MATERION Corp
Form DEF 14A
March 25, 2011

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

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by**
Rule 14a-6(e)(2)) þ Definitive Proxy Statement o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

MATERION CORPORATION

(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):

þ No fee required.

o 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:

o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Materion Corporation
(formerly Brush Engineered Materials Inc.)
6070 Parkland Blvd.
Mayfield Heights, Ohio 44124

Notice of Annual Meeting of Shareholders

The annual meeting of shareholders of Materion Corporation will be held at Executive Caterers at Landerhaven, 6111 Landerhaven Dr., Mayfield Heights, Ohio 44124 on May 4, 2011 at 11:00 a.m., local time, for the following purposes:

(1) To elect three directors, each to serve for a term of three years and until a successor is elected and qualified;

(2) To amend and restate the Materion Corporation 2006 Stock Incentive Plan;

(3) To amend and restate the Materion Corporation 2006 Non-employee Director Equity Plan;

(4) To ratify Ernst & Young LLP as the independent registered public accounting firm for Materion Corporation for the year 2011;

(5) To approve, by non-binding vote, named executive officer compensation;

(6) To recommend, by non-binding vote, the frequency of named executive officer compensation votes; and

(7) To transact any other business that may properly come before the meeting.

Shareholders of record as of the close of business on March 10, 2011 are entitled to notice of the meeting and to vote at the meeting or any adjournment or postponement of the meeting.

Michael C. Hasychak
Secretary

March 25, 2011

Important your proxy is enclosed.

Please sign, date and return your proxy in the accompanying envelope.

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MATERION CORPORATION
6070 Parkland Blvd.
Mayfield Heights, Ohio 44124

PROXY STATEMENT
March 25, 2011

GENERAL INFORMATION

Your Board of Directors is furnishing this proxy statement to you in connection with our solicitation of proxies to be used at our annual meeting of shareholders to be held on May 4, 2011. The proxy statement is being mailed to shareholders on March 25, 2011.

Registered Holders. If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so by telephone, over the Internet or by mail.

By telephone. After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number 1-800-560-1965, using a touch-tone telephone. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

Over the Internet. After reading the proxy materials and with your proxy card in front of you, you may access the web site at http://www.eproxy.com/mtrn. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

By mail. After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly. Without affecting any vote previously taken, you may revoke your proxy by delivery to us of a new, later dated proxy with respect to the same shares, or giving written notice to us before or at the annual meeting. Your presence at the annual meeting will not, in and of itself, revoke your proxy.

Participants in the Savings and Investment Plan and/or the Payroll Stock Ownership Plan (PAYSOP). If you participate in the Savings and Investment Plan and/or the PAYSOP, the independent Trustee for each plan, Fidelity Management Trust Company, will vote your plan shares according to your voting directions. You may give your voting directions to the plan Trustee in any one of the three ways set forth above. If you do not return your proxy card or do not vote over the Internet or by telephone, the Trustee will not vote your plan shares. Each participant who gives the Trustee voting directions acts as a named fiduciary for the applicable plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Nominee Shares. If your shares are held by a bank, broker, trustee or some other nominee, that entity will give you separate voting instructions.

At the close of business on March 10, 2011, the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting, we had outstanding and entitled to vote 20,643,536 shares of common stock.

Each outstanding share of common stock entitles its holder to one vote on each matter brought before the meeting. Under Ohio law, shareholders have cumulative voting rights in the election of directors, provided that the shareholder gives not less than 48 hours notice in writing to the President, any Vice President or the Secretary of Materion Corporation that the shareholder desires that voting at the election be cumulative, and provided further that an announcement is made upon the convening of the meeting informing shareholders that notice requesting cumulative voting has been given by the shareholder. When cumulative voting applies, each share has a number of votes equal to the number of directors to be elected, and a shareholder may give all of

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the shareholder s votes to one nominee or divide the shareholder s votes among as many nominees as he or she sees fit. Unless contrary instructions are received on proxies given to us, in the event that cumulative voting applies, all votes represented by the proxies will be divided evenly among the candidates nominated by the Board of Directors, except that if voting in this manner would not be effective to elect all the nominees, the votes will be cumulated at the discretion of the Board of Directors so as to maximize the number of the Board of Directors nominees elected.

In addition to the solicitation of proxies by the use of the mails, we may solicit the return of proxies in person and by telephone, facsimile or e-mail. We will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of shares and will reimburse them for their expenses. We will bear the cost of the solicitation of proxies. We retained Georgeson, Inc., at an estimated cost of $17,500 plus reimbursement of expenses, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals.

At the annual meeting, the inspectors of election appointed for the meeting will tabulate the results of shareholder voting. Under Ohio law, our articles of incorporation and our code of regulations provide that, properly signed proxies that are marked abstain or are held in street name by brokers and not voted on one or more of the items before the meeting will, if otherwise voted on at least one item, be counted for purposes of determining whether a quorum has been achieved at the annual meeting. Votes withheld in respect of the election of directors will not be counted in determining the election of directors. Abstentions and broker non-votes will not affect the vote on Proposals 4, 5 and 6. For purposes of the shareholder approval requirements of the New York Stock Exchange, because abstentions are deemed to be votes cast, abstentions will have the effect of votes against Proposals 2 and 3, and broker non-votes could adversely impact the vote on such proposals because the total votes cast on each such proposal must represent at least a majority of our voting power.

If you sign, date and return your proxy card but do not specify how you want to vote your shares, your shares will be voted as indicated on the proxy card.

1. ELECTION OF DIRECTORS

Our articles of incorporation and code of regulations provide for three classes of directors whose terms expire in different years. At the present time, it is intended that proxies will be voted for the election of Joseph P. Keithley, N. Mohan Reddy and Craig S. Shular.

Your Board of Directors recommends a vote for these nominees.

Albert C. Bersticker and William G. Pryor, who are current directors in the class of directors whose term expires at the annual meeting, will not stand for re-election at the annual meeting pursuant to the Retirement Policy contained in our Policy Statement on Significant Corporate Governance Issues. Craig S. Shular and Joseph P. Keithley, who were members in the class of directors whose term was to expire at the 2012 annual meeting of shareholders and the 2013 annual meeting of shareholders, respectively, were elected by the Board of Directors as members of the class of directors whose term expires at the annual meeting.

If any of these nominees becomes unavailable, it is intended that the proxies will be voted as the Board of Directors determines. We have no reason to believe that any of the nominees will be unavailable. The three nominees receiving the greatest number of votes for their election will be elected as directors of Materion Corporation.

The following sets forth information concerning the nominees and the directors whose terms of office will continue after the meeting:

Directors Whose Terms End in 2011

Joseph P. Keithley, Former Chairman, Chief Executive Officer and President, Keithley Instruments, Inc. (Electronic test and measurement products). Mr. Keithley had been Chairman of the Board of Keithley Instruments, Inc. since 1991 and a member of its Board of Directors since 1986 until December 2010, when Keithley Instruments, Inc. was purchased by Danaher Corporation. He had served as Chief Executive Officer of Keithley Instruments, Inc. since November 1993 and as its President since May 1994. He has also served on the Board of Directors of Nordson Corporation since 2001 and Chairman of that board since February 2010. Mr. Keithley is 62 years old and has been a director of Materion Corporation since 1997. Mr. Keithley brings an extensive, broad-based business background from his leadership roles at Keithley Instruments, Inc. to his role on our Board of Directors. Among other things, Mr. Keithley draws upon his extensive knowledge in the global semiconductor, fiber optics, telecommunications and electronics industries garnered while at Keithley Instruments, Inc.

N. Mohan Reddy, Ph.D., Dean and Albert J. Weatherhead III Professor of Management, Weatherhead School of Management, Case Western Reserve University. Dr. Reddy was appointed Dean of the Weatherhead School of Management, Case Western Reserve University in December 2006 and was named Albert J. Weatherhead III Professor of Management, effective January 2007. Prior to that, Dr. Reddy had been Associate Professor of Marketing since 1991 and Keithley Professor of Technology Management from 1996 to 2006 at the Weatherhead School of Management, Case Western Reserve University. Dr. Reddy had served on the Board of Directors of Keithley Instruments, Inc. from 2001 until December 2010. In February 2011, Dr. Reddy was appointed to the Board of Directors of Lubrizol Corporation. Dr. Reddy also serves as consultant to firms in the electronics and semiconductor industries, primarily in the areas of product and market development. Dr. Reddy is 57 years old and has been a director of Materion Corporation since 2000. Dr. Reddy s knowledge of industrial marketing, technology development and extensive global knowledge in the electronics and semiconductor industries provides valuable insight to our Board of Directors.

Craig S. Shular, Chairman, Chief Executive Officer and President, GrafTech International Ltd. (Electrical industrial apparatus). Mr. Shular was elected Chairman of the Board of GrafTech International in February 2007. He has served as Chief Executive Officer and a director since January 2003 and as President since May 2002. From August 2001 until May 2002, he served as Executive Vice President of GrafTech s largest business, Graphite Electrodes. Mr. Shular joined GrafTech as its Vice President and Chief Financial Officer in January 1999 and assumed the additional duties of Executive Vice President, Electrode Sales and Marketing in February 2000 until August 2001. Mr. Shular serves on the Board of Directors of Junior Achievement of Greater Cleveland. Mr. Shular is 58 years old and has been a director of Materion Corporation since 2008. As the

Chairman, Chief Executive Officer and President and former Chief Financial Officer of Graftech International Ltd., Mr. Shular brings a breadth of financial and operational management experience and provides the Board with a perspective of someone with all facets of a global enterprise.

Directors Whose Terms End in 2012

Richard J. Hipple, Chairman, President and Chief Executive Officer, Materion Corporation. In May 2006, Mr. Hipple was named Chairman of the Board and Chief Executive Officer of Materion Corporation. He has served as President since May 2005 and as Chief Operating Officer from May 2005 until May 2006. Mr. Hipple was President of Alloy Products from May 2002 until May 2005. He joined the Company in July 2001 as Vice President of Strip Products and served in that position until May 2002. Prior to joining Materion Corporation, Mr. Hipple was President of LTV Steel Company, a business unit of The LTV Corporation, an integrated steel producer and metal fabricator. Mr. Hipple has served on the Board of Directors of Ferro Corporation since June 2007 and as Lead Director since April 2010. Mr. Hipple is 58 years old. Mr. Hipple s broad experience and deep understanding of the Company and the materials business, combined with his drive for innovation and excellence, positions him well to serve as our Chairman, President and Chief Executive Officer.

William B. Lawrence, Former Executive Vice President, General Counsel and Secretary, TRW, Inc. (Advanced technology products and services). Prior to the sale of TRW, Inc. to Northrop Grumman Corporation in December 2002, Mr. Lawrence served as TRW s Executive Vice President, General Counsel and Secretary since 1997 and held various other executive positions at TRW since 1976. Mr. Lawrence has also served on the Board of Directors of Ferro Corporation since 1999. Mr. Lawrence is 66 years old and has been a director of Materion Corporation since 2003. Mr. Lawrence s background as an Executive Vice President, General Counsel and Secretary of TRW, Inc. and as a director at Ferro Corporation provides him with the knowledge and experience to address the complex legislative, governance and financial issues facing global companies today.

William P. Madar, Retired Chairman of the Board and Former Chief Executive Officer, Nordson Corporation (Industrial application equipment manufacturer). Mr. Madar retired as Chairman of the Board of Nordson Corporation effective March 2004. He had been Chairman since 1997. Prior to that time, he served as Vice Chairman of Nordson Corporation from August 1996 until October 1997 and as Chief Executive Officer from February 1986 until October 1997. From February 1986 until August 1996, he also served as Nordson Corporation s President. Mr. Madar has also served on the Board of Directors of Nordson Corporation since 1985. Mr. Madar is 71 years old and has been a director of Materion Corporation since 1988. Through his roles at Nordson Corporation as Chairman and Chief Executive Officer, Mr. Madar has demonstrated leadership capability and extensive knowledge of complex financial and operational issues facing large global organizations.

Directors Whose Terms End in 2013

Vinod M. Khilnani, Chairman, Chief Executive Officer and President, CTS Corporation (Electronic components and accessories). Mr. Khilnani was appointed Chairman of CTS in May 2009. He has served as President and Chief Executive Officer of CTS Corporation since July 2007. Prior to that time, he served as Senior Vice President and Chief Financial Officer since May 2001. Mr. Khilnani is 58 years old and has been a director of Materion Corporation since 2009. As the Chairman, Chief Executive Officer and President of CTS Corporation and its former Chief Financial Officer, Mr. Khilnani offers a wealth of management experience and business knowledge regarding operational, financial and corporate governance issues, as well as extensive international experience with CTS global operations.

William R. Robertson, Retired Partner, Kirtland Capital Partners (Private equity investments). Mr. Robertson retired as Partner of Kirtland Capital Partners in December 2006. Prior to his retirement, he was a Consulting Partner since

August 2005 and from September 1997 through August 2005, he was a Managing Partner of Kirtland Capital. He was President and a director of National City Corporation (Diversified financial holding company) from October 1995 until July 1997. He also served as Deputy Chairman and a director from August 1988 until October 1995.
Mr. Robertson has served on Huntington Bancshares Inc. s Board of Directors since September 2009. Mr. Robertson is also a member of the Board of

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Managers of the Prentiss Foundation, an emeritus member of the Board of Trustees of the Cleveland Museum of Art and serves as a director of Hartland & Co. Mr. Robertson is 69 years old and has been a director of Materion Corporation since 1997. With his background and expertise in private equity and banking, Mr. Robertson brings a unique and valuable perspective on the capital markets and acquisitions to our Board of Directors.

John Sherwin, Jr., President, Mid-Continent Ventures, Inc. (Venture capital company). Mr. Sherwin has been President of Mid-Continent Ventures, Inc. during the past five years. Mr. Sherwin is a director of John Carroll University, an executive in residence at Lakeland Community College and a trustee of The Cleveland Clinic Foundation. Mr. Sherwin is 72 years old and has been a director of Materion Corporation since 1981 and the Lead Director since 2005. Mr. Sherwin brings extensive business and governance experience to our Board of Directors, including a deep understanding of the Company gained in his 30 years of service on the Board of Directors, positioning him well to serve as our Lead Director.

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CORPORATE GOVERNANCE; COMMITTEES OF THE BOARD OF DIRECTORS

We have adopted a Policy Statement on Significant Corporate Governance Issues and a Code of Conduct Policy in compliance with New York Stock Exchange and Securities and Exchange Commission requirements. These materials, along with the charters of the Audit, Compensation and Governance and Organization Committees of our Board of Directors, which also comply with applicable requirements, are available on our web site at www.materion.com, or upon request by any shareholder to Secretary, Materion Corporation, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. We also make our reports on Forms 10-K, 10-Q and 8-K available on our web site, free of charge, as soon as reasonably practicable after these reports are filed with the Securities and Exchange Commission. Any amendments or waivers to our Code of Conduct Policy, Committee Charters and Policy Statement on Significant Corporate Governance Issues will also be made available on our web site. The information on our web site is not incorporated by reference into this proxy statement or any of our periodic reports.

Director Independence

The New York Stock Exchange listing standards require that all listed companies have a majority of independent directors. For a director to be independent under the New York Stock Exchange listing standards, the board of directors of a listed company must affirmatively determine that the director has no material relationship with the Company, or its subsidiaries or affiliates, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company, or its subsidiaries or affiliates. Our Board of Directors has adopted the following standards, which are identical to those of the New York Stock Exchange listing standards, to assist it in its determination of director independence. A director will be determined *not* to be independent under the following circumstances:

- the director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company;

- the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

- (a) the director is a current partner or employee of a firm that is the Company s internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on the Company s audit; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company s audit within that time;

- the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee; or

- the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000, or two percent of such other company s consolidated gross revenues.

Additionally, for purposes of determining whether a director has a material relationship with the Company apart from his or her service as a director, our Board of Directors has deemed the following relationships as categorically immaterial:

the director (or an immediate family member) is a current employee, director or trustee of a tax-exempt organization and the Company s contributions to the organization (excluding Company matching of employee contributions) in any fiscal year are less than $120,000; or

- the director is a director of a company that has made payments to, or received payments or deposits from, the Company for property, goods or services in the ordinary course of business in an amount which, in any fiscal year, is less than the greater of $1,000,000, or two percent of such other company s consolidated gross revenues.

Our Board of Directors has affirmatively determined that each of our directors, other than Mr. Hipple, is independent within the meaning of that term as defined in the New York Stock Exchange listing standards; a non-employee director within the meaning of that term as defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934 (Exchange Act); and an outside director within the meaning of that term as defined in the regulations promulgated under section 162(m) of the Internal Revenue Code of 1986 (Code).

Charitable Contributions

Within the last three years, we have made no charitable contributions during any single fiscal year to any charity in which an independent director serves as an executive officer, of over the greater of $1,000,000 or 2% of the charity s consolidated gross revenues.

Non-management Directors

Our Policy Statement on Significant Corporate Governance Issues provides that the non-management members of the Board of Directors will meet during each regularly scheduled meeting of the Board of Directors. Presently Mr. Sherwin is the lead non-management director.

In addition to the other duties of a director under our Policy Statement on Significant Corporate Governance Issues, the Lead Director, in collaboration with the other independent directors, is responsible for coordinating the activities of the independent directors and in that role will:

- chair the executive sessions of the independent directors at each regularly scheduled meeting;
- make recommendations to the Board Chairman regarding the timing and structuring of Board meetings;
- make recommendations to the Board Chairman concerning the agenda for Board meetings, including allocation of time as well as subject matter;
- advise the Board Chairman as to the quality, quantity and timeliness of the flow of information from management to the Board;
- serve as the independent point of contact for shareholders wishing to communicate with the Board other than through management;
- interview all Board candidates, and provide the Governance and Organization Committee with recommendations on each candidate;
- maintain close contact with the Chairman of each standing committee and assist in ensuring communications between each committee and the Board;
- lead the Chief Executive Officer evaluation process; and

be the ombudsman for the Chief Executive Officer to provide two-way communication with the Board.

Board Communications

Shareholders or other interested parties may communicate with the Board of Directors as a whole, the lead non-management director or the non-management directors as a group, by forwarding relevant information in writing to Lead Director, c/o Secretary, Materion Corporation, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. Any other communication to individual directors or committees of the Board of Directors may be similarly addressed to the appropriate recipients, c/o Secretary, Materion Corporation, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124.

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Board Leadership

Currently, the Chairman of the Board of Directors also serves as the Chief Executive Officer. The Board of Directors has no policy with respect to the separation of these offices. The Board of Directors believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board of Directors to consider it each time that it elects the Chief Executive Officer. The Board of Directors recognizes that there may be circumstances in the future that would lead it to separate these offices, but it believes that there is no reason to do so at this time.

As both a director and officer, Mr. Hipple fulfills a valuable leadership role that the Board believes is essential to the continued success of the Company s business operations at this time. In the Board s opinion, Mr. Hipple s dual role enhances the Company s ability to coordinate long-term strategic direction with important business opportunities at the operational level and enhances his ability to provide insight and direction on important strategic initiatives impacting the Company and its shareholders to both management and the independent directors.

Unless the Chairman of the Board of Directors is an independent director, the independent directors periodically select from among their number one director who will serve as the lead independent director, whom we refer to as the Lead Director. The Lead Director works with the Chairman and Chief Executive Officer and other Board members to provide strong, independent oversight of the Company s management and affairs.

Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting the Company s business strategy is a key part of its assessment of management s appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company s internal auditors. In addition, in setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company s business strategy. Finally, the Company s Governance and Organization Committee conducts an annual assessment of the Board s structure for compliance with corporate governance and risk management best practices. The Company does not believe that the Board of Directors role in the risk management process has any effect on the leadership structure of the Board of Directors.

Audit Committee

The Audit Committee held six meetings in 2010. The Audit Committee membership consists of Mr. Lawrence, as Chairman, and Messrs. Bersticker, Keithley, Pryor and Shular. Under the Audit Committee Charter, the Audit Committee s principal functions include assisting our Board of Directors in fulfilling its oversight responsibilities with respect to:

- the integrity of our financial statements and our financial reporting process;
- compliance with ethics policies and legal and other regulatory requirements;

our independent registered public accounting firm s qualifications and independence;

our systems of internal accounting and financial controls; and

- the performance of our independent registered public accounting firm and of our internal audit functions.

