremental Term Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.21. Nothing contained in this Section 2.21 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder, or provide Incremental Term Loans, at any time.

SECTION 2.22 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the "**specified currency**") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's main New York City office on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of any Borrower in respect of any sum due to any Credit Party hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Credit Party of any sum adjudged to be so due in such other currency such Credit Party may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Credit Party in the specified currency, the applicable Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Credit Party against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Credit Party in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 2.18, such Credit Party agrees to remit such excess to such Borrower.

(a) Effective as of the date hereof, each Subsidiary identified on Schedule 2.23 shall be a Designated Borrower hereunder and may receive Revolving Loans for its account on the terms and conditions set forth in this Agreement.

(b) The Company may at any time, upon not less than fifteen (15) Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), designate any additional wholly owned Subsidiary of the Company (an "**Applicant Borrower**") as a Designated Borrower to receive Revolving Loans hereunder by delivering to the Administrative Agent (which shall promptly deliver counterparts thereof to each Lender) a duly executed notice and agreement in substantially the form of Exhibit C (a "**Designated Borrower Request and Assumption Agreement**"). The parties hereto acknowledge and agree that prior to any Applicant Borrower becoming entitled to utilize the credit facilities provided for herein the Administrative Agent and the Lenders shall have (i) received such supporting resolutions, incumbency certificates, opinions of counsel and other documents or information, in form, content and scope reasonably satisfactory to the Administrative Agent, as may be required by the Administrative Agent or the Required Lenders in their reasonable discretion, and (ii) received promissory notes signed by such new Borrowers to the extent any Lenders so require. Furthermore, no Subsidiary of the Company shall become a Designated Borrower if (i) any Lender is not licensed to make Loans to such Subsidiary in the jurisdiction of its organization or (ii) it is otherwise unlawful for such Subsidiary to become a Designated Borrower or for any Lender to make Loans to such Subsidiary as provided herein. No Lender shall be obligated to make Loans to any Applicant Borrower or Designated Borrower if making such Loans by such Lender would (i) be unlawful, or (ii) cause additional costs (including Taxes) to be incurred by such Lender that would not otherwise be reimbursable under Section 2.17 or the other provisions of this Agreement. If the foregoing conditions have been satisfied, then promptly following receipt of all such requested resolutions, incumbency certificates, opinions of counsel and other documents or information, the Administrative Agent shall send a notice in substantially the form of Exhibit D (a "**Designated Borrower Notice**") to the Company and the Lenders specifying the effective date upon which the Applicant Borrower shall constitute a Designated Borrower for purposes hereof, whereupon each of the Lenders agrees to permit such Designated Borrower to receive Revolving Loans hereunder, on the terms and conditions set forth herein, and each of the parties agrees that such Designated Borrower otherwise shall be a Borrower for all purposes of this Agreement; provided that no Borrowing Request may be submitted on behalf of such Designated Borrower until the date that is five (5) Business Days after such effective date.

(c) The Obligations of the Company and each Designated Borrower that is a Domestic Subsidiary shall be joint and several in nature regardless of which Borrower actually borrows Revolving Loans hereunder or the amount of such Revolving Loans borrowed or the manner in which the Administrative Agent or any Lender accounts for such Revolving Loans on its books and records. The Obligations of all Foreign Obligor shall be several in nature, and notwithstanding any provision of this Agreement or in any other Loan Document, express or implied, in no event shall any Foreign Obligor be obligated to make any payments in respect of an Obligation of the Company or a Designated Borrower that is a Domestic Subsidiary. All provisions in this Agreement and each other Loan Document shall be interpreted and applied consistently with this Section 2.23(c), and if and where other provisions of this Agreement or any other Loan Document conflict with the provisions of this Section 2.23(c), the provisions of this Section 2.23(c) shall apply.

(d) Each Subsidiary that is or becomes a Designated Borrower pursuant to this Section 2.23 hereby irrevocably appoints the Company as its agent for all purposes relevant to the Loan Documents, including (i) the giving and receipt of notices, (ii) the execution and delivery of all documents, instruments and certificates contemplated herein and all modifications hereto, and (iii) the receipt of the proceeds of any Revolving Loans made by the Lenders to any such Designated Borrower hereunder. Any acknowledgment, consent, direction, certification or other action which might otherwise be valid or effective only if given or taken by all Borrowers, or by each Borrower acting singly, shall be valid and effective if given or taken only by the Company, whether or not any such other Borrower joins therein. Any notice, demand, consent, acknowledgement, direction, certification or



other communication delivered to the Company in accordance with the terms of this Agreement shall be deemed to have been delivered to each Designated Borrower.

(e) The Company may from time to time, upon not less than fifteen (15) Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), terminate a Designated Borrower's status as such, provided that there are no outstanding Revolving Loans payable by such Designated Borrower, or other amounts payable by such Designated Borrower on account of any Revolving Loans made to it, as of the effective date of such termination. The Administrative Agent will promptly notify the Lenders of any such termination of a Designated Borrower's status.

(f) If the selection of a particular Designated Borrower results (or is reasonably anticipated to result) in amounts becoming payable under Section 2.17, the Company may make a written request to the Administrative Agent for an amendment to this Agreement that would create a separate tranche of Lenders to provide credit to such Designated Borrower in a manner that would eliminate or minimize amounts payable under Section 2.17. The Administrative Agent and the Lenders agree to consider such amendment request in good faith. The Company hereby agrees to pay (or to cause the applicable Designated Borrower to pay) all reasonable costs and expenses incurred by the Administrative Agent or any Lender in connection with any such amendment, subject to compliance by the Lenders with the applicable provisions of Section 2.17(f).

(g) Illegality. If, in any applicable jurisdiction, the Administrative Agent, any Issuing Bank or any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Administrative Agent, any Issuing Bank or any Lender to (i) perform any of its obligations hereunder or under any other Loan Document, (ii) to fund or maintain its participation in any Loan or (iii) issue, make, maintain, fund or charge interest with respect to any Loan, in each of the foregoing cases to any Designated Borrower who is organized under the laws of a jurisdiction other than the United States, a state thereof or the District of Columbia, such Person shall promptly notify the Administrative Agent, then, upon the Administrative Agent notifying the Company, and until such notice by such Person is revoked, any obligation of such Person to issue, make, maintain, fund or charge interest with respect to any such Loan shall be suspended, and to the extent required by applicable law, cancelled. Upon receipt of such notice, the Loan Parties shall (A) repay that Person's participation in the Loans or other applicable Obligations on the last day of the Interest Period for each Loan or other Obligation occurring after the Administrative Agent has notified the Company or, if earlier, the date specified by such Person in the notice delivered to the Administrative Agent (being no earlier than the last day of any applicable grace period permitted by applicable law) and (B) take all reasonable actions requested by such Person to mitigate or avoid such illegality.

#### SECTION 2.24 Extension Options.

(a) Extension Requests. The Company may, by written notice to the Administrative Agent (which shall promptly deliver a copy thereof to each Lender) given not less than thirty (30) days and not more than ninety (90) days prior to each of the first and second anniversaries of the Effective Date, request a one-year extension of the Maturity Date then in effect (the Maturity Date then in effect being called the "**Existing Termination Date**"). Each Lender shall, by written notice to the Company and the Administrative Agent given not later than the twentieth (20th) day after the Administrative Agent's receipt of the applicable extension request, advise the Company and the Administrative Agent whether it agrees to such extension (each Lender agreeing to the applicable requested extension being called an "**Extending Lender**", and each Lender declining to agree to the applicable requested extension being called a "**Non-Extending Lender**"). Any Lender that has not so advised the Company and the Administrative Agent by such day shall be deemed to have declined to agree to such extension and shall be a Non-Extending Lender. If Required Lenders (including, for purposes of this calculation, each Lender that agrees to replace a Non-Extending Lender in accordance with Section 2.24(b)) agree to the applicable extension request, then the Maturity Date shall, as to the Extending Lenders, be extended to the first anniversary of the Existing Termination Date. The decision of any Lender to agree or withhold agreement to either such extension request shall be at the sole discretion of such Lender.

(b) Commitment Terminations. The Commitments of the Non-Extending Lenders shall terminate on the Existing Termination Date. The principal amount of outstanding Loans made by Non-Extending Lenders, together with accrued interest thereon and accrued fees and other amounts payable to or for the accounts of Non-Extending Lenders hereunder, shall be due and payable on the Existing Termination Date. On the Existing Termination Date the Borrowers shall also make such other prepayments of the Loans and, to the extent no Loans remain outstanding, cash collateralize, in a manner approved in writing by the Administrative Agent and the Issuing Bank, LC Exposure in an aggregate principal amount sufficient to cause the Dollar Amount of the Total Revolving Credit Exposures (calculated, with respect to Revolving Loans and LC Exposure denominated in Foreign Currencies, as of the most recent Computation Date with respect to each such Revolving Loans and LC Exposure) to be less than or equal to the total Commitments. The Company shall have the right, pursuant to and in accordance with Section 2.19(b), to replace a Non-Extending Lender with a Lender or other financial institution that will agree to the applicable extension request, and any such replacement Lender shall for all purposes constitute an Extending Lender.

