

Cambridge Display Technology, Inc.

Form DEF 14A

April 27, 2006

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.: N/A)

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Cambridge Display Technology, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Cambridge Display Technology, Inc.
c/o Cambridge Display Technology Limited
2020 Cambourne Business Park
Cambridge CB3 6DW, United Kingdom
+44 (0) 1954 713600

May 2, 2006

Dear Stockholder:

You are cordially invited to attend our 2006 Annual Meeting of Stockholders. The Annual Meeting will be held at 3:00 p.m., Eastern Daylight Time, on Wednesday, May 31, 2006, at the New York Marriott East Side Hotel (Astor Rooms I and II), 525 Lexington Avenue, New York, New York 10017.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. After reading the Proxy Statement, please promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card in the enclosed postage-prepaid envelope. **Your shares cannot be voted unless you submit your proxy or attend the Annual Meeting in person.**

The Board of Directors and management look forward to seeing you at the Annual Meeting.

Sincerely,

David Fyfe

Chief Executive Officer

Table of Contents

Cambridge Display Technology, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 31, 2006

To our Stockholders:

Cambridge Display Technology, Inc. will hold its Annual Meeting of Stockholders at 3:00 p.m., Eastern Daylight Time, on Wednesday, May 31, 2006, at the New York Marriott East Side Hotel (Astor Rooms I and II), 525 Lexington Avenue, New York, New York 10017.

We are holding the Annual Meeting:

to elect five directors to serve until the 2007 Annual Meeting or until their successors are duly elected and qualified;

to ratify the appointment of Ernst & Young LLP as our independent registered public accountants; and

to transact such other business as may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting.

Only stockholders of record at the close of business on April 13, 2006 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the Annual Meeting. For ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available at the Corporate Secretary's office, c/o Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge CB3 6DW, United Kingdom.

It is important that your shares are represented at the Annual Meeting. Even if you plan to attend the Annual Meeting, we hope that you will promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card. This will not limit your rights to attend or vote at the Annual Meeting.

By Order of our Board of Directors,

Stephen B. Chandler

Corporate Secretary

Cambridge, United Kingdom

May 2, 2006

Table of Contents

Table of Contents

	Page
<u>INFORMATION CONCERNING VOTING AND SOLICITATION</u>	1
<u>Appointment of Proxy Holders</u>	1
<u>Who Can Vote</u>	1
<u>How You Can Vote</u>	1
<u>Revocation of Proxies</u>	2
<u>Required Vote</u>	2
<u>Solicitation of Proxies</u>	2
<u>Important</u>	2
<u>PROPOSAL 1:</u>	3
<u>ELECTION OF DIRECTORS</u>	3
<u>Directors and Nominees</u>	3
<u>General</u>	3
<u>Business Experience of Nominees</u>	3
<u>Vote Required</u>	4
<u>Organization of Board</u>	4
Director Nominations	5
<u>Communications with Board</u>	6
Compensation of Directors	6
Compensation Committee Interlocks and Insider Participation	7
Executive Officers and Key Employees	7
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	8
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	9
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	10
<u>EXECUTIVE COMPENSATION</u>	11
Executive Compensation	11
Employment Agreements	12
Equity Compensation Plan Information	15
<u>REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION</u>	16
<u>REPORT OF THE AUDIT COMMITTEE</u>	19
<u>CDT STOCK PRICE PERFORMANCE</u>	20
<u>PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	21
<u>Principal Accounting Fees and Services</u>	21
<u>Audit Committee Pre-Approval Policies and Procedures</u>	22
<u>Vote Required</u>	22
<u>STOCKHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING</u>	23
<u>OTHER MATTERS</u>	24
Appendix A CAMBRIDGE DISPLAY TECHNOLOGY, INC. AUDIT COMMITTEE CHARTER	
Appendix B CAMBRIDGE DISPLAY TECHNOLOGY, INC. COMPENSATION COMMITTEE CHARTER	

Table of Contents

Cambridge Display Technology, Inc.