We currently do not limit the number of audit committees on which our Audit Committee members may serve. No member of our Audit Committee serves on the audit committee of three or more public companies in addition to ours. The Audit Committee also prepared the Audit Committee report included under the heading Audit Committee Report in this proxy statement.

Audit Committee Expert, Financial Literacy and Independence

Although our Board of Directors has determined that more than one member of the Audit Committee has the accounting and related financial management expertise to be an audit committee financial expert, as defined by the Securities and Exchange Commission, it has named the Audit Committee Chairman, Mr. Lawrence, as the Audit Committee financial expert. Each member of the Audit Committee is financially literate and satisfies the independence requirements in section 303A.02 of the New York Stock Exchange listing standards.

Compensation Committee

The Compensation Committee held seven meetings in 2010. Its membership consists of Dr. Reddy as Chairman, and Messrs. Khilnani, Madar, Robertson and Sherwin. The committee may, at its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee; provided that such subcommittee has a published charter in accordance with the rules of the New York Stock Exchange. In particular, the committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the committee who are (a) Non-employee Directors for the purposes of Rule 16b-3 of the Exchange Act, as in effect from time to time, and (b) outside directors for the purposes of section 162(m) of the Code. The committee s principal functions include:

- reviewing and approving executive compensation, including severance payments;
- administering and recommending equity and non-equity incentive plans;
- overseeing regulatory compliance with respect to compensation matters;
- advising on senior management compensation; and
- reviewing and discussing the Compensation Discussion and Analysis (CD&A) and Compensation Committee Report.

For additional information regarding the operation of the Compensation Committee, see the Compensation Discussion and Analysis in this proxy statement.

Governance and Organization Committee

The Governance and Organization Committee held five meetings in 2010. The Governance and Organization Committee membership consists of Mr. Sherwin, as Chairman, and Messrs. Bersticker, Keithley, Khilnani, Lawrence, Madar, Pryor, Reddy, Robertson and Shular. All the members are independent in accordance with the New York Stock Exchange listing requirements. The Committee s principal functions include:

- evaluation of candidates for board membership, including any nominations of qualified candidates submitted in writing by shareholders to our Secretary;

making recommendations to the full Board of Directors regarding directors compensation;

making recommendations to the full Board of Directors regarding governance matters;

overseeing the evaluation of the Board and management of the Company;

assisting in management succession planning; and

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reviewing related party transactions.

As noted above, the Governance and Organization Committee is involved in determining compensation for our directors. The Governance and Organization Committee administers our equity incentive plans with respect to our directors, including approval of grants of stock options and other equity or equity-based awards, and makes recommendations to the Board of Directors with respect to incentive compensation plans and equity-based plans for directors. The Governance and Organization Committee periodically reviews director compensation in relation to comparable companies and other relevant factors. Any change in director compensation must be approved by the Board of Directors. Other than in his capacity as a director, no executive officer other than the Chief Executive Officer participates in setting director compensation. From time to time, the Governance and Organization Committee or the Board of Directors may engage the services of a compensation consultant to provide information regarding director compensation at comparable companies.

Nomination of Director Candidates

The Governance and Organization Committee will consider candidates recommended by shareholders for nomination as directors of Materion Corporation. Any shareholder desiring to submit a candidate for consideration by the Governance and Organization Committee should send the name of the proposed candidate, together with biographical data and background information concerning the candidate, to the Governance and Organization Committee, c/o our Secretary, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. The Governance and Organization Committee did not receive any recommendation for a candidate from a shareholder or shareholder group as of March 10, 2011.

In recommending candidates to the Board of Directors for nomination as directors, the Governance and Organization Committee s charter requires it to consider such factors as it deems appropriate, consistent with our Policy Statement on Significant Corporate Governance Issues. These factors are as follows:

broad-based business, governmental, non-profit, or professional skills and experiences that indicate whether the candidate will be able to make a significant and immediate contribution to the Board s discussion and decision making in the array of complex issues facing the Company;

exhibited behavior that indicates he or she is committed to the highest ethical standards and the values of the Company;

special skills, expertise, and background that add to and complement the range of skills, expertise, and background of the existing directors;

whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all our shareholders and other stakeholders in reaching decisions;

a global business and social perspective, personal integrity and sound judgment; and

time available to devote to Board activities and to enhance their knowledge of the Company.

Although the Company does not have a formal policy regarding diversity, as part of the analysis of the foregoing factors, the Governance and Organization Committee considers whether the candidate enhances the diversity of the Board of Directors. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin.

The Governance and Organization Committee s evaluation of candidates recommended by shareholders does not differ materially from its evaluation of candidates recommended from other sources.

The Governance and Organization Committee utilizes a variety of methods for identifying and evaluating director candidates. The Governance and Organization Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Organization Committee considers various

potential candidates for director. Candidates may come to the attention of the Governance and Organization Committee through current Board members, professional search firms, shareholders or other persons.

A shareholder of record entitled to vote in an election of directors who timely complies with the procedures set forth in our code of regulations and with all applicable requirements of the Exchange Act and the rules and regulations thereunder, may also directly nominate individuals for election as directors at a shareholders meeting. Copies of our code of regulations are available by a request addressed to Secretary, 6070 Parkland Blvd., Mayfield Heights, Ohio 44124.

To be timely, notice of a shareholder nomination for an annual meeting must be received at our principal executive offices not fewer than 60 nor more than 90 days prior to the date of the annual meeting. However, if the date of the meeting is more than one week before or after the first anniversary of the previous year s meeting and we do not give notice of the meeting at least 75 days in advance, nominations must be received within ten days from the date of our notice.

Retirement Plan Review Committee

In May 2010, the Board of Directors dissolved the Retirement Plan Review Committee. The responsibilities of this Committee were distributed among the other board committees and senior management.

Director Attendance

Our Board of Directors held six meetings in 2010. All of the directors who were directors in 2010 attended at least 75% of the Board and assigned committee meetings during 2010. Our policy is that directors are expected to attend all meetings including the annual meeting of shareholders. All of our directors, except one, attended last year s annual meeting of shareholders.

2010 DIRECTOR COMPENSATION

Annual compensation for non-employee directors for 2010 was comprised of cash compensation, consisting of annual retainer fees, and equity compensation, consisting of restricted stock units. Each of these components is described in more detail below.

Name	Fees Earned or Paid in Cash ($)	Stock Awards(2) ($)	Total ($)
Albert C. Bersticker	70,000(1)	60,005	130,005
Joseph P. Keithley	72,500	60,005	132,505
Vinod M. Khilnani	65,000	60,005	125,005
William B. Lawrence	78,333	60,005	138,338
William P. Madar	65,000	60,005	125,005
William G. Pryor	70,000	60,005	130,005
N. Mohan Reddy	73,333	60,005	133,338
William R. Robertson	65,000	60,005	125,005
John Sherwin, Jr.	85,000	60,005	145,005
Craig S. Shular	70,000(1)	60,005	130,005

(1) Pursuant to the 2006 Non-employee Director Equity Plan (the 2006 Director Plan), Messrs. Bersticker and Shular elected to defer 100% of their compensation in the form of deferred stock units in 2010.

(2) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock awards to each non-employee director. See Note K to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for the assumptions used in calculating such expense. Each non-employee director was automatically awarded 2,244 restricted stock units, with a grant date fair value of $26.74 per share, pursuant to the 2006 Director Plan.

As of December 31, 2010, the aggregate number of stock options outstanding and the aggregate number of stock awards subject to forfeiture were as follows:

	Stock Options	Restricted Stock Units
Albert C. Bersticker	10,000	2,244
Joseph P. Keithley		2,244
Vinod M. Khilnani		2,244
William B. Lawrence	9,000	2,244
William P. Madar	8,000	2,244
William G. Pryor	9,000	2,244
N. Mohan Reddy		2,244
William R. Robertson		2,244
John Sherwin, Jr.		2,244

Craig S. Shular	2,244

Annual Retainer Fees

Non-employee directors receive an annual retainer fee in the amount of $65,000. Non-employee directors who chair a committee receive an additional $5,000 annually, with the exception of the Chairman of the Compensation Committee, who, effective May 2010, received an additional $10,000 annually (an increase

from $5,000 annually) and the Chairman of the Audit Committee, who, effective May 2010, received an additional $15,000 annually (an increase from $10,000 annually). The Lead Director receives an additional $15,000 annually. Members of the Audit Committee, with the exception of the Chairman, receive an additional $5,000 annually.

Equity Compensation

Under the 2006 Director Plan, non-employee directors who continue to serve as a director following an annual meeting of shareholders receive $60,000 worth of restricted stock units, an increase of $15,000 effective May 2010, which will be paid out in common stock at the end of a one-year restriction period unless the participant elects that the shares be received in the form of deferred stock units. This increase was based on a market study performed by our Compensation Committee s consultant. These restricted stock units are automatically granted on the day following the annual meeting. The number of restricted stock units granted is equal to $60,000 divided by the closing price of our common stock on the date of grant. In the event a new director is elected or appointed, common stock will be granted on the first business day following the election or appointment to the Board of Directors. This grant of common stock will be equal to $100,000 divided by the closing price of our common stock on the day the director is elected or appointed to the Board of Directors.

Deferred Compensation

Non-employee directors may defer all or a part of their annual retainer fees in the form of deferred stock units under the 2006 Director Plan until ceasing to be a member of the Board of Directors. A director may also elect to have restricted stock units or other stock awards made under the 2006 Director Plan deferred in the form of deferred stock units.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of Materion Corporation s common stock by each person known by Materion Corporation to be the beneficial owner of more than 5% of the common stock, by each present director of Materion Corporation, by each of the Chief Executive Officer, Chief Financial Officer and other mostly highly compensated executive officer (each Named Executive Officer or NEO) of Materion Corporation and by all directors and executive officers of Materion Corporation as a group, as of February 14, 2011, unless otherwise indicated. The shareholders listed in the table have sole voting and investment power with respect to shares beneficially owned by them unless otherwise indicated. Shares that are subject to stock options and Stock Appreciation Rights (SARs) that may be exercised within 60 days of February 14, 2011 are reflected in the number of shares shown and in computing the percentage of Materion s common stock beneficially owned by the person who owns those options and SARs.

Non-officer Directors	**Number of Shares**	**Percent of Class**
Albert C. Bersticker	48,070(1)(2)	*
Joseph P. Keithley	22,616(2)	*
Vinod M. Khilnani	12,773(2)	*
William B. Lawrence	18,958(1)(2)	*
William P. Madar	31,459(1)(2)	*
William G. Pryor	18,958(1)(2)	*
N. Mohan Reddy	26,541(2)	*
William R. Robertson	18,747(2)	*
John Sherwin, Jr.	20,885(2)(3)	*
Craig S. Shular	19,161(2)	*
Named Executive Officers		
Richard J. Hipple	87,743(1)	*
John D. Grampa	75,041(1)	*
Daniel A. Skoch	78,267(1)	*
All directors and executive officers as a group (including the Named Executive Officers) (13 persons)	479,219(4)	2.4%
Other Persons		
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,635,833(5)	8.1%
Keeley Asset Management Corp. 401 South LaSalle Street Chicago, IL 60605	1,057,500(6)	5.2%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,018,765(7)	5.0%

* Less than 1% of common stock.

(1) Includes shares covered by outstanding options and SARs exercisable within 60 days as follows: Mr. Hipple 23,700; Mr. Grampa 48,550; and Mr. Skoch 48,400; and options exercisable for Mr. Bersticker for 10,000; and 9,000 for each of Messrs. Lawrence and Pryor; and 8,000 for Mr. Madar.

(2) Includes deferred shares under the Deferred Compensation Plans for Non-employee Directors as follows: Mr. Bersticker 26,898; Mr. Keithley 17,908; Mr. Khilnani 10,529; Mr. Lawrence 3,852; Mr. Madar 5,974; Mr. Pryor 1,000; Dr. Reddy 19,456; Mr. Robertson 9,789; Mr. Sherwin 7,101; and Mr. Shular 16,917.

(3) Includes 1,429 shares owned by Mr. Sherwin s children, of which Mr. Sherwin disclaims beneficial ownership.

(4) Includes 156,650 shares subject to outstanding options and SARs held by officers and directors and exercisable within 60 days.

(5) BlackRock, Inc., reported on a Schedule 13G/A filed with the Securities and Exchange Commission on February 3, 2011 that, as of December 31, 2010, it had sole voting and sole dispositive power with respect to 1,635,833 shares.

(6) Keeley Asset Management Corp., an investment adviser in accordance with Rule 13d-1(b)(ii)(E), reported on a Schedule 13G/A filed with the Securities and Exchange Commission on February 7, 2011 that, as of December 31, 2010, it had sole voting and sole dispositive power with respect to 1,057,500 shares.

(7) The Vanguard Group, Inc., an investment adviser in accordance with Rule 13d-1(b)(ii)(E), reported on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2011 that, as of December 31, 2010, it had sole voting and shared dispositive power with respect to 30,925 shares and sole dispositive power with respect to 987,840 shares. The amount beneficially owned totals 1,018,765 shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, officers and persons who own 10% or more of our common stock to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission. Directors, officers and 10% or greater shareholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of copies of forms that we have received, and written representations by our directors, officers and 10% or greater shareholders, all of our directors, officers and 10% or greater shareholders complied with all filing requirements applicable to them with respect to transactions in our equity securities during the fiscal year ended December 31, 2010.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Executive Summary explains the 2010 outcomes of our various compensation plans for named executive officers (NEOs), who include Messrs. Richard J. Hipple, Chairman, President and Chief Executive Officer; John D. Grampa, Senior Vice President Finance and Chief Financial Officer; and Daniel A. Skoch, Senior Vice President Administration, and illustrates the linkage between our compensation philosophy and our financial and shareholder return performance. This Executive Summary also discusses significant changes to our executive pay programs to update for best practices.

Our compensation philosophy is targeted at the competitive market median and is designed to attract, motivate and retain the type of executives we need to manage and grow our portfolio of businesses. In addition, our philosophy has a significant pay-for-performance component as reflected in the design of our executive incentive plans and provides opportunities for share ownership to match the interests of our NEOs and shareholders.

Company Performance

During 2010, our financial performance recovered significantly from its 2009 low point, which was reflected in our very positive share price performance. Specifically, operating profit, our key measure of financial performance, increased from a loss of $19.5 million in 2009 to a profit of $73.6 million in 2010. Our share price increased from a closing price of $18.54 on December 31, 2009 to $38.64 on December 31, 2010, an increase of 108.4%.

2010 Compensation Decisions

The impact of our financial and shareholder return performance in 2010 on our executive compensation program for our NEOs was as follows:

- salaries We increased salaries at the beginning of 2010, basing the new salaries on market median pay levels and taking into account the freeze and temporary decrease in salaries that occurred during 2009 due to economic conditions;

- Management Performance Compensation Plan (MPCP) Our financial performance was such that we paid above target annual incentives for 2010 financial performance, primarily based on exceeding our adjusted operating profit goal, achievement against our relative pre-tax return on invested capital (ROIC) performance objective measured against our peer group and the achievement of individual goals and objectives by our executives;

- Long-Term Incentive Plan (LTIP) The LTIP covering the 2008-2010 performance period did not reach minimum threshold performance levels and, as a result, there were no payouts for the NEOs from this plan;

- Stock Appreciation Rights (SARs) and restricted stock grants We made grants of SARs and time-based restricted stock in February 2010 based on our designated targets for such compensation for each NEO at a price of $21.24. Since that time, our share price has increased substantially, meaning the 2010 SARs grant is in-the-money and the restricted share values are higher than the value upon grant; and

prior equity grants The increase in our share price during 2010 has caused all but one of the existing SARs grants to be in-the-money and restricted stock granted in years prior to 2010 to have increased in value, mirroring the experience of our shareholders in 2010.

Program and Corporate Governance Changes for 2011

During 2010, the Compensation Committee made a number of executive pay and related corporate governance changes, most of which will be effective in 2011 and 2012. These changes included:

eliminated all executive perquisite programs for the NEOs, including club dues and financial planning, as well as contributions to the Executive Deferred Compensation Plan II (EDCP II) for NEOs;

confirmed the elimination of excise tax gross-ups in the context of a change in control upon their current sunset date in February 2012 and also confirmed that we do not intend to enter into any additional employment agreements with an excise tax gross-up provision;

implemented a double trigger for all new equity grants beginning in 2011 which will require both a change in control and a subsequent employment termination to take place prior to the vesting of the equity associated with the grants in the event of a change in control. This new provision replaces the current single trigger which only requires a change in control to occur. We also increased the change in control beneficial ownership trigger from 20% to 30%;

reallocated the direct pay programs for the NEOs (salaries, annual and long-term incentives) along a continuum that provided higher level executives with relatively greater incentive opportunities and relatively lower salaries the reallocation included all of the NEOs as well as six additional executives;

reduced the term of new SARs grants to seven years;

implemented share ownership guidelines for the Company s nine senior executives (including all of the NEOs) and directors requiring the retention of 50% of the after-tax value of equity grants for executives and 33% for directors for a period of five years after exercise/vesting; and

implemented a formal clawback policy that goes beyond the existing provisions contained in our equity award agreements and mandates of the Sarbanes-Oxley Act. Although clawbacks are not yet required under the Dodd-Frank Act, we adopted a clawback policy in response to the Dodd-Frank Act. When final regulations are promulgated by the SEC, currently expected late in 2011 with respect to clawbacks, we will modify our policy accordingly.

Overall, the Committee believes the executive pay and corporate governance changes better align the Company s executive compensation program with best practices in the competitive market. More detailed discussion on each of these changes is provided below.

Compensation Philosophy and Objectives

Our long-standing compensation philosophy has three key objectives:

attract, motivate and retain key executives with the ability to profitably grow our business portfolio;

build a pay-for-performance environment targeted at the competitive market; and

provide opportunities for share ownership to match the interests of our executives with our shareholders.

We achieved the following objectives in 2010:

we did not need to attract any new NEOs and we retained all of our current NEOs in 2010. The compensation programs with retention aspects include salaries, time-based restricted stock, SARs and our various retirement plans;

we created a pay-for-performance environment and motivated our NEOs through the use of incentive plans, including the cash-based MPCP and SAR grants. Our pay-for-performance philosophy is significant in that we only pay incentives when warranted by financial performance, as demonstrated by the fact that our MPCP and LTIP plans have paid out only about 50% of the time in the past 10 years. We believe this set of outcomes over a long time period demonstrates the degree of difficulty of the performance targets associated with the MPCP and LTIP as well as the past cyclicality of our businesses; and

our equity-based plans, including the LTIP, SARs and restricted stock, provide share ownership opportunities to our NEOs. As noted above, we have implemented formal share ownership guidelines based on a requirement that our top nine executives retain 50% of the shares earned after-tax on any SARs exercise, vesting of restricted stock or restricted stock unit (RSU) vesting (converted to share value upon vesting if paid in cash) for a period of five years. We eliminated the informal seven-year holding period for restricted stock grants as a result of the implementation of these new and expanded guidelines.

Other aspects of our compensation programs designed to help achieve the above objectives include:

salaries are targeted at the market median as defined primarily by pay survey data with additional comparisons with the peer group of companies (see pages 19-20 below) of comparable size and industry provided by the Compensation Committee s outside consultant;

we provide MPCP payout targets at levels above the market median and our equity grants, including SARs and restricted stock, are targeted to result in payouts at levels below the market median, offsetting the above-market annual incentive opportunities in the MPCP;

our rationale for higher MPCP opportunities and lower than market equity grants is driven by the difficulty we have in controlling the long-term cyclicality of our various business units and our related ability to forecast future financial performance accurately for the purposes of long-term incentive plans;

we set performance objectives for the MPCP as follows:

target performance objectives are set at the market median and usually reflect improved performance from the prior year;

minimum performance objectives are set at levels below which we do not pay incentives; and

maximum performance objectives are linked to payouts significantly above the market median;

as part of the MPCP, we also measure our ROIC against a peer group of companies on a relative basis as well as set subjective, but measurable, individual performance goals that, if met, will result in payment of another part of the competitive total pay package; and

we provide standard and competitive benefits programs, including health, life and other group benefits along with retirement and deferred compensation opportunities. As noted above, we eliminated all executive perquisites beginning in 2011, although a few such perquisites were still in place in 2010.

