

Measurement Specialties Inc  
Form DEF 14A  
July 29, 2008

**SCHEDULE 14A**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant  x  
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))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**MEASUREMENT SPECIALTIES, INC.**

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(Name of Registrant as Specified in Its Charter)

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

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- x No fee required.
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-

**Measurement Specialties, Inc.**  
**1000 Lucas Way**  
**Hampton, VA 23666**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Measurement Specialties, Inc. (the "Company," "we," "us" or "our") will hold its Annual Meeting of Shareholders at Embassy Suites hotel at the Hampton Roads Convention Center, 1700 Coliseum Drive, Hampton, Virginia 23666 on Tuesday, September 16, 2008, at 3:00 p.m. Eastern Daylight time. We are holding the meeting for the following purposes:

1. To elect Kenneth E. Thompson and Morton L. Topfer to the Board of Directors, whose terms are described in the proxy statement.
2. To approve the Company's proposed 2008 Equity Incentive Plan.
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009.
4. To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.

Holders of record of common stock of the Company at the close of business on July 28, 2008 are entitled to vote at the meeting.

In addition to the proxy statement and proxy card, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008, which is not part of the proxy soliciting material, is enclosed.

It is important that your shares be represented and voted at the meeting. You may vote your shares by completing and returning a proxy card. Most shareholders can also vote over the Internet or by telephone. If Internet and telephone voting are available to you, you can find voting instructions on the enclosed proxy card. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the enclosed proxy statement. Whichever method you choose, your vote is important so please vote as soon as possible.

By Order of the Board of Directors,  
MARK THOMSON  
Chief Financial Officer and Secretary

July 29, 2008

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## PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Measurement Specialties, Inc. (the “Company”, “we”, “us” or “our”) of proxies to be voted at our Annual Meeting of Shareholders, to be held on September 16, 2008, and at any meeting following postponement or adjournment of the Annual Meeting.

You are cordially invited to attend the Annual Meeting, which will begin at 3:00 p.m., Eastern Daylight time. The meeting will be held at the Embassy Suites hotel at the Hampton Roads Convention Center, 1700 Coliseum Drive, Hampton, Virginia 23666 on Tuesday, September 16, 2008. Shareholders will be admitted beginning at 2:30 p.m., Eastern Daylight time.

We are first mailing this proxy statement and proxy card (including voting instructions) on or about July 29, 2008 to persons who were shareholders at the close of business on July 28, 2008, the record date for the meeting.

**Important notice regarding the availability of proxy materials for the shareholder meeting to be held on September 16, 2008.**

**This proxy statement and annual report to shareholders, which includes the Company’s Annual Report on Form 10-K for the 2008 fiscal year, are available at [www.meas-spec.com](http://www.meas-spec.com).**

Our fiscal year begins on April 1 and ends on March 31. References in this proxy statement to the year 2007 or fiscal 2007 refer to the 12-month period from April 1, 2006 through March 31, 2007. References in this proxy statement to the year 2008 or fiscal 2008 refer to the 12-month period from April 1, 2007 through March 31, 2008. References in this proxy statement to the year 2009 or fiscal 2009 refer to the 12-month period from April 1, 2008 through March 31, 2009.

## PROXIES AND VOTING PROCEDURES

### Who Can Vote?

You are entitled to vote at the Annual Meeting all shares of the Company’s common stock that you held as of the close of business on July 28, 2008, the record date for the meeting. Each share of common stock is entitled to one vote with respect to each matter properly brought before the meeting.

On July 28, 2008, there were 14,457,100 shares of common stock outstanding.

In accordance with New Jersey law, a list of shareholders entitled to vote at the meeting will be available at the meeting.

## Who Is the Record Holder?

You may own common stock either (1) directly in your name, in which case you are the record holder of such shares, or (2) indirectly through a broker, bank or other nominee, in which case such nominee is the record holder.

If your shares are registered directly in your name, we are sending these proxy materials directly to you. If the record holder of your shares is a nominee, you will receive proxy materials from such record holder.