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

This Proxy Statement is being furnished to you in connection with the solicitation by the Board of Directors of Cambridge Display Technology, Inc., a Delaware corporation, or CDT, of proxies to be used at the 2006 Annual Meeting of Stockholders to be held at the New York Marriott East Side Hotel (Astor Rooms I and II), 525 Lexington Avenue, New York, New York 10017 at 3:00 p.m., Eastern Daylight Time, on Wednesday, May 31, 2006 and any adjournments or postponements thereof. This Proxy Statement and the accompanying form of proxy card are being mailed to stockholders on or about May 2, 2006. In this Proxy Statement, the terms we, us and our refer to CDT, unless the context otherwise requires.

Appointment of Proxy Holders

Our Board of Directors asks you to appoint David Fyfe and Stephen Chandler as your proxy holders to vote your shares at the 2006 Annual Meeting of Stockholders. You make this appointment by voting the enclosed proxy card using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by our Board of Directors.

Unless you otherwise indicate on the proxy card, you also authorize your proxy holders to vote your shares on any matters that were not known by our Board of Directors at the time this Proxy Statement was printed and, under our By-Laws, may be properly presented for action at the Annual Meeting.

Who Can Vote

Only stockholders who owned shares of our common stock at the close of business on April 13, 2006, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on the record date, we had 21,483,205 shares of our common stock outstanding and entitled to vote. Each holder of our common stock is entitled to one vote for each share held as of the record date. There is no cumulative voting in the election of directors.

How You Can Vote

You may vote your shares at the Annual Meeting either in person or by mail as described below. Stockholders holding shares through a bank or broker should follow the voting instructions on the form of proxy card received.

You may vote by dating, signing and returning your proxy card in the enclosed postage-prepaid return envelope. Voting by mail will not limit your right to vote at the Annual Meeting, if you decide to attend in person. Our Board of Directors recommends that you vote by mail, as it is not practical for most stockholders to attend the Annual Meeting. If you hold shares through a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Annual Meeting.

If you submit your proxy, but do not mark your voting preference, the proxy holders will vote your shares **FOR** the election of the nominees for director and **FOR** the ratification of the appointment of independent registered public accountants.

Table of Contents

Revocation of Proxies

Stockholders can revoke their proxies at any time in any of three ways before they are exercised:

by voting in person at the Annual Meeting (if your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting);

by submitting written notice of revocation to the Corporate Secretary prior to the Annual Meeting; or

by submitting another proxy of a later date prior to the Annual Meeting that is properly executed.

Required Vote

Directors are elected by a plurality vote, which means that the five nominees receiving the most affirmative votes will be elected. All other matters submitted for stockholder approval require the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote.

A quorum, which is one-third of the outstanding shares as of April 13, 2006, must be present to hold the Annual Meeting. A quorum is calculated based on the number of shares represented by the stockholders attending in person and by their proxy holders. If you indicate an abstention as your voting preference, your shares will be counted toward a quorum. Abstentions on any matters are treated as shares present or represented and entitled to vote on that matter and have the same effect as a vote against such matter.

If a broker indicates on the enclosed proxy card or its substitute that such broker does not have discretionary authority to vote on a particular matter (broker non-votes), those shares will be considered as present for purposes of determining the presence of a quorum but will not be treated as shares entitled to vote on that matter.

Solicitation of Proxies

CDT will pay the cost of printing and mailing proxy materials. In addition to the solicitation of proxies by mail, solicitation may be made by our directors, officers and other employees by personal interview, telephone or facsimile. No additional compensation will be paid to these persons for solicitation. We will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of our common stock.

Important

Please promptly vote and submit your proxy by signing, dating and returning the enclosed proxy card in the postage-prepaid return envelope so that your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting.

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

Directors and Nominees

Our By-Laws currently provide that the number of directors that shall constitute our entire Board of Directors shall be fixed from time to time by resolutions of our Board provided that such number shall not be less than three. We currently have authorized five directors. Therefore, at the Annual Meeting, five persons will be elected as members of our Board, each for a one-year term or until their successors are elected and qualified. The proxies given to the proxy holders will be voted or not voted as directed and, if no direction is given, will be voted FOR these five nominees. Our Board knows of no reason why any of these nominees should be unable or unwilling to serve. However, if for any reason any nominee should be unable or unwilling to serve, the proxies will be voted for any nominee designated by our Board to fill the vacancy.

