II-VI INC
Form DEF 14A
September 19, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

x Filed by the Registrant
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Check the appropriate box:

¨ Preliminary Proxy Statement

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x Definitive Proxy Statement

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II-VI INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

375 Saxonburg Boulevard

Saxonburg, Pennsylvania 16056

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on November 7, 2014

TO THE SHAREHOLDERS OF

II-VI INCORPORATED:

The Annual Meeting of Shareholders of II-VI Incorporated will be held at our world headquarters, located at 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056, on Friday, November 7, 2014, at 1:30 p.m. local time to consider and act upon the following matters:

1. Election of two (2) directors nominated by the Board of Directors, each for a three-year term to expire in 2017;

2. Non-binding advisory vote to approve the compensation of our named executive officers for fiscal year 2014, as disclosed in this Proxy Statement;

3. Approval of an amendment and restatement of the II-VI Incorporated 2012 Omnibus Incentive Plan to increase the number of shares available for grant; and

4. Ratification of the Audit Committee s selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2015.

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

The Board of Directors has established the close of business on September 3, 2014 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting of Shareholders and any adjournments or postponements thereof. A list of these shareholders will be available for inspection at the Annual Meeting of Shareholders.

By Order of the Board of Directors

Robert D. German *Secretary*

September 19, 2014

YOUR VOTE IS IMPORTANT. YOU ARE URGED TO CAST YOUR VOTE AS INSTRUCTED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR PROXY CARD, AS APPLICABLE, AS PROMPTLY AS POSSIBLE. IF YOU DID NOT RECEIVE A PAPER PROXY CARD, YOU MAY REQUEST ONE TO SUBMIT YOUR VOTE BY MAIL IF PREFERRED.

375 Saxonburg Boulevard

Saxonburg, Pennsylvania 16056

PROXY STATEMENT FOR THE ANNUAL MEETING

OF SHAREHOLDERS

To be held on November 7, 2014

This Proxy Statement is being furnished to the shareholders of II-VI Incorporated, a Pennsylvania corporation (II-VI or the Company), in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board of Directors or the Board) for use at the Annual Meeting of Shareholders, or any adjournments or postponements thereof (the Annual Meeting), which is scheduled to be held on November 7, 2014 at 1:30 p.m. local time at our world headquarters located at 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056. Please see the Company s website at www.ii-vi.com for directions to the Company s world headquarters for the Annual Meeting.

Pursuant to the rules adopted by the Securities and Exchange Commission (the SEC), we are furnishing our proxy materials to shareholders that hold shares through a broker or other nominee (held in street name) via the Internet. Shareholders of record will automatically receive a printed set of proxy materials, including a proxy card. If you receive an Important Notice Regarding the Availability of Proxy Materials (the Notice), you will not receive a paper copy of these proxy materials, except upon request as described below. All shareholders will have the ability to access our Proxy Statement and Annual Report to Shareholders on the Internet at www.proxyvote.com or to request to receive a printed set of the proxy materials, including a proxy card. Instructions on how to access our proxy materials over the Internet or to request a printed copy of such materials may be found on the Notice. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis. Proxy materials are first being distributed or made available to shareholders on or about September 19, 2014.

Shareholders of record as of the close of business on September 3, 2014 (the Record Date) are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. As of the Record Date, 62,252,207 shares of Company common stock, no par value (Common Stock) were issued and outstanding, each entitled to one vote per share, and there were 870 holders of record. A quorum of shareholders is necessary to hold a valid meeting. The presence, represented at the Annual Meeting in person or by proxy, of holders of at least 31,126,104 shares of Common Stock, which represents a majority of the shares outstanding on the Record Date, will constitute a quorum for purposes of the Annual Meeting. Abstentions and broker non-votes (explained below) will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting or in person represented by proxy may adjourn the Annual Meeting to another date.

Each share of Common Stock that you hold will entitle you to cast one vote with respect to each matter that will be voted on at the Annual Meeting. All shares represented by valid proxies received prior to the Annual Meeting shall be voted at the Annual Meeting as specified therein. If no specification is made, then the shares represented by your proxy will be voted FOR each of the director candidates nominated by the Board, FOR approval of the Company s fiscal year 2014 named executive officer compensation, FOR approval of the amendment and restatement of the Company s 2012 Omnibus Incentive Plan to increase the number of shares available for grant and FOR the ratification of the appointment of Ernst and Young LLP as independent registered public accounting firm for fiscal year 2015, and in the discretion of the proxy holders on any other matters that may properly come before the Annual Meeting. If you return a proxy with abstentions, your shares will not be voted, but will be included in determining whether a quorum is present.

How to Vote Your Shares

Voting shares as a shareholder of record

If you hold your shares in your own name as a shareholder of record, you may vote in person at the Annual Meeting or by proxy.

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

If you will not be attending the Annual Meeting, please follow the instructions provided in the Notice to vote by proxy via the Internet, by mail or by telephone.

Voting shares as a beneficial owner of II-VI shares held in street name

If your shares are held in street name and you wish to vote in person at the Annual Meeting, you must obtain a valid proxy from your broker or other nominee and bring it to the Annual Meeting. If you will not be attending the Annual Meeting, you should receive instructions directly from your broker or other nominee on how to vote your shares. Please promptly provide voting instructions to your broker or other nominee to ensure that your vote is counted. If you do not provide voting instructions, your shares will not be voted on any proposal on which your broker or other nominee does not have discretionary authority to vote. See Matters of Business, Votes Needed and Recommendations of the Board of Directors of this Proxy Statement.

Revoking a Proxy

If you give a proxy, you may revoke it at any time prior to the Annual Meeting by taking any of the following steps prior to or at the Annual Meeting:

providing a written revocation to Robert D. German, the Secretary of the Company, at the above Company address with a later date than any proxy previously provided;

submitting a subsequent properly completed proxy bearing a later date than any previous proxy; or

by casting a ballot at the Annual Meeting.