## How Do I Vote?

*If you are the record holder:*

· By Internet. You can vote on the Internet. The website address for Internet voting is on your proxy card, and voting is also available 24 hours a day. If you vote by Internet, you do not need to request or return your proxy card. Your vote by Internet must be received by 11:59 p.m., Eastern Daylight time, September 15, 2008. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

· By Telephone. You can also vote your shares by telephone, by calling the toll-free telephone number on your proxy card and following the instructions. Telephone voting is also available 24 hours a day. If you vote by telephone, you do not need to request or return your proxy card. Your vote by telephone must be received by 11:59 p.m., Eastern Daylight time, September 15, 2008.

· By Mail. If you choose to vote by mail, mark your proxy, date and sign it, and return it in the postage-paid envelope provided. Your vote by mail must be received by the close of voting at the Annual Meeting on September 16, 2008.

· By Attending the Annual Meeting. If you attend the Annual Meeting, you can vote your shares in person.

*If your stock is held by brokers, banks or other nominees:*

If your common stock is held by a broker, bank or other nominee, you will receive instructions from such nominee that you must follow in order to have your shares voted.

If you plan to attend the Annual Meeting and vote in person, you will need to contact the broker, bank or other nominee to obtain evidence of your ownership of common stock on July 28, 2008.

If you hold your shares through a broker, your shares may be voted even if you do not provide voting instructions to your broker, bank or other nominee. Under the rules of The NASDAQ Global Market (“NASDAQ”), the exchange on which our shares are listed, and the Financial Industry Regulatory Authority, member brokers who do not receive instructions from beneficial owners are permitted to vote shares for which their customers do not provide voting instructions on certain “routine” matters. The Company believes that (1) the election of Directors and (2) the ratification of our independent registered public accounting firm are considered routine matters. The Company believes that the proposal to approve the 2008 Equity Incentive Plan is considered a “non-routine” matter.

The method by which you vote will in no way limit your right to vote at the meeting if you later decide to attend in person.

### **How Many Votes Are Required?**

A quorum is required to transact business at the Annual Meeting. We will have a quorum and be able to conduct the business of the Annual Meeting if the holders of a majority of the shares entitled to vote are present at the meeting, either in person or by proxy.

If a quorum is present, a plurality of votes cast is required to elect Directors. Thus, a Director may be elected even if the Director receives less than a majority of the shares represented at the meeting. Proxies cannot be voted for a greater number of nominees than are named in this Proxy Statement. To approve the 2008 Equity Incentive Plan, an affirmative vote of a majority of the votes cast is required. To ratify the appointment of our independent registered public accounting firm, an affirmative vote of a majority of the votes cast is required.

### **How Are Votes Counted?**

All shares that have been properly voted, and not revoked, will be voted at the Annual Meeting in accordance with the instructions given. If you sign and return your proxy card or submit your proxy via the Internet or by telephone, but do not specify how you wish your shares to be voted, your shares represented by that proxy will be voted as recommended by the Board of Directors: (1) “for” the nominees for Director, (2) “for” the proposal to approve the 2008 Equity Incentive Plan, and (3) “for” the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2009.

Proxies marked as abstaining or, with respect to the election of directors, withheld, and any proxies returned by brokers as “non-votes” on behalf of shares held in street name because beneficial owners’ discretion has been withheld as to one or more matters to be acted upon at the Annual Meeting, will be treated as present for purposes of determining whether a quorum is present at the Annual Meeting. However, any shares not voted as a result of a marked abstention or, with respect to the election of directors, withheld vote, or a broker non-vote will not be counted as votes cast for or against any of the proposals requiring the approval by a plurality or majority of votes cast. An abstention, withheld vote or broker non-vote will therefore not affect the votes required to approve any of the proposals requiring the approval by a plurality or majority of votes cast.

### **How Can I Revoke My Proxy or Change My Vote?**

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote) or by voting in person at the meeting (attendance at the meeting will not itself revoke a proxy).

### **Who Will Pay the Expenses of Proxy Distribution?**

The Company will pay the expenses of the preparation of the proxy materials and the solicitation of proxies. Proxies may be solicited on behalf of the Company by Directors, officers or employees of the Company, who will receive no additional compensation for soliciting, in person or by telephone, e-mail or facsimile or other electronic means. In accordance with the regulations of the Securities and Exchange Commission (the "SEC") and NASDAQ, we will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of the Company's common stock.