Overall, our executive compensation programs are targeted, in total, at the market median, recognizing that individual NEOs may be higher or lower based on experience, individual performance and other factors.

The Compensation Committee and its Independent Consultant

All of the members of the Compensation Committee, which we refer to in this Compensation Discussion and Analysis as the Committee , are independent, non-employee directors as defined by the rules of the New York Stock Exchange. The Committee makes policy and strategy recommendations to the Board and has authority delegated from the Board to:

implement executive pay decisions;

design the base pay, incentive pay, and benefits for the top fourteen executives; and

administer our equity incentive plans.

The Committee met seven times in 2010, including one teleconference. Most meetings included an executive session during which management was not present. Most compensation decisions are finalized in the first quarter of each fiscal year. The Compensation Committee Charter, which discusses the Committee s responsibilities on a more comprehensive basis, is available at www.materion.com and is reviewed on an annual basis to ensure it continues to match changing corporate governance requirements and expectations.

The Committee received input from the CEO with respect to salaries, incentives and total pay for the other NEOs, and input from the other NEOs for the other eleven executives who are part of the Committee s responsibility, but all compensation decisions for these individuals are ultimately made by the Committee. In addition, the Committee reviews tally sheets of overall compensation element values and totals, primarily to identify any competitive issues, gain an understanding of the relative dollar values of each compensation element and to understand the magnitude of total compensation. Finally, the Committee reviews other business documents such as budgets, financial statements and management reports on our business activities in making its decisions. The directors compensation is administered by the Governance and Organization Committee.

In determining compensation elements and performance goals for the NEOs, the Committee relies on several resources, including the services of Pearl Meyer & Partners (PM&P), an independent compensation consultant that was engaged by, and reports directly to the Committee. The Committee also approved management s request to use PM&P to help prepare this Compensation Discussion and Analysis. The Committee determined that providing this limited service to management did not impair PM&P s independence in its services to the Committee. As a result, PM&P provides only executive compensation services to the Company.

The Committee retained the services of PM&P in 2010 to conduct a competitive pay analysis for our top fourteen executives, including the NEOs, for which the Committee is responsible, as well as an additional eleven executives important to our ongoing operations. In addition, the Committee retained PM&P to review the overall executive incentive structure and make recommendations for changes that would be effective in the 2011 fiscal year. The Committee relied on this information for its decisions in 2010 as well.

Benchmarking

In setting base salary and total pay targets, the Committee relied on certain benchmark data provided by PM&P. This data consisted of: (1) survey information published by CHiPS (Executive and Senior Management Total Compensation Survey (2009)), Mercer Human Resource Consulting (U.S. Executive Benchmark Database (2009)) and Towers Watson (Top Management Compensation Survey (2009-10)), with each survey containing several hundred participants and no single company being relied upon for data in any significant manner; and (2) a selected peer group of companies.

The Committee used the information collected from the published surveys to determine market median salary and target annual and long-term award amounts to match our pay philosophy. The target for both salary and total direct pay (the sum of salary and target annual and long-term incentives) was the median of the companies represented in the published survey data provided by PM&P. Overall, total compensation was within 7% to 13% of the median for the NEOs.

The Committee selected the peer group of companies used in the pay analysis, with PM&P s assistance and input from management, by applying criteria to identify companies of similar size, complexity and in similar/aspirational positions on end users supply chains, as well as competitors for executive talent. The peer group had:

- reported 2009 annual revenue generally between 50% and 200% of our revenue for 2009;
- business-to-business operations, with sales to other companies rather than the ultimate consumer;
- a durable goods manufacturing focus; and
- an orientation toward specialty products and advanced materials, with an emphasis on consumer electronics.

The members of the peer group and their 2009 revenue, in millions, were as follows:

Company	Revenue	Company	Revenue
Cabot Corp.	$ 2,243	Kemet Corp.	$ 736
Ferro Corp.	1,658	Novellus Systems	639
Carpenter Technology	1,362	Integrated Device Technology, Inc.	536
Stepan Co.	1,276	CTS Corp.	499
Atmel Corp.	1,217	Haynes International Inc.	439
Hexcel Corp.	1,108	Coherent Inc.	436
RF Micro Devices Inc.	978	RTI International Metals Inc.	408
Minerals Technologies Inc.	907	Hutchinson Technology Inc.	408
OM Group Inc.	872	Ceradyne Inc.	401
Skyworks Solutions Inc.	803	Pulse Electronics Corp.	399

The median 2009 peer group revenue was $770 million, comparable to our 2009 revenue of approximately $715 million. Cabot and Ferro were included because they are direct competitors for executive talent. The above peer group is identical to the peer group used by the Committee in 2008 for comparable purposes.

The Committee used the median pay data among CEOs and CFOs of the peer group as an additional checkpoint in determining salaries and targets for annual and long-term awards within a competitive total compensation pay opportunity for the executives. The peer group data showed our CEO and CFO at the 41st and 45th percentiles, respectively, for total compensation, within a competitive range of the market median target. This peer group is also used to determine achievement of the ROIC measure under our MPCP, as discussed below.

Total Compensation Mix for 2010

Our major direct compensation components consist of salary, an annual cash incentive and equity-based long-term incentives. The following table illustrates the relative pay mix, based on initial award values, for our NEOs if the target levels for the 2010 MPCP are achieved and equity grants were made at target rates. For simplicity and to illustrate the Committee s key goals and objectives, we have only included the major direct pay programs:

Named Executive Officer	Title	Salary Column 1	MPCP at Target Column 2	Equity Incentives - Performance (SARs) Column 3	Equity Incentives - Retention (Restricted Stock) Column 4	Total Column 5
Richard J. Hipple	Chairman, President and CEO	23.4%	36.2%	26.9%	13.5%	100.0%
John D. Grampa	Senior VP Finance and CFO	34.8%	31.2%	22.7%	11.3%	100.0%
Daniel A. Skoch		35.5%	30.0%	23.0%	11.5%	100.0%

	Senior VP Administration					
Dollar-based Average		28.2%	33.9%	25.3%	12.6%	100.0%

Note: The basis for the calculations is the salary that was in place in 2010 for each NEO.

Our long-standing pay-for-performance philosophy has caused the Committee to:

- set salaries (Column 1 above) as a smaller part of total compensation for the NEOs; and

- provide a greater portion of the NEOs total pay in equity-based pay that more closely aligns management s interests with those of our shareholders, including time-based restricted stock (Column 4 above) and SARs grants (Column 3 above). In 2010, SARs grants represented 67% of the equity opportunities offered to the NEOs.

Overall, the table above illustrates the following:

- cash-based pay, as well as short-term pay (the combination of salaries and MPCP or Columns 1 and 2 above), is about 62% of the total, with equity-based, long-term oriented pay representing the other 38%; and
- fixed pay (salaries and restricted stock or Columns 1 and 4 above) average about 40% of the total versus 60% for performance-based pay.

The pay mixes noted above are different from the market median data derived from the competitive pay analysis as we continued with our philosophy, which began in 2009, of moving a portion of the equity grant value into the MPCP, which resulted in a higher proportion of targeted pay comprised of annual incentives and a lower proportion in equity incentives than most companies. Specifically, in 2009, we discontinued the LTIP we have had in place for a number of years, which provided pay for three-year financial performance, and shifted 50% of its value to the MPCP with the remaining 50% being split between SARs and restricted stock grants, such that SARs grants represented two-thirds of the total equity grant and restricted stock represented one-third.

We undertook this change in 2009, continued with it in 2010 and made further changes in 2011 (as discussed in more detail below) because of the ongoing difficulty of reliably forecasting three-year financial performance. Our lack of precision on this issue resulted in a significant number of prior LTIP awards either not paying out at all (including the 2008-2010 cycle that matured this year), indicating performance often well below the threshold levels, or paying at maximum, indicating performance that was often well above maximum. We are more confident in our ability to forecast annual financial performance through the MPCP, while SARs and restricted stock grants do not require forecasting future financial performance, and instead their ultimate value is linked to how well our stock performs and how much our shareholders benefit. These changes generally maintained the level of pay-for-performance in our overall executive compensation program.

Executive Compensation Elements

To meet our objectives and reward executives for demonstrating the desired actions and behaviors, we compensate our executive officers through:

- salary;
- MPCP;
- equity awards;
- payments upon severance and change in control;
- retirement and deferred compensation benefits;
- health and welfare benefits; and
- executive perquisites (eliminated in 2011).

The following is an explanation of the reasons each pay element is included in the total compensation package of an executive; the intended value, targeted competitive level and targeted portion of total compensation for each pay element; the reasons behind that targeted value, competitive level and proportion of total pay; and the interaction, if

any, of each pay element with the other pay elements.

Base Salary

In late 2010, the Committee considered and approved salary increases, effective as of January 1, 2011 for the NEOs. The salaries approved for Messrs. Hipple, Grampa and Skoch for 2011 are $755,000 (reflecting an increase of $50,000); $400,000 (reflecting an increase of $25,000) and $373,000 (reflecting an increase of $28,000), respectively. These increases place each executive s salary at or slightly above the market median, as defined in the 2010 PM&P study.

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The salary increases were tied to the value of the existing executive perquisites, which we have discontinued in our effort to simplify and follow best practices. These discontinued executive perquisites included financial planning, club dues and the estimated value of the company contributions to the Executive Deferred Compensation Plan II (EDCP II) program. No other amounts were added to salaries for the NEOs other than the value of discontinued perquisites. As a result of this change in salary, we will no longer provide the executive perquisites and company contributions to the EDCP II to the NEOs.

Salaries directly affect the determination of life and disability benefits, which are set as a multiple of salary, and are considered in retirement benefit formulas, including deferral and matching contribution calculations for retirement benefits. Salary is also used as the basis for calculating MPCP awards, as described below, and in calculating payments that may be paid upon a change in control, as described in Other Potential Post-employment Payments.

2010 MPCP

We established annual performance goals for the MPCP including objective financial performance goals and individual goals for 2010. Objective goals are based solely on financial measures, specifically operating profit at the corporate and individual business unit levels and changes in ROIC performance relative to changes among the peer group noted above, which the Committee believes are the Company s key success factors.

Target incentives as a percent of salary for 2010 were set at 154.5% for Mr. Hipple, 89.5% for Mr. Grampa and 84.5% for Mr. Skoch, reflecting the partial reallocation of equity incentives completed in 2009, which were unchanged for 2010. The above figures are allocated to several performance measures as follows:

Name	Title	Relative Return on Invested Capital	Individual Performance	Operating Profit	Total MPCP Target
Richard J. Hipple	Chairman, President and CEO	57.5%	7.0%	90.0%	154.5%
John D. Grampa	Senior VP Finance and CFO	32.5%	7.0%	50.0%	89.5%
Daniel A. Skoch	Senior VP Administration	32.5%	7.0%	45.0%	84.5%

Awards for individual goals are payable only if threshold adjusted operating profit performance is achieved and overall payouts are capped at 200% of target.

The operating profit goals for 2010 for the NEOs were based on the achievement of overall adjusted operating profit as well as the achievement of operating profit targets at each of the Company s major business units. Fifty percent of the overall opportunity was based on the Company s overall operating profit, which was $73.6 million for 2010 and exceeded the maximum target of $39.0 million, resulting in a payout of 200% on that portion of the opportunity. The consolidated adjusted operating profit of the Company s major business units on a weighted basis made up the other 50% of the overall opportunity. For 2010, the business units on a consolidated weighted basis achieved a performance level of 162.6% on that portion of the opportunity, which was over target but less than maximum. As a result, the total payout for the NEOs was 181.3% which was over target but less than maximum.

We measure the change in ROIC over the course of the trailing four quarters ended on September 30, 2010 (i.e., the fourth quarter of 2009 and the first three quarters of 2010) in order to determine our ROIC performance versus the

four quarters ended on September 30, 2009. We determine our rank within the peer group, which then correlates to a percentage of target payout scale.

For 2010, a rank of 11 of 21 (the twenty peer companies plus the Company) correlates to a target payout, while a rank of 1 correlates to a maximum payout at 200% of target and a rank of 16 generates a threshold payout at 50% of target. A rank below 16 does not generate a payout. For 2010, the Company achieved a ranking of 10, correlating to a 110% of target payout. The Company s actual performance was a gain of 15.25% in ROIC versus a median (rank: 11) of a gain of 13.76%, with the threshold representing a gain of 4.58%.

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The Committee set individual goals for the CEO in 2010 designed to focus attention on moving the Company towards its strategic objectives and initiatives, while recognizing the very challenging macro-economic environment. The CEO s 2010 individual goals included:

- improved shareholder value;
- profitable increases in the Company s critical mass;
- improved succession planning and organizational development;
- increased Asian business base;
- continued development of a broader earnings base for the Company designed to achieve better earnings stability; and
- improved corporate-wide systems designed to improve consistency and reduce overall corporate risk.

2010 individual goals for the other NEOs also included environmental health and safety objectives and improvement of internal business processes. Payments were made for individual objectives to the NEOs, per the MPCP plan provisions.

The table below shows the total payments made from the MPCP based on the achievement of the relative ROIC measure, operating profit goals and the individual objectives. Actual payments represent about 155% of target in the aggregate.

		MPCP Target		Payouts by Performance Measure			
Executive	Title	%	$	Adjusted Operating Profit	Relative ROIC	Individual Objectives	Total MPCP Payout
Richard J. Hipple	Chairman, President and CEO	154.5%	$ 1,089,225	$ 1,150,349	$ 445,913	$ 98,700	$ 1,694,962
John D. Grampa	Senior VP Finance and CFO	89.5%	$ 335,625	$ 339,938	$ 134,063	$ 45,000	$ 519,001
Daniel A. Skoch	Senior VP Administration	84.5%	$ 291,525	$ 281,468	$ 123,338	$ 41,400	$ 446,206

Awards made from the MPCP are taken into account in pension benefit formulas and are used to determine deferral and matching contribution calculations for other retirement and deferred compensation benefits. They also may affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments .

Equity Awards

General

The relative values of total compensation among comparable companies in the survey data are the most important determining factors in setting the long-term incentive amounts, along with consideration of the experience, responsibilities and performance of the executive. Our equity award program is targeted at levels below the market median for comparable long-term incentive programs among our pay survey group and peer group, offsetting the higher than median targets we have set for the MPCP. The equity grants currently held by each NEO are not taken into consideration in making new grants to that NEO.

The Committee is solely responsible for the grant of equity awards. The awards traditionally are granted in February after the Company s annual earnings have been announced. In February 2007, the Committee adopted Stock Award Administrative Procedure Guidelines related to the various forms of equity grants designed to formalize the process of establishing the date of grant, grant prices at fair market value and other administrative practices appropriate to equity grants to executives.

All equity awards made in 2010 were granted pursuant to the 2006 Stock Incentive Plan (2006 Plan). NEOs are required to forfeit outstanding awards and pay back any amounts realized from equity grants if they engage in activity deemed to be detrimental to the Company, as defined in the equity award agreements.

Grants Made in 2010

The equity program for 2010 had two components, including:

- SARs grants, which comprised 67% of the total equity value. SARs are granted at fair market value and gain value based on increases in the Company s share price and, consequently, total shareholder return. SARs vest three years after the grant date, have a term of 10 years and are settled in shares; and

- time-based restricted stock, which comprised 33% of the remaining equity value. This stock was designed for retention purposes and are earned by NEOs based on the passage of time and continued employment. The restricted stock vests after three years of service. The restricted stock award made in 2010 required that the net after-tax shares be held by the NEOs for an additional seven years, assuming continued employment, before the shares could be sold. This requirement has been eliminated with the implementation of formal share ownership guidelines beginning in 2011.

2008-2010 LTIP

Prior to 2009, the Company made LTIP grants to our NEOs, but this program was discontinued at the beginning of 2009. LTIP values are earned by the NEOs based on the achievement of cumulative pre-determined operating profit targets over a three-year period. A cumulative operating profit threshold must be met before any payout is attained. However, should the cumulative operating profit threshold not be met, and our stock performance during the three-year performance period is in the top quartile compared to the Russell 2000, a payout may be made at the threshold (25% of target) level.

In 2010, each of the NEOs had one remaining LTIP grant maturing, which was made at the beginning of 2008, with a three-year term (2008-2010). The LTIP is a combination of performance restricted shares and performance shares. Performance restricted shares are stock grants that may be earned based on the achievement up to the targeted level of performance during the performance period. Once target performance is attained and the performance restricted shares are earned, results above the targeted level will be paid in performance shares.

The 2008-2010 LTIP was based on cumulative operating profit for the 2008-2010 performance period. The threshold profit goal for this cycle was $195.0 million. The adjusted actual cumulative operating profit for 2008-2010 was $100.0 million. This outcome was below the established threshold performance objective and our stock performance was not in the top quartile compared to the Russell 2000, and, as a result, no payouts were made for performance against cumulative operating profit under the 2008-2010 LTIP for the NEOs.

The amounts realized by the NEOs from the LTIP, but not the amounts realized from the SARs and restricted stock awards, are taken into account in the pension benefit formulas and used for determining deferral and matching contribution calculations for other retirement benefits. None of the equity awards are included in compensation for purposes of determining any other benefit amount, except that they may affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

Severance Payments and Payments Upon a Change in Control

Each NEO is party to a Severance Agreement that provides two-year severance benefits in the event of involuntary termination of employment by us, other than for cause or gross misconduct, or due to resignation as a result of a reduction in salary or incentive pay opportunity, provided that such a reduction in salary or incentive pay opportunity is not part of a general reduction in compensation opportunity for all officers. The Severance Agreements were adopted at a time of transition to a new CEO and are intended to secure the continued employment of each NEO through and beyond this time of change.

The Severance Agreements also provide each NEO with benefits in specified circumstances following a change in control. The triggering events for a change in control are described in the section entitled Other Potential Post-employment Payments and were designed to be competitive and appropriate based primarily on advice from legal counsel as well as the experience of our directors. If the NEO resigns for defined Good Reason , or his employment is terminated by the Company for reasons other than for cause during the three years following a change in control, he will receive three-year severance benefits, as described under Other Potential Post-employment Payments. In addition, the NEO can resign for any reason during the 30-day period following the first anniversary of a change in control. The NEO also receives these benefits if any employment change occurs during discussions with any third party that results in a change in control.

The Committee adopted a gross-up provision in February 2007 for the parachute tax under the Internal Revenue Code Section 280G in the context of a change in control. The parachute tax applies to separation compensation beyond a determined cap as defined under section 280G of the Code. Average W-2 compensation for the prior five years is used in calculating the cap. The Committee decided a gross-up feature was appropriate because the CEO was new to his role and the cap would be determined by his compensation in a lesser capacity. Additionally, the Company had been in a turnaround situation for five years prior to 2007. Based on this logic, the Committee also included a sunset provision in the gross-up feature so that it would automatically end five years after adoption. During 2010, the Committee reaffirmed its desire to let the gross-up provision expire at the end of its five-year life in February 2012. In addition, the Committee confirmed its intent to not enter into any new Severance Agreements that included such a provision on a go-forward basis.

The Committee believes the Severance Agreements are an important part of the competitive executive compensation package because they help ensure the continuity and stability of executive management and provide protection to the NEOs. The Committee also believes the Severance Agreements reduce the NEOs interest in working against a potential change in control and help to minimize interruptions in business operations by reducing any concerns they have of being terminated prematurely and without cause during an ownership transition. The Company benefits from these agreements in that in exchange for the protections offered, each NEO agrees to: (i) refrain from competing while employed or for two years after an involuntary termination of employment; (ii) refrain from soliciting any employees, agents, or consultants to terminate their relationship with us; (iii) protect our confidential information; and (iv) assign to the Company any intellectual property rights to any discoveries, inventions or improvements made while employed by us or within one year after his employment terminates.

Retirement Benefits

We provide a variety of plans and benefits to our NEOs that fall under the heading of retirement and deferred compensation benefits, including:

- Materion Corporation Pension Plan (Pension Plan);
- special awards;
- Materion Corporation Savings and Investment Plan (401(k) Plan); and
- Materion Corporation Executive Deferred Compensation Plan II (EDCP II) (eliminating the Company contribution in 2011).

