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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

x Filed by the Registrant
¨ Filed by a Party other than the Registrant

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to 167;240.14a-12

II-VI INCORPORATED

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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1) Title of each class of securities to which transaction applies:

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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 5, 2010

To The Shareholders of

II-VI Incorporated:

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

1. Election of the two (2) directors nominated by the Board of Directors for a term to expire in 2013; and

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

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

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

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

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

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

Robert D. German, *Secretary*

September 24, 2010

375 Saxonburg Boulevard

Saxonburg, Pennsylvania 16056

PROXY STATEMENT FOR THE ANNUAL MEETING

OF SHAREHOLDERS

November 5, 2010

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

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

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why am I receiving these proxy materials?

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

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

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

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

What items will be voted on at the Annual Meeting?

There are two matters scheduled for a vote:

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

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

Who can vote at the Annual Meeting?

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

What is the quorum requirement?

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

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

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

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

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

How will my shares be voted?

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

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

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

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

How many votes are needed to approve each proposal?

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

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

How are abstentions and broker non-votes counted?

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

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

How do I revoke my proxy?

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

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

ELECTION OF DIRECTORS

(PROPOSAL 1)

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

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

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

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

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

Nominees for Class Two Directors Whose Terms will Expire in 2013

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

should be nominated to serve as a director.

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

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

Existing Class Three Directors Whose Terms Expire in 2011

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

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

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

Existing Class One Directors Whose Terms Expire in 2012

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

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

DIRECTOR INDEPENDENCE AND CORPORATE GOVERNANCE

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

Code of Business Conduct and Ethics

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

Board s Role in the Oversight of Risk Management

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

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

Review and Approval of Related Person Transactions

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

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

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

Nomination of Candidates for Director

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

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

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

- High personal and professional ethics, integrity, practical wisdom and mature judgment;
- Broad training and experience in policy-making decisions in business;
- Expertise that is useful to the Company and complementary to the background and experience of other directors;
- Willingness to devote the amount of time necessary to carry out the duties and responsibilities as a director;
- Commitment to serve on the Board of Directors over a period of several years in order to develop knowledge about the Company s principal operations; and
- Willingness to represent the best interests of all shareholders and objectively appraise management performance.

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

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

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

Size of the Board

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

Board Structure and Lead Independent Director

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

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

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

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

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

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

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

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

Compensation of Directors

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

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

Stock Ownership Program

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

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

Director Mandatory Retirement

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

Standing Board Limits

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

Change in Director Occupation

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

Access to Independent Advisors

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

Executive Sessions of Independent Directors

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

Self-Evaluation, Self-Assessment and Director Continuing Education

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

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

Meetings of the Board

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

Board Materials and Presentations

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

Director Attendance at Annual Meeting of Shareholders

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

Communications with Directors

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

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

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

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

Audit Committee

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

Compensation Committee

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

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

Corporate Governance and Nominating Committee

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

Subsidiary Committee

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

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

Compensation Philosophy and Objectives

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

The primary objectives of our executive compensation program are to:

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

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

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

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

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

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

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

Principal Components of Executive Compensation

The principal components of our executive compensation program are:

- Base salary;
- Annual cash incentive awards; and
- Long-term, equity-based incentives.

Mix of Compensation Components

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

Compensation Committee Matters and Scope of Authority

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

The Committee s Processes

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

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

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

Assessment of Individual Performance. Individual performance has a strong impact on the compensation of all employees, including the NEOs. During the course of the year, the Compensation Committee meets with the Chief Executive Officer and the Corporate Director of Human Resources to review recommendations on changes, if any, in base salary of each NEO other than the Chief Executive Officer. During fiscal year 2010, the Compensation Committee continued to engage Mercer as its independent compensation consultant. Based on the Compensation Committee s judgment and salary practices, input from a peer group survey conducted by Mercer Human Resource Consulting, and each employee s performance and contribution to the Company, the Compensation Committee adjusts total annual compensation for each of the NEOs.

Target Pay Philosophy. The Compensation Committee considers relevant market pay practices when setting executive compensation to ensure the Company s ability to recruit, motivate and retain high caliber talent.

Development of Peer Group for Compensation Purposes. In assessing market competitiveness, the total annual compensation of the Company s NEOs is reviewed against executive compensation of a designated set of publicly-traded companies which are listed below (the Comparator Group). The Comparator Group was identified and selected by the Compensation Committee with the assistance of Mercer. The Comparator Group for fiscal year 2010 consisted of 17 manufacturing companies with an Optical, Electronics, Instrumentation and/or Engineering NAICS code having revenues ranging from approximately $200 million to approximately $1.1 billion, with median revenues of the Comparator Group approximating the revenues of the Company, and an average return on sales of approximately 10% or higher over a three-year period. Each member of the Company s Comparator Group has executive officer positions that are comparable to the Company in terms of breadth, complexity and scope of responsibilities. This Comparator Group is different from the one that the Company used in fiscal year 2009, which consisted of 11 companies. The Compensation Committee, with the assistance of Mercer, believes the current Comparator Group better reflects comparability in terms of revenues and return on sales with that of the Company. In order to determine the executive compensation for fiscal year 2010, the Compensation Committee reviewed the compensation practices of the Comparator Group in order to ensure the appropriateness of the Company s compensation program design and compensation levels. Mercer was hired to report to the Compensation Committee to consult on compensation matters. Mercer employed a benchmarking process as an assessment tool that compares elements of the Company s compensation program with those of other companies that have similar characteristics.

The purpose of the benchmarking process is to:

- Understand the competitiveness of current pay levels relative to the Comparator Group with similar revenues and business characteristics;
- Understand the alignment between executive compensation levels and company performance; and
- Serve as a basis for developing salary adjustments and incentive awards for the Compensation Committee s approval.

In fiscal year 2010, the Comparator Group was comprised of the following companies: American Science Engineering Inc., Cabot Microelectronics Corp., Ceradyne Inc., Cree, Inc., Cymer Inc., Dionex Corp., FEI Company, FLIR Systems, Inc., Franklin Electric Company, Inc., IPG Photonics Corporation, Inc., Microsemi Corp., OmniVision Technologies, Inc., Park Electrochemical Corp., Rofin-Sinar Technologies, Inc., Rogers Corp., Silicon Laboratories, Inc. and Veeco Instruments Inc.

The Compensation Committee periodically reviews our compensation policies and practices for compensating our employees and has concluded that such policies and practices are sound and are not designed to encourage excessive risk taking which would be reasonably likely to have a material adverse effect on the Company.

Components of Executive Compensation for fiscal year 2010

For fiscal year 2010, the Compensation Committee used a three-pronged approach to its executive compensation program: 1) base salary; 2) annual cash incentive awards; and 3) long-term equity-based compensation. The Compensation Committee believes this program balances the mix of cash and equity compensation which makes a significant portion of each NEO s compensation package at-risk. Historically, executive compensation for a particular fiscal year is reviewed by the Compensation Committee on a preliminary basis during its last meeting in the prior fiscal year and finalized during its first meeting in the current fiscal year. Following is a discussion of the Compensation Committee s considerations in establishing each of the compensation components for the NEOs.

Base Salary

The Compensation Committee sets base salary levels for executive officers each year based on a number of factors, including individual performance, the status of the competitive marketplace for such positions, the responsibilities of the position, the experience of the individual and equity in relationship to other positions within the Company. Base salary is the one fixed component of our NEOs total direct compensation (base salary, short- and long-term incentive compensation), in contrast to annual and long-term compensation, which is at-risk based on the Company s performance. The Compensation Committee meets with the Chief Executive Officer and Corporate Director of Human Resources to review recommendations on changes, if any, in base salary of each NEO other than the Chief Executive Officer. The Compensation Committee receives input from Mercer when the Compensation Committee reviews recommendations on changes, if any, in base salary of the NEOs. The executive officers base salaries are targeted at or near the market median for similar positions at appropriate comparator companies. For more information regarding our NEO s base salaries, see the Summary Compensation Table.

Cash Incentive Bonuses

The Compensation Committee establishes the targeted bonus program for each NEO each fiscal year based on input from several sources, including Mercer and, for each NEO, other than the Chief Executive Officer, the Chief Executive Officer and the Corporate Director of Human Resources. The awards are designed to target an aggregate payout, including the NEO s base salary, at the upper-third percentile of the Comparator Group s annual total cash payout for NEOs in similar positions and with similar responsibilities when the Company s operating performance are in the upper quartile against our Comparator Group s performance. Consistent with the Company s at-risk compensation philosophy, the Compensation Committee targeted this range to emphasize its pay-for-performance philosophy, which focuses on increased reward for the achievement of performance objectives. Actual bonus program payouts are determined by the Compensation Committee based upon the actual performance by the NEO and the Company against the targeted goals. The cash incentive bonuses link annual cash incentive payments to performance based on revenues, earnings per share, growth from acquisitions, and other relevant performance metrics. Actual bonus program payouts also take into consideration the NEO s leadership skills and difficulty of his assignment. These awards are not guaranteed.

The Compensation Committee has established three separate types of cash bonus programs that may be utilized for NEOs. These cash incentive bonus programs, the Bonus Incentive Plan, the Management-by-Objective Plan and the Discretionary Incentive Plan, are described below.

Bonus Incentive Plan

Our NEOs participate in the same Bonus Incentive Plan that is available to all employees who have met the required one year tenure with the Company. Under the Bonus Incentive Plan, each eligible employee receives a cash bonus which is allocated from a pre-determined percentage of the appropriate unit s operating profit, as determined by the Compensation Committee. The Company believes that the operating profits of

each unit is the appropriate metric to calculate the Bonus Incentive Plan payout and helps align the interest of all eligible

employees with the operating profit goal of the unit. In general terms, the Bonus Incentive Plan is based on the budgeted operating profit for a particular unit. A fixed percentage of operating profit is allocated over the projected base wages of qualified participants such that each participant is targeted to receive an equal percentage bonus based on their base wages. Actual results will change from the budgeted payout due to changes in actual operating profit performance vs. budgeted operating performance, and changes in actual base wages vs. budgeted base wages. The Company believes the established target level is a meaningful at-risk compensation level and is consistent with the overall at-risk compensation philosophy that focuses on the financial growth and profitability of the Company. All NEOs participate in the Bonus Incentive Plan that has been established for the Company s headquarters except for Mr. Reedy who participates in the Company s Infrared Optics bonus incentive plan. Partial bonus amounts are paid quarterly based on interim Company performance, and the remainder is paid after fiscal year end. The Compensation Committee establishes the budgeted target goal for the Bonus Incentive Plan to an attainable but challenging goal to meet. Payouts of awards under the Bonus Incentive Plan appear in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column.