Matters of Business, Votes Needed and Recommendations of the Board of Directors

Proposal 1 Election of Directors

Each outstanding share of our Common Stock is entitled to one vote for as many separate nominees as there are directors to be elected. There are two directors nominated for election to Class Three of our Board at the Annual Meeting, Thomas E. Mistler and Joseph J. Corasanti. Carl J. Johnson, a Class Three Director, has elected not to stand for re-election to the Board at the completion of this term. A majority of the votes cast in person or represented by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director. This means that each nominee must receive more votes for than against him or her to be elected. **The Board of Directors recommends that you vote FOR the election of each of the Board s nominee for director.**

Proposal 2 Non-Binding Advisory Vote to Approve 2014 Named Executive Officer Compensation

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the matter at the Annual Meeting is required to approve the compensation of our named executive officers for fiscal year 2014. Because this is an advisory vote, it will not be binding on the Company or Board of

Directors. However, the Compensation Committee will consider the voting results of this advisory and non-binding proposal, among other factors, when making future decisions regarding executive compensation. **The Board of Directors recommends that you vote FOR the resolution approving the Company s fiscal year 2014 named executive officer compensation.**

Proposal 3 Approval of the Amended and Restated II-VI Incorporated 2012 Omnibus Incentive Plan

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the matter at the Annual Meeting is required to approve the amended and restated version of the II-VI Incorporated 2012 Omnibus Incentive Plan (the 2012 Omnibus Plan) to increase the number of shares available for grant under the 2012 Omnibus Plan. **The Board of Directors recommends that you vote FOR the approval of the Amended and Restated II-VI Incorporated 2012 Omnibus Incentive Plan.**

Proposal 4 Ratification of Independent Registered Public Accounting Firm

Ratification of the appointment of Ernst & Young LLP to audit the Company s financial statements for 2015 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the matter at the Annual Meeting. The Audit Committee is responsible for appointing the Company s independent registered public accounting firm. The Audit Committee is not bound by the outcome of this vote but, if the appointment of Ernst & Young LLP is not ratified by shareholders, the Audit Committee will reconsider the appointment. **The Board of Directors recommends that you vote FOR the ratification of the selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2015.**

Abstentions will be counted for purposes of determining whether there is a quorum, and for each matter to be voted on at the Annual Meeting will have the same effect as a vote against the proposal (except election of Directors, for which abstentions have no effect). If you hold your shares in street name through a broker or other nominee, your broker or nominee will not be permitted to exercise voting discretion with respect to non-routine matters to be acted upon at the Annual Meeting, including the election of directors, the non-binding advisory vote to approve the 2014 named executive officer compensation and the amendment and restatement of the 2012 Omnibus Plan. These are referred to as broker non-votes . Thus, if you do not give your broker or nominee specific voting instructions, your shares will not be voted on these proposals and will not be counted in determining the number of votes necessary for approval. However, shares that brokers and nominees are not otherwise authorized to vote will be counted in determining whether there is a quorum present.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s Amended and Restated By-Laws (the By-Laws) provide that the Board of Directors shall establish the number of directors, which shall be not less than five nor more than eleven members. The By-Laws also provide for a Board of Directors of three classes, each class consisting of as nearly an equal number of directors as practicable, as determined by the Board. At present, the Board of Directors consists of nine members, with three directors in each of Classes One, Two and Three.

The current term of our Class Three Directors expires at the Annual Meeting. Carl J. Johnson, a Class Three Director, has determined not to run for re-election to the Board, so as to assist the Board with its current succession-planning strategy, as discussed elsewhere in this Proxy Statement. Accordingly, two directors are to be elected to Class Three positions, each to hold office for terms of three years or until such time as their respective successors are elected and qualified, subject to the right of the shareholders to remove any director as provided in the By-Laws. A vacancy in the office of a director may be filled by the remaining directors then in office, even if less than a quorum, or by the sole remaining director. Any director elected by the Board of Directors to fill a vacancy shall serve until his or her successor is elected and qualified, or until his or her death, resignation or removal. If the Board of Directors increases the number of directors, any vacancy so created may be filled by the Board of Directors.

Majority Voting Standard for Election of Directors

Pursuant to the Company s By-Laws, each of the incumbent director nominees (Messrs. Mistler and Corasanti) has submitted an irrevocable conditional resignation to become effective in the event the nominee receives a greater number of votes AGAINST than votes FOR such person s election. If this occurs, such incumbent director will continue as a director of the Company for a term ending in 2017 but the Corporate Governance and Nominating Committee will make a recommendation to the Board of Directors as to whether to accept or reject the resignation previously tendered by such director or if other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Committee s recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation, as well as the underlying rationale, within 90 days from the date of the certification of the election results.

The persons named as proxies for this Annual Meeting were selected by the Board of Directors and have advised the Board of Directors that, unless authority is withheld, they intend to vote the shares represented by them at the Annual Meeting as follows: FOR the election of Thomas E. Mistler, who has served as a director of the Company since 1977, and FOR the election of Joseph J. Corasanti, who has served as a director of the Company since 2002. The Board of Directors knows of no reason why each nominee for director would be unable or unwilling to serve as director if elected. However, if at the time of the Annual Meeting either of the named nominees is unable or unwilling to serve as a director, the persons named as proxies intend to vote for any such substitute nominee proposed by the Board of Directors.

Information Regarding the Company s Board of Directors

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

The following table sets forth certain information concerning each nominee for election as a director of the Company and each director whose term of office will continue after the meeting.

Name	Class	Expiration of Term	Age	Director Since	Position(s) With II-VI	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Subsidiary Oversight Committee
Non-Employee Directors:									
Thomas E. Mistler	Three	2014	72	1977	Lead Independent Director; Director	Member		Chair	Member
Joseph J. Corasanti	Three	2014	50	2002	Director	Member	Chair	Member	
Marc Y.E. Pelaez	One	2015	68	2002	Director		Member		Chair
Howard H. Xia	One	2015	53	2011	Director			Member	Member
Peter W. Sognefest	Two	2016	73	1979	Director		Vice Chair		Member
Wendy F. DiCicco	Two	2016	47	2006	Director	Chair	Member	Member	
Employee Directors:									
Francis J. Kramer	Two	2016	65	1989	President and Chief Executive Officer; Director				
Vincent D. Mattera, Jr (1)	One	2015	58	2012	Chief Operating Officer; Director				

(1) Dr. Mattera previously served as a non-employee director from 2000 through 2002.

ELECTION OF CLASS THREE DIRECTORS

(PROPOSAL 1)

Nominees for Class Three Director Whose Terms Will Expire in 2017

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

Joseph J. Corasanti. From 2006 to July 2014 Mr. Corasanti served as President and Chief Executive Officer of CONMED Corporation (CONMED), a publicly traded medical technology company (NASDAQ: CNMD). From 1999 to 2006, he served as President and Chief Operating Officer of CONMED. From 1998 to 1999, he was Executive Vice President/General Manager of CONMED. Prior to that, he served as General Counsel and Vice President-Legal Affairs for CONMED from 1993 to 1998. From 1990 to 1993, he was an Associate Attorney with the Los Angeles office of the law firm of Morgan, Wenzel & McNicholas. Mr. Corasanti holds a B.A. degree in Political Science from Hobart College and a J.D. degree from Whittier College School of Law. He served as a director of CONMED from 1994 to 2014. Mr. Corasanti s past executive position and his prior public company board experience have provided him with leadership skills and experience in a variety of matters which he contributes to the Company s Board. His experience and skill set, including his legal background and acquisition experience, make him a valuable member of our Board of Directors.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS

A VOTE FOR EACH OF THE NOMINEES NAMED ABOVE FOR ELECTION AS A CLASS THREE DIRECTOR.