(c) Rights of the Swingline Lenders and Issuing Bank. The Availability Period and the Maturity Date (without taking into consideration any extension pursuant to this Section 2.24), as such terms are used in reference to any Swingline Lender (or any Swingline Loans made by such Swingline Lender) or the Issuing Bank (or any Letters of Credit issued by the Issuing Bank), may not be extended without the prior written consent of such Swingline Lenders or each Issuing Bank, as the case may be, it being understood and agreed that, if such Swingline Lender or each Issuing Bank, as the case may be, does not consent to the applicable extension, (i) such Swingline Lender or such Issuing Bank, as the case may be, shall continue to have all the rights and obligations of a Swingline Lender or an Issuing Bank, as the case may be, hereunder through the Existing Termination Date (or the Availability Period determined on the basis thereof, as applicable), and thereafter shall have no obligation to make any Swingline Loans or to issue, amend, extend or renew any Letters of Credit (but shall, in each case, continue to be entitled to the benefits of Sections 2.05, 2.06, 2.15, 2.17 and 10.03, as applicable, as to Swingline Loans or Letters of Credit made or issued prior to such time), (ii) the principal amount of any outstanding Swingline Loans made by such Swingline Lender, together with any accrued interest thereon, shall, to the extent outstanding or accrued but unpaid on the Existing Termination Date, be due and payable on the Existing Termination Date, and (iii) the Borrowers shall cause the LC Exposure to be cash collateralized in a manner approved in writing by the Administrative Agent and the Issuing Bank no later than the date that is five Business Days prior to the Existing Termination Date.

(d) Conditions Precedent to Extensions. No extension of the Maturity Date pursuant to this Section 2.24 shall become effective unless (i) to the extent requested by the Administrative Agent, the Administrative Agent shall have received documents consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrowers to effect such extension and (ii) the Administrative Agent shall have received a certificate executed by a Financial Officer of the Company, dated as of the effective date of such extension, stating that (A) as of such date, no Default has occurred and is continuing or would result from such extension of the Maturity Date and (B) the representations and warranties of the Borrowers set forth in the Loan Documents are true in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of such date (except to the extent any such representations or warranties are limited to an earlier date, in which case such representations and warranties shall be true in all material respects as of such earlier date).

### ARTICLE III

#### Representations and Warranties

Except as otherwise provided in Section 3.12, each Borrower represents and warrants to the Lenders that:

SECTION 3.01 Organization; Powers. Each Borrower (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets

and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is qualified to do business in, and is licensed and in good standing under the laws of, every jurisdiction where such qualification is required; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.02      Authorization; Enforceability. The Transactions are within each Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. Each Loan Document has been duly executed and delivered by each Borrower that is a party thereto and constitutes a legal, valid and binding obligation of each such Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03      Governmental Approvals; No Conflicts. The Transactions do not and will not (a) require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other Person, (b) violate any applicable law, rule or regulation of any Governmental Authority or any Organization Document of any Borrower, and (c) conflict with or result in any material breach or contravention of, or the creation of any material Lien under, or require any material payment to be made under (i) any material Contractual Obligation to which any Borrower is a party or affecting any Borrower or the properties of any Borrower or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which any Borrower or the properties of any Borrower or any of its Subsidiaries is subject.

SECTION 3.04      Financial Condition; No Material Adverse Change.

(a)      The Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income or operations, shareholders' equity and cash flows (i) as of and for the fiscal year ended September 30, 2014, reported on by Deloitte and Touche LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended June 30, 2015, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b)      Since September 30, 2014, there has been no development, event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.05      Litigation and Environmental Matters.

(a)      There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrowers after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any Subsidiary or against any of their properties or revenues that (i) except as described in the Company's 2014 Form 10-K or any subsequent Form 10-Q or Form 8-K filing prior to the Effective Date (the "**Disclosed Litigation**"), could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (ii) purport to affect or pertain to any Loan Document or the Transactions.

(b)      The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrowers have reasonably concluded that, except for the Disclosed Litigation, violation of such Environmental

Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 3.06 Compliance with Laws and Agreements; No Default.

(a) Each of the Borrowers and Significant Subsidiaries is in compliance with the requirements of all laws, rules and regulations and orders, writs and decrees of any Governmental Authority applicable to it or its properties, except to the extent that (i) failure to comply therewith could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect and (ii) such requirement is being contested in good faith by appropriate proceedings diligently conducted. Each Borrower is in compliance with all material Contractual Obligations to which such Borrower is a party or affecting such Borrower or the properties of such Borrower or any of its Subsidiaries, except to the extent that failure to comply therewith could not reasonably be expected to result in a Material Adverse Effect.

(b) No Default has occurred and is continuing or would result from the consummation of the Transactions.

SECTION 3.07 Investment Company Status; Margin Regulations.

(a) Neither the Company, nor any Person Controlling the Company nor any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(b) No Borrower is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U of the Board), or extending credit for the purpose of purchasing or carrying margin stock.

SECTION 3.08 Taxes. Each of the Borrowers and Significant Subsidiaries has timely filed or caused to be filed all federal, state and other material Tax returns and reports required to have been filed and have paid or caused to be paid all federal, state and other material Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings diligently conducted and for which such Borrower or such Significant Subsidiary, as applicable, has set aside on its books adequate reserves. There is no proposed Tax assessment against any Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

SECTION 3.09 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by an amount that could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10 Disclosure. All information heretofore furnished by the Borrowers to the Administrative Agent or any Lender for purposes of or in connection with the Loan Documents or the Transactions is, and all such information hereafter furnished by the Borrowers to the Administrative Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrowers have disclosed to the Lenders in writing any and all facts known to the Borrowers' management which could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11      Subsidiaries. Each Significant Subsidiary (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to own or lease its assets and carry on its business, except in each case referred to in this clause (b) to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.12      Representations as to Foreign Obligors. Each of the Company and each Foreign Obligor represents and warrants to the Lenders that:

(a)      Such Foreign Obligor is subject to civil and commercial laws, rules and regulations with respect to its obligations under the Loan Documents to which it is a party (collectively, the “**Applicable Foreign Obligor Documents**”), and the execution, delivery and performance by such Foreign Obligor of the Applicable Foreign Obligor Documents constitute and will constitute private and commercial acts and not public or governmental acts. Neither any Foreign Obligor nor any of its property has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction in which such Foreign Obligor is organized and existing in respect of its obligations under the Applicable Foreign Obligor Documents.

(b)      The Applicable Foreign Obligor Documents are in proper legal form under the laws, rules and regulations of the jurisdiction in which such Foreign Obligor is organized and existing for the enforcement thereof against such Foreign Obligor under the laws, rules and regulations of such jurisdiction, and to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents. It is not necessary to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents that the Applicable Foreign Obligor Documents be filed, registered or recorded with, or executed or notarized before, any court or other authority in the jurisdiction in which any Foreign Obligor is organized and existing or that any registration charge or stamp or similar tax be paid on or in respect of the Applicable Foreign Obligor Documents or any other document, except for (i) any such filing, registration, recording, execution or notarization as has been made or is not required to be made until the Applicable Foreign Obligor Document or any other document is sought to be enforced and (ii) any charge or tax as has been timely paid.

(c)      There is no Tax imposed by any Governmental Authority in or of the jurisdiction in which such Foreign Obligor is organized and existing either (i) on or by virtue of the execution or delivery of the Applicable Foreign Obligor Documents or (ii) on any payment to be made by such Foreign Obligor pursuant to the Applicable Foreign Obligor Documents, except as has been disclosed to the Administrative Agent.

(d)      The execution, delivery and performance of the Applicable Foreign Obligor Documents executed by such Foreign Obligor are, under applicable foreign exchange control regulations of the jurisdiction in which such Foreign Obligor is organized and existing, not subject to any notification or authorization except (i) such as have been made or obtained or (ii) such as cannot be made or obtained until a later date (provided that any notification or authorization described in clause (ii) shall be made or obtained as soon as is reasonably practicable).

SECTION 3.13      Use of Proceeds. The proceeds of the Loans will be used only for the purposes specified in Section 5.08.

SECTION 3.14      Anti-Corruption Laws and Sanctions. The Company has implemented and maintains in effect policies and procedures designed to ensure compliance by the Company, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. The Company, its Subsidiaries and, to the knowledge of the Borrowers, their respective employees, officers, directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects (except to the extent that (i) such noncompliance does not involve any executive officer or similar member of senior management of the Company or such Subsidiary and does not represent a systemic failure of compliance controls, (ii) the Company or such Subsidiary is diligently taking steps to cure such

noncompliance and (iii) such noncompliance would not reasonably be expected to materially and adversely affect the Company or such Subsidiary or result in a violation of Anti-Corruption Laws or applicable Sanctions by the Administrative Agent, any Lender or their Affiliates) and are not knowingly engaged in any activity that would reasonably be expected to result in any Borrower being designated as a Sanctioned Person. None of (a) the Company, any of its Subsidiaries, any of their respective officers or employees or, to the knowledge of the Borrowers, any of their respective directors, or (b) to the knowledge of the Borrowers, any agent of the Company or any of its Subsidiaries that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person so as to result in a violation of Anti-Corruption Law or Sanctions. The Transactions will not violate any Anti-Corruption Law or applicable Sanctions.

#### ARTICLE IV

##### Conditions

SECTION 4.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

(a) The Administrative Agent (or its counsel) shall have received from each party to the Loan Documents either (i) a counterpart of each Loan Document to which such Person is a party, signed on behalf of such Person or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of each Loan Document to which such Person is a party) that such Person has signed a counterpart of each such Loan Document.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of counsel for the Borrowers covering such matters relating to the Borrowers, the Loan Documents and the Transactions as the Required Lenders shall reasonably request and otherwise in form and substance reasonably satisfactory to the Administrative Agent.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Borrower, the authorization of the Transactions and any other legal matters relating to the Borrowers, the Loan Documents and the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable pursuant to this Agreement on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(f) The Administrative Agent shall have received (i) satisfactory audited consolidated financial statements of the Company and its Subsidiaries for the two (2) most recent fiscal years ended prior to the Effective Date and (ii) satisfactory unaudited interim consolidated financial statements of the Company and its Subsidiaries for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to the foregoing clause (i) as to which such financial statements are available.