The special awards are designed to make up for Code limitations associated with the Pension Plan for the NEOs, while the EDCP II is designed to make up for similar limitations related to the 401(k) Plan. The Committee believes

each of these programs is necessary from a competitive viewpoint and for retention purposes.

Pension Plan

The Pension Plan is the primary vehicle for providing retirement compensation to all employees and is a tax-qualified defined benefit pension plan. All the NEOs participate in the Pension Plan. Before June 1, 2005, the benefit formula was 50% of the final average earnings over the highest five consecutive years minus 50% of the annual Social Security benefit with the result prorated for service of less than 35 years. Effective as of May 31, 2005, we froze the benefit under the prior formula for all employees, including the NEOs.

Beginning June 1, 2005, the Pension Plan formula was reduced for all participants, including the NEOs, to 1% of each year s compensation, as defined in the Pension Plan. The retirement benefit for these individuals will be equal to the sum of that earned as of May 31, 2005 and that earned under the new formula for service after May 31, 2005. However, because the amount of compensation that may be included in the formula for calculating pension benefits and the amount of benefit that may be accumulated in the Pension Plan are limited by the Code, the NEOs will not receive a Pension Plan benefit equal to 1% of their total pay.

The tax code limitations associated with the Pension Plan are taken into account by the Committee in determining amounts intended to supplement retirement income for the NEOs, such as the special awards described below. The benefit accumulated under the Pension Plan does not affect any other element of compensation for the NEOs, except to the extent it is included in the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

Special Awards

As noted, the NEOs will not receive a full benefit from the Pension Plan and we do not provide a supplemental retirement plan for our NEOs. At its November 2010 meeting, the Committee exercised its discretion to authorize special awards in lieu of a supplemental retirement benefit plan for Messrs. Hipple, Grampa and Skoch in the amounts of $168,450, $93,100 and $131,770, respectively, all of which were paid in January 2011.

The amount of these payments was derived by making assumptions regarding future anticipated earnings and actuarially calculating a present value benefit equivalent to what would have been accrued if we had a supplemental retirement benefit plan in effect. This calculation used the reduced Pension Plan formula for all service after May 31, 2005. The Committee added an additional five years of service to the calculation as part of Mr. Hipple s overall compensation package upon his becoming CEO. No obligation exists for future special awards.

These payments may be taken into account in calculating future supplemental retirement amounts, if any are awarded. They also affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments, but generally are not intended to affect the amounts of any other compensation element for the NEOs.

401(k) Plan

The 401(k) Plan is a tax-qualified defined contribution plan. All of the NEOs participate in this plan as part of their competitive total compensation package. The 401(k) Plan offers the NEOs and all other employees the opportunity to defer income. In addition, we made a matching contribution to each employee equal to 25% of the first 6% of compensation deferred by the employee, beginning on January 1, 2009. However, as of April 4, 2009, we eliminated the match for the remainder of 2009 and the first quarter of 2010 in response to the economic crisis. We restored the match to the 25% level as of April 2010.

This compensation element is tax-deferred and is not intended to affect the value of any other compensation element, but the amount of contributions that may be made under the 401(k) Plan may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

EDCP II

In 2004, the Committee established the EDCP II to replace the Key Employee Share Option Plan (KESOP), which is described in the section entitled 2010 Nonqualified Deferred Compensation . The EDCP II provides an opportunity for

the NEOs to defer a portion of their compensation. The EDCP II also provides a nonelective deferred compensation credit to each NEO s account in an amount equal to 1.5% of the NEO s annual compensation above the qualified plan limit in 2009. In April 2009, we eliminated this credit in

response to the economic crisis, but restored it in April 2010. The limit for 2010 was $245,000, as determined under the Code, and was unchanged from 2009. The Committee considers this contribution to be a replacement for the loss of any 401(k) Plan matching contribution that otherwise would have been attributable to compensation earned over the qualified plan limit. Earnings are credited to each NEO s account based on his choice of investment alternatives from a list provided by the Committee.

During 2010, the Committee elected to eliminate this benefit for the NEOs for 2011 and beyond. Estimated amounts for this benefit were calculated and added to each NEO s salary. The Committee made this change primarily to simplify investor understanding of the overall executive pay program by having as few programs as possible going forward, with the vast majority of executive pay concentrated in salary and annual and equity incentives. The amounts added to salary for Messrs. Hipple, Grampa and Skoch to replace the estimated EDCP II amounts were $23,000, $7,000 and $6,000, respectively. Final salaries for 2011 can be found in the table below.

This compensation element is tax-deferred and is not intended to affect the value of any other compensation element.

Health and Welfare Benefits

The NEOs participate in group life, health and disability programs provided to all salaried employees. Except for periodic executive physicals, no other special health or welfare benefits are provided for the NEOs. Almost all of the value of these benefits is not taxable and does not affect the value of any other elements of compensation for the NEOs, but they may affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

Perquisites

During 2010, we paid for financial planning services, to a maximum of $12,500 for each NEO, and annual dues for various club memberships for the NEOs, subject to Committee approval. The Committee believes that such memberships provide the NEOs with important contacts within the business community and provide a good environment for business entertainment needs. However, during 2010, and effective for 2011 and beyond, the Committee elected to add the amounts associated with these perquisites into the salaries of the NEOs and eliminate any future payments for such perquisites. This process was undertaken to simplify the executive pay structure. The amounts added to salary for the perquisites for Messrs. Hipple, Grampa and Skoch were $27,000, $18,000 and $22,000, respectively. See table of 2011 salaries below.

For 2010, these benefits are included in taxable income, and do not affect the determination of retirement benefits. They are not expected to affect the value of any other elements of compensation for the NEOs, except to the extent that they may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

Accounting and Tax Effects

The Committee considers both the financial reporting and the taxation of compensation elements in its decision-making process. The Committee seeks a balance between the Company s best interests, fair treatment for the executives and minimizing taxation of the compensation offered to the executive while maximizing immediate deductibility.

The Committee is also aware of Internal Revenue Code section 162(m), which limits deductions for compensation paid to individual NEOs (with the exception of the CFO) in excess of $1 million. In response, the Committee designs much of the total compensation package of the NEOs to qualify for the exemption of performance-based

compensation from the deductibility limit. However, the Committee reserves the right to design and use compensation instruments that may not be deductible within the rules of Internal Revenue Code section 162(m), if those instruments are in the Company s best interests.

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2011 Compensation Changes

The Committee made several changes to the total compensation mix, beginning in 2011. The changes were designed to simplify the overall executive compensation programs, as discussed above, and allocate compensation appropriately across the major categories of compensation, including salary and annual and long-term incentives. The Committee undertook the following steps with regard to 2011 compensation for the NEOs:

PM&P provided estimates of competitive total direct compensation at the market median, including salaries and annual and long-term equity incentives. (See Column 1 in the table below);

the value of the executive perquisites (primarily club dues and financial planning) and the estimated value of the company contribution to the EDCP II were calculated and these amounts were added to the market median total direct compensation figures derived above. (See Column 1 in the table below);

2011 salaries for the NEOs were determined by adding the perquisite and the company contribution to the EDCP II values to 2010 salaries, as described in the *Salary* section above. (See Column 2 in the table below);

the remaining amounts (after subtracting proposed 2011 salaries) were then allocated between annual and long-term incentives, with a heavier weighting on long-term incentives for the CEO (about 47% for annual incentives and 53% for long-term incentives) and an equal weighting (50%/50%) for the remaining NEOs (Messrs. Grampa and Skoch);

a majority of the annual incentive plan amounts (about 70%) was allocated to performance against adjusted operating profit at both the corporate and divisional level, with the remainder allocated to performance against the relative ROIC performance measure. The NEOs will not have personal/individual objectives beginning in 2011; and

long-term incentives were allocated equally between SARs and restricted stock.

The table below illustrates these concepts:

		Market Median		Proposed 2011 Total Direct Compensation Allocations				
				Annual Incentives		Long-Term Incentives		Target
xecutive	Title	Total Direct Compensation(1) Column 1	2011 Salary(2) Column 2	Adjusted Operating Profit Measure(3) Column 3	Relative ROIC Measure(3) Column 4	SARs(4) Column 5	Restricted Stock/RSUs(4) Column 6	Total Direc Compensatio Column 7
ichard J. ipple	Chairman, President and CEO	$ 3,400,000	$ 755,000	$ 881,000	$ 353,000	$ 705,500	$ 705,500	$ 3,400,000
ohn D. rampa	Senior VP Finance and CFO	1,150,000	400,000	268,000	107,000	187,500	187,500	1,150,000
aniel A. koch	Senior VP Administration	1,050,000	373,000	242,000	97,000	169,000	169,000	1,050,000

Totals	**$ 5,600,000**	**$ 1,528,000**	**$ 1,391,000**	**$ 557,000**	**$ 1,062,000**	**$ 1,062,000**	**$ 5,600,000**

(1) Provided by PM&P in 2010 executive compensation review.

(2) 2011 salaries consist of 2010 salaries with addition of executive perquisite values and EDCP II estimated value of Company contributions.

(3) Allocations/payouts assuming target performance. Performance above or below target will result in different payouts.

(4) Expected/estimated grant values.

The Committee s objectives and rationale for undertaking the above changes include:

the Committee s primary concern was to simplify the overall executive pay program by eliminating programs that were relatively small dollar amounts (e.g., club dues, financial planning and the EDCP II match), but which had the potential to be viewed negatively by shareholders. This led the Committee to eliminate as many programs as possible by concentrating their values into the larger direct pay programs such as salaries, annual and long-term/equity incentives, which are more easily understood by shareholders;

the rationale for the allocation methodology chosen for the annual and long-term/equity incentives was to provide for relatively greater emphasis on long-term/equity incentives for the CEO, Mr. Hipple, on which

he is perceived to have the greatest impact and relatively more emphasis on annual incentives for the remaining NEOs (Messrs. Grampa and Skoch) in which their impact is greater. The Committee continued this process with the group of executives directly below the NEOs by further reducing the percentage allocated to long-term/equity incentives and increasing the percentage allocated to annual incentives;

the Committee decided that three outcomes were important in the performance measure allocation within the 2011 MPCP:

the majority of the MPCP should be based on the adjusted operating profit goal because this represented the NEOs primary area of responsibility;

a secondary portion of the MPCP should be allocated to performance against a peer group, primarily because of the cyclical nature of many of the Company s businesses and its overall results and the desire to be able to reward executives for outstanding relative performance when absolute performance may dictate a different outcome; and

the personal/individual objectives for the NEOs should be eliminated, which will result in an MPCP payout that is entirely objectively-based on financial results without the somewhat subjective personal/individual results included in the outcome.

the Committee decided on an equal split between SARs and restricted stock to balance the objectives of motivating share price performance, of significant importance to shareholders, and executive retention, the primary focus of restricted stock grants. The Committee viewed these objectives as equally important and each instrument is the primary motivator for achievement of those objectives.

Overall, the Committee wanted to simplify the executive pay programs, for better understanding by all parties, including shareholders, executives and other interested parties, and ensure an appropriate allocation to the major pay programs based on targeting objectives considered important to the Company.

New Share Ownership Guidelines

The Committee implemented new share ownership guidelines beginning in 2011 that require 50% of the net after-tax shares acquired by executives through the exercise of stock options and SARs and the vesting of restricted stock be retained by the NEO for five years after such event. Upon the implementation of these guidelines, the Committee eliminated a previous informal requirement that executives hold for seven years 100% of the net after-tax shares acquired upon the vesting of restricted stock. The Committee believes the implementation of formal share ownership guidelines will help to further ensure the interests of the NEOs and shareholders are aligned.

Anti-Hedging Policy

In our Insider Trading Policy, we have prohibited insiders from purchasing any financial instrument or engaging in any other transaction, such as a prepaid variable forward contract, equity swap, collar or exchange fund, that is designed to hedge or offset any decrease in the market value of the Company securities.

New Clawback Policy for 2011

As noted above, the Committee also elected to implement a formal clawback policy for the NEOs in advance of final regulations from the SEC, currently expected at some point during 2011 for required implementation in 2012. This policy is in addition to the clawback provisions contained in our equity award agreements that requires NEOs to

forfeit outstanding awards and pay back any amounts from equity grants if they engage in activity deemed to be detrimental to the Company. The Committee elected to implement aspects of this policy early because it believes a clawback policy represents an important protection for shareholders and is viewed favorably from a corporate governance standpoint. The new clawback policy covers equity awards and the MPCP and is only effective for 2011. Beginning in 2012 and beyond, the Committee expects to have a revised clawback policy in place that will reflect the expected SEC regulations.

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Compensation Policies and Practices to Risk Management

In setting compensation, the Compensation Committee considers the risks to Materion s shareholders and to the achievement of our goals that may be inherent in the compensation program. Although a significant portion of our executives compensation is performance-based and at-risk, we believe our executive and employee compensation plans are appropriately structured and are not reasonably likely to result in a material adverse effect to the Company.

In its review the Committee noted that:

- incentive programs provide for balance in that performance measures and goals were tied to the Company s strategic objectives, achievable financial performance centered on the Company s expectations, relative performance against a peer group of companies and specific individual goals;
- a significant portion of variable compensation is delivered in equity (SARs and restricted stock) with multi-year vesting. The Company believes that equity compensation helps reduce compensation risk by balancing financial or strategic goals against any other factors management may take into consideration to ensure long-term shareholder value;
- limited upside opportunity on incentive awards further ensures that management does not have any incentive to pursue short-term financial performance at the expense of long-term shareholder value;
- the Company implemented extended scope share ownership guidelines to encourage a focus on long-term growth rather than short-term gains; and
- the Company extended the scope of our clawback policy to recoup any gains from culpable NEOs that are later found to be based on erroneous financial statements.

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COMPENSATION COMMITTEE REPORT

We have reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the year ended December 31, 2010.

The foregoing report has been furnished by the Compensation Committee of the Board of Directors.

N. Mohan Reddy (Chairman)

Vinod M. Khilnani

William P. Madar

William R. Robertson

John Sherwin, Jr.

Notwithstanding anything to the contrary as set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing Compensation Committee Report shall not be incorporated by reference into any such filings other than our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

2010 SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation of our Chief Executive Officer and our other named executives (NEOs) who served in such capacities during the fiscal year ended December 31, 2010.

me and incipal Position	Year	Salary (1)($)	Bonus (2)($)	Stock Awards (3)($)	Option Awards (4)($)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(6)	All Other Compensation ($)(7)	Total ($)
chard J. Hipple airman,	2010	704,634	168,450	419,384	615,717	1,694,961	40,506	31,304	3,674,95
esident and ief Executive	2009	674,650	168,450	489,941	705,932	413,829	49,034	34,555	2,536,39
ficer	2008	680,092	177,850	705,825	155,983	181,858	24,136	103,002	2,028,74
an D. Grampa Vice President	2010	374,511	93,100	126,081	185,112	519,000	68,266	19,725	1,385,79
ance	2009	339,900	78,315	139,518	201,027	129,558	58,982	17,556	964,85

d Chief Financial									
ficer	2008	342,642	114,120	291,791	47,152	63,243	37,126	47,668	943,74
niel A. Skoch	2010	344,732	131,770	116,013	170,304	446,206	112,204	27,735	1,348,96
Vice President	2009	324,450	131,770	133,184	191,888	118,755	88,010	26,585	1,014,64
ministration	2008	327,068	131,770	316,793	45,002	63,243	66,330	56,765	1,006,97

(1) For 2010, Salary includes deferred compensation to the 401(k) Plan in the amount of $22,000 for each of Messrs. Hipple, Grampa and Skoch.

(2) In 2010, the Compensation Committee again exercised its discretion to authorize special awards in lieu of a supplemental retirement benefit plan.

(3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for restricted stock and performance restricted shares granted to each NEO. See Note K to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for the assumptions used in calculating the fair value. See the 2010 Grants of Plan-based Awards table for information on awards made in 2010. Please also note that in the proxy statement for the 2010 annual meeting of shareholders, the 2009 Summary Compensation Table contained amounts for Messrs. Hipple, Grampa and Skoch of $887,692, $268,320 and $256,246, respectively, that were included in the 2009 Stock Awards when they should have been included in the 2007 Stock Awards. The amounts above have been corrected.

(4) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock appreciation rights granted to each NEO. See Note K to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for the assumptions used in calculating the fair value. See the 2010 Grants of Plan-based Awards table for information on awards made in 2010.

(5) The amounts in this column for 2010 represent the payments made to the NEOs under the Management Performance Compensation Plan. There were no payments made under the 2008-2010 Long-term Incentive Plan.

(6) The amounts in this column for 2010 represent the change in pension value and earnings in excess of 120% of the applicable federal rate in effect during 2010 for the KESOP and EDCP II Plans discussed later in this proxy statement. The amounts for the change in pension value and the earnings in excess of 120% of the applicable federal rate in effect during 2010 are as follows:

	Pension	KESOP/ EDCP II	Total
Richard J. Hipple	$ 39,330	$ 1,176	$ 40,506
John D. Grampa	57,872	10,394	68,266
Daniel A. Skoch	101,453	10,751	112,204

(7) For all the NEOs, All Other Compensation for 2010 includes the Company match to the 401(k) Plan, reimbursement of club dues, financial planning fees and group life premiums. Club dues for Mr. Hipple were $20,876; financial planning fees for Messrs. Grampa and Skoch were $11,234 and $12,500, respectively. All Other Compensation includes the Company contribution to the Health Savings Account for Mr. Skoch.

2010 GRANTS OF PLAN-BASED AWARDS

We currently are utilizing two incentive plans that provide executives opportunities to earn cash or stock compensation. The MPCP provides cash compensation for annual performance. The 2006 Stock Incentive Plan provides opportunities for equity-based compensation for service and performance for periods of more than one year.

The following table sets forth information concerning annual incentive cash awards, grants of SARs and restricted stock to the NEOs during the fiscal year ended December 31, 2010, as well as estimated future payouts under those incentive plans. See the CD&A for further discussion of these incentive plans and these types of grants and the reason for these types of grants starting on page 16.

Estimated Future Payouts	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards:	All Other Option Awards: Number of	Exercise or	Grant Date Fair Value

		Under Non-Equity Incentive Plan Awards						Number of Shares of Stock or Units	Securities Underlying Options	Base Price of Option Awards	of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)(1)	(#)(2)	($/Sh)	($)(3)
Richard J. Hipple	2/22/2010		1,089,225	2,178,450							
	2/22/2010							19,745			419,384
	2/22/2010								53,515	21.24	615,717
John D. Grampa	2/22/2010		335,625	671,250							
	2/22/2010							5,936			126,081
	2/22/2010								16,089	21.24	185,112
Daniel A. Skoch	2/22/2010		291,525	583,050							
	2/22/2010							5,462			116,013
	2/22/2010								14,802	21.24	170,304

(1) This column shows the restricted stock granted in 2010.

(2) This column shows the SARs that were granted in 2010. These SARs become fully exercisable and vest 100% after three years.

(3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock awards. See Note K to the Consolidated Financial Statements

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contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for the assumptions used in calculating the fair value.

Executive Employment Arrangements

None of the NEOs has an employment agreement. However, each NEO has a Severance Agreement that provides the executive with three-year severance benefits upon termination or significant change in the duties of the executive as a result of a change in control as defined in the agreement, and two-year severance benefits in the event of certain involuntary terminations. Discussion of the payouts provided for under various termination situations is set forth in the section Other Potential Post-employment Payments below.

Base Salary

The Compensation Committee annually reviews and adjusts base pay, in keeping with the overall objectives, pay philosophy and relative position with comparable companies, as discussed in more detail in the CD&A.

Bonuses

Bonus compensation in 2010, as shown in the 2010 Summary Compensation Table, consisted of discretionary amounts paid in lieu of supplemental retirement benefits, as discussed in more detail in the CD&A under the section entitled Special Awards.

Non-equity Incentive Plan Compensation

For 2010, base salaries and bonuses (including amounts deferred to the 401(k) Plan) as a percentage of total compensation shown in the 2010 Summary Compensation Table , were 24% for Mr. Hipple; 34% for Mr. Grampa; and 35% for Mr. Skoch.

Stock Awards

Stock-based awards under the 2006 Plan during 2010 were made in the form of SARs and restricted stock. Descriptions and the reason for these types of grants are in the CD&A.