CONTINUING DIRECTORS

Existing Class One Directors Whose Terms Expire in 2015

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

Howard H. Xia. Dr. Xia has served as General Manager of Vodafone China Limited, a wholly-owned company of Vodafone Group Plc, a publicly traded telecommunication company (NASDAQ: VOD), since 2001. From 1994 to 2001, he served as a Director-Technology Strategy for Vodafone AirTouch Plc and AirTouch Communications, Inc. He served as a Senior Staff Engineer at Telesis Technology Laboratory from 1992 to 1994 and was a Senior Engineer at PacTel Cellular from 1990 to 1992. Dr. Xia holds a B.S. in Physics from South China Normal University, an M.S. in Physics and Electrical Engineering and a Ph.D. in Electrophysics from Polytechnic Institute of New York University. Dr. Xia s extensive knowledge of and experience in the telecommunications industry, his knowledge of international business including that with China, and strong leadership skills make him a valuable member of our Board of Directors. In particular, his experience and knowledge of telecommunications in Asia contributes to the Board s breadth of knowledge in this area.

Vincent D. Mattera, Jr. Dr. Mattera has been employed by the Company since 2004, and has been its Chief Operating Officer since 2013. Previously, Dr. Mattera served as Executive Vice President from 2010 to 2012 and as a Vice President from 2004 to 2009. Dr. Mattera served in various executive roles in product development and manufacturing at Agere Systems from 2001 to 2003 and from Lucent Technologies from 1996 to 2001. From 1984 to 1995, he held management positions with AT&T Bell Laboratories. Dr. Mattera previously served as a non-employee director of the Company from 2000 through 2002. Dr. Mattera holds a B.S. and Ph.D. degrees in Chemistry from the University of Rhode Island and Brown University, respectively. Dr. Mattera s educational background, his extensive industry experience and his history with the Company makes him a valuable member of our Board of Directors.

Existing Class Two Directors Whose Terms Expire in 2016

Peter W. Sognefest. Mr. Sognefest is President, Chief Executive Officer and Chairman of Seamoc, Inc., a private consulting firm. From 2002 to 2003, Mr. Sognefest was Vice-Chairman of Xymox Technologies, Inc. (Xymox), a manufacturer of membrane switches. From 1996 to 2002, he was President and Chief Executive Officer of Xymox. From 1994 until 1996, he was President and Chief Executive Officer of LH Research, Inc. From 1992 until 1994, he was President and Chief Executive Officer of IRT Corporation. From 1984 to 1992, Mr. Sognefest was Chairman of Digital Appliance Controls, Inc., which he founded in 1984. Mr. Sognefest was Vice President and General Manager of the Industrial Electronics Division of Motorola, Inc. (Motorola) from 1982 to 1984, having joined Motorola in 1977. From 1967 to 1977, he was with Essex Group, Inc., a wholly owned subsidiary of United Technologies Corporation, where he held the position of General Manager of Semi-Conductor Operations. Mr. Sognefest holds B.S. and M.S. degrees in Electrical Engineering from the University of Illinois. Mr. Sognefest brings to our Board leadership skills developed through his extensive executive

management experience. In particular, his experience and knowledge of manufacturing in Asia contributes to the Board s breadth of knowledge in this area.

Francis J. Kramer. Mr. Kramer has been employed by the Company since 1983, has been its President since 1985, and has been its Chief Executive Officer since 2007. Previously, Mr. Kramer served as the Company s Chief Operating Officer from 1985 to 2007. Mr. Kramer joined the Company as Vice President and General Manager of Manufacturing and was named Executive Vice President and General Manager of Manufacturing in 1984. Prior to his employment by the Company, Mr. Kramer was the Director of Operations for the Utility Communications Systems Group of Rockwell International Corp. Mr. Kramer graduated from the University of Pittsburgh with a B.S. degree in Industrial Engineering and from Purdue University with a M.S. degree in Industrial Administration. Mr. Kramer has served as director of Barnes Group Inc., a publicly traded aerospace and industrial manufacturing company (NYSE: B), since 2012. Mr. Kramer provides the Board with insight into the Company s business operations, opportunities and challenges. In addition, Mr. Kramer s history with the Company, laser industry experience and business background support his leadership skills and contributions to the Board.

Wendy F. DiCicco. Ms. DiCicco has served as Vice President, Chief Financial Officer and Treasurer of Nuron Biotech, Inc., a privately held biotech company, since 2012. From 2010 to 2011, Ms. DiCicco served as Chief Financial Officer of Quench USA, a privately held company providing purified water. From 2008 to 2009, Ms. DiCicco served as Chief Financial Officer of Globus Medical, Inc., a medical technology company specializing in orthopedics. From 1998 to 2008, Ms. DiCicco served as Chief Financial Officer of Kensey Nash Corporation, a publicly-traded medical technology company specializing in cardiology and orthopedics. From 1996 to 1998, she was Controller of Kensey Nash Corporation. She was an Accounting and Audit Manager with Deloitte LLP from 1994 to 1996. From 1990 to 1994, she held positions of Staff Accountant and Senior Accountant with Deloitte & Touche. Ms. DiCicco graduated from Philadelphia College of Textiles and Science with a B.S. degree in Accounting. Ms. DiCicco is a Certified Public Accountant in the Commonwealth of Pennsylvania and is a member of the American Institute of Certified Public Accountants, Pennsylvania Institute of Certified Public Accountants and the CFO Alliance. Ms. DiCicco is a National Association of Corporate Directors (NACD) Governance Fellow and a member of Women Corporate Directors. Ms. DiCicco adds financial reporting and management skills as a result of her career, including her experience with a large public accounting firm and as the CFO of both public and private companies. She further enhances the Board s knowledge base with respect to accounting, financial and other matters which makes her a valuable member of our Board of Directors.

Our Class Three director not standing for re-election at this Annual Meeting is:

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

MEETINGS AND STANDING COMMITTEES OF THE BOARD OF DIRECTORS

The Company s Board of Directors held seven (7) meetings during fiscal year 2014, with certain meetings occurring over a two-day period. Each director attended 100% of the meetings of the Board of Directors as well as any meetings of Board committees of which he or she was a member during the period for which such person served as a director and committee member. The Board of Directors and committees of the Board have the authority to hire independent advisors to help fulfill their respective duties.

The Board of Directors has four standing committees: Audit; Compensation; Corporate Governance and Nominating; and Subsidiary Oversight.

Audit Committee

The Board has an Audit Committee comprised solely of independent directors. The Audit Committee s duties, which are set forth in a written charter (a current copy of which is available under the Investors tab on the Company s website at www.ii-vi.com), include overseeing the Company s discharge of its financial reporting obligations and relationship with its independent public accounting firm, monitoring performance of the Company s business plan, reviewing the Company s internal accounting methods and procedures and reviewing certain financial strategies. The Audit Committee has the authority to hire independent advisors to help it fulfill its duties. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters. The Board of Directors has determined that Wendy F. DiCicco qualifies as an audit committee financial expert, as such term is defined by the SEC, and that she has the requisite level of financial sophistication required by the listing standards of NASDAQ. Each member of the Audit Committee is also independent as that term is defined under Rule 10A-3(b)(1)(ii) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the applicable listing standards of NASDAQ. The Audit Committee held four (4) meetings during fiscal year 2014.