Management-By-Objective Plan

Under the Management-By-Objective Plan, a fixed percentage of the appropriate unit s operating profits is determined by the Compensation Committee and awarded to selected employees. The Company believes that the operating profits of each business unit or location are the appropriate metric to calculate the Management-By-Objective payout as operating profits are a financial measurement of the business unit s or location s growth. In general terms, the Management-By-Objective Plan targets a payout if the business unit or location achieves its targeted operating profit goals and the employee accomplishes his or her pre-established team goals. The Company believes the targeted payout is an appropriate at-risk compensation level for these eligible employees and helps promote cross-functional performance and teamwork goals on financial, operational, customer, technical development and safety objectives that are important to the Company and that require collaborative efforts from more than one employee and from one or more departments or functional areas. Messrs. Creaturo and Martinelli participate in the Management-By-Objective Plan that has been established for the Company s headquarters. These awards under the Management-By-Objective Plan are based on graded performance of recipients measured against pre-established Company operational goals. Mr. Kramer and Dr. Mattera did not receive a payout for the Management-by-Objective Plan in fiscal years 2008, 2009 and 2010 because they had significant influence on the establishment and grading of the goals under this program. Mr. Reedy did not receive a payout for the Management-by-Objective Plan in fiscal year 2010, as he began that fiscal year with a plan to transition towards retirement, although he ultimately decided to postpone those plans for the benefit of the Company. The Chief Executive Officer and the Corporate Director of Human Resources establish the operational target goals for the Management-By-Objective Plan to an attainable but challenging goal. The Compensation Committee, in conjunction with the Chief Executive Officer, may adjust the payout based upon the evaluation of the individual s participation and the overall accomplishments of the Management-By-Objective Plan. Payouts of awards under the Management-By-Objective Plan appear in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.

Discretionary Incentive Plan

The Discretionary Incentive Plan provides a mechanism for providing compensation to the NEOs based on not only the Company s performance, but their individual performance. The targeted amounts to be paid to the NEOs under this plan provide the most significant non-equity incentive opportunity. Awards under the Discretionary Incentive Plan are at-risk based on the performance of the Company, business unit and/or location. Each NEO has a Discretionary Incentive Plan with an assigned target award opportunity, expressed as a dollar amount. The Discretionary Incentive Plan is individually tailored to the responsibility of the NEO. Certain goals of the Discretionary Incentive Plan are linked to the Company s annual growth objectives for revenues and earnings per share. Other goals focus on specific financial and operational targets that have been determined by the Compensation Committee and/or Chief Executive Officer and Corporate Director of Human Resources to be important for that particular employee to direct his/her efforts. Each performance goal is graded individually and

the Discretionary Incentive Plan award represents the total of the achievements on the individual performance goals. The Chief Executive Officer approves individual Discretionary Incentive Plans except his own, which is approved by the Compensation Committee. The Discretionary Incentive Plan is available to all NEOs and selected members of the Company s senior management. Payouts of awards under the Discretionary Incentive Plan appear in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.

For Mr. Kramer, the performance goals for the discretionary incentive bonus are based upon consolidated revenues and earnings per share for the fiscal year. Mr. Creaturo s performance goals are 50% based upon consolidated revenues and earnings per share for the fiscal year and 50% upon pre-established individual goals, which have been determined to be important in relation to the position he maintains within the Company. Dr. Mattera s performance goals are 50% based upon the revenues and earnings per share of the Compound Semiconductor Group segment, which he manages, and 50% on certain individual goals, which have been determined to be important in relation to the position he maintains within the Company. Dr. Mattera s goals were adjusted during the second half of fiscal year 2010 due to the Company s acquisition of Photop Technologies, Inc., for which Dr. Mattera has management responsibility. Mr. Martinelli s performance goals are 50% based upon the revenues and earnings per share of the Military & Materials business segment, which he manages, and 50% on certain individual goals, which have been determined to be important in relation to the position he maintains within the Company. Mr. Reedy s performance goals are based upon the revenues and earnings per share of the Infrared Optics business segment, which he manages. The Compensation Committee believes an appropriate measurement of each NEO s performance is such person s ability to drive both revenue and earnings per share growth in accordance with Company s compensation philosophy.

For fiscal year 2010, three levels of performance were established for each Discretionary Incentive Plan: (i) a threshold level of performance, below which no discretionary incentive bonus is paid; (ii) a target level of performance, for which a target level of discretionary incentive bonus is paid; and (iii) a maximum level of performance, for which an amount above the target level of discretionary incentive bonus is paid. The fiscal year 2010 targets, for which bonus payments were earned, whether at the threshold, target or maximum percentage amounts, were established based on targeted results for selected financial metrics including consolidated revenues, earnings per share, segment revenues and segment earnings per share. In general, the targeted improvements are correlated with the Company s annual growth objectives for revenues and earnings per share. With respect to the other metrics utilized in determining whether discretionary incentive bonuses are achieved, which are not disclosed in this proxy statement, the Compensation Committee sets the minimum, target and maximum levels for each year such that the relative difficulty of achieving the target level is consistent from year to year and is set to be an attainable but challenging goal to meet.

For more information regarding our annual cash incentive programs, see the Summary Compensation Table and the Grants of Plan-Based Awards Table.

Long-Term Incentive Compensation

The Compensation Committee believes that long-term incentive compensation is an integral component of our compensation program because it has the effect of recruiting, retaining and motivating high-quality employees. In addition, the Compensation Committee believes that long-term incentive compensation aligns the interests of eligible employees with the interests of shareholders, and rewards the achievement of the Company s long-term strategic goals. Payment of long-term incentive awards to our NEOs is targeted at levels that range within the third quartile of Comparator Group executives in comparable positions, utilizing the same compensation data used for setting total annual cash compensation when the Company s operating performance are in the upper quartile against our Comparator Group s performance. At the beginning of each fiscal year, the Compensation Committee reviews and approves a pool of equity-based compensation for that year to be granted to NEOs and other eligible employees who participate in the Company s long-term incentive programs. In recent years, three types of long-term incentive awards, stock options, performance shares and restricted stock awards have been granted to NEOs and other eligible employees. The long-term incentive awards granted to our NEOs, including option awards, performance share awards and restricted stock are designed to target an aggregate

payout in the third quartile of the long-term incentive compensation paid by the Comparator Group. The allocation among stock option, performance share and restricted share awards is at the discretion of the Compensation Committee and may vary from NEO to NEO. The Compensation Committee believes that the use of stock options is an effective way to align the NEOs interests with shareholders interests, because executives only receive value through stock options if the Company s stock appreciates. At the same time, the Compensation Committee does not want single-minded focus to drive short-term stock price appreciation to the detriment of the long-term success of the Company. Therefore the use of performance shares and restricted stock helps keep focus on long-term strategic goals. Generally, each NEO receives annual stock option, performance share and restricted stock awards during the first quarter of the fiscal year.

The Compensation Committee uses the grant date fair value of the equity incentives as calculated under Accounting Standards Codification (ASC 718), Compensation-Stock Compensation, to determine the value of the stock option, performance share and restricted stock awards. More specifically, for stock options, the Company uses a Black-Scholes valuation.

Long-Term Incentive Compensation Stock Options

Stock options provide the opportunity to purchase and maintain an equity interest in the Company and to share in the appreciation of the value of the Company s Common Stock. All stock options granted in fiscal year 2010 were granted from the Company s 2009 Omnibus Plan. Some key features of our stock option program include:

Options generally vest over a five year period, with 20% vesting occurring on each of the first, second, third, fourth and fifth anniversaries of the grant date, except for the Chief Executive Officer, whose stock options become 100% vested upon grant;

The term of each grant does not exceed 10 years; and

The exercise price is equal to the closing market price on the date of grant.

Long-Term Incentive Compensation Performance Share Awards

Performance share awards provide the opportunity to receive shares of Company stock if certain Company performance goals are achieved. During fiscal year 2010, the Company had two separate performance share awards for the Company s NEOs under the 2009 Omnibus Plan. The awards established specific, independent performance goals for consolidated revenue (Revenue Awards) and consolidated cash flow from operations (Cash Flow Awards), in equal amounts, for the twenty-four month periods ending June 30, 2010 and June 30, 2011. Payouts are determined based upon the greater of (i) the actual results for the full twenty-four-month performance period or (ii) the sum of the deemed payouts for each of the four (4) consecutive six-month periods comprising each of the performance periods, based on predetermined six-month performance goals. The Compensation Committee establishes the target performance goals to be an attainable but challenging. The Compensation Committee believes the growth of revenues and cash flow from operations are a correlation to increased stock value over time. The awards provide for the issuance of shares of the Company s stock in the event that the Company achieves the established performance goals. The performance shares under the two separate Revenue Awards and Cash Flow Awards are earned as follows:

Achieving 79.99% or less of the performance goal earns 0% of the target award;

Achieving between 80.0% and 99.99% of the performance goal earns from 50.0% to 99.99% of the target award;

Achieving 100.0% of the performance goal earns 100.0% of the target award;

Achieving between 100.1% and 119.99% of the performance goal earns from over 100.01% up to 149.99% of the target award; and

Achieving 120.0% or greater of the performance goal earns 150.0% of the target award.

Performance shares earned under the Revenue and Cash Flow Awards are issued after the completion of the performance period and upon the determination and approval of the Compensation Committee that one or more performance goals have been achieved at a particular level. Payout of Revenue Awards is not contingent upon payout of Cash Flow Awards and vice versa.