### **What Does it Mean if I Get More Than One Set of Proxy Materials?**

Your shares are probably registered differently or are held in more than one account. Please vote all proxies to ensure that all your shares are voted. Also, please have all of your accounts registered in the same name and address. You may do this by contacting our transfer agent, American Stock Transfer & Trust Company at (718) 921-8293.

## **ITEM 1 — ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. One class is elected each year for a term of three years.

Two Directors will be elected at this Annual Meeting to serve for a three-year term expiring at our Annual Meeting in 2011. The Board has nominated Kenneth E. Thompson and Morton L. Topfer to serve for the term expiring at our Annual Meeting in 2011. You can find information about Messrs. Thompson and Topfer below.

The persons named in the proxy card will vote such proxy "for" the election of Messrs. Thompson and Topfer unless you indicate that your vote should be withheld. If elected, each of Messrs. Thompson and Topfer will continue in office until his successor has been duly elected and qualified, or until the earliest of his death, resignation, retirement or removal. Each of Messrs. Thompson and Topfer has indicated to the Company that he will serve if elected. We do not anticipate that either of Messrs. Thompson and Topfer will be unable to stand for election, but, if that happens, your proxy will be voted in favor of another person nominated by the Board.

The Board of Directors recommends a vote **FOR** the election of Messrs. Thompson and Topfer as Directors.

### **NOMINEES FOR TERM EXPIRING IN 2011**

*Kenneth E. Thompson* has been a Director since November 2006. Through September 2006, Mr. Thompson was a partner of McCarter & English, LLP, a law firm that provided legal services to the Company. Effective October 1, 2006, Mr. Thompson became Senior Vice President and General Counsel of Insurance Services Office, Inc., a provider of data, analytical tools and decision support services that help measure, manage and reduce risk. Mr. Thompson received a B.A. in Political Science from the State University of New York at Stony Brook and a J.D. from Boston University School of Law. Age 48.

*Morton L. Topfer* has been a Director since January 2002 and was appointed Chairman of the Board effective January 31, 2003. Mr. Topfer is Managing Director of Castletop Capital, L.P., an investment firm. He previously served at Dell, Inc. (formerly Dell Computer Corporation), a global systems and services company, as Counselor to the Chief Executive Officer, from December 1999 to February 2002, and Vice Chairman, from June 1994 to December 1999. Mr. Topfer was a member of the Board of Directors of Dell from December 1999 to July 2004. Prior to joining Dell, Mr. Topfer served for 23 years at Motorola, Inc., a global provider of communication technologies, products and services, where he held several executive positions, last serving as Corporate Executive Vice President and President of the Land Mobile Products Sector. Mr. Topfer was conferred the Darjah Johan Negeri Penang State Award in July 1996 by the Governor of Penang for contributions to the development of the electronics industry in Malaysia. Mr. Topfer also serves as a director for Staktek Technologies and Advanced Micro Devices. Age 71.

### **DIRECTORS WITH TERM EXPIRING IN 2010**

*John D. Arnold* has been a Director since June 1995. Mr. Arnold has been in private law practice since 1988, primarily representing technology companies with relationships with Asian investors and/or manufacturers. Prior to 1988, Mr. Arnold was employed with the law firms of Wilson, Sonsini, Goodrich & Rosati in Palo Alto, California and Foley & Lardner in Milwaukee, Wisconsin. Mr. Arnold received a B.B.A. in business administration from the University of Wisconsin and a J.D. from Stanford Law School. Age 53.

*Frank D. Guidone* has served as Chief Executive Officer since June 2002 and has been a Director since December 2002. Mr. Guidone was a Managing Director/Principal of Corporate Revitalization Partners, a Dallas-based turnaround/crisis management consultancy firm, from 2000 to 2006. Mr. Guidone has been a partner at Four Corners Capital Partners, a boutique private investment firm of which Mr. Guidone is a co-founder, since 1999. Prior to forming Four Corners, Mr. Guidone spent 13 years in management consulting with Andersen Consulting and George Group, Inc. Mr. Guidone has worked with numerous solvent and insolvent companies, focusing on operational and financial restructurings. Mr. Guidone received a B.S. in mechanical engineering from The University of Texas at Austin. Age 43.