Compensation Committee

The Board has a Compensation Committee comprised solely of independent directors as defined under the applicable listing standards of NASDAQ. The Compensation Committee is responsible for determining, in accordance with its written charter (a current copy of which is available under the Investors tab on the Company s website at www.ii-vi.com), the compensation of the Company s directors and executive officers. The Compensation Committee s duties also include administering and interpreting the Company s 2012 Omnibus Plan, the II-VI Incorporated Deferred Compensation Plan and certain bonus plans covering executive officers and other employees, as described in the Executive Compensation section of this Proxy Statement. The Compensation Committee selects from eligible employees those persons to whom awards will be granted and, in accordance with the terms of the applicable plan, determines the types of awards to be granted, the number of shares to be included in any stock-based award, any restrictions on the exercise or vesting of shares subject to a stock-based award, or any portion thereof, and the strike price, in the case of stock option awards. In addition, the Compensation Committee is authorized, subject to limited exceptions, to make any amendments or modifications to the 2012 Omnibus Plan, to suspend the operation of the 2012 Omnibus Plan, and to make all other determinations necessary to the administration of the 2012 Omnibus Plan, including the appointment of individuals to facilitate the day-to-day operation thereof. The Compensation Committee has the authority to hire independent advisors to help it fulfill its duties. The Compensation Committee held six (6) meetings during fiscal year 2014.

For a description of the Compensation Committee s processes and procedures in connection with its consideration and determination of executive and director compensation, see Compensation Discussion and Analysis and Director Compensation sections of this Proxy Statement.

Corporate Governance and Nominating Committee

The Board has a Corporate Governance and Nominating Committee comprised solely of independent directors as defined under the applicable listing standards of NASDAQ. The Corporate Governance and Nominating Committee, in accordance with its written charter (a current copy of which is available under the Investors tab on the Company s website at www.ii-vi.com), develops and implements policies and processes regarding corporate governance matters, assesses board membership needs and makes recommendations regarding potential director candidates to the Board of Directors. The Corporate Governance and Nominating Committee has the authority to hire independent advisors to help it fulfill its duties. For additional information regarding the skills and qualifications our Corporate Governance and Nominating Committee considers with respect to potential director nominees, see Nomination of Candidates for Director section of this Proxy Statement. The Corporate Governance and Nominating Committee held four (4) meetings during fiscal 2014.

Subsidiary Oversight Committee

The Board has a Subsidiary Oversight Committee comprised of independent and non-employee directors. The Subsidiary Oversight Committee, in accordance with its written charter (a current copy of which is available under the Investors tab on the Company s website at www.ii-vi.com), oversees the activities of the Company s operating subsidiaries, as directed from time to time by the Board of Directors. Members of the Subsidiary Oversight Committee are requested to attend selected quarterly meetings of the Company s operating subsidiaries and report back to the Board on material developments and risks. The Subsidiary Oversight Committee focuses on risks related to operations, markets, customers and technology. The Subsidiary Oversight Committee has the authority to hire independent advisors to help fulfill its duties. The Subsidiary Oversight Committee held four (4) meetings during fiscal year 2014.

DIRECTOR INDEPENDENCE AND CORPORATE GOVERNANCE POLICIES

NASDAQ listing standards provide that a majority of the Company s Board of Directors must be comprised of independent directors (as defined therein). Our Corporate Governance Guidelines further provide that, in accordance with II-VI s long-standing policy, a substantial majority of the members of the Company s Board of Directors must qualify as independent directors (as defined by NASDAQ listing standards). The Board of Directors has determined that all of the continuing directors or nominees for election as director are independent within the meaning of the NASDAQ listing standards, other than Mr. Kramer and Dr. Mattera, who have material relationships with the Company as a result of their current employment with the Company. In its annual review of director independence, the Board of Directors considers all commercial, banking, consulting, legal, accounting or other business relationships any director may have with the Company to determine whether any director has a material relationship with the Company. The Board of Directors considers a material relationship to be one that impairs or inhibits, or has the potential to impair or inhibit, a director s exercise of critical and disinterested judgment on behalf of the Company and its shareholders. When assessing the materiality of a director s relationship with the Company, the Board of Directors considers all relevant facts and circumstances not only from the standpoint of the director in his or her individual capacity, but also from the standpoint of the persons to whom the director is related and organizations with which the director is affiliated.

<u>Nomination of Candidates for Director</u>

The Company will consider director candidates from several sources including existing directors, members of the Company s management team, shareholders, and third-party search firms.

The Company s By-Laws describe the procedures by which a shareholder may recommend candidates for election to the Board of Directors. In general, such nominations can only be made by a shareholder in good standing, must be in writing and must be received by our Chairman of the Board of Directors no later than the close of business on the 120th day, nor earlier than the close of business on the 150th day, before the anniversary date of the mailing date of the Company s proxy statement in connection with the previous year s annual meeting. In addition, the nominations must include certain information regarding the nominating shareholder and the nominee for director, including, without limitation, their relationship and any understanding between such persons regarding such nomination, the shares owned by the nominating shareholder and information concerning the proposing shareholder and/or such nominee that would be required for inclusion in a proxy statement filed with the SEC. In addition, to be eligible for election as a director of the Company, the nominee must deliver (in accordance with the time periods prescribed for delivery of the notice described above) a written questionnaire with respect to the background and qualifications of such person and the written representation and agreement described in the Company s By-Laws (in a form to be provided by the Secretary upon written request).

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

- High personal and professional ethics, integrity, practical wisdom and mature judgment;
- Broad training and experience in policy-making decisions in business;

Expertise that is useful to the Company, particularly in financial, commercial, technical or scientific disciplines and/or industries, and complementary to the experience of our other directors;

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

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

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

Potential candidates are initially screened and interviewed by the Corporate Governance and Nominating Committee. Although the Board of Directors does not have a formal diversity policy, the Corporate Governance and Nominating Committee s practice is to review the skills and attributes of individual Board members and candidates for the Board within the context of the current make-up of the full Board, to ensure that the Board of Directors as a whole is composed of individuals who, when combined, provide a diverse portfolio of experience, knowledge, talents and perspectives that will serve the Company s governance and strategic needs. Candidates are also evaluated as to their broad-based business knowledge and contacts, prominence, commitment to ethical and moral values, personal and professional integrity, sound reputation in their respective fields as well as a global business perspective and commitment to corporate citizenship.

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

Size of the Board

As provided in the Company s By-Laws, the Board of Directors is comprised of no less than five and no more than eleven members. The exact number of directors is determined by the Board based on its current composition and requirements.