The Revenue Awards and Cash Flow Awards established financial targets for the twenty-four month performance period which ended June 30, 2010 were $834.7 million and $121.2 million, respectively. Actual revenues and cash flow for the twenty-four month period ended June 30, 2010 was $637.3 million and $121.3 million, respectively.

The Company s target and actual performance shares earned for the Revenue Awards and the Cash Flow Awards granted for the twenty-four month performance period, which ended June 30, 2010 were as follows:

Named Executive Officer	Revenue Awards Target	Revenue Awards Earned	Overall % of Revenue Target*	Cash Flow Awards Target	Cash Flow Awards Earned	Overall % of Cash Flow Target
Francis J. Kramer	4,250 shares	1,564 shares	36.8%	4,250 shares	4,255 shares	100.1%
Craig A. Creaturo	1,150 shares	423 shares	36.8%	1,150 shares	1,151 shares	100.1%
Vincent D. Mattera, Jr.	1,000 shares	368 shares	36.8%	1,000 shares	1,001 shares	100.1%
James Martinelli	1,000 shares	368 shares	36.8%	1,000 shares	1,001 shares	100.1%

* A payout was made under the Revenue Award program even though the overall performance was less than 80%, based on the sum of the deemed payouts for each of the four (4) consecutive six-month periods comprising each of the performance periods.

During fiscal year 2010, the Compensation Committee granted Mr. Reedy a separate performance share agreement. Under this agreement, a performance share award was granted for a nine month performance period from January 1, 2010 through September 30, 2010. The agreement provides for the issuance of 5,500 shares of the Company s stock in the event that the Infrared Optics segment, which Mr. Reedy directs, achieves the established revenue performance goal. Mr. Reedy s performance share awards were structured differently from the other NEOs as Mr. Reedy altered his retirement plans for the benefit of the Company. The performance shares granted under his arrangement are earned as follows:

Achieving 89.99% or less of the performance goal earns a percentage equal to the percentage of the Infrared Optics segment actual revenues relative to the revenue target;

Achieving 90% or more of the performance goal earns 100% of the target award.

For more information regarding the long-term incentive component of our compensation program, see the Summary Compensation Table and Grants of Plan-Based Awards Table.

Long-Term Incentive Compensation Restricted Stock Awards

Because it is important to the Company to provide compensation that is externally competitive and to retain our executive officers, the Company utilizes time-based restricted stock awards that have a three year cliff-vesting from the date of the grant. Grants of restricted stock also build the ownership of our executive team and provide more balance to the executive compensation program when markets are down as well as to help

minimize excessive risk taking.

The Company s stock option awards, performance share awards and restricted stock vest immediately prior to a change in control. Stock option, performance shares and restricted stock awards also vest in the event of death, disability or retirement, although performance awards only vest to the extent earned on a pro-rata basis for the months employed relative to the performance period. In all other circumstances, the awards terminate upon termination of employment. These vesting provisions are provided to reduce distractions that might otherwise arise in a change-in-control situation and to otherwise provide vesting terms that the Company believes are comparable in the market for these kinds of awards.

Deferred Compensation

The II-VI Incorporated Deferred Compensation Plan (the Deferred Compensation Plan) is designed to allow executive officers and key employees of the Company to defer receipt of compensation into a trust fund for retirement purposes. The Deferred Compensation Plan was established to provide additional retirement savings benefits for NEOs and other executives beyond that available through the II-VI Incorporated Employees Profit Sharing Plan, which is subject to IRS limitations on annual contributions and compensation. Under the Deferred Compensation Plan, eligible participants can elect to defer up to 100% of discretionary incentive compensation into an account that will be credited with earnings at the same rate as one or more investments chosen by the participant, which are similar to the investment funds under the II-VI Incorporated Employees Profit Sharing Plan. Participants may also elect to defer performance shares and restricted stock of the Company s Common Stock. The Company does not make any matching contributions to the Deferred Compensation Plan. All assets in the Deferred Compensation Plan are subject to claims of the Company s creditors until such amounts are paid to participants.

For more information regarding the amounts deferred under the Deferred Compensation Plan, see the Non-Qualified Deferred Compensation Table.

Employees Profit Sharing Plan

The NEOs participate in the II-VI Incorporated Employees Profit Sharing Plan (the Profit Sharing Plan) which is available to all eligible employees who have met tenure and service requirements. All NEOs participate in the Profit Sharing Plan that covers the Company s headquarters. The Profit Sharing Plan also has the features of a 401(k) plan. Under the Profit Sharing Plan, the Company makes a matching contribution to the Profit Sharing Plan based upon the employee s 401(k) deferred savings. In addition, the Company makes an additional contribution to the Profit Sharing Plan out of the Company s operating profits as determined by the Compensation Committee.

For information regarding our contributions to the NEOs accounts under the Profit Sharing Plan, see the Summary Compensation Table.

Perquisites and Other Benefits

The Company does not provide perquisites or personal benefits to NEOs.

Employment Agreements

Each of the NEOs has an employment agreement with the Company, terminable by either party on thirty days prior written notice, which contains, among other matters, provisions for payment of compensation and benefits, and agreements regarding confidentiality, non-competition and assignment of inventions. These agreements are intended to protect the Company from a misuse of confidential information, knowledge and experience by the employee, and to specify the terms of separation, should the employee cease to be employed by the Company. The agreements generally provide for severance payments prior to a change in control of up to nine months base salary for all NEOs, except for Mr. Kramer, whose agreement calls for two times Average Annual Salary (as defined in his employment agreement) and contain change in control provisions. These change in control provisions, however, do not provide for a tax gross-up if severance compensation paid in connection with a change in control transaction is a parachute payment under Section 280G of the Internal Revenue Code of 1986, as amended (the Code). In fact, they provide for a cut-back of such compensation so that such payments are not parachute payments under the Code. The terms of these

agreements are more fully described in the section titled Potential Payments upon Change in Control and Employment Termination. The severance and change in control provisions of these agreements are provided to reduce personal distractions that might otherwise arise day-to-day or in a change-in-control situation and to otherwise provide severance provisions, including change in control provisions, that the Company believes are comparable in the market for these kinds of agreements.

The employment agreement with Mr. Kramer was entered into in 2007 in connection with his agreement to serve as Chief Executive Officer of the Company. Mr. Kramer s agreement was amended and restated in 2008, primarily to make his arrangements comply with Section 409A of the Code. In connection with the execution of Mr. Kramer s employment agreement in 2007, as a result of the limitations imposed on severance payments in connection with a change in control pursuant to Section 280G of the Code, and in lieu of a tax gross-up provision, the Compensation Committee of the Board of Directors accelerated the vesting provisions on all outstanding stock options held by Mr. Kramer as of June 30, 2007. In addition, the Compensation Committee currently intends to continue to grant Mr. Kramer fully-vested options so that, in the event of a change in control transaction, no option award would accelerate and vest and thus be included as a parachute payment under Section 280G. The stock options awarded to Mr. Kramer in August 2008, 2009 and 2010 were fully vested. See also Recent Compensation Decisions below. The Compensation Committee believes that its decision to accelerate the vesting of Mr. Kramer s outstanding options in connection with his agreement to serve as Chief Executive Officer, including the accounting impact of such decision, in lieu of a tax gross-up provision, was appropriate and in the best interests of the Company given the adverse impact of Section 280G of the Code and the cost of a tax gross-up, Mr. Kramer s long service with the Company and his long history of holding stock options for periods in excess of the vesting periods.

Messrs. Creaturo and Martinelli entered into employment agreements with the Company in 2008. Before that time, Messrs. Creaturo and Martinelli did not have any employment agreements with the Company. These agreements are intended to protect the Company from a misuse of confidential information, knowledge and experience by the employee, and to specify the terms of separation should the employee cease to be employed by the Company.

Dr. Mattera originally entered into an employment agreement in 2004 in connection with his employment with the Company. In 2008, the Company entered into an amended and restated employment agreement with Dr. Mattera. This agreement includes provisions regarding the misuse of confidential information, knowledge or experience by the employee and specifies the terms of separation should Dr. Mattera cease to be employed by the Company.

The employment agreement with Mr. Reedy was entered into in 1988 and has remained in effect since that time.

As noted above, each of these employment agreements are more fully described in the section entitled Potential Payments upon Change in Control and Employment Termination.

Deductibility Cap on Executive Compensation

The Compensation Committee believes that the compensation program for executive officers should be structured in a manner that would permit deductibility under Section 162(m) of the Code. It also realizes that the evaluation of the overall performance of executive officers cannot be reduced in all cases to a fixed formula. There may be situations in which the prudent use of discretion in determining pay levels is in the best interest of the Company and its constituencies. In some situations where discretion is used, compensation may not be fully deductible. However, the Compensation Committee does not believe that such loss of deductibility would have a material impact on the financial condition of the Company.

Recent Compensation Decisions

On August 21, 2010, the Compensation Committee reaffirmed its compensation philosophy for the NEO s as described in the Compensation Philosophy and Objectives section and made appropriate compensation adjustments to the NEO s. This included base salaries, granting stock option, performance share awards and restricted stock awards under the 2009 Omnibus Plan to each NEO, except for Mr. Reedy, who did not

receive any grants due to his planned retirement from the Company prior to the end of fiscal year 2011.

The performance share awards establish specific performance goals for the twenty-four month period ending June 30, 2012 (the 2012 Performance Period). These awards provide for Revenue Awards and Cash Flow Awards for the 2012 Performance Period in equal amounts.

The Revenue Awards and Cash Flow Awards are earned as follows:

Achieving 79.99% or less of the performance goal earns 0% of the target award;

Achieving between 80.0% and 99.99% of the performance goal earns between 50.0% and 99.99% of the target award;

Achieving 100.0% of the performance goal earns 100.0% of the target award;

Achieving between 100.1% and 119.99% of the performance goal earns between 100.01% and 149.99% of the target award; and

Achieving 120.0% or greater of the performance goal earns 150.0% of the target award.

Payouts will be determined based upon the greater of (i) the actual results for the full twenty-four month 2012 Performance Period or (ii) the sum of the deemed payouts for each of the four consecutive six-month periods comprising the 2012 Performance Period, based on predetermined six-month performance goals. Payout of Revenue Awards is not contingent upon payout of Cash Flow Awards and vice versa.