(g) The Administrative Agent and the Lenders shall have received (i) all documentation and other information reasonably requested by the Lenders or the Administrative Agent under applicable "know your

customer” and anti-money laundering rules and regulations, including the Act, and (ii) such other documents and instruments as are customary for transactions of this type or as they may reasonably request.

(h) The Administrative Agent shall have received evidence that all governmental and third party approvals necessary or, in the reasonable discretion of the Administrative Agent, advisable in connection with the financing contemplated hereby and the continuing operations of the Company and its Subsidiaries shall have been obtained and be in full force and effect.

(i) The Administrative Agent shall have received evidence satisfactory to it that, substantially simultaneously with the funding of Loans on the Effective Date, the Borrowers shall have repaid the principal of all outstanding loans under the Existing Credit Agreement and paid all accrued interest, fees and other amounts owing thereunder. The Borrowers hereby acknowledge and agree that the “Commitments” of the “Lenders” under (and as such terms are defined in) the Existing Credit Agreement, shall automatically terminate upon the Effective Date.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on November 13, 2015 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of any Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrowers set forth in the Loan Documents (other than the representations and warranties set forth in Sections 3.04(b), 3.05 and 3.09 with respect to any Borrowing or issuance, amendment, renewal or extension of any Letter of Credit after the Effective Date) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

SECTION 4.03 Initial Credit Event for each Additional Borrower. The obligation of each Lender to make Loans to any Designated Borrower that becomes a Designated Borrower after the Effective Date is subject to the satisfaction of the following conditions:

(a) The Administrative Agent (or its counsel) shall have received such Designated Borrower’s Designated Borrower Request and Assumption Agreement duly executed by all parties thereto.

(b) The Administrative Agent shall have received such documents (including such legal opinions) as the Administrative Agent or its counsel may reasonably request relating to the formation, existence and good standing of such Designated Borrower, the authorization of the Transactions insofar as they relate to such Designated Borrower and any other legal matters relating to such Designated Borrower, its Designated Borrower Request and Assumption Agreement or such Transactions, including, with respect to any Designated

Borrower organized under the laws of any jurisdiction outside of the United States of America, a legal opinion from such Designated Borrower's counsel in such jurisdiction, all in form and substance satisfactory to the Administrative Agent and its counsel.

(c) The Administrative Agent and the Lenders shall have received all documentation and other information reasonably requested by the Lenders or the Administrative Agent under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

## ARTICLE V

### Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated or been cash collateralized or otherwise secured on terms and conditions reasonably satisfactory to the Issuing Bank, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, the Company (with respect to the covenants set forth in Sections 5.01 and 5.02) and each Borrower (with respect to all other covenants set forth in this Article V) covenants and agrees with the Lenders that:

SECTION 5.01 Financial Statements and Other Information. The Company will furnish to the Administrative Agent and each Lender:

(a) within seven (7) Business Days following the date such information is filed with the SEC, and in any event not later than ninety-seven (97) days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of income or operations, shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within seven (7) Business Days following the date such information is filed with the SEC, and in any event not later than fifty-two (52) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Company, its consolidated balance sheet and related statements of income or operations, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a duly completed Compliance Certificate signed by a Financial Officer of the Company;

(d) promptly after the same become available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the SEC or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be;

(e) promptly, and in any event within seven (7) Business Days after receipt thereof by the Company or any Subsidiary, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable foreign jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of the Company or any Subsidiary; and



(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to clauses (a), (b) or (d) of this Section (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet; or (ii) on which such documents are posted on the Company's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (x) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (y) the Company shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02            Notices of Material Events. The Company will furnish to the Administrative Agent and each Lender prompt written notice of the following:

- (a) the occurrence of any Default;
- (b) the occurrence of any ERISA Event (other than an ERISA Event under any of clauses (j), (l) or (m) of the definition thereof that could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect);
- (c) any material change in accounting policies or financial reporting practices by the Company or any Subsidiary not otherwise reported in the Company's SEC filings;
- (d) any published announcement by Moody's or S&P of any change or possible change in the rating established or deemed to have been established for the Index Debt; and
- (e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; and (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03            Existence; Conduct of Business. It will, and will cause each of its Subsidiaries to, (a) preserve, renew and keep in full force and effect its legal existence, (b) preserve, renew and keep in full force and effect its good standing under the laws of the jurisdiction of its organization except as permitted under Section 6.02, (c) take all reasonable action to maintain all rights, licenses, permits, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (d) preserve and renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could

reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, sale, liquidation or dissolution permitted under Section 6.02.

SECTION 5.04      Payment of Obligations. It will, and will cause each of its Subsidiaries to, pay its material obligations and liabilities, including (a) all Tax liabilities, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings diligently conducted and (ii) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (b) all lawful material claims which, if unpaid, would by law become a Lien upon its property (other than Liens permitted by Section 6.01), and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

SECTION 5.05      Maintenance of Properties; Insurance.

(a)      It will, and will cause each of its Subsidiaries to, (i) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (ii) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; provided that nothing in Section 5.05(a) shall prevent the Company or any Subsidiary from discontinuing the operations and maintenance of any of its properties or those of its Subsidiaries if such discontinuance is, in the judgment of the Company or such Subsidiary, desirable in the conduct of its or their business and which do not in the aggregate cause a Material Adverse Effect. Except as provided above, the Borrowers shall maintain direct ownership of the majority of the tangible and intangible assets employed in connection with the Borrowers' United States domestic carbon black business.

(b)      It will, and will cause each of its Significant Subsidiaries to, maintain, with financially sound and reputable insurance companies that are not Affiliates of the Company, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses.

SECTION 5.06      Books and Records; Inspection Rights.

(a)      It will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all financial dealings and transactions in relation to its business and activities.

(b)      It will, and will cause each of its Subsidiaries to, permit any representatives and independent contractors designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and accounts with its directors, officers and independent accountants, all at the expense of the Company and at such reasonable times during normal business hours and not more than once each fiscal year; provided that if an Event of Default has occurred and is continuing, such representatives and independent contractors may do any of the foregoing at the expense of the Company at any time during normal business hours and without prior notice.

SECTION 5.07      Compliance with Laws. It will, and will cause each of its Subsidiaries to, comply with all laws, rules and regulations and orders, injunctions, writs and decrees of any Governmental Authority applicable to it or its property, except where (a) the failure to do so could not reasonably be expected to result in a Material Adverse Effect and (b) the requirement to do so is being contested in good faith by appropriate proceedings diligently conducted. The Company will maintain in effect and enforce policies and procedures designed to ensure compliance by the Company, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

SECTION 5.08      Use of Proceeds. The proceeds of the Loans will be used only for general corporate purposes of the Company and its Subsidiaries in the ordinary course of business, including Permitted Acquisitions, and to refinance indebtedness and any other amounts outstanding under the Existing

Credit Agreement on the Effective Date. No Borrower will request any Borrowing or Letter of Credit, and no Borrower shall use the proceeds of any Borrowing or Letter of Credit, and each Borrower shall ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use the proceeds of any Borrowing or Letter of Credit (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States or in a European Union member state, or (c) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

## ARTICLE VI

### Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated or been cash collateralized or otherwise secured on terms and conditions reasonably satisfactory to the Issuing Banks, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, each Borrower covenants and agrees with the Lenders that:

SECTION 6.01 Liens. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property, asset or revenue now owned or hereafter acquired by it, except:

(a) Permitted Encumbrances;

(b) Liens on any property or asset of the Company or any Subsidiary existing on the date hereof and set forth in Schedule 6.01; provided that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset of a Person prior to the acquisition thereof by the Company or any Subsidiary or prior to merger or consolidation of such Person into the Company or any Subsidiary, or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that, in each case, (i) such Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may;

(d) Liens securing purchase money Indebtedness; provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(e) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Agreement;

(f) leases or subleases granted to others not interfering in any material respect with the business of the Company or any Subsidiary;

(g) Liens created or deemed to exist in connection with a Securitization Transaction (including any related filings of any UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions)) securing Indebtedness in an aggregate amount not to exceed \$200,000,000 during the term of this Agreement, but only to the extent that any such Lien relates to the applicable property actually sold, contributed, financed or otherwise conveyed or pledged pursuant to such transaction;

(h) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(i) Liens on commodities subject to any arrangement permitted under Section 6.03;

(j) Liens securing Indebtedness (for working capital purposes) of any Foreign Subsidiary, but only to the extent that any such Lien relates to the property or assets of such Foreign Subsidiary;

(k) Liens arising pursuant to any Swap Agreement;

(l) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Indebtedness is not increased and is not secured by any additional assets;

(m) Liens arising in the ordinary course of business that (i) do not secure Indebtedness, (ii) do not secure any single obligation exceeding \$50,000,000 and (iii) do not in the aggregate materially detract from the value of the assets of the Company or any Subsidiary or materially impair the use thereof in the operation of its business;

(n) Liens on cash collateral created hereunder in favor of any Credit Party; and

(o) Liens not otherwise permitted by the foregoing clauses of this Section securing Indebtedness in an aggregate principal amount at any time outstanding not to exceed ten percent (10%) of Consolidated Tangible Net Worth.