Grants of restricted stock and SARs were made in 2008, 2009 and 2010. The associated expense recorded in accordance with accounting guidelines is disclosed in the 2010 Summary Compensation Table . The restricted stock and SARs vest after three years from the date of grant.

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2010 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Share or Units of Stock That Have Not Vested ($)(3)
Richard J. Hipple	8,700		24.03	5/2/2016		
	15,000		44.72	2/15/2017		
		11,102	27.78	2/15/2018		
		90,147	15.01	2/10/2019		
		53,515	21.24	2/22/2020		
					59,690	2,306,422
	23,700	154,764				
John D. Grampa	15,000		17.075	2/3/2014		
	15,000		17.68	2/8/2015		
	14,000		24.03	5/2/2016		
	4,550		44.72	2/15/2017		
		3,356	27.78	2/15/2018		
		25,671	15.01	2/10/2019		
		16,089	21.24	2/22/2020		
					19,439	751,123
	48,550	45,116				
Daniel A. Skoch	15,000		17.075	2/3/2014		
	15,000		17.68	2/8/2015		
	14,000		24.03	5/2/2016		
	4,400		44.72	2/15/2017		
		3,203	27.78	2/15/2018		
		24,504	15.01	2/10/2019		
		14,802	21.24	2/22/2020		
					19,443	751,278

48,400	42,509

(1) These amounts represent the SARs that were granted in 2010, 2009 and 2008. These SARs vest 100% after three years. The SARs expiring on 2/15/18 were granted on 2/15/08, the SARs expiring on 2/10/19 were granted on 2/10/09 and the SARs expiring on 2/22/20 were granted on 2/22/10.

(2) Restricted stock was granted to Messrs. Hipple, Grampa and Skoch on 2/15/08, 2/10/09 and 2/22/10. Restricted stock is subject to forfeiture if these executives are not continuously employed for a three-year period from the date of grant.

(3) Amounts in these columns were calculated using the December 31, 2010 Materion Corporation common stock closing price of $38.64 multiplied by the number of shares in the preceding column.

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2010 OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Richard J. Hipple	57,000	619,967	9,924	176,647
John D. Grampa	25,000	380,177	3,000	53,400
Daniel A. Skoch	27,000	471,111	2,864	50,979

2010 PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Richard J. Hipple	Materion Corporation Pension Plan	9	173,738	
John D. Grampa	Materion Corporation Pension Plan	12	307,784	
Daniel A. Skoch	Materion Corporation Pension Plan	27	673,212	

Assumptions:

Measurement Date: December 31, 2010

Interest Rate for Present Value: 5.50%

Mortality (Pre-commencement): None

Mortality (Post-commencement): RP-2000 Mortality Table projected to 2011 using Scale AA (separate male and female rates)

Withdrawal and disability rates: None

Retirement rates: None prior to Age 65, except age 64 for Mr. Skoch

Normal Retirement Age: Age 65, except age 64 for Mr. Skoch as explained in the narrative below

Accumulated benefit is calculated based on credited service and pay as of December 31, 2010

All results shown are estimates only; actual benefits will be based on data, pay and service at time of retirement

The Materion Corporation Pension Plan (qualified pension plan) is a defined benefit plan under which Messrs. Hipple, Grampa and Skoch are currently accruing benefits. Effective as of the close of business on May 31, 2005, the benefit under the prior formula for Messrs. Hipple, Grampa and Skoch (50% of final average earnings over highest five consecutive years minus 50% of annual Social Security benefit, the result prorated for service less than 35 years) was frozen. The frozen annual benefits as of May 31, 2005, payable beginning at age 65 as a single life annuity, for Messrs. Hipple, Grampa and Skoch are $9,855; $17,255 and $54,856, respectively. Credited service for pension benefit purposes as of May 31, 2005 for Messrs. Hipple, Grampa and Skoch is 3, 6 and 21 years, respectively.

Beginning June 1, 2005, the qualified pension plan formula was changed for Messrs. Hipple, Grampa and Skoch to 1% of each year s earnings. The retirement benefit for these individuals will be equal to the sum of that earned as of May 31, 2005 and that earned under the new formula for service after May 31, 2005.

The 2010 Pension Benefits table shows for Messrs. Hipple, Grampa and Skoch the number of years of credited service, present value of accumulated benefit and payments during the last fiscal year under the

qualified pension plan. We do not sponsor any other qualified or nonqualified defined benefit plan that provides benefits to Messrs. Hipple, Grampa and Skoch.

The Present Value of Accumulated Benefit is the lump-sum value as of December 31, 2010 of the annual pension benefit that was earned as of December 31, 2010 that would be payable under the qualified pension plan for Messrs. Hipple, Grampa and Skoch for life beginning at their normal retirement age. The normal retirement age is defined as age 65 in the qualified pension plan. Certain assumptions were used to determine the lump-sum value and to determine the annual pension that is payable beginning at normal retirement age. Those assumptions are described immediately following the 2010 Pension Benefits table.

If the participant terminates employment before completing 10 years of service, the annuity may not commence prior to age 65. If the participant terminates employment after completing 10 years of service, the annuity may commence as early as age 55 and is reduced 6.67% per year between ages 60 and 65 and 3.33% per year between ages 55 and 60 based on the participant s age at commencement, if the benefit commences prior to normal retirement age. An unreduced benefit is available commencing at age 62 for those participants who terminate after age 55 with at least 30 years of service. At year-end 2010, Messrs. Grampa and Skoch had attained early retirement eligibility and Mr. Hipple had not attained early retirement eligibility. Mr. Skoch is the only named executive who may become eligible to commence his benefit on an unreduced basis prior to age 65. Assuming continued uninterrupted employment with the Company, Mr. Skoch would reach 30 years of service at the end of the month in which he attains age 64.

Benefits provided under the qualified pension plan are based on compensation up to a compensation limit under the Code (which was $245,000 in 2010). In addition, benefits provided under the qualified pension plan may not exceed a benefit limit under the Code (which was $195,000 payable as a single life annuity beginning at normal retirement age in 2010).

Compensation is generally equal to the total amount that is included in income (such as regular base salary, incentive compensation under any form of incentive compensation plan, sales commissions and performance restricted shares of stock at the time these shares are includable in the participant s gross income for Federal income tax purposes), plus salary reduction amounts under sections 125 and 401(k) of the Code. The annual salary and bonus for the current year for Messrs. Hipple, Grampa and Skoch is indicated in the 2010 Summary Compensation Table . Each year s compensation for the qualified pension plan is limited by the compensation limits under the Code.

Generally, a participant s years of credited service are based on the years an employee participates in the qualified pension plan. However, in certain cases, credit for service prior to participation in the qualified pension plan is granted. Such cases include employment with the Company in a position that is not eligible for participation in the qualified pension plan and service with a predecessor employer. The years of credited service for Messrs. Hipple and Grampa are based only on their service while eligible for participation in the qualified pension plan. The years of credited service for Mr. Skoch include service for the period June 29, 1983 through December 1, 1985 during which time he was covered under The S.K. Wellman Corp. Retirement Plan for Salaried Employees. All S.K. Wellman Corp. salaried employees who had transferred to Brush Wellman Inc. as salaried employees prior to May 4, 1986 and were still employed after May 4, 1986, receive credited service under the qualified pension plan equal to their credited service under The S.K. Wellman Corp. Retirement Plan for Salaried Employees at the time of their transfer.
Mr. Skoch received a lump-sum payment during January 1987 in lieu of the benefit he had accrued for the period June 29, 1983 through December 1, 1985 under The S.K. Wellman Corp. Retirement Plan for Salaried Employees. Mr. Skoch s accrued benefit under the qualified pension plan has been offset for the benefit for which he received this lump-sum payment.

Lump sums are available under the qualified pension plan only for the portion of the participant s benefit that was accrued prior to July 1, 1992. Mr. Skoch is eligible to elect to receive the portion of his benefit that was accrued prior to July 1, 1992 as a lump sum with the remaining portion of his benefit payable in the form of an annuity with monthly benefit payments. Messrs. Hipple and Grampa are eligible only to have their benefits payable in the form of an annuity with monthly benefit payments.

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The qualified pension plan was designed to provide tax-qualified pension benefits for most of our employees. Benefits under the qualified pension plan are funded by an irrevocable tax-exempt trust. An executive s benefits under the qualified pension plan are payable from the assets held by the tax-exempt trust.

2010 NONQUALIFIED DEFERRED COMPENSATION

We maintain two nonqualified arrangements for executives, the Key Employee Share Option Plan (KESOP) and the Executive Deferred Compensation Plan II (EDCP II). The primary purpose of each is to provide benefits in the event a participant s compensation exceeds the amount of compensation that may be taken into account for deferring income and matching contributions under the Materion Corporation Savings and Investment Plan.

Key Employee Share Option Plan

The KESOP was established in 1998 to provide executives with options to purchase property other than our common stock (in this case, options to purchase certain mutual fund shares as further described below), which options replace a portion of the executive s compensation. The options cover property with an initial value equal to the amount of compensation they replace, divided by 75%, with an exercise price equal to the difference between that amount and the amount of compensation replaced (in other words, 25% of the fair market value of the option property). Thus, the executive may receive the increase or decrease in market value of the entire amount of the property covered by the option, including the exercise price. Due to the American Jobs Creation Act of 2004 which added section 409A to the Code, the KESOP was frozen effective December 31, 2004. Moreover, options for purchase of property that did not become exercisable prior to 2005 under the KESOP and corresponding elections under the KESOP were cancelled. Each participant who had such KESOP options and elections cancelled received payment in the amount of the cancelled deferrals. Eligibility to participate and the property (consisting of shares of mutual funds) subject to the KESOP options were determined by the Compensation Committee of the Board. Mutual fund selection was intended to be the same or similar to that offered under the 401(k) Plan, but was not required. Executives were permitted to select among those mutual funds to determine those covered by the options obtained by them as a result of their compensation elections, but generally were not permitted to change that selection once made.

Although the KESOP was frozen as noted above, options that became exercisable prior to January 1, 2005 and which have not as yet been exercised remain on the books for some executives.

The KESOP balance of each executive is equal to the most recent closing price of the mutual funds under the options accumulated by the executive as of the end of the year. To obtain the portion of this balance based on any particular option, however, the executive must pay the 25% exercise price set when the option was granted. In addition to potential gains through changes in the market value for the underlying mutual funds, the executive may accumulate value whenever any dividends or other cash distributions are made relative to those mutual funds. Starting with dividends for the year ending December 31, 2004, the value of any such dividends or distributions is credited to the executive s EDCP II account (see discussion below of the EDCP II) as part of the compensation deferred under that program.

Unless the amount of mutual funds available under an option is adjusted as a result of a stock split, merger, divestiture, consolidation or other corporate transaction, or unless other property is substituted for the mutual fund shares originally subject to the option, an option becomes exercisable 184 days after the grant of the option and remains exercisable at any time after that date until the earlier of the fifteenth anniversary of the grant or the third anniversary of the executive s termination of employment. If any adjustment in the number of mutual fund shares or any substitution of new property occurs, the exercise period will be interrupted for 184 days and the deadline to exercise will be extended by 184 days, but not more than 5 years beyond the original exercise deadline. Any option not exercised by the deadline may not be exercised after that.

The KESOP is unfunded. The options obligation for each executive is maintained in a book reserve account. We are under no obligation to set aside funds specifically designated to satisfy this obligation or to invest in any of the optioned mutual funds selected by the executive. However, we maintain a trust, as part of

the general assets of the Company, intended to hold property for use in meeting this obligation, unless we become insolvent. In that case, the assets in the trust would be available to satisfy our creditors just as any other general assets of the Company, before the option property would be delivered. In other words, each executive participating in the KESOP is an unsecured general creditor of the Company with respect to the value of the property optioned as his KESOP benefits.

When an option is exercised, the executive pays the applicable exercise price to the Company and we deliver to the executive the underlying property, which may have been obtained and held as general assets of the Company before the option was exercised. The value of the underlying property delivered, less the exercise price paid, is treated as taxable income to the executive and he must pay the Company for any income taxes or other payroll taxes required to be withheld by the Company on that income. We may take an income tax deduction for the value of the property delivered, reduced by the exercise price paid.

No executive may transfer or sell his KESOP options during his life, except for a transfer, for no pay and only as approved by the Committee, to a member of the executive s immediate family, to a trust for the benefit of such a family member or to a partnership consisting only of such family members as partners. Upon an executive s death, his KESOP options will pass to his beneficiaries or estate, but they must be exercised before the earlier of the original deadline or the first anniversary of his death. No other transfers or withdrawals are permitted under the KESOP.

The latest exercise deadline for any existing KESOP options is June 30, 2019. As noted earlier, options may expire earlier, within three years of the executive s termination of employment.

Executive Deferred Compensation Plan II

The EDCP II provides executives an opportunity to make deferral elections generally not permitted under the 401(k) Plan. Internal Revenue Code section 401(a)(17) limits the amount of compensation that may be taken into account for deferrals under the 401(k) Plan. For 2010, that limit was $245,000. Executives may elect each year to defer all or any portion of the sum of his Management Performance Compensation Plan payouts payable in cash for that year, plus the portion of his base salary for that year that is in excess of the compensation limit under Internal Revenue Code section 401(a)(17). Previously we had provided a non- elective deferral equal to three percent (3%) of his total compensation in excess of the Internal Revenue Code section 401(a)(17) limit (his Excess Compensation) designed to reflect the employer matching contribution not permitted under the 401(k) Plan because of the Internal Revenue Code section 401(a)(17) compensation limit. In April 2009, the Company contribution was eliminated due to the economic crisis, but was restored in April 2010. In 2010, the decision was made to eliminate the Company contribution for the NEOs and certain other executives. This is discussed further in the CD&A. Credits in amounts equal to the value of any dividends or other cash distributions payable from mutual funds optioned to the executive under the KESOP (see discussion of the KESOP above) are also credited to the executive s EDCP II account balance starting with dividends for the year 2004.

The compensation deferrals credited to each executive are credited with earnings at a rate equal to the return on hypothetical investments selected by the executive from a list of mutual funds identified by the Compensation Committee of the Board. Investment selection is intended to be the same or similar to that offered under the 401(k) Plan, but this is not required. The executive s investment selection is used only to determine earnings credits on the compensation deferrals under the EDCP II. We are not obligated to invest any funds in the mutual funds selected by the executive. Earnings returns will change from year to year.

The EDCP II is unfunded. Deferred compensation credits and related earnings credits for each executive are maintained in a book reserve account. We are under no obligation to set aside funds specifically designated to pay these deferred income amounts. However, we maintain a trust, as part of the general assets of the Company, intended

to pay these deferred income amounts, unless we become insolvent. In that case, the assets in the trust would be available to satisfy creditors of the Company, just as any other general assets of the Company, before the deferred income amounts would be paid. In other words, each executive participating in the EDCP II is an unsecured general creditor of the Company with respect to the payment of his EDCP II benefits.

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2010 NONQUALIFIED DEFERRED COMPENSATION

The table below shows deferrals to the EDCP II by Materion Corporation on behalf of each NEO for 2010 earnings, if applicable, credited to his EDCP II account and KESOP account for 2010, any distributions made from his KESOP account during 2010, and the aggregate balance of his EDCP II credits and KESOP credits as of December 31, 2010.

Name		Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(4)
Richard J. Hipple	KESOP			1,158		12,571
	EDCP II		7,728	5,226		117,965
John D. Grampa	KESOP			292		1,674
	EDCP II		3,886	12,807		82,974
Daniel A. Skoch	KESOP			3,654		31,151
	EDCP II		3,277	11,083		84,135

(1) There were no executive contributions credited to either plan in 2010.

(2) Amounts in this column are also included in the All Other Compensation column of the 2010 Summary Compensation Table .

(3) These earnings include dividends paid in 2009 for the KESOP, which were transferred to the EDCP II in 2010 in the amounts as follows: Mr. Hipple $203; Mr. Grampa $0; and Mr. Skoch $633.

(4) The Aggregate Balance as of Last FYE for the KESOP for each of the executive officers listed above represents the net amount due the participant upon exercise (i.e., net of the 25% option price due back to the Company).

Upon termination of employment for any reason other than death, distribution from the EDCP II will be made as a lump sum or installments over three or five years, as elected by the executive when the deferral election was initially made. If no distribution election was made, the benefit will be paid in a lump sum. If the executive dies before his full EDCP II account is distributed, any remaining balance credited to that account will be paid to his beneficiary in a single lump sum.

Distribution will be made or begin 60 days following the executive s termination of employment (or as soon as practicable after that date), except that in the case of certain specified executives, section 409A of the Code requires that payment not be made earlier than six months after he separates from service for any reason other than death. Distribution or withdrawal for any other reason is not permitted under the EDCP II.

OTHER POTENTIAL POST-EMPLOYMENT PAYMENTS

The Company has entered into Severance Agreements with the NEOs to help ensure the continuity and stability of our senior management. The other incentive arrangements maintained by the Company also provide for payments to be made to the NEOs upon certain terminations of employment.

Severance Agreements

Basic Severance Benefits. The severance agreements provide that if the executive s employment is terminated by the Company or one of its affiliates except for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity, severance benefits will apply. Severance benefits include rights to:

a lump-sum payment of two times salary and incentive compensation;

a lump-sum payment of two times any special award paid in lieu of benefits under the Company s former Supplemental Retirement Benefit Plan for the year in which termination occurs;

the continuation of retiree medical and life insurance benefits for two years;

a lump-sum payment of two times the benefit under the Company s EDCP II for the year in which termination occurs;

a lump-sum payment equal to the sum of the present value of any bonus he would have received under any long-term incentive plan, including the earn out of any performance restricted shares;

any retirement benefits he would have earned under the Company s qualified retirement plans during the next two years; and

reasonable fees for outplacement services, up to a maximum of $20,000.

In addition, all equity incentive awards vest, and all stock options become fully exercisable, if the severance benefits are applicable.

Change in Control Severance Benefits. In the event of a change in control of the Company, as defined in these agreements, and if the executive s employment is terminated by the Company or one of its affiliates except for cause, or he resigns within one month after the first anniversary of the change, or the nature and scope of his duties worsens or certain other adverse changes occur and the Board of Directors so decides (referred to in the table below as Good Reason Termination), the executives are entitled to receive similar severance benefits based on a three-year period, plus the cash value of certain other benefits, such as club dues and financial counseling (collectively, the Change in Control Benefits). A termination or demotion following the commencement of discussions with a third party which ultimately results in a change in control will also activate the Change in Control Benefits. The severance agreements include a tax gross-up provision under section 280G of the Code that will expire on February 8, 2012. Payment of the Change in Control Benefits under the severance agreements are subject to the tax gross up for the first five years and thereafter are subject to a reduction in order to avoid the application of the excise tax on excess parachute payments under the Code, but only if the reduction would increase the net after tax amount received by the executive. In addition, the Company must secure payment of the Change in Control Benefits under the severance agreements through a trust that is to be funded upon the change in control, and amounts due but not timely paid earn interest at the prime rate plus 4%. The Company must pay attorneys fees and expenses incurred by an executive in enforcing his right to Change in Control Benefits under his severance agreement.

Nonsolicitation and Noncompetition Provisions. Under the severance agreements, each executive agrees not to solicit any of our employees, agents or consultants to terminate their relationship with us, to protect our confidential business information and not to compete with the Company during employment or for a period of (i) two years following termination of the executive s employment by the Company or one of its affiliates except for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity or (ii) one year following a termination of employment for any other reason. Each executive also assigns to us any intellectual property rights he may otherwise have to any discoveries, inventions or improvements made while in our employ or within one year thereafter.

Section 409A of the Internal Revenue Code. In July 2008, the severance agreements were amended and restated to comply with the documentary compliance requirements of section 409A of the Code. section 409A generally became effective January 1, 2005, and covers most programs that defer receipt of compensation to a succeeding year, including the severance agreements. Section 409A provides strict rules for the timing of payouts, including a six-month delay for payments made in connection with a termination of employment, which is now reflected in the severance agreements.