The Revenue Awards and Cash Flow Awards targets for the NEOs for the 2012 Performance Period are as follows:

Named Executive Officer	Revenue Awards	Cash Flow Awards	Fair Value at Target Payout	Fair Value at Maximum Payout
Francis J. Kramer	5,755 shares	5,755 shares	$ 388,002	$ 582,003
Craig A. Creaturo	1,922 shares	1,923 shares	$ 129,615	$ 194,422
Vincent D. Mattera, Jr.	1,697 shares	1,698 shares	$ 114,445	$ 171,668
James Martinelli	1,452 shares	1,453 shares	$ 97,928	$ 146,981

In addition, on August 21, 2010, the Compensation Committee granted stock option awards and restricted share awards to the NEOs under the 2009 Omnibus Plan. The stock options contain the same features as described in the section titled Long-Term Incentive Compensation Stock Options , above and were granted with a strike price $33.71, the closing price of the Company s stock on August 20, 2010. Restricted shares were granted with a three-year cliff vesting. Stock options and restricted shares were granted to the NEOs as follows:

Named Executive Officer	Stock Options Granted	Grant Date Fair Value
Francis J. Kramer	30,690 shares	$ 517,280
Craig A. Creaturo	10,260 shares	$ 172,932
Vincent D. Mattera, Jr.	9,050 shares	$ 152,538
James Martinelli	7,740 shares	$ 130,458

Named Executive Officer	Restricted Shares Granted	Grant Date Fair Value
Francis J. Kramer	11,510 shares	$ 388,002
Craig A. Creaturo	3,845 shares	$ 129,615
Vincent D. Mattera, Jr.	3,395 shares	$ 114,445
James Martinelli	2,905 shares	$ 97,928

COMPENSATION COMMITTEE REPORT

The Compensation Committee has:

(1) reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management; and

(2) based on the review and discussions referred to in paragraph (1) above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

Peter W. Sognefest, *Chairman*

Joseph J. Corasanti

Wendy F. DiCicco

Thomas E. Mistler

Marc Y.E. Pelaez

The foregoing report of the Compensation Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

COMPENSATION OF EXECUTIVE OFFICERS

The following table summarizes compensation paid to our current Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers (collectively, our Named Executive Officers or NEOs) for the fiscal years ended June 30, 2010, 2009 and 2008, except in the case of our Executive Vice President Infrared Optics for whom such disclosure was not required in fiscal years 2009 and 2008. All subsequent tables and information in this section will be presented for these five employees as applicable. All footnote references and explanatory remarks relate to fiscal year 2010 unless otherwise noted.

Summary Compensation Table

Fiscal Years Ended June 30, 2010, 2009 and 2008

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
Francis J. Kramer	2010	$ 433,000	$ 503,626	$ 403,403	$ 806,837	$ 33,060	$ 2,179,926
President and Chief Executive Officer	2009	433,000	399,416	417,589	46,981	25,825	1,322,811
	2008	360,000	374,896	224,689	678,764	33,879	1,672,228
Craig A. Creaturo	2010	$ 234,500	$ 209,059	$ 108,836	$ 296,890	$ 30,872	$ 880,157
Chief Financial Officer and Treasurer	2009	227,125	108,078	112,255	91,519	21,731	560,708
	2008	201,250	67,482	52,342	251,909	24,532	597,515
Vincent D. Mattera, Jr.	2010	$ 229,250	$ 193,680	$ 294,137	$ 343,402	$ 28,584	$ 1,089,053
Executive Vice President	2009	208,500	93,980	94,294	275,940	22,217	694,931
	2008	203,837	67,482	197,810	272,468	26,512	768,109
James Martinelli	2010	$ 196,000	$ 193,680	$ 93,457	$ 245,922	$ 25,974	$ 755,033
Vice President Military & Materials Businesses	2009	194,000	93,980	94,294	116,999	20,260	519,533
	2008	185,750	67,482	105,934	241,047	23,485	623,698
Herman E. Reedy	2010	$ 183,250	$ 144,815	$ 40,256	$ 264,689	$ 22,316	$ 655,326
Executive Vice President Infrared Optics							

(1) Represents the aggregate grant date fair value of performance shares and restricted stock issued by the Company during the years presented, computed in accordance with FASB ASC Topic 718. For restricted stock, the grant date fair value was computed based upon the closing price of the Company s Common Stock on the date of grant. For performance shares, the grant date fair value was computed based upon the estimate of aggregate compensation expense to be recognized over the service period, which was calculated based upon the number of shares projected to be earned multiplied by the stock price at the date the performance share plan was established. The 2009 and 2008 performance share award values were recalculated from amounts shown in prior proxy statements to reflect their grant date fair values, as required by SEC rules which became effective for 2010. The grant date fair value of the performance share awards included in this column was calculated based on the probable outcome of the performance conditions, as determined at the grant date. The grant date

fair value of performance shares for fiscal year 2010 were, Mr. Kramer, $403,403; Mr. Creaturo, $108,836; Dr. Mattera, $93,457; Mr. Martinelli, $93,457 and Mr. Reedy, $144,815. The grant date fair value of the performance share awards if they were calculated at the maximum payout for each of our named executive officers would have been: Mr. Kramer, $605,105; Mr. Creaturo, $163,254; Dr. Mattera, $140,186; Mr. Martinelli, $140,186 and Mr. Reedy, $144,815. The grant date fair value of restricted stock awards was based on the fair market value of the Company s Common Stock on the date of the grant. The grant date fair value of restricted stock was: Mr. Kramer, $100,223; Mr. Creaturo, $100,223; Dr. Mattera, $100,223 and Mr. Martinelli. $100,223.

(2) Represents the aggregate grant date fair value of stock option awards issued by the Company during the years presented, computed in accordance with FASB ASC Topic 718. Refer to Note A to the Company s Consolidated Financial Statements on Form 10-K for the year ended June 30, 2010 for the relevant weighted-average assumptions underlying the valuation of the option awards, except that any estimate of forfeitures for service-based conditions have been disregarded. The 2009 and 2008 stock option awards values were recalculated from amounts shown in prior proxy statements to reflect their grant date fair values, as required by SEC rules which became effective for 2010. The grant date fair value of stock option awards is based on the Black-Scholes option pricing model. The actual value a named executive officer may realize upon exercise of stock options, if any, will depend on the excess of the stock option price over the grant date fair market value on the date of exercise. As such, there is no assurance that the value realized by a named executive officer will be at or near the value estimated by the Black-Scholes model.

(3) Amounts reflect the cash awards earned by our NEOs under the Company s Bonus Incentive Plan, the Management-By-Objective Plan and the Discretionary Incentive Plan, which are discussed in further detail in Compensation Discussion and Analysis. Mr. Kramer and

Dr. Mattera did not participate in the Management-by-Objective Plan in fiscal years 2008, 2009 and 2010. Mr. Reedy did not participate in the Management-by-Objective Plan for fiscal year 2010. The cash awards earned by Mr. Kramer, Mr. Creaturo, Dr. Mattera, Mr. Martinelli and Mr. Reedy under the Bonus Incentive Plan for fiscal year 2010 were $81,837, $44,321, $43,329, $37,044 and $32,789, respectively. The cash awards earned by Mr. Creaturo and Mr. Martinelli under the Management-By-Objective Plan for fiscal year 2010 were $17,710 and $14,218, respectively. The cash awards earned by Mr. Kramer, Mr. Creaturo, Dr. Mattera, Mr. Martinelli and Mr. Reedy under the Discretionary Incentive Plan for fiscal year 2010 were $725,000, $234,859, $300,073, $194,660 and $231,900, respectively.

(4) Amounts reflect premiums paid for life and disability insurance and the Company s 401(k) and profit sharing contributions under the Company s Profit Sharing Plan, which is qualified under Section 401 of the Code. Profit sharing contributions made by the Company on behalf of Mr. Kramer, Mr. Creaturo, Dr. Mattera, Mr. Martinelli and Mr. Reedy for fiscal year 2010 were $21,755, $21,478, $18,514, $17,582 and $11,710, respectively. 401(k) matching contributions made by the Company on behalf of Mr. Kramer, Mr. Creaturo, Mr. Reedy, Dr. Mattera, Mr. Martinelli and Mr. Reedy, for fiscal year 2010 were $9,721, $9,154, $9,518, $7,840 and $7,558, respectively.

This table provides additional information about grants of awards to our NEOs in the fiscal year ended June 30, 2010.

Grants of Plan-Based Awards

Fiscal Year Ended June 30, 2010

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($) (2)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards; Number of Securities Underlying Stock (#) (4)	All Other Option Awards; Number of Securities Underlying Options (#) (5)	Exercise or Base Price of Option Awards ($/ Share) (6)	Grant Date Fair Value of Stock and Option Awards (7)
FRANCIS J. KRAMER		$	$ 125,000(i)	$ 725,000(i)						$	$
		$	$ 50,000(ii)	$ 81,837(ii)						$	$
	8/15/2009	$			8,350	16,700	25,050			$	$ 403,403
	8/15/2009	$						4,150		$	$ 100,223
	8/15/2009	$							34,100	$ 24.15	$ 403,403
CRAIG A. CREATURO		$	$ 69,000(i)	$ 234,859(i)						$	$
		$	$ 27,000(ii)	$ 44,321(ii)						$	$
		$	$ 10,000(iii)	$ 17,710(iii)						$	$
	8/15/2009	$			2,250	4,500	6,750			$	$ 108,836
	8/15/2009	$						4,150		$	$ 100,223
	8/15/2009	$							9,200	$ 24.15	$ 108,836
VINCENT D. MATTERA, JR.		$	$ 160,000(i)	$ 300,073(i)						$	$
		$	$ 24,000(ii)	$ 43,329(ii)						$	$
	8/15/2009	$			1,925	3,850	5,775			$	$ 93,457
	8/15/2009	$						4,150		$	$ 100,223
	8/15/2009	$							7,900	$ 24.15	$ 93,457
	2/10/2010	$							14,500	$ 26.33	$ 200,680
JAMES MARTINELLI		$	$ 159,000(i)	$ 194,660(i)						$	$
		$	$ 23,000(ii)	$ 37,044(ii)						$	$
		$	$ 9,000(iii)	$ 14,218(iii)						$	$
	8/15/2009	$			1,925	3,850	5,775			$	$ 93,457
	8/15/2009	$						4,150		$	$ 100,223
	8/15/2009	$							7,900	$ 24.15	$ 93,457
HERMAN E. REEDY		$	$ 93,000(i)	$ 231,900(i)						$	$
		$	$ 21,000(ii)	$ 32,789(ii)						$	$
		$								$	$
	8/15/2009	$							3,400	$ 24.15	$ 40,256
	2/10/2010	$			2,750	5,500	5,500			$	$ 144,815

(1) These columns show the range of potential payouts for awards made in fiscal year 2010 under (i) the Discretionary Incentive Plan, (ii) the Bonus Incentive Plan and (iii) the Management-By-Objective Plan assuming the target or maximum goals are satisfied with respect to the applicable performance measures underlying such awards. There was no threshold level of performance under these awards. These payouts are performance-driven and, therefore, are at-risk. The business measurements and performance goals underlying these awards are described in Compensation Discussion and Analysis. Mr. Kramer, Dr. Mattera and Mr. Reedy did not receive any awards under the Management-By-Objective Plan for fiscal 2010. The aggregate incentive amounts paid under these plans for fiscal year 2010 are set forth in the Summary Compensation Table in the column titled Non-Equity Incentive Plan Compensation.