**SECTION 6.02** Fundamental Changes. It will not, and will not permit any of its Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the Equity Interests of any Subsidiary (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing:

(a) any Subsidiary (i) may merge with the Company, provided that the Company shall be the continuing or surviving Person, (ii) may merge with any Designated Borrower, provided that such Designated Borrower shall be the continuing or surviving Person, or (iii) that is not a Borrower may merge with or into any other Subsidiary that is not a Borrower;

(b) any Subsidiary may sell, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary; provided that if the transferor in such a transaction is a Borrower, then the transferee must be a Borrower; and

(c) the Company may sell, transfer, lease or otherwise dispose of its assets, or any Subsidiary may sell, transfer, lease or otherwise dispose of all or substantially all of its assets, so long as the aggregate net book value of all such assets sold, transferred, leased or otherwise disposed of by the Company and its Subsidiaries in all transactions occurring from and after the date of this Agreement shall not exceed an amount equal to twenty-five percent (25%) of Consolidated Total Tangible Assets, measured as the sum of the percentages

for each such transaction, in each case based upon the Consolidated Total Tangible Assets as of the end of the most recently completed fiscal year prior to the applicable sale, transfer, lease or other disposition.

SECTION 6.03      Investments, Loans, Advances, Guarantees and Acquisitions. It will not, and will not permit any of its Subsidiaries to, make any Investment where the aggregate consideration for such Investment exceeds \$200,000,000, other than Permitted Investments and Permitted Acquisitions.

SECTION 6.04      Transactions with Affiliates. It will not, and will not permit any of its Subsidiaries to, enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than (a) reasonable and customary fees paid to members of the board of directors of the Company and its Subsidiaries, (b) transactions otherwise expressly permitted hereunder between the Company or any Subsidiary and any such Affiliate or (c) on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

SECTION 6.05      Financial Covenant. It will not permit the Consolidated Leverage Ratio as of the last day of any Reference Period to be greater than 3.50:1.00; provided, however, that at the election of the Company (prior written notice of which shall be given to the Administrative Agent), following the consummation of any Material Acquisition, the Consolidated Leverage Ratio (x) as at the end of the fiscal quarter in which such Material Acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and (y) as at the end of any fiscal quarter thereafter, shall not be greater than 3.50:1.00

SECTION 6.06      Organization Documents. It will not, and will not permit any of its Subsidiaries to, amend, modify or change its Organization Documents in any manner which could materially adversely affect the rights of the Credit Parties under the Loan Documents.

SECTION 6.07      Use of Proceeds. It will not, and will not permit any of its Subsidiaries to, use any part of the proceeds of any Loan to be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of any of the Regulations of the Board (including Regulations T, U and X), including to purchase or carry margin stock (within the meaning of Regulation U) other than stock of the Company or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

SECTION 6.08      Subsidiary Indebtedness. It will not permit, at any time, the aggregate Indebtedness of all Subsidiaries (excluding Indebtedness of a Subsidiary owing to a Borrower or to another Subsidiary) to exceed 30% of Total Capitalization.

## ARTICLE VII

### Events of Default

If any of the following events ("**Events of Default**") shall occur:

- (a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or otherwise;
- (b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) days;

(c) any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been incorrect in any material respect (or in any respect if such representation or warranty is already qualified by concepts of materiality) when made or deemed made;

(d) (i) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03(a), 5.06(b) or 5.08 or in Article VI, or (ii) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.01 or 5.02 and such failure shall continue unremedied for a period of five (5) Business Days after the earlier of any of the chief executive officer, president or any Financial Officer of the Company becoming aware of such failure or notice thereof by the Administrative Agent;

(e) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of thirty (30) days after written notice from the Administrative Agent;

(f) the Company or any Significant Subsidiary (i) shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any Indebtedness or Guarantee having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$50,000,000, or (ii) shall fail to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$50,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Borrower or any Significant Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed or unstayed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) any Borrower or any Significant Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more final judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) shall be rendered against the Company or any Subsidiary and (i) the same shall remain undischarged for a period of ten (10) consecutive days during which execution shall not be effectively stayed by reason or pending appeal or otherwise, or (ii) any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding \$50,000,000 from and after the Effective Date;

(l) a Change in Control shall occur; or

(m) any material provisions of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, shall cease to be in full force and effect; or any Borrower or any other Person shall contest in any manner the validity or enforceability of any material provision of any Loan Document; or any Borrower shall deny that it has any or further liability or obligation under any material provisions of any Loan Document, or shall purport to revoke, terminate or rescind any material provision of any Loan Document;

then, and in every such event (other than an event with respect to any Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the written request of the Required Lenders shall, by notice to the Company, take either or both of the following actions, at the same or different times: (i) terminate the Commitments (including the Swingline Commitments and the Letter of Credit Commitments), and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and (iii) require cash collateral for the LC Exposure in accordance with Section 2.06(j) hereof; and in case of any event with respect to any Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding and cash collateral for the LC Exposure, together with accrued interest thereon and all fees and other Obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

#### ARTICLE VIII

##### The Administrative Agent

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Any Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any Subsidiary that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered under any Loan Document or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in



effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Company and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder.

#### ARTICLE IX

##### Guaranty

In order to induce the Lenders to extend credit to the Designated Borrowers hereunder, the Company hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the payment when and as due of the Obligations of the Designated Borrowers. The Company further agrees that the due and punctual payment of such Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee hereunder notwithstanding any such extension or renewal of any such Obligation.

The Company waives presentment to, demand of payment from and protest to any Designated Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Company hereunder shall not be affected by (a) the failure of any Credit Party to assert any claim or demand or to enforce any right or remedy against any Borrower under the provisions of any Loan Document or otherwise, (b) any extension or renewal of any of the Obligations, (c) any rescission, waiver, amendment or modification of, or release from, any of the terms or provisions of any Loan Document or any other agreement, (d) any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, (e) any amendment or waiver of any of the Obligations, (f) any law or regulation of any jurisdiction or any other event affecting any term of the Obligations, or (g) to the fullest extent permitted by applicable law, any other act, omission or delay to do any other act which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of a guarantor as a matter of law or equity or which would impair or eliminate any right of the Company to subrogation.

The Company further agrees that its agreement hereunder constitutes a guarantee of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and, to the fullest extent permitted by applicable law, waives any right to require that any resort be had by any Credit Party to any balance of any deposit account or credit on the books of any Credit Party in favor of any Borrower or any other Person.

The obligations of the Company hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full of all the Obligations), and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of any of the Obligations, any impossibility in the performance of any of the Obligations or otherwise (other than for the indefeasible payment in full of all the Obligations), in each case, to the fullest extent permitted by applicable law.

The Company further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Credit Party upon the bankruptcy or reorganization of any Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Credit Party may have at law or in equity against the Company by virtue hereof, upon the failure of any Designated Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by any Credit Party, forthwith pay, or cause to be paid, to such Credit Party in cash an amount equal to the unpaid principal amount of such Obligations then due, together with accrued and unpaid interest thereon. The Company further agrees that if payment in respect of any Obligation shall be due in a Foreign Currency and/or at a place of payment other than New York and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the reasonable judgment of any Credit Party, not consistent with the protection of its rights or interests, then, at the election of the Administrative Agent, the Company shall make payment of such Obligation in U.S. Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in New York, and shall indemnify the Credit Parties against any losses or reasonable out-of-pocket expenses that it shall sustain as a result of such alternative payment.

Upon payment by the Company of any sums as provided above, all rights of the Company against any Designated Borrower arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

The parties hereto agree that, notwithstanding anything to the contrary contained herein, neither the Company nor any of its Subsidiaries shall be required to provide any guarantee, pledge, or asset support arrangement that would result in any adverse tax consequences due to the application of Section 956 of the Code.

## ARTICLE X

### Miscellaneous

#### SECTION 10.01                      Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to any Borrower, to the Company at Cabot Corporation, Two Seaport Lane, Boston, Massachusetts 02210-2019, Attention of Steven J. Delahunt (Telecopy No. (617) 342-6208);

(ii) if to the Administrative Agent, (A) in the case of Borrowings denominated in U.S. Dollars, to JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Joyce King (Telecopy No. (888) 292-9533), and (B) in the case of Borrowings denominated in Foreign Currencies, to J.P. Morgan Europe Limited, 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom, Attention of Loan and Agency, Jacob Sheehan ([Jacob.T.Sheehan@jpmorgan.com](mailto:Jacob.T.Sheehan@jpmorgan.com)) with a copy to [loan\\_and\\_agency\\_london@jpmorgan.com](mailto:loan_and_agency_london@jpmorgan.com);

(iii) if to an Issuing Bank, (A) in the case of JPMorgan Chase Bank, N.A., to JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Debra Williams (Telecopy No. (312) 385-7098), with a copy to [Chicago.lc.agency.activity.team@jpmchase.com](mailto:Chicago.lc.agency.activity.team@jpmchase.com), and (B) in the case of Citibank, N.A., to its address (or telecopy number) set forth in its Administrative Questionnaire;

(iv) if to a Swingline Lender, to it at (A) in the case of JPMorgan Chase Bank, N.A., JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Joyce King (Telecopy No. (888) 292-9533), and (B) in the case of any other Swingline Lender, its address (or telecopy number) set forth in its Administrative Questionnaire; and

(v) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through Electronic Systems, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by using Electronic Systems pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto.

(d) Electronic Systems.

(i) Each Borrower agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Issuing Bank and the Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System.