## **DIRECTORS WITH TERM EXPIRING IN 2009**

*R. Barry Uber* has been a Director since October 2003. Mr. Uber is a partner of Coastal Capital Consultants, L.L.C., an investment firm, and a former board member of NES Rental Holdings. Mr. Uber was President and Chief Operating Officer of American Commercial Lines Inc. (formerly American Commercial Barge Line), a provider of marine transportation and manufacturing services and solutions, from July 2001 to July 2003. He also served as President and Chief Executive Officer of North American Van Lines. Prior to joining North American Van Lines, Mr. Uber served for 30 years at Ingersoll-Rand Co. Inc., a diversified commercial products manufacturer, where he held increasingly responsible executive positions, last serving as Corporate Vice President and President of the Construction Machinery Equipment Group. Mr. Uber received a B.B.A. in business administration from Penn State University where he was awarded an Alumni Fellow Award in 1996. He serves as a Director of NES Rentals Holding, Inc. Age 63.

*Satish Rishi* has been a Director since September 2005. Since April 2006, Mr. Rishi has served as Senior Vice President, Finance and Chief Financial Officer of Rambus, Inc., a designer of high-speed chip interfaces. From 2001 to April 2006, he served at Toppan Photomasks, Inc. (formerly DuPont Photomasks, Inc.), a global provider of photomask technology, where he last held the positions of Executive Vice President and Chief Financial Officer. During his career, Mr. Rishi has held senior financial management positions at semiconductor and electronics manufacturers. He served as Vice President and Assistant Treasurer at Dell Inc. from 1999 until 2001, and prior to his service at Dell, spent 13 years at Intel Corp., a manufacturer and developer of silicon technologies, where he held financial management positions of increasing responsibility, both in the United States and overseas. His last position at Intel was Assistant Treasurer. Mr. Rishi received a B.S. with honors in Mechanical Engineering from Delhi College of Engineering, Delhi University, and an M.B.A. with a concentration in Finance from the Walter J. Hass School of Business, University of California, Berkeley. Age 48.

## **ITEM 2 — PROPOSAL TO APPROVE THE 2008 EQUITY INCENTIVE PLAN**

### **Introduction**

The Board of Directors recommends that our shareholders approve the Measurement Specialties, Inc. 2008 Equity Incentive Plan (the “2008 Plan” or “plan”), adopted by the Board on June 24, 2008, subject to the approval of our shareholders at the 2008 Annual Meeting. The 2008 Plan will not become effective unless it is approved by our shareholders.

### **Overview of the 2008 Plan**

The following summary describes the material terms of the 2008 Plan. While we believe that the description covers the material terms of the 2008 Plan, this summary may not contain all of the information that is important to you. You should carefully read the full text of the 2008 Plan, which is attached to this proxy statement as [Exhibit A](#), for a more complete understanding of the 2008 Plan. The discussion is qualified in its entirety by reference to [Exhibit A](#).

The 2008 Plan permits the grant of (1) incentive stock options (“ISOs”), (2) nonqualified stock options (“NQOs” and, together with ISOs, “Options”), and (3) restricted stock units (“RSUs” and, collectively with the Options, “Awards”), as more fully described below. All Awards granted under the Plan are governed by separate written agreements (“Agreements”) between the participants and us.

While the 2008 Plan authorizes the award of RSUs, the 2008 Plan includes this feature largely to provide us with flexibility in the future in providing equity compensation incentives in a changing accounting environment.

The 2008 Plan is intended to promote the best interests of the Company and our shareholders by:

- enabling us to attract and retain the best available individuals for positions of substantial responsibility, including directors, officers, employees, consultants and advisors;
  - providing additional incentives to such persons by affording them an equity participation in the Company;
  - rewarding those Directors, executive officers and employees for their contributions to our organization; and
- promoting the success of our business by aligning the financial interests of our Directors, executive officers and employees providing personal services to our organization with long-term shareholder value through compensation based on the performance of the Company's common stock.