(2) The maximum payout under the non-equity incentive plan awards represents the actual payments made in fiscal year 2010 to the NEOs for awards granted under the Discretionary Incentive Plan, the Bonus Incentive Plan and the Management-By-Objective Plan. The Company s actual profitability for fiscal year 2010 increased significantly compared to the Company s forecasted profitability at the time when the Compensation Committee approved the fiscal year 2010 bonus payout targets.

(3) These columns show the range of payouts of performance share awards granted under the 2009 Omnibus Plan if threshold, target or maximum goals are achieved, as described in the section titled Long-Term Incentive Compensation Performance Share Awards in Compensation Discussion and Analysis.

(4) This column represents the number of restricted stock awards granted in fiscal year 2010 to the NEOs under the 2009 Omnibus Plan. Mr. Reedy did not receive a grant of restricted stock in fiscal year 2010 as he began that fiscal year with a plan to transition towards retirement, although he ultimately decided to postpone those plans for the benefit of the Company. These awards have a three-year cliff-vesting feature from the date of the grant.

(5) This column shows the number of stock options granted in fiscal year 2010 to the NEOs under the 2009 Omnibus Plan. Generally, options vest and become exercisable ratably in five equal annual installments beginning one year after the grant date except for Mr. Kramer, whose options are fully vested upon grant pursuant to the terms of his employment agreement. In February 2010, stock options were awarded to Dr. Mattera in the amount of 14,500 options for his promotion to the position of Executive Vice President and the resulting increase in his management responsibilities.

(6) This column shows the exercise prices for the stock options granted to the NEOs in fiscal year 2010, which are is equal to the closing market prices of Common Stock on the respective grant dates.

(7) This column shows the full grant date fair value of the stock and option awards reported in this table, which were computed in accordance with FASB ASC Topic 718. Generally, the full grant date fair value of an award is the amount the Company would expense in its financial statements over the award s vesting schedule as determined at the grant date. The performance share grant date fair value is based on a value of $24.15 per share, which was the closing price of Common Stock on the grant date multiplied by the targeted number of the future payout of the performance shares at the target level. Refer to Note A to the Company s Consolidated Financial Statements on Form 10-K for the year ended June 30, 2010 for the relevant weighted-average assumptions underlying the valuation of the option awards, except that any estimate of forfeitures for service-based conditions have been disregarded.

This table summarizes the equity awards held by our NEOs which are outstanding as of June 30, 2010.

Outstanding Equity Awards

As of Fiscal Year End June 30, 2010

Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (5)
Francis J. Kramer							12,524	$ 371,086
					4,150	$ 122,965		
	20,000		$ 6.45	8/09/2012				
	14,000		$ 16.88	8/13/2014				
	25,000		$ 19.10	2/24/2015				
	9,000		$ 20.73	8/12/2016				
	4,150		$ 21.07	8/31/2016				
	17,600		$ 27.77	8/11/2017				
	20,925		$ 46.99	8/16/2018				
	34,100		$ 24.15	8/15/2019				
Craig A. Creaturo							3,376	$ 100,031
					4,150	$ 122,965		
	4,800	1,200	$ 17.59	9/19/2015				
	3,600	2,400	$ 20.73	8/12/2016				
	1,640	2,460	$ 27.77	8/11/2017				
	1,125	4,500	$ 46.99	8/16/2018				
		9,200	$ 24.15	8/15/2019				
Vincent D. Mattera, Jr.							2,888	$ 85,571
					4,150	$ 122,965		
	16,535		$ 13.20	2/11/2014				
	10,000		$ 16.88	8/13/2014				
	12,000		$ 18.72	2/11/2015				
	4,800	1,200	$ 17.59	9/19/2015				
	3,600	2,400	$ 20.73	8/12/2016				
	1,400	2,100	$ 27.77	8/11/2017				
	1,600	2,400	$ 36.69	5/3/2018				
	945	3,780	$ 46.99	8/16/2018				
		7,900	$ 24.15	8/15/2019				
		14,500	$ 26.33	2/10/2020				
James Martinelli							2,888	$ 85,571
					4,150	$ 122,965		
	12,000		$ 6.45	8/9/2012				
	8,000		$ 16.88	8/13/2014				
	4,800	1,200	$ 17.59	9/19/2015				
	1,800	1,200	$ 20.73	8/12/2016				
	1,400	2,100	$ 27.77	8/11/2017				

	4,000	6,000	$ 36.69	5/3/2018		
	945	3,780	$ 46.99	8/16/2018		
		7,900	$ 24.15	8/15/2019		
HERMAN E. REEDY					5,500	$ 162,965
	10,000		$ 16.88	8/13/2014		
	4,800	1,200	$ 17.59	9/19/2015		
	1,800	1,200	$ 20.73	8/12/2016		
	720	1,080	$ 27.77	8/11/2017		
	400	1,600	$ 46.99	8/16/2018		
		3,400	$ 24.15	8/15/2019		

(1) This column shows the number of stock options outstanding as of June 30, 2010 under the 2009 Omnibus Plan. Generally, options vest and become exercisable ratably in five equal annual installments beginning one year after the grant date except for those issued to Mr. Kramer, whose options are fully vested upon grant pursuant to the terms of his employment agreement.

(2) This column shows the number of restricted stock awards issued under the 2009 Omnibus Plan as of June 30, 2010. These awards have a three-year cliff-vesting feature, vesting 100% in August 2012.

(3) Based on the closing market price of the Company s Common Stock on June 30, 2010 of $29.63 per share.

(4) This column shows the number of unvested performance shares outstanding as of June 30, 2010. The scheduled vesting dates of each of the performance share awards are in equal amounts, December 31, 2010 and June 30, 2011, assuming achievement of pre-established performance objectives. The performance share amounts presented are based on achieving performance goals at the maximum.

(5) Based on the closing market price of the Company s Common Stock on June 30, 2010 of $29.63 per share.

This table provides information for the NEOs on (1) stock option exercises during fiscal year 2010, including the number of shares acquired upon exercise and the value realized and (2) the number of shares acquired upon the vesting of performance share awards and the value realized, before payment of any applicable withholding tax and broker commissions.

Option Exercises and Stock Vested

Fiscal Year Ended June 30, 2010

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired Upon Vesting (#)	Value Realized Upon Vesting ($) (2)
Francis J. Kramer	10,000	$ 256,717	14,930	$ 442,376
Craig A. Creaturo	20,200	358,772	4,027	119,320
Vincent D. Mattera, Jr.			3,456	102,401
James Martinelli	12,000	351,928	3,456	102,401
Herman E. Reedy				

(1) The value realized on exercise of option awards represents the difference between the market price of the underlying stock at exercise and the exercise price of the options multiplied by the number of shares underlying the option exercised.

(2) The value realized upon vesting of the performance share awards represents the closing price of $29.63 per share on June 30, 2010 multiplied by the number of shares acquired upon vesting.

This table provides additional information about executive contributions to, and aggregate earnings under, the Deferred Compensation Plan for our NEOs as of and for the fiscal year ended June 30, 2010.

Non-Qualified Deferred Compensation

As of and for the Fiscal Year Ended June 30, 2010

Name	Executive Contributions FY2010 ($) (1)	Registrant Contributions in FY2010	Aggregate Earnings (Loss) in FY2010 ($) (2)	Aggregate Balance at June 30, 2010 ($)
Francis J. Kramer	$ 389,917	$	$ 213,277	$ 1,628,035
Craig A. Creaturo	93,708		60,758	402,500
Vincent D. Mattera, Jr.	160,170		35,288	403,754
James Martinelli	89,228		197,120	1,102,110
Herman E. Reedy	231,900		51,069	538,442

(1) Eligible participants can elect to defer up to 100% of awards under the Company s Discretionary Incentive Plan, performance share and restricted share awards. The executive contributions above relate to deferrals effected in August 2010 of discretionary bonuses earned during the fiscal year ended June 30, 2010 and/or deferrals of performance shares earned for the 24 month period ended June 30, 2010. Executive contribution amounts shown above are included in the amounts shown in the Non-Equity Incentive Plan Compensation column or Stock Awards column of the Summary Compensation Table, as applicable.

For Mr. Kramer, the amount reported in this column includes $217,500 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan and 5,819 performance shares with a market value of $172,417 utilizing a closing price of $29.63 per share on June 30, 2010 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan.

For Mr. Creaturo, the amount reported in this column includes $58,715 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan and 1,181 performance shares with a market value of $34,993 utilizing a closing price of $29.63 per share on June 30, 2010 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan.

For Dr. Mattera, the amount reported in this column includes $150,037 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan and 342 performance shares with a market value of $10,133 utilizing a closing price of $29.63 per share on June 30, 2010 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan.