General

Information with respect to each nominee to our Board of Directors is set forth below, including age, position (if any) with CDT, business experience during at least the past five years and directorships of other publicly owned corporations. Ages are as of April 15, 2006.

Name	Age	Position
Dr. David Fyfe	62	Chairman and Chief Executive Officer
Dr. Malcolm J. Thompson	60	Director
Frank K. Bynum, Jr.	43	Director
Joseph Carr	48	Director
James V. Sandry	43	Director

Business Experience of Nominees

Dr. David Fyfe has served as the Chairman of our Board and our Chief Executive Officer since September 2000. From 1996 to 1999, Dr. Fyfe was Chief Executive Officer of Harris Specialty Chemicals. Harris Specialty Chemicals was until March 1999 a privately held manufacturer and seller of construction products, operating principally in the United States and Western Europe. It sold products such as sealants, architectural coatings and expansion joints to construction distributors and contractors. Harris Specialty Chemicals was sold in 1999 to SKW GmbH of Germany, owned by E.ON AG, which became part of Degussa Construction Chemicals and which in turn, has recently been acquired by BASF. Between 1999 and August 2000, Dr. Fyfe worked as an independent business consultant.

Dr. Malcolm J. Thompson has served as a member of our Board since November 2005. Dr. Thompson is currently serving as President of M.J.T Associates. Most recently he was until 2005 Chief Executive Officer of Vitex Systems, Inc., a company developing transparent barrier films for use in flat panel displays (FPD). He is also Chairman of the board of directors of Photon Dynamics, Inc., a company that provides products in test, repair and inspection throughout FPD array, cell and module fabs to provide true yield management in FPD manufacturing lines. Previously Dr. Thompson was the Chief Executive Officer and President of each of Novalux, Inc. and dpiX and Chief Technologist at the Palo Alto Research Center (PARC), a subsidiary of Xerox Corporation.

Frank K. Bynum, Jr. has served as a member of our Board since 1999. Mr. Bynum is a Managing Director at Kelso & Company, a private equity firm, having joined Kelso in 1987. In addition, Mr. Bynum is a director of Custom Building Products, Inc., Endurance Business Media, Inc. and FairPoint Communications, Inc.

Table of Contents

Joseph Carr has served as a member of our Board since March 2005. Mr. Carr was responsible for the Electronic Materials business of Dow Chemical from 1996 to 2001 when he was appointed Vice President at Osram Opto Semiconductors with global responsibility for Osram's manufacture of Organic Light Emitting Diode (OLED) displays until March 2004. Since then he has been consulting at a strategic level for senior management clients in various high technology industries including electronics, consumer electronics and electronic materials.

James V. Sandry has served as a member of our Board since November 2004. From April 1996 to June 1999, Mr. Sandry was Chief Financial Officer and, subsequently, Executive Vice President Finance of iXL Enterprises, an internet consulting company in which Kelso held a controlling interest. From January 2000 to November 2000, Mr. Sandry was the Chief Financial Officer of Online Insight Inc., a software development company. From November 2000 to May 2001, Mr. Sandry was the Chief Financial Officer of VCG, Inc., a software development company. From October 2001 to April 2002, Mr. Sandry was the Chief Financial Officer of Ted's Montana Grill, a restaurant company. Since November 2002, Mr. Sandry has been the Chief Executive Officer of JVS Industries LLC, a privately held furniture rental company and a franchisee of Aaron Rents.

There are no family relationships among any of our directors or executive officers.

Vote Required

The five nominees for directors receiving the highest number of affirmative votes will be elected as directors. Unless marked to the contrary, proxies received will be voted FOR the nominees.

Our Board of Directors recommends a vote FOR the election of the nominees set forth above as directors of CDT.

Organization of Board

Our Board of Directors held 12 meetings during the fiscal year ended December 31, 2005 and each director, during the time that he was a director, attended at least 75% of the total regularly scheduled and special meetings of our Board and the committees on which he served. The rules and regulations of the National Association of Securities Dealers, or the NASD, the Nasdaq Stock Market, or Nasdaq, and the Securities and Exchange Commission, or the SEC, require that a majority of our Board must be composed of members who meet the independence standards specified in these rules and regulations. As a result of the appointment of Dr. Thompson to our Board in November 2005 and the resignation of Mr. Berney at the same time, we have strengthened the strategic and governance aspects of the work of our Board and are currently in compliance with these independence standards. The independent directors meet in regularly scheduled executive sessions at in-person meetings of our Board without the participation of the Chairman and Chief Executive Officer or other members of management. All directors are encouraged to attend the Annual Meeting and, in 2005, three out of the four directors continuing in office attended the 2005 Annual Meeting of Stockholders.