(ii) Any Electronic System used by the Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "**Agent Parties**") have any liability to the Borrowers, any Lender, the Issuing Bank or any other Person or entity for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Borrower's or the Administrative Agent's transmission of communications through an Electronic System. "**Communications**" means, collectively, any notice,

demand, communication, information, document or other material provided by or on behalf of any Borrower pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or the Issuing Bank by means of electronic communications pursuant to this Section, including through an Electronic System.

SECTION 10.02      Waivers; Amendments.

(a) No failure or delay by any Credit Party in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Subject to Section 10.02(c) below and except as provided in Section 2.21 with respect to an Incremental Term Loan Amendment or in Section 2.24 with respect to an extension of the Maturity Date, neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender (it being understood and agreed that a waiver of any condition precedent set forth in Section 4.02 or of any Default is not considered an increase in Commitments of any Lender), (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, provided, however, that only the consent of the Required Lenders shall be necessary to amend the provisions with respect to the application of default rate interest described in Section 2.13(c) and the last paragraph of Article VII or waive any obligation of any Borrower to pay interest or fees at such default rate, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment (in each case excluding, for the avoidance of doubt, mandatory prepayments under Section 2.11(c)), or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Company from its obligations under the Loan Documents without the written consent of each Lender, (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (it being understood that, solely with the consent of the parties to an Incremental Term Loan Amendment, Incremental Term Loans may be included in the determination of Required Lenders on substantially the same basis as the Commitments and the Revolving Loans are included on the Effective Date), (vii) change any of the provisions of Section 2.23, or (viii) change the definition of "Agreed Currencies" without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lenders hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lenders, as the case may be.

(c) If the Administrative Agent and the Company acting together identify any ambiguity, omission, mistake, typographical error or other defect in any provision of this Agreement or any other Loan Document, then the Administrative Agent and the Company shall be permitted to amend, modify or supplement such provision to cure such ambiguity, omission, mistake, typographical error or other defect, and such amendment shall become effective without any further action or consent of any other party to this Agreement. If the Administrative Agent and the Company make or implement any such amendment, modification or supplement

to any Loan Document, the Administrative Agent agrees (without limiting or affecting the validity of any such amendment, modification or supplement) to give prompt notice thereof to the Lenders including (if appropriate) a copy of such Loan Document as so amended, modified or supplemented.

SECTION 10.03

Expenses; Indemnity; Damage Waiver.

(a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, Arrangers and their respective Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Credit Parties, including the reasonable fees, charges and disbursements of one counsel (and one local counsel in each relevant jurisdiction) for the Administrative Agent and one counsel (and one local counsel in each relevant jurisdiction) for all other Credit Parties, in connection with the enforcement or protection of their rights in connection with any Loan Document, including their rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall indemnify each Credit Party and its Related Parties (each such Person being called an “*Indemnitee*”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any Subsidiary, or any Environmental Liability related in any way to the Company or any Subsidiary, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not such claim, litigation, investigation or proceeding is brought by any Borrower or its equity holders, Affiliates, creditors or any other third Person and whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (y) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the breach by such Indemnitee of its funding obligations hereunder, to the extent caused by the inability of such Indemnitee to satisfy such funding obligations because of its status as a Defaulting Lender under clause (d) of the definition thereof, or (z) result from a claim brought by any Borrower against such Indemnitee for breach in bad faith of such Indemnitee’s obligations under any Loan Document, if such Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 10.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lenders under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lenders, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or

indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lenders in their capacity as such.

(d) To the extent permitted by applicable law, no party hereto shall assert, and each party hereto hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof; provided, that nothing in this clause (d) shall relieve the Company of any obligation it may have to indemnify an Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Credit Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Assignee) all or a portion of its rights and obligations under the Loan Documents (including all or a portion of its Commitment, participations in Letters of Credit and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Company, provided that, the Company shall be deemed to have consented to an assignment unless it shall have objected thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof; provided further that no consent of the Company shall be required for an assignment to a Lender (other than a Defaulting Lender), an Affiliate of a Lender (other than a Defaulting Lender), an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to a Lender (other than a Defaulting Lender) or an Affiliate of a Lender (other than a Defaulting Lender);

(C) the Issuing Bank; and

(D) each Swingline Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund, or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the

assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Company and the Administrative Agent otherwise consent, provided that no such consent of the Company shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under the Loan Documents;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent (x) an Assignment and Assumption or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to a Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants), together with a processing and recordation fee of \$3,500;

(D) the assignee shall deliver to the Administrative Agent, withholding agent and/or Company, as applicable, any documentation required by Sections 2.17(f) and (g); and

(E) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrowers and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under the Loan Documents (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party thereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under the Loan Documents that does not comply with this Section 10.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Borrowers and the Credit Parties shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to a Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants), any documentation required by

Sections 2.17(f) and (g), the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(d), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) Any Lender may, without the consent of any Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lenders, sell participations to one or more banks or other entities (a "**Participant**"), other than an Ineligible Assignee, in all or a portion of such Lender's rights and obligations under the Loan Documents (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under the Loan Documents shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrowers, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Sections 2.17(f) and (g) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender and the information and documentation required under Section 2.17(g) shall be delivered to the Company and the Administrative Agent)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Company's request and expense, to use reasonable efforts to cooperate with the Company to effectuate the provisions of Section 2.19(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations or is otherwise required by law. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Loan Documents to secure obligations of such Lender, including any pledge or assignment to



secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 10.05      Survival. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to any Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration, termination, cash collateralization or other securing of the Letters of Credit, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06      Counterparts; Integration; Effectiveness; Electronic Execution.

(a)                This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent or the Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b)                Delivery of an executed counterpart of a signature page of this Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 10.07      Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08      Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and in whatever currency denominated) at any time held and other obligations at any time

owing by such Lender or Affiliate to or for the credit or the account of any Borrower against any of and all the Obligations of such Borrower now or hereafter existing held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09      Governing Law; Jurisdiction; Consent to Service of Process.

(a)      This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b)      Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan, and of the United States District Court for the Southern District of New York sitting in the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(c)      Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d)      Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable law.

(e)      Without limiting the foregoing, each Designated Borrower hereby irrevocably designates the Company, at its address set forth in Section 10.01, as the designee, appointee and agent of such Designated Borrower to receive, for and on behalf of such Designated Borrower, service of process in such respective jurisdictions in any legal action or proceeding with respect to this Agreement or any other Loan Document.

SECTION 10.10      WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11      Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

(a) Each Credit Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any Governmental Authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (vii) with the consent of the Company or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to any Credit Party on a non-confidential basis from a source other than any Borrower. For the purposes of this Section, "**Information**" means all information received from any Borrower relating to such Borrower or its business, other than any such information that is available to any Credit Party on a non-confidential basis prior to disclosure by such Borrower; provided that, in the case of information received from such Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

(b) **EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN SECTION 10.12(a) FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWERS AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.**

(c) **ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE BORROWERS OR THE ADMINISTRATIVE AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE BORROWERS AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE BORROWERS AND THE ADMINISTRATIVE AGENT THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.**

SECTION 10.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.14 USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “**Act**”) hereby notifies the Borrowers that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the names and addresses of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with the Act.

SECTION 10.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Borrower acknowledges and agrees that: (a) (i) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Arrangers and the Lenders are arm’s-length commercial transactions between the Borrowers and their Affiliates, on the one hand, and the Administrative Agent, the Arrangers and the Lenders, on the other hand, (ii) the Borrowers have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate, and (iii) the Borrowers are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (b) (i) each of the Administrative Agent, each Arranger and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for any Borrower or any of its Affiliates or any other Person and (ii) neither the Administrative Agent, any Arranger nor any Lender has any obligation to any Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (c) the Administrative Agent, the Arrangers, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers and their Affiliates, and neither the Administrative Agent, any Arranger nor any Lender has any obligation to disclose any of such interests to the Borrowers or their Affiliates. Each Borrower hereby agrees that it will not assert any claim against the Administrative Agent, any Arranger or any Lender based on an alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

CABOT CORPORATION, as the Company and a Borrower

By: /s/ Eduardo E. Cordeiro  
Name: Eduardo E. Cordeiro  
Title: Executive Vice President and CFO

JPMORGAN CHASE BANK, N.A., as the Administrative Agent, an Issuing Bank and a Lender

By: /s/ D. Scott Farquhar  
Name: D. Scott Farquhar  
Title: Executive Director

CITIBANK, N.A., as an Issuing Bank and a Lender

By: /s/ Michael Vondriska  
Name: Michael Vondriska  
Title: Vice President

Mizuho Bank, Ltd. as a Lender

By: /s/ Donna DeMagistris  
Name: Donna DeMagistris  
Title: Authorized Signatory

TD BANK, NA., as a Lender

By: /s/ Alan Garson  
Name: Alan Garson  
Title: Senior Vice President

[SIGNATURE PAGE TO CREDIT AGREEMENT (JPM/CABOT 2015)]

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BANK OF AMERICA, N.A., as a Lender

By: /s/ Robert C. Megan  
Name: Robert C. Megan  
Title: Senior Vice President

Wells Fargo Bank, N.A., as a Lender

By: /s/ Christopher S. Allen  
Name: Christopher S. Allen  
Title: Senior Vice President

BANK OF CHINA, NEW YORK BRANCH, as a Lender

By: /s/ Haifeng Xu  
Name: Haifeng Xu  
Title: Executive Vice President

U.S. BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Mark Irey  
Name: Mark Irey  
Title: Vice President

Citizens Bank, N.A., as a Lender

By: /s/ Peter van der Horst  
Name: Peter van der Horst  
Title: Senior Vice President