For Mr. Martinelli, the amount reported in this column includes $48,665 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan and 1,369 performance shares with a market value of $40,563 utilizing a closing price of $29.63 per share on June 30, 2010 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan.

For Mr. Reedy, the amount reported in this column includes $231,900 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan.

(2) Aggregate earnings include interest, dividends, capital gains (losses) and unrealized appreciation (depreciation) in the individual investments. The Deferred Compensation Plan is administered by a third party and provides for investment options similar to those under the Profit Sharing Plan with the exception that amounts under the Deferred Compensation Plan may be invested in Common Stock. Performance share awards and amounts that are deferred into Common Stock must remain invested in Common Stock and must be paid out in shares of Common Stock upon a qualifying distribution event.

Potential Payments upon Change in Control and Employment Termination

Stock Option and Performance Share Awards

Pursuant to the terms of the 2009 Omnibus Plan, the Company s stock option, performance share and restricted share awards vest immediately prior to a change in control. Stock option, performance share and restricted share awards also vest in the event of death, disability or retirement, although performance awards only vest in the event of death, disability or retirement to the extent earned on a pro-rata basis for the months employed relative to the performance period. In all other circumstances, the awards terminate upon termination of employment.

The following table sets forth for each of the following NEOs the potential amount that such NEO would have been entitled to receive pursuant to the vesting of unvested stock options, performance share and restricted share awards held by the NEO as of June 30, 2010 assuming a termination as of June 30, 2010 under the termination scenarios described below. The amounts shown are based on the closing price of the Common Stock on June 30, 2010 of $29.63 per share and, for stock options, represent the difference between the exercise price of the unvested options and $29.63.

Named Executive Officer	Acceleration of Unvested Stock	Acceleration of Unvested Stock

	Options, Performance Shares and Restricted Stock Upon Change in Control ($)	Options, Performance Shares and Restricted Stock Upon Death, Disability or Retirement ($)
Francis J. Kramer	$ 494,051	$ 122,965
Craig A. Creaturo	$ 313,795	$ 213,764
Vincent D. Mattera, Jr.	$ 339,392	$ 253,821
James Martinelli	$ 280,862	$ 195,291
Herman E. Reedy	$ 208,734	$ 45,769

Employment Agreements Named Executive Officers

The following is an overview of the employment agreements the Company has entered into with its NEOs along with common definitions and terms applicable to all the employment agreements noted below:

Named Executive Officer	Employment Agreement Date
Francis J. Kramer	September 19, 2008
Craig A. Creaturo	September 19, 2008
Vincent D. Mattaera, Jr.	September 19, 2008
James Martinelli	September 19, 2008
Herman E. Reedy	September 6, 1988

Common Definitions and Terms Used in the NEOs Employment Agreements

The following common definitions and terms are consistent for the NEOs employment agreements, except for Mr. Reedy s employment agreement which is summarized below:

For purposes of the NEOs employment agreements:

Cause means a determination by our Board of Directors, in the exercise of its reasonable judgment, that any of the following has occurred: (i) the willful and continued failure by the NEO to perform his duties and responsibilities with us under the agreement (after notice and a 30-day cure period); (ii) the willful engaging by the NEO in any act which is materially damaging to us; (iii) the conviction of an NEO, or a plea of guilty or no contest to a felony or a criminal offense involving fraud, dishonesty or other moral turpitude; (iv) any material breach by an NEO of the terms of the agreement or any other written agreement between the NEO and the Company relating to proprietary information, confidentiality, non-competition or non-solicitation; or (v) the engaging by the NEO in any intentional act of dishonesty resulting or intended to result, directly or indirectly, in personal gain to the NEO at the Company s expense.

Change in Control means (i) the Company is merged or consolidated with another entity and following such transaction (A) the persons who were our shareholders immediately prior to such a transaction have less than a majority of the Company s voting power or the entity owning or controlling us or (B) individuals who comprise our Board of Directors immediately prior to such transactions cease to be at least a majority of the members of our Board of Directors or of an entity controlling us; or (ii) a majority of our assets are sold or otherwise transferred to another corporation not controlled by or under common control with us or to a partnership, firm, entity or individuals not so controlled; or (iii) a majority of members of our Board of Directors consists of persons who were not nominated for election by or on behalf of our Board of Directors or with their concurrence; or (iv) a single person, or a vote of persons, obtains voting control over a majority of our outstanding shares; provided, however, that a change in control will not have occurred as a result of any transaction in which Dr. Johnson, and/or his affiliates, including the II-VI Foundation, directly or indirectly, acquire more than a majority of our assets or stock or of an entity controlling us.

Good Reason means without the NEO s express written consent: (i) a material reduction of the NEO s employment responsibilities; (ii) a material reduction by the Company of the NEO s eligibility for total annual compensation; (iii) a material increase in the amount of the NEO s business travel which produces a constructive relocation of the NEO; (iv) a material reduction by the Company of the level of employee benefits with the result of overall benefits being significantly reduced; or (v) the relocation of the NEO to a facility or a location more than fifty (50) miles from the Saxonburg, Pennsylvania facility.

Employment Agreement Mr. Kramer

Mr. Kramer s employment agreement provides for a current annual base salary of $433,000 as of June 30, 2010 with the potential to earn cash bonuses and other bonuses in the discretion of the Compensation Committee.

The agreement also provides Mr. Kramer with other benefits which are routinely provided to the employees of the Company, including participation in the Omnibus Plan.

If Mr. Kramer s employment is terminated as a result of death or permanent disability, the Company will pay to him or his representatives his annual base salary through the last day of the fiscal year in which the date of death or disability occurs and bonuses that would have been paid had he remained employed. In the event that Mr. Kramer terminates employment other than for Good Reason, he will receive accrued salary and bonuses on a pro-rata basis to the date of termination. Any such payments shall be made not later than the 15th day of the third month following the Company s fiscal year in which Mr. Kramer dies or becomes totally disabled.

If the Company terminates his employment without Cause or if Mr. Kramer terminates employment for Good Reason, except when such termination is coincident with or within an eighteen (18) month period following the occurrence of a Change in Control, after Mr. Kramer s execution of a release, the Company will pay to him severance in an amount equal to two (2) multiplied by his Average Annual Income. Average Annual Income for such payment is the sum of his annual base pay and annual cash bonuses for the preceding three (3) fiscal years divided by three (3). The severance will be paid no later than sixty (60) days after the date of termination after the expiration of any applicable revocation periods set forth in the release. The Company also will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and also will pay, no later than 60 days after the date of termination, a lump sum cash payment of $15,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If Mr. Kramer s employment is terminated by the Company without Cause or by him for Good Reason, and such termination is coincident with or within the eighteen (18) month period following the occurrence of a Change in Control, after his execution of a release, the Company will pay to him severance in an amount equal to 2.99 multiplied by his Average Annual Income. Average Annual Income for this calculation is the sum of his annual base pay and annual cash bonuses for the preceding five (5) fiscal years divided by five (5). The severance will be paid in a lump sum, no later than sixty (60) days after the date of termination. The Company will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and shall also pay, no later than sixty (60) days after the date of termination, a lump sum cash payment of $40,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If the Company determines that part or any of the compensation to be paid to Mr. Kramer would constitute parachute payments under Section 280G of the Code, with the aggregate present value of the parachute payments and any other compensatory amounts (collectively, the parachute amounts) exceeding 2.99 times his base amount (as determined under Section 280G), then such amounts will be reduced to the extent necessary so that the parachute amount is equal to 2.99 times his base amount.

In addition to the termination payment described above, the Company has also agreed to provide Mr. Kramer with life insurance coverage in an amount equal to two (2) times his annual base salary and to provide long-term disability benefits equal to 60% of his annual base salary in excess of $200,000 until the age of 66 as a supplemental disability benefit.

Mr. Kramer is also subject to the terms of an employee invention, confidentiality, two (2)-year non-solicitation and non-competition agreement with the Company that survives the termination of Mr. Kramer s employment. If he engages in activities that violate these covenants, he will have no right to any unpaid severance benefits.

The following tables indicate the estimated severance payments that Mr. Kramer would have received assuming that the termination of his employment occurred as of June 30, 2010 under the circumstances described below.

Payments	Termination For Death or Disability or for Good Reason (No Change in Control)	Termination With Cause	Termination Without Cause (Or for Good Reason No Change in Control)	Termination Without Cause or for Good Reason (After Change in Control)
Cash Severance	$	$	$ 1,839,000	$ 2,480,000
Health Benefits	$	$	$ 13,000	$ 13,000
Life Insurance	$	$	$ 3,000	$ 3,000
Post-termination Benefits	$	$	$ 15,000	$ 40,000
	$	$	$ 1,870,000	$ 2,536,000

Employment Agreements Dr. Mattera, Mr. Creaturo and Mr. Martinelli

An amended and restated employment agreement was entered into with Dr. Mattera and employment agreements were entered into with Messrs. Creaturo and Martinelli, which provide for current annual base salaries of $250,000, $234,500 and $196,000 as of June 30, 2010, respectively, and with the potential to earn cash bonuses and other bonuses in the discretion of the Compensation Committee. The agreements also provide each of these NEOs with the other benefits which are routinely provided to the employees of the Company including participation in the Omnibus Plan and bonus plans.

If employment of any of these NEOs is terminated by the Company except when such termination is coincident with or within an eighteen (18) month period following the occurrence of a Change in Control, and other than a termination for Cause, after such NEO s execution of a release, the Company will pay to the NEO severance in an amount equal to nine (9) months of the monthly salary which the NEO is receiving at the time of separation. The severance will be paid no later than sixty (60) days after the date of termination. The Company also will pay the premiums for health insurance coverage for a period of up to nine (9) months.