The Company has provided stock-based compensation opportunities to our Directors, executive officers and employees through the Measurement Specialties, Inc. 2006 Employee Stock Option Plan, the Measurement Specialties, Inc. 2003 Stock Option Plan, and the Measurement Specialties, Inc. 1998 Stock Option Plan. If shareholders approve the 2008 Plan, no future grants will be made under these plans.

#### **Administration**

The Board of Directors or, if the Board of Directors delegates its authority to the Compensation Committee, the Compensation Committee will administer the 2008 Plan. The Committee will have at least two members who are non-employee directors and outside directors under applicable rules and regulations of the SEC and the Internal Revenue Service. The Board or the Compensation Committee will have broad authority with respect to the 2008 Plan, including the power to:

- select the persons who will be eligible for Awards;
- determine the amount and type of Awards to be granted to participants;
- determine the terms and conditions of Awards to be granted to participants (not inconsistent with the provisions of the 2008 Plan), including, without limitation, the applicable exercise price per share, the expiration date, the restriction period, and such other terms and conditions as may be deemed appropriate by the Board or the Compensation Committee;
- determine and interpret the terms of Agreements;

determine whether the Options will be treated as ISOs or NQOs;

· adopt procedures for carrying out the 2008 Plan and to change such procedures from time to time as it deems advisable; and

· establish performance goals, if applicable, that must be met as a condition to the payment of certain Awards.

The Board of Directors may also delegate its authority to administer the 2008 Plan to our Chief Executive Officer, subject to limitations specified in the 2008 Plan, applicable legal requirements and the rights and authority specified in the delegation of authority.

### **Share Authorization; Individual Limitations**

Subject to certain adjustments, the maximum number of shares of common stock that may be issued under the 2008 Plan in connection with Awards is 1,400,000 shares. The maximum number of shares of our common stock that may be granted pursuant to awards of RSUs is 450,000. There are also maximum annual limitations applicable to Awards as follows: (a) the maximum aggregate number of shares of our common stock subject to Options that may be granted in any one 2008 Plan year to any one participant is 150,000; and (b) the maximum aggregate number of shares of our common stock subject to RSUs that may be granted in any one 2008 Plan year to any one participant is the fair market value (determined on the date of grant) of 75,000 shares of common stock.

In the event that the Board or the Compensation Committee determines that any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reclassification, reorganization, merger, consolidation, stock split, spin-off, combination, exchange of shares, warrants or rights offering to purchase our stock at a price substantially below fair market value, or other similar transaction affects our stock such that an adjustment is required to preserve the benefits or potential benefits intended under the Plan, the Board or Compensation Committee will have the right to adjust (1) the number of shares of stock that may be awarded, (2) the number and kind of shares subject to outstanding Awards held by participants, (3) the exercise price of Awards, (4) the annual Award limits, or (5) the amount and/or type of payment to be received under Awards. The Board may also provide for a cash payment for any outstanding Awards, provided that the number of shares subject to any Award must always be a whole number. Shares of our common stock subject to Awards that expire unexercised or are otherwise forfeited shall again be available for Awards under the 2008 Plan.

### **Performance Goals**

Awards under the 2008 Plan may be conditioned upon the achievement of certain performance goals established by the Board or Compensation Committee. Performance goals may be linked to a variety of factors, including the participant's completion of a specified period of employment or service with us or an affiliated company. Additionally, performance goals can include objectives stated with respect to our, an affiliated company's or a business unit's (1) total shareholder return, (2) total shareholder return as compared to total return (on a comparable basis) of a publicly available index, (3) net income, (4) pretax earnings, (5) funds from operations, (6) earnings before interest expense, taxes, depreciation and amortization, (7) operating margin, (8) earnings per share, (9) return on equity, capital, assets and/or investment, (10) operating earnings, (11) working capital, (12) ratio of debt to shareholders equity, (13) expense reduction or containment, (14) revenue, or (15) such other criteria as may be determined by the Board or Compensation Committee in its sole discretion. Additionally, the Board or Compensation Committee may impose restrictions, including without limitation, confidentiality and non-solicitation restrictions, on the grant, exercise or payment of an Award as it determines appropriate.