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Rebecca Kratz  
Name: Rebecca Kratz  
Title: Authorized Signatory

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Michael Richards  
Name: Michael Richards  
Title: Senior Vice President, Managing Director

[SIGNATURE PAGE TO CREDIT AGREEMENT (JPM/CABOT 2015)]

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**Schedule 2.01 – Commitments**

<b>Lender</b>	<b>Commitment</b>	<b>Swingline Commitment</b>	<b>Letter of Credit Commitment</b>	<b>Initial Applicable Percentage</b>
JPMorgan Chase Bank, N.A.	\$140,000,000	\$25,000,000	\$50,000,000	14%
Citibank, N.A.	\$140,000,000	\$0	\$50,000,000	14%
Mizuho Bank, LTD.	\$120,000,000	\$0	\$0	12%
TD Bank, N.A.	\$120,000,000	\$0	\$0	12%
Bank of America, N.A.	\$120,000,000	\$0	\$0	12%
Wells Fargo Bank, N.A.	\$100,000,000	\$0	\$0	10%
Bank of China, New York Branch	\$80,000,000	\$0	\$0	8%
U.S. Bank National Association	\$60,000,000	\$0	\$0	6%
Citizens Bank	\$60,000,000	\$0	\$0	6%
Goldman Sachs Bank USA	\$35,000,000	\$0	\$0	3.5%
PNC Bank, National Association	\$25,000,000	\$0	\$0	2.5%
<b>Total</b>	<b>\$1,000,000,000</b>	<b>\$25,000,000</b>	<b>\$100,000,000</b>	<b>100%</b>

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**Schedule 2.23 – Designated Borrowers**

None.

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**Schedule 6.01 – Existing Liens**

None.

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**FORM OF ASSIGNMENT AND ASSUMPTION**

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between the Assignor identified in item 1 below (the "Assignor") and the Assignee identified in item 2 below (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:
2. Assignee:   
[and is an Affiliate/Approved Fund of *[identify Lender]*<sup>1</sup>]
3. Borrower(s): CABOT CORPORATION and certain of its Subsidiaries
4. Administrative Agent: JPMorgan Chase Bank, N.A.,  
as the administrative agent under the Credit Agreement
5. Credit Agreement: The Credit Agreement dated as of October , 2015, among CABOT CORPORATION and certain of its Subsidiaries, as Borrowers, the Lenders parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and an Issuing Bank, as amended, restated, supplemented or otherwise modified from time to time

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<sup>1</sup> Select as applicable.

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans <sup>2</sup>
\$	\$	%

Effective Date: [\_\_\_\_], 20[ ] [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower, the other Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including Federal and state securities laws.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR  
[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSIGNEE  
[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

<sup>2</sup> Set forth, to at least 9 decimals, as a percentage of the Commitments/Loans of all Lenders thereunder.

[Consented to and]<sup>3</sup> Accepted:  
JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

Consented to:  
JPMORGAN CHASE BANK, N.A.,  
as Swingline Lender and an Issuing Bank

By: \_\_\_\_\_  
Name:  
Title:

[Consented to:]<sup>4</sup>  
CABOT CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

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<sup>3</sup> To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

<sup>4</sup> To be added only if the consent of the Company is required by the terms of the Credit Agreement.

**CABOT CORPORATION**  
**CREDIT AGREEMENT**

**STANDARD TERMS AND CONDITIONS FOR**  
**ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and it is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(a) and 5.01(b) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it deems appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vii) attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which, by the terms of the Loan Documents, are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Acceptance and adoption of the terms of this Assignment and Assumption by the Assignee and the Assignor by Electronic Signature or delivery of an executed counterpart of a signature page of this Assignment and Assumption by any Electronic System shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

**FORM OF U.S. TAX COMPLIANCE CERTIFICATE**

*(For Non-U.S. Lenders That Are Not Partnerships or Pass-Through Entities For U.S. Federal Income Tax Purposes)*

Reference is made to the Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), Swingline Lender and an Issuing Bank.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any promissory note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Company or any Borrower within the meaning of Section 871(h)(3) (B) of the Code, (iv) it is not a "controlled foreign corporation" related to the Company or any Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a United States trade or business.

The undersigned has furnished the Administrative Agent and the Company with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Company and the Administrative Agent and (2) the undersigned shall have at all times furnished the Company and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: \_\_\_\_\_  
Name:  
Title:  
Date:

**FORM OF U.S. TAX COMPLIANCE CERTIFICATE**

*(For Non-U.S. Participants That Are Not Partnerships or Pass-Through Entities For U.S. Federal Income Tax Purposes)*

Reference is made to the Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), Swingline Lender and an Issuing Bank.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Company or any Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a "controlled foreign corporation" related to the Company or any Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a United States trade or business.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_  
Name:  
Title:  
Date:



**FORM OF U.S. TAX COMPLIANCE CERTIFICATE**

*(For Non-U.S. Participants That Are Partnerships or Pass-Through Entities For U.S. Federal Income Tax Purposes)*

Reference is made to the Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), Swingline Lender and an Issuing Bank.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Company or any Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Company or any Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners'/members' conduct of a United States trade or business.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_  
Name:  
Title:  
Date:

**FORM OF U.S. TAX COMPLIANCE CERTIFICATE**

*(For Non-U.S. Lenders That Are Partnerships or Pass-Through Entities For U.S. Federal Income Tax Purposes)*

Reference is made to the Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), Swingline Lender and an Issuing Bank.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any promissory note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any promissory note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Company or any Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Company or any Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its direct or indirect partners'/members' conduct of a United States trade or business.

The undersigned has furnished the Administrative Agent and the Company with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Company and the Administrative Agent and (2) the undersigned shall have at all times furnished the Company and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: \_\_\_\_\_  
 Name:  
 Title:  
 Date:

**FORM OF DESIGNATED BORROWER REQUEST  
AND ASSUMPTION AGREEMENT**

Date: \_\_\_\_\_, \_\_\_\_\_

To: JPMorgan Chase Bank, N.A., as Administrative Agent

Ladies and Gentlemen:

This Designated Borrower Request and Assumption Agreement is made and delivered pursuant to Section 2.23(b) of that certain Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"). All capitalized terms used in this Designated Borrower Request and Assumption Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

Each of \_\_\_\_\_ (the "Additional Designated Borrower") and the Company hereby confirms, represents and warrants to the Administrative Agent and the Lenders that the Additional Designated Borrower is a wholly-owned Subsidiary of the Company.

The documents required to be delivered to the Administrative Agent under Sections 2.23 and 4.03 of the Credit Agreement will be furnished to the Administrative Agent in accordance with the requirements of the Credit Agreement.

The parties hereto hereby confirm that with effect from the date hereof, the Additional Designated Borrower shall have obligations, duties and liabilities toward each of the other parties to the Credit Agreement identical to those which the Additional Designated Borrower would have had if the Additional Designated Borrower had been an original party to the Credit Agreement as a Borrower. The Additional Designated Borrower confirms its acceptance of, and consents to, all representations and warranties, covenants, and other terms and provisions of the Credit Agreement.

The parties hereto hereby request that the Additional Designated Borrower be entitled to receive Loans under the Credit Agreement, and understand, acknowledge and agree that neither the Additional Designated Borrower nor the Company on its behalf shall have any right to request any Loans for its account unless and until the date five (5) Business Days after the effective date designated by the Administrative Agent in a Designated Borrower Notice delivered to the Company and the Lenders pursuant to Section 2.23(b) of the Credit Agreement.

This Designated Borrower Request and Assumption Agreement shall constitute a Loan Document under the Credit Agreement.

THIS DESIGNATED BORROWER REQUEST AND ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

*IN WITNESS WHEREOF*, the parties hereto have caused this Designated Borrower Request and Assumption Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

**[ADDITIONAL DESIGNATED BORROWER]**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

CABOT CORPORATION

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**FORM OF DESIGNATED BORROWER NOTICE**

Date: \_\_\_\_\_, \_\_\_\_\_

To: Cabot Corporation and  
[applicable Designated Borrower]

The Lenders party to the Credit Agreement referred to below

Ladies and Gentlemen:

This Designated Borrower Notice is made and delivered pursuant to Section 2.23(b) of that certain Credit Agreement, dated as of October [\_\_\_\_], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"). All capitalized terms used in this Designated Borrower Notice and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

The Administrative Agent hereby notifies the Company and the Lenders that effective as of [\_\_\_\_], 20[\_\_\_\_], [\_\_\_\_] shall constitute a Designated Borrower for purposes of the Credit Agreement and may receive Loans for its account on the terms and conditions set forth in the Credit Agreement; provided that, pursuant to Section 2.23(b) of the Credit Agreement, no Borrowing Request may be submitted on behalf of such Designated Borrower until the date that is five (5) Business Days after the effective date set forth in this paragraph.

This Designated Borrower Notice shall constitute a Loan Document under the Credit Agreement.

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: \_\_\_\_\_

To: JPMorgan Chase Bank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of October [ ], 2015 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), Swingline Lender and an Issuing Bank.

The undersigned Financial Officer hereby certifies as of the date hereof that he/she is the \_\_\_\_\_ of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on behalf of the Company, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. **[Attached hereto as Schedule 1 are the][The]** year-end audited financial statements required by Section 5.01(a) of the Agreement for the fiscal year of the Company ended as of the Financial Statement Date set forth above, together with the report and opinion of an independent public accountant required by such section **[have been electronically delivered to the Administrative Agent pursuant to the terms of Section 5.01 of the Agreement].**

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. **[Attached hereto as Schedule 1 are the][The]** unaudited financial statements required by Section 5.01(b) of the Agreement for the fiscal quarter and the then elapsed portion of the fiscal year of the Company ended as of the Financial Statement Date set forth above **[have been electronically delivered to the Administrative Agent pursuant to the terms of Section 5.01 of the Agreement].** Such financial statements fairly present in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

2.