If any of these NEO s employment is terminated by the Company without Cause or by him for Good Reason, and such termination is coincident with or within the eighteen (18) month period following the occurrence of a Change in Control, after execution of a release, the Company will pay to the NEO severance in an amount equal to 2.99 multiplied by his Average Annual Income. Average Annual Income for this calculation is the sum of his annual base pay and annual cash bonuses for the preceding five (5) fiscal years divided by five (5). The severance will be paid in a lump sum, no later than sixty (60) days after the date of termination. The Company will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and shall also pay, no later than sixty (60) days after the date of termination, a lump sum cash payment of $20,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If the Company determines that any of the compensation to be paid to any of these NEOs would constitute parachute payments under Section 280G of the Code, with the aggregate present value of the parachute payments and any other compensatory amounts (collectively, the parachute amounts) exceeding 2.99 times their base amount (as determined under Section 280G), then such amounts will be reduced to the extent necessary so that the parachute amount is equal to 2.99 times his base amount.

The following tables indicate the estimated severance payment for Dr. Mattera, Mr. Creaturo and Mr. Martinelli each would have received assuming that the termination of their employment occurred as of June 30, 2010 under the circumstances described below.

Vincent D. Mattera, Jr.

Payments	Termination For Death or Disability	Termination With Cause	Termination Without Cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 187,000	$ 1,413,000
Health Benefits	$	$	$ 7,000	$ 13,000
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 194,000	$ 1,446,000

Craig A. Creaturo

Payments	Termination For Death or Disability	Termination With Cause	Termination Without Cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 176,000	$ 1,244,000
Health Benefits	$	$	$ 8,000	$ 15,000
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 184,000	$ 1,279,000

James Martinelli

Payments	Termination For Death or Disability	Termination With Cause	Termination Without Cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 147,000	$ 1,104,000
Health Benefits	$	$	$ 8,000	$ 16,000
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 155,000	$ 1,140,000

Employment Agreement Herman E. Reedy

Mr. Reedy s employment agreement provides for severance benefits in the event his employment is terminated under certain circumstances. The employment agreement does not contain change of control provisions. In the event the Company terminates the employment of Mr. Reedy for any reason other than for fraud, theft, embezzlement or some other act of dishonesty connected to employment, the Company will pay an aggregate severance amount equal to nine (9) months of his base salary as follows:

Named Executive Officer	Severance Payment	Total
HERMAN REEDY	$ 137,400	$ 137,400

DIRECTOR COMPENSATION

The Company uses a combination of cash and share-based incentive 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 duties as well as the skill-level required for members of the Company s Board of Directors. Directors are subject to the Company s minimum share ownership requirement of 2,000 shares of Common Stock. A director who does not comply with this requirement would not be permitted to stand for re-election. As of the date of this proxy statement, all directors currently meet or exceed this requirement

The compensation program for the directors who are not also our employees, to whom we refer to as non-employee directors, is reviewed annually 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 provided by a select group of comparable companies. The companies comprising this group are the same Comparator Group utilized for the Company s NEOs and are listed in Compensation Discussion and Analysis.

The Compensation Committee strives to set director compensation targets that are competitive with our Comparator Group. Currently, the overall compensation levels of the Company s directors are between the median and the 75th percentile of the Comparator Group. It relies on proxy statements, compensation surveys and Mercer for data on current market pay practices and trends. Mercer is primarily engaged to provide the Compensation Committee with publicly available compensation data and current compensation trends.

Compensation Paid to Board Members

Chairman of the Board Retainer

Carl J. Johnson, the Chairman of the Board was not eligible to receive an annual retainer while he was an employee of the Company. Upon Dr. Johnson s retirement as an employee in May 2010, the Board of Directors established an annual retainer for the Chairman of the Board of $30,000.

Annual Retainers

For the fiscal year ended June 30, 2010, members of the Board of Directors who are non-employee directors were entitled to receive an annual cash retainer of $15,000 at the first board meeting of the calendar year. A fee of $1,500 per day for attending meetings of the Board of Directors, plus reimbursement of expenses, was paid to the non-employee Directors.

Additional Retainers for Committee Chairs

In addition to the annual retainer for each non-employee director, each non-employee director who chairs a Board standing committee is entitled to an additional cash retainer, which is payable at the same time as the regular annual retainer. In addition, attendance fees are paid for Board

committee meetings if such meetings are in person and held on a day other than a day on which a Board meeting is held, plus reimbursement of expenses. For fiscal year 2010, the additional retainer for service as a committee chair and attendance fees were as follows:

Committee	Chair Retainer Amount	Attendance Fee
Audit	$ 10,000	$ 1,000
Compensation	$ 2,000	$ 1,000
Corporate Governance and Nominating	$ 1,500	$ 1,000
Subsidiary	$ 1,500	$ 1,500

The Lead Independent Director receives an additional annual retainer of $2,000 for services in this role.

Non-Employee Director Equity Program

Annual equity awards are typically granted to each eligible non-employee director under the 2009 Omnibus Plan. In August 2009, each non-employee director received a grant of 8,560 stock options to purchase shares of Common Stock at an exercise price of $24.15 per share, the fair market value of such stock on the date of grant, with a total fair value of $101,350 using a Black-Scholes valuation. Options received by non-employee directors have the same terms as grants to our employees. This value was 75% of a normal annual grant and was so granted to facilitate the move to an annual granting date in August rather than the typical February grant date.

The table below summarizes the compensation paid by the Company to our non-employee directors for the fiscal year ended June 30, 2010. Francis J. Kramer, our President and Chief Executive Officer, is a member of the Board of Directors. Mr. Kramer s compensation is reported in the Summary Compensation Table and the other tables set forth herein. He did not receive any additional compensation in connection with his service on our Board of Directors during fiscal year 2010. Carl J. Johnson retired as an employee and began to receive compensation as a director beginning in June 2010. Duncan A.J. Morrison retired from the Board of Directors effective November 6, 2009.

Director Compensation Table

Fiscal Year Ended June 30, 2010

Non-employee Director	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Joseph J. Corasanti	$ 25,750	$ 101,350	$	$ 127,100
Wendy F. DiCicco	35,750	101,350		137,100
Carl J. Johnson	2,500			2,500
Thomas E. Mistler	29,250	101,350		130,600
Duncan A. J. Morrison	5,500			5,500
Marc Y.E. Pelaez	54,250	101,350		155,600
Peter W. Sognefest	27,750	101,350		129,100

(1) Represents the aggregate grant date fair value of option awards issued by the Company to the non-employee directors under the 2009 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 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 A to the Company s Consolidated Financial Statements on Form 10-K for the fiscal year ended June 30, 2010 for relevant assumptions used to determine the valuation of option awards, except that any estimate of forfeitures for service-based conditions have been disregarded.

As of June 30, 2010, Mr. Corasanti, Ms. DiCicco, Dr. Johnson, Mr. Mistler, Rear Adm. Pelaez and Mr. Sognefest had outstanding stock option awards of 39,240 shares, 36,760 shares, 121,725 shares, 78,360 shares, 74,960 shares and 47,180 shares, respectively.

Recent Compensation Decisions

On August 21, 2010, the Compensation Committee granted stock option and restricted stock awards under the Omnibus Plan to our non-employee directors. This current grant of stock option and restricted stock awards were made to our non-employee directors to align the timing of their grants with the timing of grants to the Company s NEOs and other Company employees which usually takes place in August of each year. Each non-employee director received a grant of 3,950 stock options to purchase shares of Common Stock at the exercise price of $33.71 per share for a total fair value of $66,500 using a Black-Scholes valuation. The stock options vest 20% per year over five years and have a 10 year life. In addition, each non-employee director received a restricted stock award grant of 1,975 shares of Common Stock at a price of $33.71 with a total fair value of $66,500. The restricted stock awards have a three-year cliff vesting provision.

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the Company s audited financial statements for the fiscal year ended June 30, 2010, included in the Company s Annual Report on Form 10-K. The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Membership and Role of Audit Committee

Each of the members of the Audit Committee is independent as defined under Nasdaq s listing standards. The Audit Committee operates under a written charter adopted by the Board of Directors.

Review with Management

The Audit Committee reviews each of the Company s quarterly and annual reports, including Management s Discussion of Results of Operations and Financial Condition. As part of this review, the Audit Committee discusses the reports with the Company s management and considers the audit reports prepared by the independent registered public accounting firm about the Company s annual report, as well as related matters such as the quality of the Company s accounting principles, alternative methods of accounting under Generally Accepted Accounting Principles and the preferences of the independent registered public accounting firm in this regard, the Company s critical accounting policies and the clarity and completeness of the Company s financial and other disclosures.

The Audit Committee reviewed management s report on internal control over financial reporting, required under Section 404 of the Sarbanes-Oxley Act of 2002 and related rules. As part of this review, the Audit Committee reviewed the bases for management s conclusions in that report and the report of the independent registered public accounting firm on internal control over financial reporting. Throughout the fiscal year ended June 30, 2010, the Audit Committee reviewed management s plan for documenting and testing controls, the results of their documentation and testing, any deficiencies discovered and the resulting remediation of the deficiencies.

Review and Discussions with Independent Accountants

The Audit Committee has discussed with Ernst & Young LLP, the Company s independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol.1 AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T which includes, among other items, matters related to the conduct of the audit of the Company s financial statements.

The Audit Committee has also received written disclosures and the letter from Ernst & Young LLP required by PCAOB Rule 3526 (Communication with Audit Committees Concerning Independence) and has discussed with Ernst & Young LLP their independence from the Company.

Conclusion

Based on the review and discussions referred to above, the Audit Committee recommended to the Company s Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

Audit Committee

Wendy F. DiCicco, *Chairperson*

Joseph J. Corasanti

Thomas E. Mistler

The foregoing report of the Audit Committee shall not be deemed to be soliciting materials or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information available to the Company as of August 31, 2010, regarding the ownership of the Company s Common Stock by (i) each of the Company s directors; (ii) each of the Company s executive officers including each of the Named Executive Officers; (iii) all executive officers and directors of the Company as a group; and (iv) each person or group known by the Company to beneficially own more than five percent (5%) of the Common Stock.