Our Board has established an Audit Committee, in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, and a Compensation Committee. Following the resignation of Mr. Bynum from the Audit Committee and the appointment of Dr. Thompson, the Audit Committee consists entirely of independent directors. Our Board has determined that Mr. Sandry is an audit committee financial expert under the rules and regulations of the SEC. As a result of the appointment of Dr. Thompson to each of the committees in November 2005 and the resignations of Messrs. Berney and Bynum from those committees at the same time, we believe that all of the members of each of the Audit Committee and the Compensation Committee meet the independence standards of the NASD and Nasdaq and the rules and regulations of the SEC. Our Board has approved a charter for each of these committees, which can be found on our website at www.cdltld.co.uk under the Investors Corporate Governance heading and are attached to this Proxy Statement as Appendices A and B.

Table of Contents

Audit Committee

Number of Members: 3

Members: Joseph Carr

James V. Sandry, Chairman and Financial Expert

Dr. Malcolm J. Thompson

Number of meetings in 2005: 12

Functions: The Audit Committee has responsibility for, among other things, selecting our independent auditors, reviewing and approving the scope of the independent auditors' audit activity and extent of non-audit services, reviewing with management and the independent accountants the adequacy of our basic accounting systems and the effectiveness of our internal controls, reviewing with management and the independent accountants our financial statements and exercising general oversight of our financial reporting process, and reviewing litigation and other legal matters that may affect our financial condition and monitoring compliance with our business ethics and other policies.

Compensation Committee

Number of Members: 3

Members: Joseph Carr, Chairman

James V. Sandry

Dr. Malcolm J. Thompson

Number of meetings in 2005: 7

Functions: The Compensation Committee reviews all compensation arrangements for executive officers.

Director Nominations

Our Board of Directors has not established a standing committee to nominate candidates for election as directors. Instead, our independent directors recommend, and our Board selects, the candidates that will be nominated to stand for election as directors at our annual meetings of stockholders and to fill vacancies in our Board as they arise. Our Board believes that this process is appropriate given the relatively small size of our Board and because each independent director already serves on both the Audit Committee and the Compensation Committee of our Board.

Our Board of Directors has as an objective that its membership be comprised of individuals who have distinguished records of leadership and success in their arena of activity and who will make substantial contributions to our Board's operations. The independent directors' assessment of candidates for membership on our Board includes, but is not limited to, consideration of:

business experience;

financial literacy;

the current composition of our Board;

the balance of management and non-management directors;

the need for particular financial expertise, including with respect to service on the audit committee and qualification as an audit committee financial expert as that term is defined under Item 401(h) of Regulation S-K under the Securities Act of 1933;

the need for particular technical or strategic expertise; and

the evaluation of other prospective nominees.

Table of Contents

In addition, our procedures for nominating directors contain provisions that address the process by which a stockholder may nominate an individual to stand for election to our Board of Directors at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must do so in writing to our Corporate Secretary. This written submission must be delivered to us not fewer than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting and in any event at least 45 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders, provided that if the date of the annual meeting is advanced by more than 30 days or delayed by more than 70 days from such anniversary date of the preceding year's annual meeting, the written submission to be timely must be so delivered not earlier than 120 days prior to the annual meeting and not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of the annual meeting is first made. Information required by these procedures to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations thereunder.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our these procedures and must be addressed to:

Corporate Secretary

Cambridge Display Technology, Inc.

c/o Cambridge Display Technology Limited

2020 Cambourne Business Park, Cambridge CB3 6DW

United Kingdom.

Our procedures for director nominations are available on our website at www.cdltld.co.uk under the Investors Corporate Governance heading.