*[select one:]*

**[The Company and each other Borrower performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default or Event of Default has occurred and is continuing.]**

**--OR--**

**[The following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]**

3.The representations and warranties of the Borrowers set forth in the Loan Documents (other than the representations and warranties set forth in Sections 3.04(b), 3.05 and 3.09 of the Credit Agreement) are true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date hereof.

4.The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

*IN WITNESS WHEREOF*, the undersigned has executed this Certificate as of \_\_\_\_\_, \_\_\_\_\_.

CABOT CORPORATION

By:

Name:

Title:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For the Quarter/Year ended \_\_\_\_\_ (“Statement Date”)

SCHEDULE 2  
to the Compliance Certificate  
(\$ in 000's)

I. **Section 6.05 – Consolidated Leverage Ratio.**

A.	Consolidated Total Debt:	\$_____
B.	Consolidated EBITDA for four consecutive fiscal quarters ending on above date (“Reference Period”):	
1.	Consolidated Net Income for Reference Period:	\$_____
2.	interest expense (including capitalized interest, premium payments, debt discounts, fees, charges and related expenses in connection with all Indebtedness, including for the deferred purchase price of assets and services, and fees and charges incurred under any Securitization Transactions) for Reference Period:	\$_____
3.	provision for federal, state, local, foreign or other income taxes payable for Reference Period:	\$_____
4.	amortization expense for Reference Period:	\$_____
5.	depreciation expense for Reference Period:	\$_____
6.	non-cash stock-based compensation expense for Reference Period:	\$_____
7.	any extraordinary, unusual or non-recurring expenses, losses and charges for Reference Period <sup>5</sup> :	\$_____
8.	other non-cash charges and expenses for Reference Period:	\$_____
9.	all non-cash income or gains for Reference Period:	\$_____
10.	interest income for Reference Period:	\$_____

<sup>5</sup> Including (A) impairment charges, (B) any restructuring charges or restructuring reversals, (C) any loss from the sales of assets outside the ordinary course of business, (D) costs related to acquisitions and dispositions, including transaction costs (whether or not the transaction is consummated), charges for the sale of inventories revalued at the date of acquisition and in-process research and development acquired, and the amortization of acquisition-related intangible assets, and (E) amortization or write-off of debt discount and debt issuance costs and commissions, discounts, debt refinancing costs and commissions and other fees and charges associated with Indebtedness.



11. any extraordinary, unusual or non-recurring income or gains (including any gain from the sales of assets outside of the ordinary course of business): \$\_\_\_\_\_
12. income tax credits (to the extent not netted from income tax expense) for Reference Period: \$\_\_\_\_\_
13. Consolidated EBITDA (Lines I.B.1 + Lines I.B.2 through I.B.8 – Lines I.B.9 through I.B.12)<sup>67</sup>: \$\_\_\_\_\_
- C. Consolidated Leverage Ratio (Lines I.A ÷ Line I.B.13): \_\_\_\_\_ to 1.00
- D. Maximum Permitted: 3.50 to 1.00<sup>8</sup>
- E. Compliance? [Yes] [No]

<sup>6</sup> Additions to Consolidated Net Income are to be made without duplication and to the extent deducted from revenues in determining such Consolidated Net Income, and subtractions are to the extent included in Consolidated Net Income.

<sup>7</sup> For the purposes of calculating Consolidated EBITDA for any period, if during such period the Company or any Subsidiary shall have made a Permitted Acquisition or sale of any business or Subsidiary permitted pursuant to the Credit Agreement, Consolidated EBITDA for such period shall be calculated after giving effect to such Permitted Acquisition (and all associated Indebtedness) or sale of any business or Subsidiary on a Pro Forma Basis as if such Permitted Acquisition or sale of any business or Subsidiary occurred on the first day of such period.

<sup>8</sup> At the election of the Company (prior written notice of which shall be given to the Administrative Agent), following the consummation of any Material Acquisition, the Consolidated Leverage Ratio (x) as at the end of the fiscal quarter in which such Material Acquisition occurs and for the three fiscal quarters immediately thereafter shall not be greater than 4.00:1.00 and (y) as at the end of any fiscal quarter thereafter, shall not be greater than 3.50:1.00.

**FORM OF INCREASING LENDER SUPPLEMENT**

INCREASING LENDER SUPPLEMENT, dated \_\_\_\_\_, 20\_\_ (this "Supplement"), by and among each of the signatories hereto, to the Credit Agreement, dated as of October [ ], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein and not defined herein shall have the meanings defined in the Credit Agreement.

**WITNESSETH**

WHEREAS, pursuant to Section 2.21 of the Credit Agreement, the Company has the right, subject to the terms and conditions thereof, to effectuate from time to time an increase in the aggregate Commitments and/or one or more tranches of Incremental Term Loans under the Credit Agreement by requesting one or more Lenders to increase the amount of its Commitment and/or to participate in such a tranche;

WHEREAS, the Company has given notice to the Administrative Agent of its intention to [increase the aggregate Commitments] [and] [enter into a tranche of Incremental Term Loans] pursuant to such Section 2.21; and

WHEREAS, pursuant to Section 2.21 of the Credit Agreement, the undersigned Increasing Lender now desires to [increase the amount of its Commitment] [and] [participate in a tranche of Incremental Term Loans] under the Credit Agreement by executing and delivering to the Company and the Administrative Agent this Supplement;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Increasing Lender agrees, subject to the terms and conditions of the Credit Agreement, that on the date of this Supplement it shall [have its Commitment increased by \$[\_\_\_\_\_], thereby making the aggregate amount of its Commitment equal to \$[\_\_\_\_\_]] [and] [participate in a tranche of Incremental Term Loans with a commitment amount equal to \$[\_\_\_\_\_] with respect thereto].
2. The Company hereby represents and warrants that on the proposed date of the effectiveness of the increase in the aggregate Commitments and/or Incremental Term Loan contemplated hereby, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement are and shall be satisfied both before and immediately after giving effect to such increase in the aggregate Commitments and/or Incremental Term Loan and (B) the Company is and shall be in pro forma compliance with the leverage covenant set forth in Section 6.05 of the Credit Agreement as determined in the manner required by Section 2.21 of the Credit Agreement.
3. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.
4. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF INCREASING LENDER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and agreed to as of the date first written above:  
CABOT CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged as of the date first written above:  
JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FORM OF AUGMENTING LENDER SUPPLEMENT**

AUGMENTING LENDER SUPPLEMENT, dated \_\_\_\_\_, 20\_\_ (this "Supplement"), to the Credit Agreement, dated as of October [\_\_\_], 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cabot Corporation, a Delaware corporation (the "Company"), certain of its Subsidiaries from time to time party thereto (each a "Designated Borrower" and together with the Company, the "Borrowers"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein and not defined herein shall have the meanings defined in the Credit Agreement.

## W I T N E S S E T H

WHEREAS, the Credit Agreement provides in Section 2.21 thereof that any bank, financial institution or other entity may [extend Commitments] [and] [participate in tranches of Incremental Term Loans] under the Credit Agreement subject to the approval of the Company and the Administrative Agent, and, except in the case of an Incremental Term Loan, the Swingline Lender and the Issuing Banks, by executing and delivering to the Company and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned Augmenting Lender was not an original party to the Credit Agreement but now desires to become a party thereto;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Augmenting Lender agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the date of this Supplement, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with a [Commitment with respect to Revolving Loans of \$[\_\_\_\_\_]] [and] [a commitment with respect to Incremental Term Loans of \$[\_\_\_\_\_]].
2. The undersigned Augmenting Lender (a) represents and warrants that it has full power and authority, and has taken all action necessary, to execute and deliver this Supplement and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(a) and 5.01(b) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement, (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto, (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto, (e) attaches to this Supplement any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Augmenting Lender; and (f) agrees that it will be bound by the provisions of the Loan Documents and will perform in accordance with their terms all of the obligations which, by the terms of the Loan Documents, are required to be performed by it as a Lender.

3. The undersigned's address for notices for the purposes of the Credit Agreement is as follows:

[\_\_\_\_\_]

4. The Company hereby represents and warrants that on the proposed date of the effectiveness of the increase in the aggregate Commitments and/or Incremental Term Loan contemplated hereby, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement are and shall be satisfied both before and immediately after giving effect to such increase in the aggregate Commitments and/or Incremental Term Loan and (B) the Company is and shall be in pro forma compliance with the leverage covenant set forth in Section 6.05 of the Credit Agreement as determined in the manner required by Section 2.21 of the Credit Agreement.
5. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.
6. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF AUGMENTING LENDER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and agreed to as of the date first written  
above:

CABOT CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[JPMORGAN CHASE BANK, N.A.,  
as Swingline Lender and an Issuing Bank]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Cabot Corporation****Summary of Compensation for Non-Employee Directors**

The cash compensation payable to Cabot's non-employee directors consists of separate annual cash retainers for serving on the Board and on each Committee on which a director serves, and an annual cash retainer for serving as non-Executive Chairman of the Board or as a Committee chair. Effective January 1, 2013, the annual cash compensation payable to Cabot's non-employees directors consists of the following payments:

- An annual retainer of \$75,000 for service on the Board of Directors
- An annual retainer of \$16,000 for service on the Audit Committee
- An annual retainer of \$7,000 for service on each of the Compensation, Safety, Health and Environmental Affairs, or Governance and Nominating Committees
- An annual retainer of \$110,000 for service as Non-Executive Chairman of the Board of Directors
- An annual retainer of \$25,000 for service as Chair of the Audit Committee
- An annual retainer of \$10,000 for service as Chair of the Compensation, Safety, Health and Environmental Affairs, or Governance and Nominating Committees

In addition, under Cabot's 2015 Directors' Stock Compensation Plan (the "Directors' Stock Plan"), each non-employee director receives shares of Cabot common stock as a portion of his or her compensation for services performed in the calendar year. The dollar value of the award, or the number of shares awarded, is set each year by the Governance and Nominating Committee. A pro rata grant is provided to any director who joins the Board during the calendar year.