Board Structure and Lead Independent Director

Our Board s significant involvement with the Company over a number of years has allowed it to separate the roles of Chairman and Chief Executive Officer (CEO), with the Chairman of the Board providing corporate governance oversight, and our CEO focusing on the strategic direction of the Company and its daily leadership and performance. Mr. Kramer serves as our CEO and Dr. Johnson serves as Chairman of the Board. As a result of Dr. Johnson s decision not to stand for re-election, the elected and existing Board members will elect a new Chairman following the Annual Meeting. During the execution of the Board s ongoing succession planning process, the Board may conclude that the roles of Chairman and CEO should be combined in order to provide continued decisive leadership and seamless operation of the Board and of the Company. Regardless of whether the roles of Chairman and CEO are held by one or two persons, the Company intends to retain the position of Lead Independent Director, which is currently held by Mr. Mistler.

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

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

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

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

Board s Role in the Oversight of Risk Management

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

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

Communication with Directors

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

Director Mandatory Retirement and Succession Planning

The Board of Directors has a retirement policy for directors, which is set forth in the Company s Corporate Governance Guidelines. Under this policy, directors must retire from the Board of Directors upon reaching the age of 75. Although there are no directors who reach the mandatory retirement age this year, Carl J. Johnson, Thomas E. Mistler and Peter W. Sognefest would all reach the mandatory retirement age of 75 within the next three years. Dr. Johnson s decision to not stand for re-election at the completion of his current term resulted from the Board s current succession planning process, and a desire to utilize the most seamless process for the Board and the Company to proactively address multiple future retirements on the Board.

Dr. Johnson founded the Company in 1971, developing Cadmium Telluride II-VI compound semiconductor material which became the material of choice for the then-emerging CO2 laser field. This foundation in material science became the keystone on which II-VI developed its other products, including Zinc Selenide and Zinc Sulfide, to become the global company we are today. Messrs. Mistler and Sognefest have served the Board for over 35 years. The Nominating and Governance Committee expects to evaluate new director candidates pursuant to the criteria described in the Nomination of Candidates for Director section of this Proxy Statement. The application of our retirement policy and the Board s succession planning strategies over the next three years will significantly reduce the average tenure of our directors.

Share Ownership Requirements

Directors are subject to stock ownership guidelines, which required each director to have minimum share ownership of 4,000 shares of Company Common Stock. A director who does not comply with this requirement will not be permitted to stand for re-election. As of the date of this Proxy Statement, all directors meet or exceed this requirement. In August 2014, the Board revised its existing guidelines to increase the minimum share ownership amount to no less than $150,000, representing the approximately three (3) times the annual board member cash retainer. A board member will have three years from (i) the date of enactment of this new ownership requirement for current directors or (ii) the date a new member joins the Board, to be compliant with this ownership requirement.

Standing Board Limits

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

Change in Director Occupation

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

Executive Sessions of Non-Employee Directors

Executive sessions of non-employee directors, consisting of all directors other than Francis J. Kramer and Vincent D. Mattera Jr., are held at each regularly scheduled meeting of the Board of Directors. The Lead Independent Director presides over these meetings.

Director Attendance at Annual Meeting of Shareholders

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

Code of Business Conduct and Ethics

The Board of Directors has approved and adopted a Code of Business Conduct and Ethics (the Code of Conduct) applicable to all directors, officers and employees of the Company and its subsidiaries. In addition, the Company has adopted an additional Code of Ethics for Senior Financial Officers. These documents are available under the Investors tab on the Company s website at www.ii-vi.com. The Company will promptly disclose on its website (i) any substantive amendments or waivers with respect to a director s or executive officer s compliance with the Code of Conduct and (ii) any substantive amendments or waivers with respect to any provision of the Code of Ethics for Senior Financial Officers. Employees are required and encouraged to report suspected violations of our Code of Conduct, on an anonymous basis. Anonymous reports are forwarded for review by the Audit Committee.

Review and Approval of Related Person Transactions

The Company does not maintain a separate policy regarding the review, approval or ratification of transactions with related persons; instead, the policies and procedures for handling related person transactions are set forth in the Company s Code of Conduct.

The Company s Code of Conduct requires that all of the Company s directors, officers and employees refrain from activities that might involve a conflict of interest. Additionally, the Company s Code of Conduct provides that each of the Company s directors, officers and employees must openly and honestly handle any actual, apparent or potential conflict between that individual s personal and business relationships and the Company s interests. Before making any investment, accepting any position or benefit, participating in any transaction or business arrangement or otherwise acting in a manner that creates or appears to create a conflict of interest, such person must make a full disclosure of all relevant facts and circumstances to, and obtain the prior written approval of, the Company. Waivers under the Code of Conduct for any of the Company s executive officers or directors shall be granted only by the Board of Directors or a properly designated committee of the Board. It is expected that only those matters that are in the best interests of the Company would be approved or waived under our Code of Conduct.

DIRECTOR COMPENSATION IN FISCAL YEAR 2014

The Company uses a combination of cash and equity compensation to attract and retain qualified candidates to serve on the Company s Board of Directors. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their overall responsibilities as well as the skill-level required for members of the Company s Board of Directors.

The compensation program for our non-employee directors is reviewed periodically by our Compensation Committee to ensure the program remains competitive. As part of the Compensation Committee s review, the types and levels of compensation offered to our non-employee directors are compared to those offered by a select group of comparable companies. The companies comprising this group are the same comparator group utilized for the Company s named executive officers (the Comparator Group) listed in the Compensation Discussion and Analysis section of this Proxy Statement.

The Compensation Committee strives to set director compensation at levels that are competitive with our Comparator Group. For 2014, the Compensation Committee eliminated meeting fees (except for meetings of the Subsidiary Oversight Committee) and correspondingly raised directors annual retainer. Currently, the overall compensation level of the Company s directors ranges within the third quartile of compensation provided by the Comparator Group.

The components of our non-employee director compensation program for fiscal 2014 are disclosed below. During fiscal 2014, the Board of Directors moved from an activity-based compensation program to a role-based compensation program, with the exception of activities of the Subsidiary Oversight Committee. As there is not a set number of local subsidiary meetings for which a director is required to attend, attendance at these meetings is compensated on a per-meeting basis. Further, the Compensation Committee has determined that the components comprising our director compensation program will remain the same in fiscal 2015.

DIRECTOR COMPENSATION FEE STRUCTURE FOR FISCAL YEAR 2014

	Annual Retainer		
Compensation Item	**Member**	**Chair**	**Meeting Fee**
Full Board Membership	$ 50,000	$ 30,000	$
Lead Independent Director	8,000		
Audit Committee	10,000	20,000	
Compensation Committee	7,500	15,000	
Governance & Nominating Committee	5,000	10,000	
Subsidiary Oversight Committee		5,000	1,500 (1)

(1) Not paid for regular meeting of the committee. Payment is only made for attendance at subsidiary meetings.