Communications with Board

Our Board of Directors has a process for stockholders to send communications to directors. If you wish to communicate with our Board, you may send your communication in writing to: Stephen Chandler, Corporate Secretary, Cambridge Display Technology, Inc., c/o Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge CB3 6DW, United Kingdom. You must include your name and address in the written communication and indicate whether or not you are a stockholder of CDT. Stephen Chandler will review any communication received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or committee of the Board based on the subject matter.

Compensation of Directors

We reimburse directors for expenses incurred in attending meetings of our Board of Directors and committees thereof. Each of our non-executive directors also receives an annual fee of \$50,000 for serving as a director and an additional fee of \$3,000 for each day in which the director participates in meetings of our Board or any committee thereof. Each non-executive director also receives an annual fee of \$10,000 for each committee of our Board on which such non-executive director serves, and the chairperson of the Audit Committee receives an annual fee of up to \$25,000 for serving this role.

On March 3, 2005, we granted to Messrs. Carr and Sandry options with respect to 15,000 and 10,000, respectively, shares of our common stock under our 2004 Stock Incentive Plan. These options will vest in three equal annual installments, beginning on the first anniversary of their grant dates.

In addition, on November 29, 2005, we granted to Dr. Thompson options with respect to 15,000 shares of our common stock under our 2004 Stock Incentive Plan. These options will vest in three equal annual installments, beginning on the first anniversary of their grant dates.

Table of Contents

Compensation Committee Interlocks and Insider Participation

No member of our Board of Directors serves as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our Board or the Compensation Committee thereof.

Executive Officers and Key Employees

Our executive officers and key employees are set forth below, with ages as of April 15, 2006.

Name	Age	Position
Dr. David Fyfe	62	Chairman and Chief Executive Officer
Daniel Abrams	50	Chief Financial Officer
Dr. Jeremy Burroughes	45	Chief Technical Officer
Dr. SB Cha	41	Vice President, Commercial
Dr. Scott Brown	43	Vice President, Research
Stephen Chandler	50	Vice President, Legal & Intellectual Property
Emma Jones	38	Vice President, Human Resources and Facilities

Set forth below is information concerning the business experience of those of our executive officers and key employees who are not also directors:

Executive officers

Daniel Abrams has served as our Chief Financial Officer since September 2005. Mr Abrams was previously Financial Director of Xenova Group plc, a post he held from 1997 to 2005. Previously Mr Abrams was Vice President, Finance for the Asia and Africa Division at PepsiCo Inc. and prior to that he was Group Head of Corporate Finance and Strategy at Diageo plc where he was directly involved in more than 50 acquisitions.

Dr. Jeremy Burroughes has served as our Chief Technical Officer since November 2001 and was one of the three original inventors of P-OLED technology. Dr. Burroughes joined us in 1997 to manage the new research group and held the positions of Technical Director from June 1998 to November 2000 and Product Business Unit Director from November 2000 to November 2001.

Dr. SB Cha has served as our Vice President, Commercial since July 2002. Between 1998 and 2002, Dr. Cha was employed in the components division of Royal Philips Electronics, where he was Vice President of Strategic Marketing and Business Development from 1999 to 2002 and Vice President of Customer Development, North America Region from 1998 to 1999.

Dr. Scott Brown has served as our Vice President, Research since May 2002. Prior to joining us, Dr. Brown held a variety of management positions within the Research & Development division at Dow Corning between 1987 and 2002, ultimately serving as Global R&D Director of the electronics business. Dr. Brown has, since September 2005, been seconded to Sumation, CDT's 50/50 joint venture with Sumitomo Chemical of Japan, as its Executive Vice President.

Stephen Chandler has served as our Vice President, Legal & Intellectual Property since May 2003, responsible for all legal and intellectual property matters, and for developing our intellectual property strategy. Prior to joining us, Mr. Chandler was a partner at the law firm Pinsent Curtis Biddle between 1986 and 2003.

Key employee

Emma Jones has served as our Vice President, Human Resources and Facilities since 2001. Prior to joining us, Ms. Jones was head of Human Resources at Amgen Limited, where she was responsible for the management of the Human Resources function for the UK subsidiary of Amgen Inc., a United States bio-pharmaceutical company.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as of April 13, 2006, the record date for the Annual Meeting, as to shares of our common stock beneficially owned by:

each person who is known by us to own beneficially more than 5% of our common stock;

each of our executive officers listed in the Summary Compensation Table;

each of our directors; and

all our directors and executive officers as a group.