## Awards

*Stock Options.* A stock option entitles the holder to purchase from us a stated number of shares of our common stock. The 2008 Plan permits the grant of both ISOs and NQOs. An ISO may only be granted to our employees or to an employee of one of our subsidiaries (provided applicable law so permits). The Board or Compensation Committee will specify the number of shares of common stock subject to each Option and the exercise price for such Option. The exercise price may not be less than the closing price of a share of our common stock on the date the Option is granted. If we grant ISOs to any shareholder owning 10% or more of our common stock, the exercise price shall not be less than 110% of the fair market value of our common stock on the date the Option is granted. Generally, all or part of the exercise price may be paid (1) in cash, (2) by tendering shares of common stock, (3) by cashless-broker-assisted exercise, (4) by any combination of such methods or (5) any other method accepted by the Board or Compensation Committee.

All Options shall be exercisable in accordance with the terms of the applicable Agreement. The maximum period in which an Option may be exercised shall be determined by the Board or Compensation Committee on the date of grant but shall not exceed 10 years. However, if we grant ISOs to any 10% shareholder, then the maximum period in which the Option may be exercised is five years. In the case of ISOs, the aggregate fair market value (determined as of the date of grant) of our common stock with respect to which such ISOs become exercisable for the first time during any calendar year under any of our plans or the plans of any affiliated companies cannot exceed \$100,000. ISOs granted in excess of this limitation will be treated as NQOs, with respect only to such excess.

Unless otherwise determined by the Board or the Compensation Committee at the time of grant, the following provisions will apply upon a participant's termination of employment or service with the Company. If a participant's employment with us (or any of our subsidiaries) terminates due to death or disability, the participant's unexercised Options may be exercised, to the extent they were exercisable on the termination date, for a period of 12 months from the termination date or until the expiration of the Option term, if shorter. If the participant's employment with us (or one of our subsidiaries) is terminated for cause (as defined in the 2008 Plan), all unexercised Options (whether vested or unvested) shall terminate and be forfeited on the termination date. If the participant's employment terminates for any other reason other than death, disability, or termination for cause, any vested but unexercised Options may be exercised by the participant, to the extent exercisable at the time of termination, for a period of 90 days from the termination date or until the expiration of the Option term, whichever period is shorter. Unless otherwise provided by the Compensation Committee, any Options that are not exercisable at the time of termination of employment shall terminate and be forfeited on the termination date.

*Restricted Stock Units.* RSUs are granted in reference to a specified number of shares of our common stock and entitle the holder to receive shares of common stock or cash (as determined by the Board or Compensation Committee) upon the achievement of specific performance goals established by the Board or Compensation Committee, including (1) the participant's continued service over a period of time, (2) the achievement of certain performance goals established by the Board or Compensation Committee, or (3) any combination of these conditions as specified in the applicable Agreement. During the restricted period, a participant will not have any rights as a shareholder with respect to any shares of common stock underlying a restricted stock unit until such time as the shares of common stock have been issued.

### **Transferability of Awards**

Generally, Awards granted under the 2008 Plan shall be nontransferable except by will or by the laws of descent and distribution.

### **Rights as a Shareholder**

No participant shall have any rights as a shareholder with respect to shares covered by Options or RSUs unless and until such Awards are settled in shares of our common stock. No Option shall be exercisable, no shares of our common stock shall be issued, no certificates for shares of our common stock shall be delivered and no payment shall be made under the 2008 Plan, except in compliance with all applicable laws.

### **Amendment and Termination**

Our Board of Directors may amend, suspend or terminate the 2008 Plan at any time provided that a termination shall not affect outstanding Awards under the 2008 Plan. The Board may also amend any outstanding Award without consent of the participant to comply with legal requirements (including requirements under Internal Revenue Code Sections 409A and 162(m)), or to make adjustments to an Award in recognition of unusual or nonrecurring events affecting our financial status or in order to prevent dilution or enlargement of the intended benefits. Other amendments may be made to outstanding Awards with the consent of the participant. Except in connection with a corporate transaction involving the Company (including without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the excess price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Option or SARs without stockholder approval.