<u>Non-Employee Director Equity Program</u>

Annual equity awards are typically granted to each eligible non-employee director. In August 2013, each non-employee director received a stock option grant to acquire 8,270 shares of Common Stock at an exercise price of $19.37 per share, the fair market value of our stock on the date of grant, with a total fair value of $80,095 (using a Black-Scholes valuation). Options received by non-employee directors have the same terms as those granted to our employees, with vesting occurring 20% per year over a five-year period and a ten-year term. In addition, each non-employee director received a restricted stock award grant of 4,135 shares of Common Stock at a price of $19.37 per share, with a total fair value of $80,095. The restricted stock awards have the same terms as those granted to our employees, with three-year cliff vesting.

The table below summarizes the compensation paid by the Company to our non-employee directors for fiscal year 2014. Francis J. Kramer, our President and Chief Executive Officer, and Vincent D. Mattera, Jr., our Chief Operating Officer, are members of the Board of Directors, but did not receive any additional compensation in connection with their service on our Board of Directors during fiscal year 2014. Compensation for Mr. Kramer and Dr. Mattera, as Named Executive Officers of the Company, is reported in the Summary Compensation Table and the other tables set forth herein.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2014

Non-Employee Director	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Total ($)
Joseph J. Corasanti	$ 88,500	$ 80,095	$ 80,095	$ 248,690
Wendy F. DiCicco	91,000	80,095	80,095	251,190
Carl J. Johnson	119,000	80,095	80,095	279,190
Thomas E. Mistler	104,000	80,095	80,095	264,190
Marc Y.E. Pelaez	115,500	80,095	80,095	275,690
Peter W. Sognefest	102,500	80,095	80,095	262,690
Howard H. Xia	73,000	80,095	80,095	233,190

Average director compensation received was $259,261 in fiscal 2014. Average director compensation received excluding local subsidiary meetings was $238,690 in fiscal 2014.

(1) Represents the aggregate grant date fair value of restricted stock issued to the non-employee directors under the 2012 Omnibus Plan, computed in accordance with Financial Accounting Standards Board (FASB) ASC Topic 718 (excluding the effect of forfeitures). The grant date fair value of restricted stock was computed based upon the closing price of the Company s Common Stock on the date of grant, which was $19.37.

(2) Represents the aggregate grant date fair value of option awards issued by the Company to the non-employee directors under the 2012 Omnibus Plan, computed in accordance with FASB ASC Topic 718. The grant date fair value of stock option awards is based on the Black-Scholes option pricing model. The actual value, if any that a director may realize upon exercise of stock options will depend on the excess of the stock option price over the strike value on the date of exercise. As such, there is no assurance that the value realized by a director will be at or near the value estimated by the Black-Scholes model. Refer to Note 11 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for fiscal year 2014 filed with the SEC on August 28, 2014 for relevant assumptions used to determine the valuation of option awards, except that any estimate of forfeitures for service-based conditions have been disregarded.

The following table sets forth the aggregate number of shares of restricted stock and shares underlying stock options held by each of our non-employee directors as of June 30, 2014:

Non-Employee Director	Restricted Stock (#)	Total Option Awards Held (#)	Exercisable Option Awards (#)
Joseph J. Corasanti	13,095	112,570	85,240

Wendy F. DiCicco	13,095	107,610	80,280
Carl J. Johnson	13,095	34,090	10,184
Thomas E. Mistler	13,095	154,010	126,680
Marc Y.E. Pelaez	13,095	154,010	126,680
Peter W. Sognefest	13,095	50,114	22,784
Howard H. Xia	13,095	26,190	5,444

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Stock Beneficially Owned by Principal Shareholders

The following table sets forth certain information as of June 30, 2014 with respect to the ownership by any person (including any group as that term is used in Section 13(d)(3) of the Exchange Act) known to us to be the beneficial owner of more than five percent of the issued and outstanding shares of II-VI Common Stock. Unless otherwise indicated, each of the shareholders named in the table has sole voting and investment power with respect to the shares beneficially owned, subject to the information contained in the footnotes to the table. Ownership information is as reported by the shareholder in their respective filings with the SEC.

Name and Address	Number of Shares of Common Stock (1)	Percent of Common Stock (1)
Barrow, Hanley, Mewhinney & Strauss, LLC (2) 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	4,834,648	7.9%
BlackRock, Inc. (3) 40 East 52nd Street New York NY 10022	4,800,186	7.8%
The Vanguard Group (4) 100 Vanguard Blvd Malvern, PA 19355	3,616,069	5.9%
Columbia Wanger Asset Management, LLC (5) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	2,339,000	3.8%

(1) As of June 30, 2014.

(2) Based on Form 13F filed with the SEC on August 12, 2014. As reported on a Schedule 13G filed with the SEC on February 12, 2014, Barrow, Hanley, Mewhinney & Strauss, LLC, a registered investment advisor, reported sole voting power over 2,585,985 shares and shared voting power of 2,395,100 shares and sole dispositive power over 4,981,085 shares of Common Stock. As reported in the Schedule 13G, such shares are owned by various investment companies, trusts and accounts to which Barrow, Hanley, Mewhinney & Strauss, LLC provides investment advice.

(3) Based on Form 13F filed with the SEC on August 6, 2014 by BlackRock Inc., BlackRock Advisors LLC, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management, LLC. As reported on a Schedule 13G/A filed with the SEC on January 29, 2014, BlackRock, Inc. reported sole voting power over 4,995,362 and sole dispositive power over 5,166,801 shares of Common Stock. As reported in the Schedule 13G/A, certain shares reported by BlackRock, Inc. are owned by various investment companies affiliated with BlackRock, Inc.

(4) Based on Form 13F filed with the SEC on August 11, 2014. As reported on a Schedule 13G/A filed with the SEC on February 11, 2014, The Vanguard Group, Inc. reported sole voting power over 85,094 shares, sole dispositive power over 3,404,899 shares and shared dispositive power over 80,394 shares of Common Stock. As reported in the Schedule 13G/A, such shares are owned by various investment companies, trusts and accounts to which The Vanguard Group provides investment advice.

(5) Based on Form 13F filed with the SEC on August 12, 2014. As reported on a Schedule 13G/A filed with the SEC on February 6, 2014, Columbia Wanger Asset Management LLC reported sole voting power over 5,083,000 and sole dispositive power over 5,557,000 shares of Common Stock. As reported in the

Schedule 13G/A, such shares are owned by various investment companies, trusts and accounts to which Columbia Wanger Asset Management LLC provides investment advice.

Stock Beneficially Owned by Directors and Officers

The following table shows the number of shares of II-VI Common Stock beneficially owned as of August 31, 2014, including shares that could have been acquired within 60 days of that date through the exercise of stock options, by our current directors, the current executive officers listed in the Summary Compensation Table, and all directors and executive officers as a group. The number of shares beneficially owned is defined by Rule 13d-3 under the Securities Exchange Act of 1934. Unless otherwise indicated, each individual and member of the group has sole voting power and sole investment power with respect to shares owned.