Unless otherwise stated below, the address of each beneficial owner listed on the table is c/o Cambridge Display Technology Limited, 2020 Cambourne Business Park, Cambridge, CB3 6DW, United Kingdom.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock that they beneficially own, subject to applicable community property laws.

The percentage of our common stock beneficially owned is based on 21,483,205 shares outstanding as of the record date. In computing the number of shares of our common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of our common stock subject to options held by that person that are currently exercisable or exercisable within 60 days after the record date. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or of the directors and officers as a group.

Name and Address of Beneficial Owner	Number of Shares of Common Stock	
	Beneficially Owned	Percentage of Common Stock Beneficially Owned
Kelso Investment Associates VI, L.P. (1)(2)	8,657,833	40.3%
KEP VI, LLC (1)(2)	8,657,833	40.3%
Frank T. Nickell (1)	(3)	(3)
Thomas R. Wall, IV (1)	(3)	(3)
George E. Matelich (1)	(3)	(3)
Michael B. Goldberg (1)	(3)	(3)
David I. Wahrhaftig (1)	(3)	(3)
Frank K. Bynum, Jr. (1)(4)	(3)	(3)
Philip E. Berney (1)	(3)	(3)
Frank J. Loverro (1)	(3)	(3)
James J. Connors II (1)	(3)	(3)
Hillman CDT LLC (5)(6)	4,235,978	19.7%
Hillman CDT 2000 LLC (5)(6)	4,235,978	19.7%
Gerald Paul Hillman (5)	(7)	(7)

Edgar Filing: Cambridge Display Technology, Inc. - Form DEF 14A

James V. Sandry (8)	5,000	*
Joseph Carr (9)	5,000	*
Malcolm J. Thompson		*
David Fyfe		*
Daniel Abrams		*
Jeremy Burroughes		*
SB Cha		*
Scott Brown		*
Stephen Chandler		*
All directors and executive officers as a group (10 persons) (10)	8,667,833	40.3%

Table of Contents

- * Less than 1%
- (1) Based on information contained in Schedule 13G, as filed on February 14, 2005, as amended by Schedule 13G/A, as filed on May 2, 2005. The business address for these persons is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.
 - (2) The shares owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC represent the combined share ownership of Kelso Investment Associates VI, L.P. and KEP VI, LLC. Kelso Investment Associates VI, L.P. and KEP VI, LLC, due to their common control, could be deemed to beneficially own each of the other's shares, but disclaim such beneficial ownership.
 - (3) Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors may be deemed to share beneficial ownership of shares owned of record by Kelso Investment Associates VI, L.P. and KEP VI, LLC, by virtue of their status as managing members of KEP VI, LLC and the general partner of Kelso Investment Associates VI, L.P. Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors share investment and voting power with respect to the shares owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC, but disclaim beneficial ownership of such shares.
 - (4) Mr. Bynum is currently a director and has been nominated for re-election to our Board, as described under Proposal One: Election of Directors above.
 - (5) Based on information contained in Schedule 13G, as filed on February 14, 2005. The business address for these persons is c/o Hillman Capital Corporation, 900 Third Avenue, 5th Floor, New York, New York 10022.
 - (6) The shares owned by Hillman CDT LLC (Hillman CDT) and Hillman CDT 2000 LLC (Hillman CDT 2000) represent the combined share ownership of Hillman CDT and Hillman CDT 2000. Hillman CDT and Hillman CDT 2000, due to their common control, could be deemed to beneficially own each of the other's shares, but disclaim such beneficial ownership.
 - (7) Hillman Capital Management LLC (Hillman Capital LLC) is the sole managing member of Hillman CDT and has the power to direct Hillman CDT as to the voting and disposition of shares held by Hillman CDT. Hillman Capital Corporation is the sole managing member of Hillman Capital LLC, and has the sole voting and dispositive power of Hillman Capital LLC with respect to the shares owned by Hillman CDT. Mr. Hillman is the sole stockholder of Hillman Capital Corporation and has the sole voting and dispositive power of Hillman Capital Corporation with respect to the shares owned by Hillman CDT. Mr. Hillman expressly disclaims beneficial ownership of the shares owned by Hillman CDT. Hillman Capital Management 2000 LLC (Hillman Capital 2000 LLC) is the sole managing member of Hillman CDT 2000 and has the power to direct Hillman CDT 2000 as to the voting and disposition of shares held by Hillman CDT 2000. Hillman Capital Corporation is the sole managing member of Hillman Capital 2000 LLC, and has the sole voting and dispositive power of Hillman Capital 2000 LLC with respect to the shares owned by Hillman CDT 2000. Mr. Hillman is the sole stockholder of Hillman Capital Corporation and has the sole voting and dispositive power of Hillman Capital Corporation with respect to the shares owned by Hillman CDT 2000. Mr. Hillman expressly disclaims beneficial ownership of the shares owned by Hillman CDT 2000.
 - (8) Consists of shares issuable to Mr. Sandry upon exercise of options exercisable within 60 days.
 - (9) Consists of shares issuable to Mr. Carr upon exercise of options exercisable within 60 days.
 - (10) Includes shares held by Kelso Investment Associates VI, L.P. and KEP VI, LLC that may be deemed to be beneficially owned by Mr. Bynum.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than 10% stockholders are required to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received and written representations from certain reporting persons that they filed all required reports, we believe that all of our officers, directors and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them with respect to transactions during fiscal year 2005.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Consulting Agreements