		419,559
General Partner management fees payable (Note 3)	88,691	81,666
License fees payable	8,088	9,426
Brokerage commissions payable	6,022	6,282
Directors fees payable	4,463	3,169
Other liabilities	153	
Total liabilities	514,571	520,102

Commitments and Contingencies (Notes 3, 4, and 5)

Partners Capital

General Partner

Limited Partners

169,489,880	180,203,262

Total Partners Capital

169,489,880	180,203,262

Total liabilities and partners capital	$170,004,451	$180,723,364
Limited Partners units outstanding	3,900,000	4,200,000
Net asset value per unit	$43.46	$42.91

Market value per unit		
	$43.48	$43.10

See accompanying notes to financial statements.

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United States 12 Month Oil Fund, LP

Schedule of Investments

At December 31, 2011

	$000000000	$000000000	$000000000
	Number of Contracts	Unrealized Gain (Loss) on Open Commodity Contracts	% of Partners Capital
Open Futures Contracts - Long			
United States Contracts			
NYMEX Crude Oil Futures CL February 2012 contracts, expiring January 2012	143	$ 260,330	0.15
NYMEX Crude Oil Futures CL March 2012 contracts, expiring February 2012	143	16,290	0.01
NYMEX Crude Oil Futures CL April 2012 contracts, expiring March 2012	143	(640,870)	(0.38)
NYMEX Crude Oil Futures CL May 2012 contracts, expiring April 2012	143	(1,031,540)	(0.61)
NYMEX Crude Oil Futures CL June 2012 contracts, expiring May 2012	143	355,110	0.21
NYMEX Crude Oil Futures CL July 2012 contracts, expiring June 2012	143	(273,840)	(0.16)
NYMEX Crude Oil Futures CL August 2012 contracts, expiring July 2012	143	(75,810)	(0.04)
NYMEX Crude Oil Futures CL September 2012 contracts, expiring August 2012	143	1,680,120	0.99
NYMEX Crude Oil Futures CL October 2012 contracts, expiring September 2012	143	1,338,520	0.79
NYMEX Crude Oil Futures CL November 2012 contracts, expiring October 2012	143	1,913,700	1.13
NYMEX Crude Oil Futures CL December 2012 contracts, expiring November 2012	143	692,460	0.41
NYMEX Crude Oil Futures CL January 2013 contracts, expiring December 2012	143	(232,350)	(0.14)
Total Open Futures Contracts	1,716	$ 4,002,120	2.36

	$000000000	$000000000	$000000000
	Principal Amount	Market Value	
Cash Equivalents			
United States Treasury Obligation			
U.S. Treasury Bill, 0.03%, 6/21/2012	$ 13,450,000	$ 13,448,072	7.93
United States - Money Market Funds			
Fidelity Institutional Government Portfolio - Class I	40,159,317	40,159,317	23.69
Goldman Sachs Financial Square Funds - Government Fund - Class SL	6,451,449	6,451,449	3.81
Morgan Stanley Institutional Liquidity Fund - Government Portfolio	60,517,522	60,517,522	35.71
Total Money Market Funds		107,128,288	63.21

Total Cash Equivalents	$	120,576,360	71.14

See accompanying notes to financial statements.

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United States 12 Month Oil Fund, LP

Schedule of Investments

At December 31, 2010

	$000000000	$000000000	$000000000
	Number of Contracts	**Unrealized Gain on Open Commodity Contracts**	**% of Partners Capital**
Open Futures Contracts - Long			
United States Contracts			
NYMEX Crude Oil Futures CL February 2011 contracts, expiring January 2011	160	$ 638,560	0.35
NYMEX Crude Oil Futures CL March 2011 contracts, expiring February 2011	160	2,147,200	1.19
NYMEX Crude Oil Futures CL April 2011 contracts, expiring March 2011	161	1,194,170	0.66
NYMEX Crude Oil Futures CL May 2011 contracts, expiring April 2011	160	789,530	0.44
NYMEX Crude Oil Futures CL June 2011 contracts, expiring May 2011	161	1,294,680	0.72
NYMEX Crude Oil Futures CL July 2011 contracts, expiring June 2011	160	2,080,520	1.15
NYMEX Crude Oil Futures CL August 2011 contracts, expiring July 2011	160	2,434,130	1.35
NYMEX Crude Oil Futures CL September 2011 contracts, expiring August 2011	161	1,270,340	0.71
NYMEX Crude Oil Futures CL October 2011 contracts, expiring September 2011	160	1,689,630	0.94
NYMEX Crude Oil Futures CL November 2011 contracts, expiring October 2011	161	963,750	0.53
NYMEX Crude Oil Futures CL December 2011 contracts, expiring November 2011	160	634,330	0.35
NYMEX Crude Oil Futures CL January 2012 contracts, expiring December 2011	160	729,720	0.41
Total Open Futures Contracts	1,924	$ 15,866,560	8.80

	$000000000	**$000000000**	**$000000000**
	Principal Amount	**Market Value**	
Cash Equivalents			
United States - Money Market Funds			
Fidelity Institutional Government Portfolio - Class I	$ 75,148,786	$ 75,148,786	41.70
Goldman Sachs Financial Square Funds - Government Fund - Class SL	42,447,079	42,447,079	23.56
Morgan Stanley Institutional Liquidity Fund - Government Portfolio	20,004,002	20,004,002	11.10
Total Cash Equivalents		$ 137,599,867	76.36

See accompanying notes to financial statements.

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United States 12 Month Oil Fund, LP

Statements of Operations

For the years ended December 31, 2011, 2010 and 2009

	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
Income			
Gain (loss) on trading of commodity futures contracts:			
Realized gain on closed positions	$ 16,224,040	$ 17,158,730	$ 49,183,430
Change in unrealized gain (loss) on open positions	(11,864,440)	(4,935,530)	23,556,720
Dividend income	26,400	65,040	178,949
Interest income	7,926	3,469	16,665
Other income	30,300	12,000	32,000
Total income	4,424,226	12,303,709	72,967,764
Expenses			
General Partner management fees (Note 3)	1,275,573	931,307	864,557
Professional fees	244,950	273,067	524,564
License fees	49,913	37,079	33,993
Brokerage commissions	27,427	13,314	49,573
Directors fees	17,340	30,284	8,535
Registration fees	9,472	9,540	107,883
Other expenses	13,049	5,193	4,770
Total expenses	1,637,724	1,299,784	1,593,875
Expense waiver (Note 3)			(11,227)
Net expenses	1,637,724	1,299,784	1,582,648
Net income	$ 2,786,502	$ 11,003,925	$ 71,385,116
Net income per limited partnership unit	$ 0.55	$ 2.54	$ 9.13
Net income per weighted average limited partnership unit	$ 0.57	$ 2.77	$ 17.59
Weighted average limited partnership units outstanding	4,893,699	3,975,616	4,058,356

See accompanying notes to financial statements.

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United States 12 Month Oil Fund, LP

Statements of Changes in Partners Capital

For the years ended December 31, 2011, 2010 and 2009

	General Partner	Limited Partners	Total
Balances, at December 31, 2008	$	$ 6,247,578	$ 6,247,578
Addition of 7,000,000 partnership units		200,837,381	200,837,381
Redemption of 3,100,000 partnership units		(112,946,766)	(112,946,766)
Net income		71,385,116	71,385,116
Balances, at December 31, 2009		165,523,309	165,523,309
Addition of 1,000,000 partnership units		39,262,000	39,262,000
Redemption of 900,000 partnership units		(35,585,972)	(35,585,972)
Net income		11,003,925	11,003,925
Balances, at December 31, 2010		180,203,262	180,203,262
Addition of 2,500,000 partnership units		109,084,059	109,084,059
Redemption of 2,800,000 partnership units		(122,583,943)	(122,583,943)
Net income		2,786,502	2,786,502
Balances, at December 31, 2011	$	$ 169,489,880	$ 169,489,880
Net Asset Value Per Unit:			
At December 31, 2008	$ 31.24		
At December 31, 2009	$ 40.37		
At December 31, 2010	$ 42.91		
At December 31, 2011	$ 43.46		

See accompanying notes to financial statements

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United States 12 Month Oil Fund, LP

Statements of Cash Flows

For the years ended December 31, 2011, 2010 and 2009

	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
Cash Flows from Operating Activities:			
Net income	$ 2,786,502	$ 11,003,925	$ 71,385,116
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
(Increase) decrease in commodity futures trading account cash and cash equivalents	(34,596,432)	(4,131,166)	1,584,261
Unrealized (gain) loss on futures contracts	11,864,440	4,935,530	(23,556,720)
(Increase) decrease in dividend receivable	1,988	2,315	(3,876)
Increase in interest receivable	(14)		
Decrease in receivable from General Partner			97,019
(Increase) decrease in other assets	11,621	6,662	(145,723)
Increase in investment payable	33		
Increase (decrease) in professional fees payable	(12,438)	14,160	306,000
Increase in General Partner management fees payable	7,025	2,703	76,812
Increase (decrease) in license fees payable	(1,338)	108	8,992
Increase (decrease) in brokerage commissions payable	(260)	(4,250)	9,882
Increase in directors fees payable	1,294	1,168	1,838
Increase in other liabilities	153		
Net cash provided by (used in) operating activities	(19,937,426)	11,831,155	49,763,601
Cash Flows from Financing Activities:			
Addition of partnership units	113,305,191	35,040,868	200,837,381
Redemption of partnership units	(122,583,943)	(35,585,972)	(112,946,766)
Net cash provided by (used in) financing activities	(9,278,752)	(545,104)	87,890,615
Net Increase (Decrease) in Cash and Cash Equivalents	(29,216,178)	11,286,051	137,654,216
Cash and Cash Equivalents, beginning of year	152,952,590	141,666,539	4,012,323
Cash and Cash Equivalents, end of year	$ 123,736,412	$ 152,952,590	$ 141,666,539

See accompanying notes to financial statements.

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United States 12 Month Oil Fund, LP

Notes to Financial Statements

For the years ended December 31, 2011, 2010 and 2009

NOTE 1 - ORGANIZATION AND BUSINESS

The United States 12 Month Oil Fund, LP (US12OF) was organized as a limited partnership under the laws of the state of Delaware on June 27, 2007. US12OF is a commodity pool that issues limited partnership units (units) that may be purchased and sold on the NYSE Arca, Inc. (the NYSE Arca). Prior to November 25, 2008, US12OF s units traded on the American Stock Exchange (the AMEX). US12OF will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Amended and Restated Agreement of Limited Partnership dated as of December 4, 2007 (the LP Agreement). The investment objective of US12OF is for the daily changes in percentage terms of its units per unit net asset value (NAV) to reflect the daily changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of the 12 futures contracts for light, sweet crude oil traded on the New York Mercantile Exchange (the NYMEX), consisting of the near month contract to expire and the contracts for the following 11 months for a total of 12 consecutive months contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire and the contracts for the following 11 consecutive months (the Benchmark Oil Futures Contracts), less US12OF s expenses. When calculating the daily movement of the average price of the 12 contracts, each contract month will be equally weighted. It is not the intent of US12OF to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of light, sweet crude oil or any particular futures contract based on light, sweet crude oil. It is not the intent of US12OF to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contracts as measured over a time period greater than one day. United States Commodity Funds LLC (USCF) believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Oil Futures Contracts (as defined below) and Other Oil-Related Investments (as defined below). US12OF accomplishes its objective through investments in futures contracts for light, sweet crude oil, and other types of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, Oil Futures Contracts) and other oil-related investments such as cash-settled options on Oil Futures Contracts, forward contracts for oil, cleared swap contracts and over-the-counter transactions that are based on the price of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, Other Oil-Related Investments). As of December 31, 2011, US12OF held 1,716 Oil Futures Contracts for light, sweet crude oil traded on the NYMEX.

US12OF commenced investment operations on December 6, 2007 and has a fiscal year ending on December 31. USCF is responsible for the management of US12OF. USCF is a member of the National Futures Association (the NFA) and became a commodity pool operator registered with the Commodity Futures Trading Commission (the CFTC) effective December 1, 2005. USCF is also the general partner of the United States Oil Fund, LP (USOF), the United States Natural Gas Fund, LP (USNG), the United States Gasoline Fund, LP (UGA) and the United States Heating Oil Fund, LP (USHO), which listed their limited partnership units on the AMEX under the ticker symbols USO on April 10, 2006, UNG on April 18, 2007, UGA on February 26, 2008 and UHN on April 9, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USOF s, USNG s, UGA s and USHO s units commenced trading on the NYSE Arca on November 25, 2008. USCF is also the general partner of the United States Short Oil Fund, LP (USSO), the United States 12 Month Natural Gas Fund, LP (US12NG) and the United States Brent Oil Fund, LP (USBO), which listed their limited partnership units on the NYSE Arca under the ticker symbols DNO on September 24, 2009, UNL on November 18, 2009 and BNO on June 2, 2010, respectively. USCF is also the sponsor of the United States Commodity Index Fund (USCI), the United States Agriculture Index Fund (USAG), the United States Copper Index Fund (CPER) and the United States Metals Index Fund (USMI), each a series of the United States Commodity Index Funds Trust. USCI and CPER listed their units on the NYSE Arca under the ticker symbol USCI on August 10, 2010 and CPER on November 15, 2011, respectively. USAG and USMI are not listed on the NYSE Arca as of the filing of this annual report on Form 10-K. All funds listed previously are referred to collectively herein as the Related Public Funds.

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USCF has also filed registration statements to register units of the United States Sugar Fund (USSF), the United States Natural Gas Double Inverse Fund (UNGD), the United States Gasoil Fund (USGO) and the United States Asian Commodities Basket Fund (USABF), each a series of the United States Commodity Funds Trust I.

Effective February 29, 2012, US12OF issues units to certain authorized purchasers (Authorized Purchasers) by offering baskets consisting of 50,000 units (Creation Baskets) through ALPS Distributors, Inc., as the marketing agent (the Marketing Agent). Prior to February 29, 2012, US12OF issued units to Authorized Purchasers by offering baskets consisting of 100,000 units through the Marketing Agent. The purchase price for a Creation Basket is based upon the NAV of a unit calculated shortly after the close of the core trading session on the NYSE Arca on the day the order to create the basket is properly received.

From July 1, 2011 through December 31, 2011 (and continuing at least through May 1, 2012), Authorized Purchasers paid US12OF $350 for each order placed to create one or more Creation Baskets or to redeem one or more baskets (Redemption Baskets); prior to July 1, 2011, Authorized Purchasers paid $1,000 for each order placed to create one or more Creation Baskets or to redeem one or more Redemption Baskets. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the per unit NAV of US12OF but rather at market prices quoted on such exchange.

In December 2007, US12OF initially registered 11,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the SEC). On December 6, 2007, US12OF listed its units on the AMEX under the ticker symbol USL . On that day, US12OF established its initial per unit NAV by setting the price at $50.00 and issued 300,000 units in exchange for $15,000,000. US12OF also commenced investment operations on December 6, 2007 by purchasing Oil Futures Contracts traded on the NYMEX based on light, sweet crude oil. As of December 31, 2011, US12OF had registered a total of 111,000,000 units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Commodity futures contracts, forward contracts, physical commodities, and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the statement of financial condition and represent the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the financial statements. Changes in the unrealized gains or losses between periods are reflected in the statements of operations. US12OF earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the 90-day Treasury bill rate. In addition, US12OF earns income on funds held at the custodian and futures commission merchant at prevailing market rates earned on such investments.

Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

Income Taxes

US12OF is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

In accordance with accounting principles generally accepted in the United States of America (GAAP), US12OF is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. US12OF files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. US12OF is not subject to income tax return examinations by major taxing authorities for years before 2007. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in US12OF recording a tax liability that reduces net assets. However, US12OF s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. US12OF recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended December 31, 2011.

Creations and Redemptions

Effective February 29, 2012, Authorized Purchasers may purchase Creation Baskets or redeem Redemption Baskets only in blocks of 50,000 units at a price equal to the NAV of the units calculated shortly after the close of the core trading session on the NYSE Arca on the day the order is placed. Prior to February 29, 2012, Authorized Purchasers could only purchase Creation Baskets or redeem Redemption Baskets in blocks of 100,000 units.

US12OF receives or pays the proceeds from units sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in US12OF s statements of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

Partnership Capital and Allocation of Partnership Income and Losses

Profit or loss shall be allocated among the partners of US12OF in proportion to the number of units each partner holds as of the close of each month. USCF may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

Calculation of Net Asset Value Per Unit

US12OF s per unit NAV is calculated on each NYSE Arca trading day by taking the current market value of its total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. US12OF uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

Net Income (Loss) Per Unit

Net income (loss) per unit is the difference between the per unit NAV at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units added and redeemed based on the amount of time the units were outstanding during such period. There were no units held by USCF at December 31, 2011.

Offering Costs

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by US12OF. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated with such offerings. These costs are accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

Cash Equivalents

Cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of six months or less.

Reclassification

Certain amounts in the accompanying financial statements were reclassified to conform to the current presentation.

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Use of Estimates

The preparation of financial statements in conformity with GAAP requires USCF to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

NOTE 3 - FEES PAID BY THE FUND AND RELATED PARTY TRANSACTIONS

USCF Management Fee

Under the LP Agreement, USCF is responsible for investing the assets of US12OF in accordance with the objectives and policies of US12OF. In addition, USCF has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to US12OF. For these services, US12OF is contractually obligated to pay USCF a fee, which is paid monthly, equal to 0.60% per annum of average daily net assets.

Ongoing Registration Fees and Other Offering Expenses

US12OF pays all costs and expenses associated with the ongoing registration of its units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the years ended December 31, 2011, 2010 and 2009, US12OF incurred $9,472, $9,540 and $107,883, respectively, in registration fees and other offering expenses.

Directors Fees and Expenses

US12OF is responsible for paying its portion of the directors and officers liability insurance for US12OF and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of US120F and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, the Related Public Funds organized as a series of a Delaware statutory trust. US12OF shares the fees and expenses with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ended December 31, 2011 were $607,582 for US12OF and the Related Public Funds, and US12OF s portion of such fees and expenses was $29,439. For the years ended December 31, 2010 and 2009, these fees and expenses were $1,107,140 and $433,046, respectively, for US12OF and the Related Public Funds, other than USCI, USAG, CPER and USMI, and US12OF s portion of such fees and expenses was $34,678 and $12,326, respectively. Effective as of April 1, 2010, US12OF became responsible for paying its portion of any payments that may become due to the independent directors pursuant to the deferred compensation agreements entered into between the independent directors, USCF and the Related Public Funds, except USCI, USAG, CPER and USMI.

Licensing Fees

As discussed in Note 4 below, US12OF entered into a licensing agreement with the NYMEX on April 10, 2006, as amended on October 20, 2011. Pursuant to the agreement, up to October 19, 2011, US12OF and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, paid a licensing fee that was equal to 0.04% for the first $1,000,000,000 of combined net assets of the funds and 0.02% for combined net assets above $1,000,000,000. On and after October 20, 2011, US12OF and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, pay a licensing fee that is equal to 0.015% on all net assets. During the years ended December 31, 2011, 2010 and 2009, US12OF incurred $49,913, $37,079 and $33,993, respectively, under this arrangement.

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Investor Tax Reporting Cost

The fees and expenses associated with US12OF s audit expenses and tax accounting and reporting requirements are paid by US12OF. These costs were approximately $200,000 for the year ended December 31, 2011.

Other Expenses and Fees

In addition to the fees described above, US12OF pays all brokerage fees and other expenses in connection with the operation of US12OF, excluding costs and expenses paid by USCF as outlined in *Note 4* below.

NOTE 4 - CONTRACTS AND AGREEMENTS

US12OF is party to a marketing agent agreement, dated as of November 13, 2007, as amended from time to time, with the Marketing Agent and USCF, whereby the Marketing Agent provides certain marketing services for US12OF as outlined in the agreement. The fee of the Marketing Agent, which is borne by USCF, is equal to 0.06% on US12OF s assets up to $3 billion and 0.04% on US12OF s assets in excess of $3 billion.

The above fees do not include the following expenses, which are also borne by USCF: the cost of placing advertisements in various periodicals; web construction and development; or the printing and production of various marketing materials.

US12OF is also party to a custodian agreement, dated October 5, 2007, as amended from time to time, with Brown Brothers Harriman & Co. (BBH&Co.) and USCF, whereby BBH&Co. holds investments on behalf of US12OF. USCF pays the fees of the custodian, which are determined by the parties from time to time. In addition, US12OF is party to an administrative agency agreement, dated October 5, 2007, as amended from time to time, with USCF and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for US12OF. USCF also pays the fees of BBH&Co. for its services under such agreement and such fees are determined by the parties from time to time.