	Beneficial Ownership of Common Stock	
	Shares	Percent
CARL J. JOHNSON (1) (2) (3)	6,022,324	9.7%
JOSEPH J. CORASANTI (2) (3)	125,047	*
WENDY F. DICICCO (2) (3)	117,287	*
FRANCIS J. KRAMER (2) (3) (4)	1,163,669	1.9%
VINCENT D. MATTERA, JR. (2) (3)	344,079	*
THOMAS E. MISTLER (2) (3) (5)	1,790,755	2.9%
MARC Y.E. PELAEZ (2) (3)	159,737	*
PETER W. SOGNEFEST (2) (3) (6)	59,753	*
HOWARD H. XIA (2) (3) (7)	37,497	*
JAMES MARTINELLI (2)(3)(8)	229,260	*
MARY JANE RAYMOND (3)	15,000	*
All Executive Officers and Directors as a group (eleven persons) (9)	10,064,408	15.8%

* Less than 1%

(1) Includes 355,088 shares of Common Stock directly held by Dr. Johnson (over which he has sole voting and investment power); 1,454,128 shares held by Dr. Johnson s wife (as to which Dr. Johnson disclaims beneficial ownership); 796,905 shares held in a charitable trust over which Dr. Johnson has shared voting and investment power; 956,891 held in a non-profit foundation over which Dr. Johnson has shared voting and investment power; and 2,428,145 shares held by a family limited partnership (as to which Dr. Johnson disclaims beneficial ownership) in which Dr. Johnson has shared voting and investment power as a result of his position as sole limited partner and majority general partner.

(2) Includes the following share amounts subject to stock options that are exercisable within 60 days of August 31, 2014: 17,002 shares held by Dr. Johnson, 95,482 shares held by Mr. Corasanti, 90,522 shares held by Ms. DiCicco, 442,646 shares held by Mr. Kramer, 194,972 shares held by Dr. Mattera, 136,922 shares held by Mr. Mistler, 136,922 shares held by Rear Admiral Pelaez, 33,026 shares held by Mr. Sognefest, 10,682 shares held by Dr. Xia, and 113,362 shares held by Mr. Martinelli.

(3) Includes 14,165 shares of restricted stock held by each of Dr. Johnson, Mr. Corasanti, Ms. DiCicco, Mr. Mistler, Rear Admiral Pelaez, Mr. Sognefest and Dr. Xia, 51,880 shares of restricted stock held by Mr. Kramer, 26,230 shares of restricted stock held by Dr. Mattera, 13,570 shares of restricted stock held by Mr. Martinelli and 15,000 shares of restricted stock held by Ms. Raymond.

(4) Includes 285,401 shares held in a Spousal Limited Access Trust as to which Mr. Kramer disclaims beneficial ownership.

(5) Includes 361,296 shares held in trust and 1,269,772 shares held in limited partnerships for which Mr. Mistler serves as a general partner.

(6) Includes 320 shares held by Mr. Sognefest s son, as to which shares he disclaims beneficial ownership.

(7) Includes 4,000 shares held in a trust.

(8) Includes 11,200 shares over which Mr. Martinelli has shared voting and investment power.

(9) Includes a total of 1,271,538 shares subject to stock options exercisable within 60 days of August 31, 2014 and a total of 205,835 shares of restricted stock held by executive officers and directors as a group.

EXECUTIVE OFFICERS

Set forth below is certain information concerning each of our Named Executive Officers (NEOs) as of June 30, 2014.

Name	Age	Position
Francis J. Kramer	65	President and Chief Executive Officer; Director
Vincent D. Mattera, Jr.	58	Chief Operating Officer; Director
Mary Jane Raymond	54	Chief Financial Officer and Treasurer
James Martinelli	55	Vice President, Military & Materials Businesses

FRANCIS J. KRAMER. For biographical information concerning Mr. Kramer, see the CONTINUING DIRECTORS section of this Proxy Statement.

VINCENT D. MATTERA, JR. For biographical information concerning Dr. Mattera, see the CONTINUING DIRECTORS section of this Proxy Statement.

MARY JANE RAYMOND has been Chief Financial Officer and Treasurer of the Company since March 2014. Previously, Ms. Raymond was Executive Vice President and Chief Financial Officer of Hudson Global, Inc. (NASDAQ: HSON) from 2005 to 2013. Ms. Raymond was the Chief Risk Officer and Vice President and Corporate Controller at Dun and Bradstreet, Inc. from 2002 to 2005. Additionally, she was the Vice President, Merger Integration at Lucent Technologies, Inc. from 1997 to 2002 and held several management positions at Cummins Engine Company from 1988 to 1997. Ms. Raymond holds a BA degree in Public Management from St. Joseph s University, and an MBA from Stanford University.

JAMES MARTINELLI has been employed by the Company since 1986 and has been Vice President, Military & Materials Businesses since 2003. Previously, Mr. Martinelli served as General Manager of Laser Power Corporation from 2000 to 2003. Mr. Martinelli joined the Company as Accounting Manager in 1986, was named Corporate Controller in 1990 and named Chief Financial Officer and Treasurer in 1994. Prior to his employment with the Company, Mr. Martinelli served as Accounting Manager at Tippins Incorporated and Pennsylvania Engineering Corporation from 1980 to 1985. Mr. Martinelli graduated from Indiana University of Pennsylvania with a B.S. degree in Accounting.

EXECUTIVE COMPENSATION

FISCAL YEAR 2014 COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis is presented in the following sections:

1. **Fiscal Year 2014 Compensation Philosophy and Objectives**
2. **Pay Mix- Variable vs. Fixed Compensation in Fiscal Year 2014**
3. **Pay-for-Performance for Fiscal 2014**
4. **Process for Setting Compensation for Fiscal Year 2014**
5. **Components of Executive Compensation for Fiscal Year 2014**

FISCAL YEAR 2014 COMPENSATION PHILOSOPHY AND OBJECTIVES

World class organizations set challenging objectives, and require talented and committed people to achieve them. The Company s executive compensation program is designed to align our executives compensation with the results we achieve while also providing competitive remuneration that enable us to attract, retain, motivate and reward high-quality executive talent. The Company s executive compensation philosophy is based on a fundamental philosophy of pay-for-performance, with a substantial portion of pay being at-risk, in that certain non-equity incentives and equity-based compensation is not guaranteed, but rather must be earned through achievement of Company and individual performance. The Company considers revenue growth, return on sales, earnings growth, operating profit and cash flow from operations to be essential to total shareholder return.