Affiliates of Kelso and affiliates of Hillman Capital own, respectively, approximately 40% and 20% of our outstanding common stock. Each of Kelso and Hillman Capital is party to a separate consulting agreement with us pursuant to which they agree to provide such specific consulting services as we may request and we agree to indemnify them from and against any claims, losses and expenses they may incur in connection with their investment in us or their provision of services to us under these agreements or their being a controlling person of us, except as may be finally judicially determined to result from gross negligence or intentional misconduct on their part. Under the terms of each of these agreements, if Kelso or Hillman Capital provides consulting services specifically requested by us outside of the ordinary course of our business, we and Kelso or Hillman Capital, as applicable, will negotiate a mutually acceptable advisory fee. The term of our consulting agreements with Kelso and Hillman Capital ends on the date on which, respectively, Kelso (and its affiliates) and Hillman Capital (and its affiliates) cease to own any shares of our common stock. In connection with these agreements, Kelso and Hillman Capital may receive consulting fees from us and are entitled to receive reimbursement of certain out-of-pocket fees and expenses incurred in connection with their investments in us. No such consulting fees have been paid to Kelso or Hillman Capital. We paid Kelso expense reimbursements in the aggregate of \$67,420, \$20,200 and \$7,943 respectively, for 2003, 2004 and 2005. We paid Hillman Capital expense reimbursements in the aggregate of \$34,322 for 2003. We did not pay Hillman Capital any expense reimbursements in 2004 or 2005.

Registration Rights

Affiliates of Kelso and Hillman Capital are parties to a registration rights agreement with us that provides them certain demand and incidental registration rights. Various members of management who hold options exercisable for our common stock, including each of our executive officers, will be joined as parties to the registration rights agreement upon exercise of such holder's options pursuant to which they will have certain incidental registration rights.

Director Fees and Relationships

Mr. Carr, Dr. Thompson and Mr. Sandry were paid directors fees in 2005.

Table of Contents**EXECUTIVE COMPENSATION****Executive Compensation**

The following table sets forth the compensation earned by our Chief Executive Officer and each of our other four most highly compensated executive officers (each, a named executive officer) for the last fiscal year.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Securities		All Other Compensation (\$)(7)
		Salary (\$)(2)	Bonus (\$)(3)	Other Annual Compensation (\$)(4)	Restricted Stock Award(s) (\$)(5)	Underlying Options/SARs (#)(6)	
David Fye (1)							
Chief Executive Officer	2005	442,050	198,450	492,670			21,000
	2004	428,114	192,544	280,984	5,040,000		49,775
Scott Brown (1)							
Vice-President, Research	2005	282,986	102,739	265,415			14,149
	2004	266,022	97,253		1,728,000	2,341	13,301
Jeremy Burroughes (1)							
Chief Technical Officer	2005	271,938	90,453				13,597
	2004	248,976	81,890		1,728,000		12,449
Stephen Chandler (1)							