Currently, USCF pays BBH&Co. for its services, in the foregoing capacities, a minimum amount of $75,000 annually for its custody, fund accounting and fund administration services rendered to US12OF and each of the Related Public Funds, as well as a $20,000 annual fee for its transfer agency services. In addition, USCF pays BBH&Co. an asset-based charge of (a) 0.06% for the first $500 million of US12OF s, USOF s, USNG s, UGA s, USHO s, USSO s, US12NG s, USBO s, USCI s, USMI s, USAG s and CPER s combined net assets, (b) 0.0465% for US12 USOF s, USNG s, UGA s, USHO s, USSO s, US12NG s, USBO s, USCI s, USMI s, USAG s and CPER s combined net assets greater thar million but less than $1 billion, and (c) 0.035% once US12OF s, USOF s, USNG s, UGA s, USHO s, USSO s, US12NG s, USBO s, USCI s, USM USAG s and CPER s combined net assets exceed $1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds $75,000. USCF also pays transaction fees ranging from $7 to $15 per transaction.

US12OF has entered into a brokerage agreement with UBS Securities LLC (UBS Securities). The agreement requires UBS Securities to provide services to US12OF in connection with the purchase and sale of Oil Futures Contracts and Other Oil-Related Investments that may be purchased and sold by or through UBS Securities for US12OF s account. In accordance with the agreement, UBS Securities charges US12OF commissions of approximately $7 to $15 per round-turn trade, including applicable exchange and NFA fees for Oil Futures Contracts and options on Oil Futures Contracts.

US12OF and the NYMEX entered into a licensing agreement on April 10, 2006, as amended on October 20, 2011, whereby US12OF was granted a non-exclusive license to use certain of the NYMEX s settlement prices and service marks. Under the licensing agreement, US12OF and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, pay the NYMEX an asset-based fee for the license, the terms of which are described in *Note 3*.

US12OF expressly disclaims any association with the NYMEX or endorsement of US12OF by the NYMEX and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of the NYMEX.

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NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

US12OF engages in the trading of futures contracts, options on futures contracts and cleared swaps (collectively, derivatives). US12OF is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

US12OF may enter into futures contracts, options on futures contracts and cleared swaps to gain exposure to changes in the value of an underlying commodity. A futures contract obligates the seller to deliver (and the purchaser to accept) the future delivery of a specified quantity and type of a commodity at a specified time and place. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying commodity or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery.

The purchase and sale of futures contracts, options on futures contracts and cleared swaps require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant s proprietary activities.

Futures contracts and cleared swaps involve, to varying degrees, elements of market risk (specifically commodity price risk) and exposure to loss in excess of the amount of variation margin. The face or contract amounts reflect the extent of the total exposure US12OF has in the particular classes of instruments. Additional risks associated with the use of futures contracts are an imperfect correlation between movements in the price of the futures contracts and the market value of the underlying securities and the possibility of an illiquid market for a futures contract.

All of the futures contracts held by US12OF were exchange-traded through December 31, 2011. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, a party must rely solely on the credit of its respective individual counterparties. However, in the future, if US12OF were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any, on the transaction. US12OF has credit risk under its futures contracts since the sole counterparty to all domestic and foreign futures contracts is the clearinghouse for the exchange on which the relevant contracts are traded. In addition, US12OF bears the risk of financial failure by the clearing broker.

US12OF s cash and other property, such as Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds, subject to the futures commission merchant s segregation requirements. In the event of a futures commission merchant s insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited. The insolvency of a futures commission merchant could result in the complete loss of US12OF s assets posted with that futures commission merchant; however, the majority of US12OF s assets are held in Treasuries, cash and/or cash equivalents with US12OF s custodian and would not be impacted by the insolvency of a futures commission merchant. Also, the failure or insolvency of US12OF s custodian could result in a substantial loss of US12OF s assets.

USCF invests a portion of US12OF s cash in money market funds that seek to maintain a stable per unit NAV. US12OF is exposed to any risk of loss associated with an investment in such money market funds. As of December 31, 2011 and December 31, 2010, US12OF held investments in money market funds in the amounts of $107,128,288 and $137,599,867, respectively. USCF holds cash deposits with its custodian. Pursuant to a written agreement with BBH&Co., uninvested overnight cash balances are swept to offshore branches of U.S. regulated and domiciled banks located in Toronto, Canada, London, United Kingdom, Grand Cayman, Cayman Islands and Nassau, Bahamas, which are subject to U.S. regulation and regulatory oversight. As of December 31, 2011 and December 31, 2010, US12OF held cash deposits and investments in Treasuries in the amounts of $58,744,673 and $22,892,840, respectively. This amount may be subject to loss should US12OF s custodian cease operations.

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For derivatives, risks arise from changes in the market value of the contracts. Theoretically, US12OF is exposed to market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, US12OF pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

US12OF s policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, US12OF has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business.

The financial instruments held by US12OF are reported in its statement of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

NOTE 6 - FINANCIAL HIGHLIGHTS

The following table presents per unit performance data and other supplemental financial data for the years ended December 31, 2011, 2010 and 2009. This information has been derived from information presented in the financial statements.

	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
Per Unit Operating Performance:			
Net asset value, beginning of year	$ 42.91	$ 40.37	$ 31.24
Total income	0.88	2.87	9.52
Net expenses	(0.33)	(0.33)	(0.39)
Net increase in net asset value	0.55	2.54	9.13
Net asset value, end of year	$ 43.46	$ 42.91	$ 40.37
Total Return	1.28%	6.29%	29.23%
Ratios to Average Net Assets			
Total income	2.08%	7.93%	50.64%
Management fees	0.60%	0.60%	0.60%
Total expenses excluding management fees	0.17%	0.24%	0.51%
Expenses waived	-%	-%	(0.01)%
Net expenses excluding management fees	0.17%	0.24%	0.50%
Net income	1.31%	7.09%	49.54%

Total returns are calculated based on the change in value during the period. An individual unitholder s total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from US12OF.

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NOTE 7 - QUARTERLY FINANCIAL DATA (Unaudited)

The following summarized (unaudited) quarterly financial information presents the results of operations and other data for three-month periods ended March 31, June 30, September 30 and December 31, 2011 and 2010.

	0000000000000 First Quarter 2011	0000000000000 Second Quarter 2011	0000000000000 Third Quarter 2011	0000000000000 Fourth Quarter 2011
Total Income (Loss)	$ 30,855,365	$ (24,020,290)	$ (40,601,303)	$ 38,190,454
Total Expenses	462,485	498,550	358,512	318,177
Net Income (Loss)	$ 30,392,880	$ (24,518,840)	$ (40,959,815)	$ 37,872,277
Net Income (Loss) per Unit	$ 5.59	$ (4.71)	$ (8.45)	$ 8.12

	0000000000000 First Quarter 2010	0000000000000 Second Quarter 2010	0000000000000 Third Quarter 2010	0000000000000 Fourth Quarter 2010
Total Income (Loss)	$ 3,200,633	$ (15,904,310)	$ 7,848,963	$ 17,158,423
Total Expenses	425,457	343,440	265,532	265,355
Net Income (Loss)	$ 2,775,176	$ (16,247,750)	$ 7,583,431	$ 16,893,068
Net Income (Loss) per Unit	$ 0.74	$ (4.31)	$ 1.79	$ 4.32

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

US12OF values its investments in accordance with Accounting Standards Codification 820 Fair Value Measurements and Disclosures (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. The changes to past practice resulting from the application of ASC 820 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. ASC 820 establishes a fair value hierarchy that distinguishes between: (1) market participant assumptions developed based on market data obtained from sources independent of US12OF (observable inputs) and (2) US12OF s own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the ASC 820 hierarchy are as follows:

Level I Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level III Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall within different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to

the fair value measurement in its entirety.

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The following table summarizes the valuation of US12OF s securities at December 31, 2011 using the fair value hierarchy:

At December 31, 2011	Total	Level I	Level II	Level III
Short-Term Investments	$ 120,576,360	$ 120,576,360	$ -	$ -
Exchange-Traded Futures Contracts				
United States Contracts	4,002,120	4,002,120	-	-

During the year ended December 31, 2011, there were no significant transfers between Level I and Level II.

The following table summarizes the valuation of US12OF s securities at December 31, 2010 using the fair value hierarchy:

At December 31, 2010	Total	Level I	Level II	Level III
Short-Term Investments	$ 137,599,867	$ 137,599,867	$ -	$ -
Exchange-Traded Futures Contracts				
United States Contracts	15,866,560	15,866,560	-	-

During the year ended December 31, 2010, there were no significant transfers between Level I and Level II.

Effective January 1, 2009, US12OF adopted the provisions of Accounting Standards Codification 815 Derivatives and Hedging, which require presentation of qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivatives.

Fair Value of Derivative Instruments

Derivatives not Accounted for as Hedging Instruments	Statements of Financial Condition Location	Fair Value at December 31, 2011	Fair Value at December 31, 2010
Futures - Commodity Contracts	Assets	$ 4,002,120	$ 15,866,560

The Effect of Derivative Instruments on the Statements of Operations

Derivatives not Accounted for as Hedging Instruments	Location of Gain or (Loss) on Derivatives Recognized in Income	For the year ended December 31, 2011		For the year ended December 31, 2010		For the year ended December 31, 2009	
		Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) Recognized in Income
Futures - Commodity Contracts	Realized gain on closed positions	$ 16,224,040		$ 17,158,730		$ 49,183,430	

	Change in unrealized gain (loss) on open positions	$ (11,864,440)	$ (4,935,530)	$ 23,556,720

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NOTE 9 RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2011-11 require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance requires retrospective application for all comparative periods presented. USCF is currently evaluating the impact ASU No. 2011-11 will have on US12OF s financial statements.

In May 2011, FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. ASU No. 2011-04 clarifies existing requirements for measuring fair value and for disclosure about fair value measurements in converged guidance of the FASB and the International Accounting Standards Board. The amendments are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Nonpublic entities may apply the amendments early, but no earlier than for interim periods beginning after December 15, 2011. The implementation of ASU No. 2011-04 is not expected to have a material impact on US12OF s financial statements.

NOTE 10 SUBSEQUENT EVENTS

Effective as of February 29, 2012, the size of the Creation Basket and Redemption Basket was reduced from 100,000 units to 50,000 units.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

US12OF maintains disclosure controls and procedures that are designed to ensure that material information required to be disclosed in US12OF s periodic reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC s rules and forms.

The duly appointed officers of USCF, including its chief executive officer and chief financial officer, who perform functions equivalent to those of a principal executive officer and principal financial officer of US12OF if US12OF had any officers, have evaluated the effectiveness of US12OF s disclosure controls and procedures and have concluded that the disclosure controls and procedures of US12OF have been effective as of the end of the period covered by this annual report on Form 10-K.

Management s Annual Report on Internal Control Over Financial Reporting

US12OF is responsible for establishing and maintaining adequate internal control over financial reporting. US12OF s internal control system is designed to provide reasonable assurance to USCF and the Board of USCF regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. USCF s report on internal control over financial reporting is set forth above under the heading, *Management s Annual Report on Internal Control Over Financial Reporting* in *Item 8* of this annual report on Form 10-K.

Change in Internal Control Over Financial Reporting

There were no changes in US12OF s internal control over financial reporting during US12OF s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, US12OF s internal control over financial reporting.

Item 9B. Other Information.

Monthly Account Statements

Pursuant to the requirement under Rule 4.22 under the CEA, each month US12OF publishes an account statement for its unitholders, which includes a Statement of Income (Loss) and a Statement of Changes in Net Asset Value. The account statement is furnished to the SEC on a current report on Form 8-K pursuant to Section 13 or 15(d) of the Exchange Act and posted each month on US12OF s website at www.unitedstates12monthoilfund.com.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Mr. Nicholas Gerber and Mr. Howard Mah serve as executive officers of USCF. US12OF has no executive officers. Its affairs are generally managed by USCF. The following individuals serve as Management Directors of USCF.

Nicholas Gerber has been the President and CEO of USCF since June 9, 2005 and a Management Director of USCF since May 10, 2005. He maintains his main business office at 1320 Harbor Bay Parkway, Suite 145, Alameda, California 94502. He has been listed with the CFTC as a Principal of USCF since November 29, 2005, as Branch Manager of USCF since May 15, 2009, and registered with the CFTC as an Associated Person of USCF on December 1, 2005. Mr. Gerber also served as Vice President/Chief Investment Officer of Lyon s Gate Reinsurance Company, Ltd., a company formed to reinsure workmen s compensation insurance, from June 2003 to December 2009. Mr. Gerber has an extensive background in securities portfolio management and in developing investment funds that make use of indexing and futures contracts. He is also the founder of Ameristock Corporation, a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since March 1995. Since August 1995, Mr. Gerber has been the portfolio manager of the Ameristock Mutual Fund, Inc. a mutual fund registered under the Investment Company Act of 1940, focused on large cap U.S. equities that, as of December 31, 2011, had $200,749,014 in assets. He has also been a Trustee for the Ameristock ETF Trust since June 2006, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. In these roles, Mr. Gerber has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Gerber has passed the Series 3 examination for associated persons. He holds an MBA in finance from the University of San Francisco and a BA from Skidmore College. Mr. Gerber is 49 years old.

In concluding that Mr. Gerber should serve as Management Director of USCF, USCF considered his broad business experiences in the industry including: forming and managing investment companies and commodity pools, raising capital for such entities and founding and managing non-finance related companies.

Howard Mah has been a Management Director of USCF since May 10, 2005, Secretary of USCF since June 9, 2005, and Chief Financial Officer of USCF since May 23, 2006. He has been listed with the CFTC as a Principal of USCF since November 29, 2005. In these roles, Mr. Mah is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USMI, USAG, USSF, UNGD, USGO and USABF, if such funds commence operations. Mr. Mah also serves as USCF s Chief Compliance Officer. He received a Bachelor of Education from the University of Alberta, in 1986 and an MBA from the University of San Francisco in 1988. He served as Secretary and Chief Compliance Officer of the Ameristock ETF Trust from February 2007 until June 2008 when the trust was liquidated, Chief Compliance Officer of Ameristock Corporation since January 2001; a tax and finance consultant in private practice since January 1995, Secretary of Ameristock Mutual Fund since June 1995 and Ameristock Focused Value Fund from December 2000 to January 2005; Chief Compliance Officer of Ameristock Mutual Fund since August 2004 and the Co-Portfolio Manager of the Ameristock Focused Value Fund from December 2000 to January 2005. Mr. Mah is 47 years old.

In concluding that Mr. Mah should serve as Management Director of USCF, USCF considered his background in accounting and finance, as well as his experience as Chief Compliance Officer for USCF and Ameristock Corporation.

Andrew F. Ngim has been a Management Director of USCF since May 10, 2005 and Treasurer of USCF since June 9, 2005. He has been listed with the CFTC as a Principal of USCF since November 29, 2005. As Treasurer of USCF, Mr. Ngim is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USMI, USAG, USSF, UNGD, USGO and USABF, if such funds commence operations. He received a Bachelor of Arts from the University of California at Berkeley in 1983. Mr. Ngim has been Ameristock Corporation s Managing Director since January 1999 and co-portfolio manager of Ameristock Corporation since January 2000, Trustee of the Ameristock ETF Trust since February 2007, and served as a portfolio manager for the Ameristock/Ryan 1 Year, 2 Year, 5 Year, 10 Year and 20 Year Treasury ETF from June 2007 to June 2008 when such funds were liquidated. Mr. Ngim is 51 years old.

In concluding that Mr. Ngim should serve as Management Director of USCF, USCF considered his broad career in the financial services industry as well as experience as co-Portfolio Manager of the Ameristock Mutual Fund.

Robert L. Nguyen has been a Management Director of USCF since May 10, 2005. He has been listed with the CFTC as a Principal of USCF since November 29, 2005 and registered with the CFTC as an Associated Person on November 9, 2007. As a Management Director of USCF, Mr. Nguyen is currently involved in the management of US12OF and the Related Public Funds and will be involved in the management of USMI, USAG, USSF, UNGD, USGO and USABF, if such funds commence operations. He received a Bachelor of Science from California State University Sacramento in 1981. Mr. Nguyen has been the Managing Principal of Ameristock Corporation since January 2000. Mr. Nguyen is 52 years old.

In concluding that Mr. Nguyen should serve as Management Director of USCF, USCF considered his background in the financial services industry as well as his experience in leading the marketing efforts for Ameristock Corporation.

The following individuals provide significant services to US12OF but are employed by USCF.

John P. Love has acted as the Portfolio Operations Manager for US12OF and the Related Public Funds since January 2006 and, effective March 1, 2010, became the Senior Portfolio Manager for US12OF and the Related Public Funds. He is expected to be Senior Portfolio Manager for USMI, USAG, USSF, UNGD, USGO and USABF, if such funds commence operations. Mr. Love is also employed by USCF. He has been listed with the CFTC as a Principal of USCF since January 17, 2006. Mr. Love also served as the operations manager of Ameristock Corporation from October 2002 to January 2007, where he was responsible for back office and marketing activities for the Ameristock Mutual Fund and Ameristock Focused Value Fund and for the firm in general. Mr. Love holds a Series 3 license and was registered with the CFTC as an Associated Person of USCF from December 1, 2005 through April 16, 2009. Mr. Love has passed the Level I and Level II Chartered Financial Analyst examinations. He holds a BFA in cinema-television from the University of Southern California. Mr. Love is 40 years old.

John T. Hyland, CFA acts as a Portfolio Manager and as the Chief Investment Officer for USCF. Mr. Hyland is employed by USCF. He registered with the CFTC as an Associated Person of USCF on December 1, 2005, and has been listed with the CFTC as a Principal of USCF since January 17, 2006. Mr. Hyland became the Portfolio Manager for US12OF, USOF, USNG, UGA, USHO, USSO, US12NG, USBO, USCI and CPER in December 2007, April 2006, April 2007, February 2008, April 2008, September 2009, November 2009, June 2010, August 2010 and November 2011, respectively, and as Chief Investment Officer of USCF since January 2008, acts in such capacity on behalf of US12OF and the Related Public Funds. He will also be the Portfolio Manager for USMI, USAG, USSF, UNGD, USGO and USABF upon the commencement of such funds operations. As part of his responsibilities for US12OF and the Related Public Funds, Mr. Hyland handles day-to-day trading, helps set investment policies, and oversees US12OF s and the Related Public Funds activities with their futures commission brokers, custodian-administrator, and marketing agent. Mr. Hyland has an extensive background in portfolio management and research with both equity and fixed income securities, as well as in the development of new types of complex investment funds. In July 2001, Mr. Hyland founded Towerhouse Capital Management, LLC, a firm that provided portfolio management and new fund development expertise to non-U.S. institutional investors through December 2009. Since January 2010, Towerhouse Capital Management has been inactive. Mr. Hyland was a Principal for Towerhouse in charge of portfolio research and product development regarding U.S. and non-U.S. real estate related securities. Mr. Hyland received his Chartered Financial Analyst (CFA) designation in 1994. Mr. Hyland is a member of the CFA Institute (formerly AIMR) and is a member and former president of the CFA Society of San Francisco. He is also a member of the National Association of Petroleum Investment Analysts, a not-for-profit organization of investment professionals focused on the oil industry. He is a graduate of the University of California, Berkeley. Mr. Hyland is 52 years old.

Ray W. Allen acts as a Portfolio Operations Manager for USOF, US12OF, USSO and USBO. He has been employed by USCF since January 14, 2008. He holds a Series 3 license and registered with the CFTC as an Associated Person of USCF on March 25, 2008. He has been listed with the CFTC as a Principal of USCF since March 18, 2009. Mr. Allen s responsibilities include daily trading and operations for USOF, US12OF, USSO and USBO. Mr. Allen also acted as a Portfolio Operations Manager for UGA, USHO and US12NG until March 1, 2010. In addition, from February 2002 to October 2007, Mr. Allen was responsible for analyzing and evaluating the creditworthiness of client companies at Marble Bridge Funding Group Inc., in Walnut Creek, CA. Marble Bridge Funding Group Inc. is a commercial finance company providing capital to entrepreneurial companies. For the period from October 2007 to January 14, 2008, Mr. Allen was not employed by USCF and did not engage in any business-related activity. Mr. Allen received a BA in Economics from the University of California at Berkeley in 1980. Mr. Allen is 55 years old.