We aligned our 2014 executive compensation program with the primary objectives of our compensation philosophy, which are to:

Attract, retain and motivate a high caliber of executive talent;

Ensure that a significant portion of total direct target compensation is variable, based on Company and individual performance;

Encourage long-term focus, while recognizing the importance of short-term performance with goals that are challenging yet attainable;

Align executive and shareholder interests by requiring Named Executive Officers (NEOs) to meet minimum stock ownership guidelines and prohibiting them from hedging or further pledging our stock

Discourage excessive risk taking by structuring our pay to consist of a blend of both fixed and variable elements, using an appropriate mix of short and long-term Company performance metrics, and setting maximum total payouts;

Maximize Company performance to enhance total shareholder return;

Provide externally competitive and internally equitable compensation that rewards identifiable and measurable accomplishments and delivers significant rewards for exceptional performance without creating incentive for the assumption of unnecessary or excessive risk or emphasizing short-term returns over the creation of long-term value; and

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

The Company s compensation programs are designed to clearly communicate the Company s desired results and to promote decisions and actions by management that produces those results. The Company s compensation program and philosophy is characterized by the following qualities:

Variability (performance-based) a significant portion of total compensation is based on Company performance. Salaries are to be generally maintained at competitive levels, with opportunities for upward adjustments in total compensation to be provided through performance-based cash incentive compensation and long-term equity incentive awards;

Clarity all relevant performance objectives are clearly established and articulated;

Communicability NEOs are made aware of and fully comprehend their earnings potential for a given year and what actions and results are necessary to achieve that potential;

Strategic Focus compensation programs are designed with a balance of cash and equity to successfully attract, retain, and motivate employees, with the appropriate performance requirements to achieve the Company s goals; and

Risk Management compensation programs should provide appropriate rewards for prudent risk taking, but must not create incentive for the assumption of unnecessary and/or excessive risks that would threaten the Company s reputation or sustainability.

The Company s executive compensation philosophy targets base salaries at the market median of our Comparator Group and targets total direct compensation from annual cash incentive awards and long-term equity-based awards at a level consistent with our actual performance within our Comparator Group.

PAY MIX VARIABLE VS. FIXED COMPENSATION IN FISCAL YEAR 2014

Our executive compensation consists of a mix of fixed and variable components. Total direct target compensation includes base salary, non-equity incentive awards granted under our Bonus Incentive Plan (BIP) and Goal/Results Incentive Plan (GRIP), and stock awards in the form of non-qualified stock options (NQSOs), restricted stock awards (RSAs) and performance stock awards (PSAs). A significant portion of our NEOs compensation, ranging from 65% to 84% of total direct target compensation in 2014, is in the form of variable compensation. We believe that the long tenure of our NEOs and their demonstrated commitment to the long-term performance of the Company reflects the effectiveness of our compensation strategy. The following chart illustrates the fixed and variable elements of our target compensation for our NEOs.

Actual NEO compensation for 2014 included the following elements:

Element	Description	2014 Pay Action
Base Salary	Provides reasonable and market-competitive fixed pay reflective of an NEO s role, responsibilities and individual performance.	Increased NEO salaries based on individual performance and evaluation against our comparator group. Increases ranged from 2.0% to 5.5%.
BIP Non-Equity Incentive	All corporate employees of the Company who have been employed for at least one year are eligible to participate in the BIP. Under the BIP, each eligible NEO may receive a cash bonus allocated from a percentage of the Company s operating profit, as pre-determined by the Compensation Committee.	Continued the use of this corporate bonus incentive plan awarded to II-VI corporate employees. The Company targets 16.7% of qualified base salary for the II-VI corporate BIP for achieving budgeted financial results. During fiscal year 2014, actual payout to our NEOs was 11.5% under the BIP Plan.
GRIP Non-Equity Incentive	The GRIP provides a mechanism for providing compensation to the NEOs based on the Company s consolidated or business unit performance, as well as individual performance. The targeted amounts to be paid to the NEOs under this plan provide the most significant non-equity incentive compensation opportunity.	Continued our use of the GRIP for all executive officers during fiscal year 2014, which allows for payment of compensation to NEOs based on the Company s pre-established, consolidated or business unit performance, as well as individual performance.
Equity-Based Awards	These awards, some of which are performance-based, incent NEOs to focus on long-term growth and financial success, ensure balance between short- and long-term performance focus, and align executive and shareholder interests.	Continued our practice of awarding our NEOs a mix of NQSOs, RSAs and PSAs with an overall objective to provide performance-based incentives aligned with shareholder interests and long-term Company strategy. NEO target equity compensation for 2014 consisted of 40% NQSOs, 30% RSAs and 30% PSAs.

PAY FOR PERFORMANCE FOR FISCAL YEAR 2014

Recap of the Company s Performance in Fiscal Year 2014

During fiscal year 2014 the Company achieved its highest level of booking and revenue in its history. During the year, it made important strides in its long-term strategy by launching and acquiring key technologies required by our customers across all of our segments. Specifically, the Company delivered the following positive results:

- Record revenue of $683.3 million, an increase of 24% from our previous record in fiscal year 2013;

- Net income of $38.4 million, the Company s 42nd consecutive year of profitability;

- Reorganization of the Pacific Rare Specialty Metals & Chemical operations to reduce its earnings volatility by discontinuing the tellurium product line;

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Completion of $20 million share-repurchase program;

Acquisition of II-VI Laser Enterprise and II-VI Network Solutions, which will complement the Company s existing technology platforms; and

Cash flow from operations of $95 million.

The items above are only a partial summary of the Company s financial performance in fiscal year 2014. For more complete information about our fiscal year financial performance, please see the Company s Annual Report on Form 10-K for the fiscal year 2014 filed with the Securities and Exchange Commission on August 28, 2014, which is included in our 2014 Annual Report to Shareholders.

Non-Equity Incentives

All corporate employees of the Company who have been employed for at least one year are eligible to participate in the BIP. Under the BIP, each eligible NEO has an at-risk cash bonus which is allocated from a percentage of the Company s operating profit, as pre-determined by the Compensation Committee. To the extent the Company fails to achieve operating profits for the fiscal year, no payments are made under the BIP.

The Company believes that operating profits are an appropriate metric to calculate the BIP payout and helps align the interests of our NEOs with those of the Company as a whole. Please see Components of Non-Equity Incentives below for further description of this compensation component.

Awards under the GRIP are at-risk based on the performance of the Company, business unit and/or location, and individual performance as determined by the Compensation Committee. Each NEO receives a GRIP award with an assigned target award opportunity, expressed as a dollar amount. Please see Components of Non-Equity Incentives below for further description of this compensation component.

The chart below shows our cumulative total shareholder return (TSR) for the five year period ending June 30, 2014 compared with our CEO s non-equity incentive awards earned for fiscal year 2009 through fiscal year 2014. As shown below, the Company s payments of non-equity incentive awards have been correspondingly reduced during periods of lower shareholder return.

The five-year cumulative TSR shows the increase or decrease in value of a $100 investment in II-VI common stock made on July 1, 2009, as of the end of each fiscal year in the five-year period.

Performance Share Awards (PSA)