	Beneficial Ownership of Common Stock (1)	
	Shares	Percent
Carl J. Johnson (2) c/o II-VI Incorporated 375 Saxonburg Boulevard Saxonburg, Pennsylvania 16056	4,134,189	13.3%
Joseph J. Corasanti (3) (4)	16,407	*
Wendy F. DiCicco (3) (4)	16,007	*
Francis J. Kramer (3) (4) (5)	477,945	1.5%
Thomas E. Mistler (3) (4) (6)	934,761	3.0%
Marc Y.E. Pelaez (3) (4)	51,727	*
Peter W. Sognefest (3) (4) (7)	29,243	*
Herman E. Reedy (8)	33,176	*
James Martinelli (8) (9)(10)	97,056	*
Craig A. Creaturo (8) (9) (11)	48,598	*
Vincent D. Mattera, Jr. (8) (9)	78,373	*
Columbia Wanger Asset Management, L.P. (14) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	3,293,400	10.7%
BlackRock Inc. (15) 40 East 52ND Street New York, NY 10022	1,853,283	6.0%
Lord, Abbett & Co. LLC. (16) 90 Hudson Street Jersey City, NJ 07302	1,522,260	4.9%
All executive officers and directors as a group (eleven persons) (2)-(13)	5,917,482	18.8%

* Less than 1%

(1) 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.

(2) Includes 2,491,882 shares of Common Stock over which Dr. Johnson has sole voting and investment power, 111,725 shares subject to stock options held by Dr. Johnson which are exercisable within 60 days of August 31, 2010, and 1,975 shares of restricted stock. Also includes 727,064 shares held by Dr. Johnson s wife, as to which he disclaims beneficial ownership, 298,948 shares held in a charitable trust over which Dr. Johnson has shared voting and investment power and 502,595 shares held in a non-profit foundation over which Dr. Johnson has shared voting and investment power.

(3)

Includes 12,032 shares, 12,032 shares, 175,465 shares, 51,152 shares, 47,752 shares and 19,971 shares subject to stock options held by Mr. Corasanti, Ms. DiCicco, Mr. Kramer, Mr. Mistler, Rear Admiral Pelaez and Mr. Sognefest, respectively, which are exercisable within 60 days of August 31, 2010.

(4) Includes 1,975 shares, 1,975 shares, 15,660 shares, 1,975 shares, 1,975 shares and 1,975 shares of restricted stock held by Mr. Corasanti, Ms. DiCicco, Mr. Kramer, Mr. Mistler, Rear Admiral Pelaez and Mr. Sognefest, respectively.

(5) Includes 80,000 shares held by Mr. Kramer s wife, as to which he disclaims beneficial ownership.

(6) Includes 181,748 shares held in trust and 699,886 shares held in limited partnerships in which Mr. Mistler is a general partner.

(7) Includes 1,160 shares held by Mr. Sognefest s son, as to which shares he disclaims beneficial ownership.

(8) Includes 19,760 shares, 36,770 shares, 16,150 shares and 55,305 shares subject to stock options held by Mr. Reedy, Mr. Martinelli, Mr. Creaturo and Dr. Mattera, respectively, which are exercisable within 60 days of August 31, 2010.

(9) Includes 7,055 shares, 7,995 shares and 7,545 shares of restricted stock held by Mr. Martinelli, Mr. Creaturo and Dr. Mattera, respectively.

(10) Includes 5,600 shares over which Mr. Martinelli has shared voting and investment power.

(11) Includes 13,756 shares over which Mr. Creaturo has shared voting and investment power.

(12) Includes 558,114 shares subject to stock options held by executive officers and directors as a group, which are exercisable within 60 days of August 31, 2010.

(13) Includes 50,105 shares of restricted stock held by executive officers and directors as a group.

(14) Based on its Schedule 13G filed with the Securities and Exchange Commission on December 31, 2009, Columbia Wanger Asset Management, L.P., a registered investment advisor, reports sole voting power and sole dispositive power over 3,293,400 shares of our Common Stock. Such shares are owned by various investment companies, trusts and accounts to which Columbia Wanger Asset Management, L.P. provides investment advice.

(15) Based on its Schedule 13G filed with the Securities and Exchange Commission on, December 31, 2009, BlackRock, Inc. reports sole voting power and sole dispositive power over 1,853,283 shares of our Common Stock. Certain shares reported by BlackRock Inc. are owned by various investment companies affiliated with BlackRock Inc.

(16) Based on its Schedule 13G filed with the Securities and Exchange Commission on December 31, 2009, Lord, Abbett & Co. LLC. Inc. reports sole voting power and sole dispositive power over 1,522,260 shares of our Common Stock. Certain shares reported by Lord, Abbett & Co. LLC. are owned by various investment companies affiliated with Lord, Abbett & Co. LLC.

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(PROPOSAL 2)

Unless otherwise directed by the shareholders, proxies will be voted for the ratification of the Audit Committee s selection of Ernst & Young LLP (E&Y) as the Company s independent registered public accountants for the fiscal year ending June 30, 2011. The affirmative vote of the holders of at least a majority of the votes which all shareholders present at the Annual Meeting are entitled to cast is required to ratify such selection. A representative of E&Y is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if such person so desires.

The Board of Directors of the Company unanimously recommends a vote FOR the ratification of the Audit Committee s selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2011.

The Company incurred the following fees and expenses for services performed by its Independent Registered Public Accounting Firm during the fiscal years ended June 30, 2010 and 2009.

	2010	2009
Audit Fees:		
Audit of Annual Financial Statements and Interim Reviews (1)	$ 810,000	$ 707,000
Other Fees (2)	185,000	
Total Fees	$ 995,000	$ 707,000

(1) Includes fees and expenses for the audit of the effectiveness of the Company s internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and audit fees for the Company s statutory audit requirements.

(2) Includes fees incurred for the December 31, 2009 audit of Photop Technologies, Inc. (acquired by the Company on January 4, 2010) for inclusion in the Company s Form 8-K filing with the Securities and Exchange Commission and fees incurred for procedures performed in connection with the Company s Registration Statement on Form S-8.

There were no audit-related fees or tax fees paid during the fiscal years ended June 30, 2010 and 2009.

The Audit Committee pre-approves the retention of the independent registered public accounting firm and the independent registered public accounting firm fees for all audit and non-audit services provided by the independent registered public accounting firm, and determines whether the provision of non-audit services is compatible with maintaining the independence of the independent registered public accounting firm.

OTHER INFORMATION

The Company will pay the expense of the printing, assembling and mailing to the holders of Common Stock of the Company the notice of meeting, this proxy statement and the accompanying form of proxy. In addition to the use of the mail, proxies may be solicited by directors, officers or employees of the Company personally, via the internet or by telephone. The Company may request the persons holding stock in their names, or in the names of their nominees, to send proxy material to and obtain proxies from their principals, and will reimburse such persons for their expense in so doing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors, executive officers and persons who beneficially own more than ten percent of a class of the Company s registered equity securities to file with the Securities and Exchange Commission and deliver to the Company initial reports of ownership and reports of changes in ownership of such registered equity securities.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company s directors, executive officers and more than ten percent shareholders timely filed all reports due under Section 16(a) for the period from July 1, 2009 through June 30, 2010, except that Wendy DiCicco filed one late report, reporting one purchase of shares.

Shareholder Proposals

Proposals by shareholders intended for inclusion in the Company s proxy statement and form of proxy for the annual meeting of the Company expected to be held in November 2011 must be delivered to Robert D. German, Secretary of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056, by May 27, 2011. Rules under the Securities Exchange Act of 1934, as amended, describe the standards as to the submission of shareholder proposals. Additionally, the Board-appointed proxies will have discretionary authority to vote on any proposals by shareholders that are not intended to be included in the Company s proxy materials for the 2011 Annual Meeting, but are intended to be presented by the shareholder from the floor, if notice of the intent to make such proposal is received by Mr. German at the address above on or before August 7, 2011, after which time such proposals will be considered untimely.

OTHER MATTERS

The Company knows of no other matters to be presented for action at the meeting. However, if any other matters should properly come before the meeting it is intended that votes will be cast pursuant to the proxy in respect thereto in accordance with the best judgment of the persons acting as proxies.

FORM 10-K ANNUAL REPORT TO THE SECURITIES

AND EXCHANGE COMMISSION

A copy of the Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2010, as filed with the Securities and Exchange Commission, is being furnished with this proxy statement. A shareholder may obtain additional copies of the Form 10-K without charge and a copy of any exhibits thereto upon payment of a reasonable charge limited to the Company s costs of providing such exhibits by writing to Craig A. Creaturo, Chief Financial Officer and Treasurer of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056 or by calling (724) 352-4455. As noted previously, this Proxy Statement and the Annual Report to Shareholders has been posted on the Internet at www.proxyvote.com.

II-VI INCORPORATED

375 SAXONBURG BOULEVARD

SAXONBURG, PA 16056-9499

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by II-VI Incorporated in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to II-VI Incorporated, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M27021-P00919

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

II-VI INCORPORATED	**For All**	**Withhold All**	**For All Except**	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS NUMBERED 1 AND 2.				
Vote on Directors	¨	¨	¨	

1. **Election of Two Class Two Directors for a term to expire in 2013.**

   Nominees:
   01) Peter W. Sognefest
   02) Francis J. Kramer

Vote on Proposal	**For**	**Against**	**Abstain**
2. Ratification of the Audit Committee s selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2011.	¨	¨	¨

PLEASE MARK, SIGN, DATE AND RETURN IMMEDIATELY.

Important: Shareholders sign here exactly as name appears hereon.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Important Notice Regarding Internet Availability of Proxy Materials for the

Annual Meeting to be held on November 5, 2010:

The Notice and Proxy Statement and Annual Report to Shareholders are available at www.proxyvote.com.

Please date, sign and mail your

Proxy card back as soon as possible!

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II-VI INCORPORATED

Annual Meeting of Shareholders

November 5, 2010 1:30 PM Local Time

THIS PROXY IS SOLICITED ON BEHALF OF THE

BOARD OF DIRECTORS OF THE COMPANY

The undersigned hereby appoints Carl J. Johnson and Thomas E. Mistler or either of them, with power of substitution to each, as proxies to represent and to vote as designated on the reverse all of the shares of Common Stock held of record at the close of business on September 3, 2010 by the undersigned at the annual meeting of shareholders of II-VI Incorporated to be held at the offices of the Company, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania, 16056, on November 5, 2010, and at any adjournment thereof.

(PLEASE SIGN ON REVERSE SIDE AND RETURN PROMPTLY)