The following individuals serve as independent directors of USCF.

Peter M. Robinson has been an independent director of USCF since September 30, 2005 and, as such, serves on the Board of USCF, which acts on behalf of US12OF and the Related Public Funds. He has been listed with the CFTC as a Principal of USCF since December 2005. Mr. Robinson has been employed as a Research Fellow with the Hoover Institution since 1993. The Hoover Institution is a public policy think tank located on the campus of Stanford University. Mr. Robinson graduated from Dartmouth College in 1979 and Oxford University in 1982. Mr. Robinson received an MBA from the Stanford University Graduate School of Business. Mr. Robinson has also written three books and has been published in the *New York Times*, *Red Herring*, and *Forbes ASAP* and he is the editor of *Can Congress Be Fixed?: Five Essays on Congressional Reform* (Hoover Institution Press, 1995). Mr. Robinson is 54 years old.

In concluding that Mr. Robinson should serve as independent director of USCF, USCF considered his broad experience in the United States government, including his employment at the SEC, and his knowledge of and insight into public policy.

Gordon L. Ellis has been an independent director of USCF since September 30, 2005 and, as such, serves on the Board of USCF, which acts on behalf of US12OF and the Related Public Funds. He has been listed with the CFTC as a Principal of USCF since November 2005. Mr. Ellis has been Chairman of International Absorbents, Inc., a holding company of Absorption Corp., since July 1988, President and Chief Executive Officer since November 1996 and a Class I Director of the company since July 1985. Mr. Ellis is also a director of Absorption Corp., International Absorbents, Inc. s wholly-owned subsidiary which is engaged in developing, manufacturing and marketing a wide range of animal care and industrial absorbent products. Mr. Ellis is a director/trustee of Polymer Solutions, Inc., a former publicly-held company that sold all of its assets effective as of February 3, 2004 and is currently winding down its operations and liquidating following such sale. Polymer Solutions previously developed and manufactured paints, coatings, stains and primers for wood furniture manufacturers. Mr. Ellis is a professional engineer with an MBA in international finance. Mr. Ellis is 65 years old.

In concluding that Mr. Ellis should serve as independent director of USCF, USCF considered his experience serving as the Chairman and Chief Executive Officer of a former publicly-traded corporation as well as his experience as an entrepreneur.

Malcolm R. Fobes III has been an independent director of USCF since September 30, 2005 and, as such, serves on the Board of USCF, which acts on behalf of US12OF and the Related Public Funds. He has been listed with the CFTC as a Principal of USCF since November 2005. Mr. Fobes is the founder, Chairman and Chief Executive Officer of Berkshire Capital Holdings, Inc., a California-based investment adviser registered under the Investment Advisers Act of 1940, that has been sponsoring and providing portfolio management services to mutual funds since June 1997. Since June 1997, Mr. Fobes has been the Chairman and President of The Berkshire Funds, a mutual fund investment company registered under the Investment Company Act of 1940. Mr. Fobes also serves as portfolio manager of the Berkshire Focus Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in the electronic technology industry. From April 2000 to July 2006, Mr. Fobes also served as co-portfolio manager of The Wireless Fund, a mutual fund registered under the Investment Company Act of 1940, which concentrates its investments in companies engaged in the development, production, or distribution of wireless-related products or services. In these roles, Mr. Fobes has gained extensive experience in evaluating and retaining third-party service providers, including custodians, accountants, transfer agents, and distributors. Mr. Fobes was also contributing editor of *Start a Successful Mutual Fund: The Step-by-Step Reference Guide to Make It Happen* (JV Books, 1995). Mr. Fobes holds a B.S. degree in Finance and Economics from San Jose State University in California. Mr. Fobes is 47 years old.

In concluding that Mr. Fobes should serve as independent director of USCF, USCF considered his background as founder, Chairman and Chief Executive Officer of a registered investment adviser as well as Chairman, President, Chief Financial Officer and Portfolio Manager of a mutual fund investment company.

The following are individual Principals, as that term is defined in CFTC Rule 3.1, for USCF: Nicholas Gerber, Melinda Gerber, the Nicholas and Melinda Gerber Living Trust, Howard Mah, Andrew Ngim, Robert Nguyen, Peter Robinson, Gordon Ellis, Malcolm Fobes, John Love, John Hyland, Ray Allen and Wainwright Holdings Inc. and Margaret Johnson. These individuals are Principals due to their positions, however, Nicholas Gerber and Melinda Gerber are also Principals due to their controlling stake in Wainwright. None of the Principals owns or has any other beneficial interest in US12OF. Ray Allen and John Hyland make trading and investment decisions for US12OF. John Love and Ray Allen execute trades on behalf of US12OF. In addition, Nicholas Gerber, John Hyland, Robert Nguyen and Ray Allen are registered with the CFTC as Associated Persons of USCF and are NFA Associate Members.

Audit Committee

The Board of USCF has an audit committee which is made up of the three independent directors (Peter M. Robinson, Gordon L. Ellis, and Malcolm R. Fobes III). The audit committee is governed by an audit committee charter that is posted on US12OF s website at www.unitedstates12monthoilfund.com. Any unitholder of US12OF may also obtain a printed copy of the audit committee charter, free of charge, by calling 1-800-920-0259. The Board has determined that each member of the audit committee meets the financial literacy requirements of the NYSE Arca and the audit committee charter. The Board has further determined that each of Messrs. Ellis and Fobes have accounting or related financial management expertise, as required by the NYSE Arca, such that each of them is considered an Audit Committee Financial Expert as such term is defined in Item 407(d)(5) of Regulation S-K.

Other Committees

Since the individuals who perform work on behalf of US12OF are not compensated by US12OF, but instead by USCF, US12OF does not have a compensation committee. Similarly, since the directors noted above serve on the Board of USCF, there is no nominating committee of the Board that acts on behalf of US12OF. USCF believes that it is necessary for each member of the Board to possess many qualities and skills. USCF further believes that all directors should possess a considerable amount of business management and educational experience. There have not been any vacancies on USCF s Board since the commencement of operations of US12OF in April 2006; however, if such a vacancy were to occur, the members of the Board would consider a candidate s management experience as well as his/her background, stature, conflicts of interest, integrity and ethics. In connection with this, the Board would also consider issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Board does not have a formal policy with respect to diversity; however, the Board believes that it is essential that the Board members represent diverse viewpoints.

Corporate Governance Policy

The Board of USCF has adopted a Corporate Governance Policy that applies to US12OF and the Related Public Funds. US12OF has posted the text of the Corporate Governance Policy on its website at www.unitedstates12monthoilfund.com. Any unitholder of US12OF may also obtain a printed copy of the Corporate Governance Policy, free of charge, by calling 1-800-920-0259.

Code of Ethics

USCF has adopted a Code of Business Conduct and Ethics (the Code of Ethics) that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and also to US12OF. US12OF has posted the text of the Code of Ethics on its website at www.unitedstates12monthoilfund.com. Any unitholder of US12OF may also obtain a printed copy of the Code of Ethics, free of charge, by calling 1-800-920-0259. US12OF intends to disclose any amendments or waivers to the Code of Ethics applicable to USCF s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on its website.

Executive Sessions of the Non-Management Directors

In accordance with the Corporate Governance Policy of USCF, the non-management directors of the Board (who are the same as the independent directors of the Board) meet separately from the other directors in regularly scheduled executive sessions, without the presence of Management Directors or executive officers of USCF. The non-management directors have designated Malcolm R. Fobes III to preside over each such executive session. Interested parties who wish to make their concerns known to the non-management directors may communicate directly with Mr. Fobes by writing to 475 Milan Drive, No. 103, San Jose, CA 95134-2453 or by e-mail at uscf.director@gmail.com.

Board Leadership Structure and Role in Risk Oversight

The Board of USCF is led by a Chairman, Nicholas Gerber, who is also the President and CEO of USCF. The Board s responsibilities include: (i) the selection, evaluation, retention and succession of the Chief Executive Officer and the oversight of the selection and performance of other executive officers, (ii) understanding, reviewing and monitoring the implementation of strategic plans, annual operating plans and budgets, (iii) the selection and oversight of US12OF s independent auditors and the oversight of US12OF s financial statements, (iv) advising management on significant issues, (v) the review and approval of significant company actions and certain other matters, (vi) nominating directors and committee members and overseeing effective corporate governance and (vii) the consideration of other constituencies, such as USCF s and US12OF s customers, employees, suppliers and the communities impacted by US12OF. The non-management directors have designated Malcolm R. Fobes III as the presiding independent director. Mr. Fobes role as the presiding independent director includes presiding over each executive session of the non-management directors, facilitating communications by shareholders and employees with the non-management directors and may also include representing the non-management directors with respect to certain matters as to which the views of the non-management directors are sought pursuant to US12OF s Corporate Governance Policy.

The Board believes that Mr. Gerber is best situated to serve as Chairman of USCF because he is the director most familiar with the business of USCF, including investing in the futures contracts and other commodity interests in order to track the benchmark futures contracts of US12OF and the Related Public Funds. Because of his background, he is most capable of effectively leading the discussion and execution of new strategic objectives. The independent directors of USCF are actively involved in the oversight of USCF and, because of their varied backgrounds, provide different perspectives in connection with the oversight of USCF, US12OF and the Related Public Funds. USCF s independent directors bring expertise from outside USCF and the commodities industry, while Mr. Gerber brings company-specific and industry-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer facilitates information flow between USCF and the Board, including the independent directors, which is essential to effective governance.

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Risk Management

The full Board is actively involved in overseeing the management and operation of USCF, including oversight of the risks that face US12OF and the Related Public Funds. For example, the Board has adopted an Investment Policy and a Policy for Use of Derivatives. The policies are intended to ensure that USCF takes prudent and careful action while entering into and managing investments taken by US12OF, including Oil Futures Contracts or Other Oil-Related Investments such as over-the-counter swap contracts. Additionally, the policies are intended to provide assurance that there is sufficient flexibility in controlling risks and returns associated with the use of investments by US12OF. The policies, among other things, limit US12OF s ability to have too high of a concentration of its assets in non-exchange traded futures contracts or cleared swap contracts or concentrating its investments in too few counterparties, absent prior approval from the Board. Existing counterparties are reviewed periodically by the Board to ensure that they continue to meet the criteria outlined in the policies. The Board tasks USCF with assessing risks, including market risk, credit risk, liquidity risk, cash flow risk, basis risk, legal and tax risk, settlement risk, and operational risk.

The Board also determines compensation payable to employees of USCF, including the portfolio managers of each of US12OF and the Related Public Funds. The compensation of certain employees of USCF is, in part, based on the amount of assets under management by US12OF and the Related Public Funds. The Board feels that compensating certain employees, in part, based on the amount of assets under management is appropriate since having more assets in a fund generally reflects that investors perceive the fund s investment objective is being met. There are certain risks that may arise as a result of a growth in assets under management. For example, if position limits are imposed on US12OF and the assets under management continue to increase, then US12OF may not be able to invest solely in the Benchmark Oil Futures Contracts and may have to invest in over-the-counter swap contracts or Other Oil-Related Investments as it seeks to track its benchmark. Other Oil Futures Contracts in which US12OF may invest may not track changes in the price of the Benchmark Oil Futures Contracts. Other Oil-Related Investments, including over-the-counter swap contracts, may also expose US12OF to increased counterparty credit risk and may be less liquid and more difficult to value than Oil Futures Contracts. US12OF and the Related Public Funds ameliorate the potential credit, liquidity and valuation risks by fully collateralizing any over-the-counter swap contracts or other investments. In making compensation decisions, the Board considers whether a compensation arrangement would expose US12OF or the Related Public Funds to additional risks and whether the risks posed by such arrangement are consistent with the best interests of US12OF s investors.

Other Information

In addition to the certifications of the Chief Executive Officer and Chief Financial Officer of USCF filed or furnished with this annual report on Form 10-K regarding the quality of US12OF s public disclosure, US12OF will submit, within 30 days after filing this annual report on Form 10-K, to the NYSE Arca a certification of the Chief Executive Officer of USCF certifying that he is not aware of any violation by US12OF of NYSE Arca corporate governance listing standards.

Item 11. Executive Compensation.

Compensation to USCF and Other Compensation

US12OF does not directly compensate any of the executive officers noted above. The executive officers noted above are compensated by USCF for the work they perform on behalf of US12OF and other entities controlled by USCF. US12OF does not reimburse USCF for, nor does it set the amount or form of any portion of, the compensation paid to the executive officers by USCF. US12OF pays fees to USCF pursuant to the LP Agreement under which it is obligated to pay USCF an annualized fee of 0.60% of its average daily net assets. For 2011, US12OF accrued aggregate management fees of $1,275,573.

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Director Compensation

The following table sets forth compensation earned during the year ended December 31, 2011, by the directors of USCF. US12OF s portion of the aggregate fees paid to the directors for the year ended December 31, 2011 was $16,046.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Plan	All Other Compensation	Total
Management Directors							
Nicholas Gerber	$ 0	NA	NA	NA	$ 0	$ 0	$ 0
Andrew F. Ngim	$ 0	NA	NA	NA	$ 0	$ 0	$ 0
Howard Mah	$ 0	NA	NA	NA	$ 0	$ 0	$ 0
Robert L. Nguyen	$ 0	NA	NA	NA	$ 0	$ 0	$ 0
Independent Directors							
Peter M. Robinson	$ 100,000	NA	NA	NA	$ 0	$ 0	$ 100,000
Gordon L. Ellis	$ 100,000	NA	NA	NA	$ 0	$ 0	$ 100,000
Malcolm R. Fobes III(1)	$ 120,000	NA	NA	NA	$ 0	$ 0	$ 120,000

(1) Mr. Fobes serves as chairman of the audit committee of USCF and receives additional compensation in recognition of the additional responsibilities he has undertaken in this role.

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

None of the directors or executive officers of USCF, nor the employees of US12OF, own any units of US12OF. The following table sets forth information regarding the beneficial ownership of US12OF s units by each person or entity known to it to be the beneficial owner of more than 5% of its outstanding units as of March 6, 2012. The information in the table is based solely on a Schedule 13G filed with the SEC on February 14, 2012 by the Guardian Life Insurance Company of America (Guardian).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
The Guardian Life Insurance Company of America 7 Hanover Square New York, NY 10004	311,400*	6.4%

* Guardian has reported that it has sole voting and sole dispositive power over the units.

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

Certain Relationships and Related Transactions

US12OF has and will continue to have certain relationships with USCF and its affiliates. However, there have been no direct financial transactions between US12OF and the directors or officers of USCF that have not been disclosed herein. See *Item 11. Executive Compensation* and *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.* Any transaction with a

related person that must be disclosed in accordance with SEC Regulation S-K item 404(a), including financial transactions by US12OF with directors or executive officers of USCF or holders of beneficial interests in USCF or US12OF of more than 5%, will be subject to the provisions regarding Resolutions of Conflicts of Interest; Standard of Care as set forth in Section 7.7 of the LP Agreement and will be reviewed and approved by the audit committee of the Board of USCF.

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Director Independence

In February 2012, the Board undertook a review of the independence of the directors of USCF and considered whether any director has a material relationship or other arrangement with USCF, US12OF or the Related Public Funds that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, the Board determined that each of Messrs. Fobes, Ellis and Robinson is an independent director, as defined under the rules of NYSE Arca.

Item 14. Principal Accountant Fees and Services.

The fees for services billed to US12OF by its independent auditors for the last two fiscal years are as follows:

	2011	2010
Audit fees	$ 85,000	$ 85,000
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
	$ 85,000	$ 85,000

Audit fees consist of fees paid to Spicer Jeffries LLP for (i) the audit of US12OF s annual financial statements included in the annual report on Form 10-K, and review of financial statements included in the quarterly reports on Form 10-Q and certain of US12OF s current reports on Form 8-K; (ii) the audit of US12OF s internal control over financial reporting included in the annual report on Form 10-K; and (iii) services that are normally provided by the Independent Registered Public Accountants in connection with statutory and regulatory filings of registration statements.

Tax fees consist of fees paid to Spicer Jeffries LLP for professional services rendered in connection with tax compliance and partnership income tax return filings.

The audit committee has established policies and procedures which are intended to control the services provided by US12OF s independent auditors and to monitor their continuing independence. Under these policies and procedures, no audit or permitted non-audit services (including fees and terms thereof), except for the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, may be undertaken by US12OF s independent auditors unless the engagement is specifically pre-approved by the audit committee. The audit committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals must be presented to the full audit committee at its next scheduled meeting.

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Part IV

Item 15. Exhibits and Financial Statement Schedules.

1. See Index to Financial Statements on page 66.
2. No financial statement schedules are filed herewith because (i) such schedules are not required or (ii) the information required has been presented in the aforementioned financial statements.
3. Exhibits required to be filed by Item 601 of Regulation S-K.

Exhibit Index

Listed below are the exhibits which are filed or furnished as part of this annual report on Form 10-K (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit Number	Description of Document
3.1(1)	Certificate of Limited Partnership of the Registrant.
3.2(2)	Amended and Restated Agreement of Limited Partnership.
3.3(3)	Fifth Amended and Restated Limited Liability Company Agreement of USCF.
10.1(4)	Form of Initial Authorized Purchaser Agreement.
10.2(2)	Marketing Agent Agreement.
10.3(2)	Amendment Agreement to the Marketing Agent Agreement.
10.4(5)	Amendment to the License Agreement.
10.5(6)	Third Amendment to License Agreement between United States Commodity Funds LLC and New York Mercantile Exchange, Inc.
10.6(2)	Custodian Agreement.
10.7(7)	Amendment Agreement to the Custodian Agreement.
10.8(2)	Administrative Agency Agreement.
10.9(7)	Amendment Agreement to the Administrative Agency Agreement.
10.10(8)	Form of United States Commodity Funds LLC Director Deferred Compensation Agreement.
14.1(3)	Code of Ethics.
23.1(3)	Consent of Independent Registered Public Accounting Firm.
31.1(3)	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2(3)	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1(3)	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).
32.2(3)	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).
101.INS(9)	XBRL Instance Document.
101.SCH(9)	XBRL Taxonomy Extension Schema.
101.CAL(9)	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF(9)	XBRL Taxonomy Extension Definition Linkbase.
101.LAB(9)	XBRL Taxonomy Extension Label Linkbase.
101.PRE(9)	XBRL Taxonomy Extension Presentation Linkbase.

(1) Incorporated by reference to Registrant s Registration Statement on Form S-1 (File No. 333-144348) filed on July 5, 2007.

(2) Incorporated by reference to Registrant s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2009, filed on November 16, 2009.

(3) Filed herewith.

(4) Incorporated by reference to Registrant s Pre-Effective Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-144348) filed on November 16, 2007.

(5) Incorporated by reference to Registrant s Annual Report on Form 10-K for the Year ended December 31, 2007, filed on March 26, 2008.

(6) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed on October 24, 2011.

(7) Incorporated by reference to Registrant s Annual Report on Form 10-K for the Year ended December 31, 2008, filed on March 31, 2009.

(8) Incorporated by reference to Registrant s Current Report on Form 8-K, filed on April 1, 2010.

(9) In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

United States 12 Month Oil Fund, LP (Registrant)
By: United States Commodity Funds LLC, its general partner

By: /s/ Nicholas D. Gerber
Nicholas D. Gerber
President and Chief Executive Officer
(Principal executive officer)

Date: March 8, 2012

By: /s/ Howard Mah
Howard Mah
Chief Financial Officer
(Principal financial and accounting officer)

Date: March 8, 2012
Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title (Capacity)	Date
/s/ Nicholas D. Gerber Nicholas D. Gerber	Management Director	March 8, 2012
/s/ Howard Mah Howard Mah	Management Director	March 8, 2012
/s/ Andrew Ngim Andrew Ngim	Management Director	March 8, 2012
/s/ Robert Nguyen Robert Nguyen	Management Director	March 8, 2012
/s/ Peter M. Robinson Peter M. Robinson	Independent Director	March 8, 2012
/s/ Gordon L. Ellis Gordon L. Ellis	Independent Director	March 8, 2012
/s/ Malcolm R. Fobes III Malcolm R. Fobes III	Independent Director	March 8, 2012