## Subsidiaries of Cabot Corporation

Subsidiary	State/Jurisdiction of Incorporation
Cabot Argentina S.A.I.C.	Argentina
Cabot Australasia Pty. Ltd.	Australia
Cabot Australasia Investments Pty. Ltd.	Australia
Cabot Plastics Belgium S.A.	Belgium
Specialty Chemicals Coordination Center S.P.R.L.	Belgium
Cabot Performance Materials Belgium S.P.R.L.	Belgium
N.V. Norit Belgium	Belgium
Cabot (Bermuda) Ltd.	Bermuda
Cabot Brasil Industria e Comércio Ltda.	Brazil
Tantalum Mining Corporation of Canada Limited	Manitoba, Canada
Coltan Mines Limited	Manitoba, Canada
Cabot Finance N.B. LP	New Brunswick, Canada
Cabot Canada Ltd.	Ontario, Canada
Cabot Norit Canada Inc.	New Brunswick, Canada
Cabot Plastics Hong Kong Limited	China
Shanghai Cabot Chemical Company Ltd.	China
Cabot Trading (Shanghai) Company Ltd.	China
Cabot (China) Limited	China
Cabot Bluestar Chemical (Jiangxi) Co., Ltd.	China
Cabot Chemical (Tianjin) Co., Ltd.	China
Cabot Performance Products (Tianjin) Co., Ltd.	China
Cabot Risun Chemical (Xingtai) Co., Ltd.	China
Norit China Limited	China
Cabot Colombiana S.A.	Colombia
CS Cabot spol, s.r.o.	Czech Republic
Cabot Czech Holding Company s.r.o.	Czech Republic
Cabot France S.A.S.	France
Cabot Carbone S.A.S.	France
Cabot Europa G.I.E.	France
Norit (France) S.a.r.l.	France
Cabot GmbH	Germany
Cabot Holdings I GmbH	Germany
Cabot Holdings II GmbH	Germany
Cabot Aerogel GmbH	Germany



Subsidiary	State/Jurisdiction of Incorporation
Cabot India Limited	India
P.T. Cabot Indonesia	Indonesia
Cabot Italiana S.p.A.	Italy
Cabot Performance Materials Italy S.r.l	Italy
Cabot Norit Italia S.p.A.	Italy
Aizu Holdings K.K.	Japan
Cabot Asia Kumiai	Japan
Cabot Japan K.K.	Japan
Cabot Supermetals K.K.	Japan
Cabot Norit Japan Co. Ltd.	Japan
Cabot Korea Y.H.	Korea
SIA Cabot Latvia	Latvia
Cabot Luxembourg Holdings S.a.r.l.	Luxembourg
Cabot Luxembourg Investments S.a.r.l.	Luxembourg
Cabot Luxembourg Finance S.a.r.l.	Luxembourg
Cabot Luxembourg TC S.a.r.l.	Luxembourg
Cabot NHUMO Holdings I S.a.r.l.	Luxembourg
Cabot NHUMO Holdings II S.a.r.l.	Luxembourg
Cabot Asia Sdn. Bhd.	Malaysia
Cabot Elastomer Composites Sdn Bhd.	Malaysia
Cabot Materials Research Sdn Bhd.	Malaysia
Cabot (Malaysia) Sdn. Bhd.	Malaysia
CMHC, Inc.	Mauritius
Cabot Specialty Fluids (Singapore) Pte. Ltd.	Singapore
Cabot Norit Singapore Pte. Ltd.	Singapore
Cabot Specialty Fluids Mexico S. de R. L. de C.V.	Mexico
Cabot NHUMO Holding S.A.P.I., de C.V.	Mexico
Cabot Specialty Chemicals Mexico S.A.P.I. de C.V. (formerly NHUMO, S.A.P.I. de C.V.)	Mexico
Altamira Carbon, S.A. de C.V.	Mexico
Mexico Reinforcement Materials, S.A.P.I. de C.V.	Mexico
Cabot S.A.	Spain
Cabot International GmbH	Switzerland
Cabot Switzerland GmbH	Switzerland
Cabot B.V.	The Netherlands
Cabot Finance B.V.	The Netherlands

Subsidiary	State/Jurisdiction of Incorporation
Cabot Activated Carbon B.V.	The Netherlands
Cabot Performance Materials Netherlands B.V.	The Netherlands
Norit Holding B.V.	The Netherlands
Norit International N.V.	The Netherlands
Norit Real Estate B.V.	The Netherlands
Norit EAPA Holding B.V.	The Netherlands
Cabot Norit Nederland B.V.	The Netherlands
Black Rose Investments Limited	British Virgin Islands
Dragón Verde Investments Limited	British Virgin Islands
AHB Investments Limited	British Virgin Islands
HDF Investments Limited	British Virgin Islands
Ramaai Holdings Limited	British Virgin Islands
Cabot Performance Products FZE	Dubai, United Arab Emirates
Botsel Limited	United Kingdom (England)
Cabot Carbon Limited	United Kingdom (England)
Cabot G.B. Limited	United Kingdom (England)
Cabot Plastics Limited	United Kingdom (England)
Cabot U.K. Limited	United Kingdom (England)
Cabot UK Holdings Limited	United Kingdom (England)
Cabot UK Holdings II Limited	United Kingdom (England)
Cabot UK Holdings III Limited	United Kingdom (England)
Cabot Performance Materials UK Limited	United Kingdom (England)
Cabot Specialty Fluids Limited	United Kingdom (Scotland)
Cabot Specialty Fluids North Sea Limited	United Kingdom (Scotland)
Norit (UK) Holding Limited	United Kingdom (Scotland)
Cabot Norit (UK) Limited	United Kingdom (Scotland)
Purton Carbons Limited	United Kingdom (Scotland)
Anglo Dutch Water Carbons Limited	United Kingdom (England)
Cabot Activated Carbon Holdings UK Limited	United Kingdom (England)
Cabot Activated Carbon UK Limited	United Kingdom (England)
BCB Company	Delaware, United States
Cabot Asia Investments Corporation	Delaware, United States
Cabot Ceramics, Inc.	Delaware, United States
Cabot Corporation Foundation, Inc.	Massachusetts, United States
Cabot CSC LLC	Delaware, United States
Cabot Europe Limited	Delaware, United States

Subsidiary	State/Jurisdiction of Incorporation
Cabot Holdings LLC	Delaware, United States
Cabot Insurance Co. Ltd. (Vermont)	Vermont, United States
Cabot International Limited	Delaware, United States
Cabot International Capital Corporation	Delaware, United States
Cabot International Services Corporation	Massachusetts, United States
Cabot Specialty Chemicals, Inc.	Delaware, United States
Cabot Specialty Fluids, Inc.	Delaware, United States
CDE Company	Delaware, United States
CDE II LLC	Delaware, United States
Energy Transport Limited	Delaware, United States
Cabot US Finance LLC	Delaware, United States
Cabot US Investments LLC	Delaware, United States
Kawecki Chemicals, Inc.	Delaware, United States
Norit Americas Holding Inc.	Delaware, United States
Cabot Norit Americas Inc.	Georgia, United States
Marshall Mine LLC	Delaware, United States
Cabot Activated Carbon LLC	Delaware, United States
Representaciones 1, 2 y 3 C.A.	Venezuela
Valores Ramaai C.A.	Venezuela

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-204365, 333-177176, 333-19103, 333-19099, 333-96881, 333-134134, 333-158991, 333-161253 and 333-181391 on Forms S-8 and Registration Statement No. 333-162021 on Form S-3 of our reports dated November 25, 2015, relating to the financial statements of Cabot Corporation, and the effectiveness of Cabot Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Cabot Corporation for the year ended September 30, 2015.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
November 25, 2015

**Principal Executive Officer Certification**

I, Patrick M. Prevost, certify that:

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

Date: November 25, 2015

/s/ PATRICK M. PREVOST

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Patrick M. Prevost  
President and  
Chief Executive Officer

**Principal Financial Officer Certification**

I, Eduardo E. Cordeiro, certify that:

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

Date: November 25, 2015

/s/ EDUARDO E. CORDEIRO

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Eduardo E. Cordeiro  
Executive Vice President and  
Chief Financial Officer

**Certifications Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002**

In connection with the filing of the Annual Report on Form 10-K for the year ended September 30, 2015 (the "Report") by Cabot Corporation (the "Company"), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

November 25, 2015

/s/ PATRICK M. PREVOST

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**Patrick M. Prevost**  
**President and**  
**Chief Executive Officer**

November 25, 2015

/s/ EDUARDO E. CORDEIRO

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**Eduardo E. Cordeiro**  
**Executive Vice President and**  
**Chief Financial Officer**