### **Change in Control**

In the event of a change in control (as defined in the 2008 Plan), the Board or Compensation Committee may, on a participant-by-participant basis, (1) accelerate the vesting of outstanding Options, (2) fully vest and/or accelerate the restriction period for any Awards, (3) terminate or cancel any outstanding Awards and/or provide limited opportunities to exercise Awards prior to the effectiveness of such termination or cancellation, (4) require that Awards be assumed by the successor entity or that Awards for shares or other interests in the successor entity with equivalent value be substituted for such Award, or (5) take such other action as the Board or Compensation Committee deems reasonable under the circumstances to retain the original intent of the Award.

**Vote Required**

If a quorum is present at the meeting, the proposal to approve the 2008 Plan must be approved by the affirmative vote of a majority of the votes cast at the Annual Meeting.

The Board of Directors recommends a vote **FOR** the proposal to approve the Company's 2008 Equity Incentive Plan.

**Equity Compensation Plan Information**

The following table presents information as of March 31, 2008 with respect to compensation plans under which shares of our common stock are authorized for issuance. The table does not include securities that may be issuable under the 2008 Plan, which is being submitted to shareholders for approval at the Annual Meeting and has not been implemented.

<b>Plan Category</b>	<b>Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights(1)</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans(2)</b>
Equity Compensation Plans Approved by Shareholders	2,021,239	\$ 22.69	145,195
Employee Stock Purchase Plan	2,674	\$ 16.60	242,591
Equity Compensation Plans Not Approved by Shareholders(3)	—	—	—
<b>Total</b>	<b>2,023,913</b>	<b>\$ 22.68</b>	<b>387,786</b>

(1) There are no outstanding warrants or rights.

(2) Amounts exclude any securities to be issued upon exercise of outstanding options.

(3) We do not have any equity compensation plans that have not been approved by shareholders.

**ITEM 3 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Appointment of Independent Registered Public Accounting Firm for Fiscal 2009**

The Audit Committee has appointed KPMG LLP as our independent registered public accounting firm for fiscal 2009. We are not required to have the shareholders ratify the selection of KPMG LLP as our independent registered public accounting firm. We are doing so because we believe it is a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain KPMG LLP but may retain such independent registered public accounting firm. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders. Representatives of KPMG LLP are expected to be present at the Annual Meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The Board of Directors recommends a vote **FOR** the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2009.

#### **Fees Paid to Our Independent Registered Public Accounting Firm During Fiscal 2008 and Fiscal 2007**

*Audit Fees.* The Company was billed the aggregate amounts of \$1,745,802 and \$1,565,052 for the fiscal years 2008 and 2007, respectively, for professional services rendered by KPMG LLP for its audit of our financial statements for such years, review of the financial statements included in our Forms 10-Q during such respective fiscal years and Sarbanes-Oxley related audits of internal control over financial reporting.

*Audit-Related Fees.* In fiscal 2008 and 2007, the Company did not pay any fees for audit-related services rendered by KPMG LLP.

*Tax Fees.* The Company was billed the aggregate amount of \$8,000 in fiscal 2008 for tax consulting services rendered by KPMG LLP. KPMG LLP did not bill any fees in fiscal 2007 for tax consulting services.

*All Other Fees.* In fiscal 2008 and 2007, the Company did not pay KPMG LLP any fees other than those described above.

#### **Pre-Approval of Audit and Permissible Non-Audit Services**

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may pre-approve particular services on a case-by-case basis. For each proposed service, the independent registered public accounting firm is required to provide detailed back-up documentation at the time of approval. The Audit Committee may, when applicable, form and delegate authority to subcommittees consisting of one or more members who are independent directors of the Board, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals are required to be presented to the full Audit Committee at its next scheduled meeting. All audit and permissible non-audit services provided by KPMG LLP to the Company for fiscal 2008 and fiscal 2007, respectively, were pre-approved by the Audit Committee.

## GOVERNANCE OF THE COMPANY

Pursuant to New Jersey law and the Company's by-laws, the Company's business, property and affairs are managed by or under the direction of the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. We currently have six members on our Board. The Board has determined that five of its members, John D. Arnold, R. Barry Uber, Satish Rishi, Morton L. Topfer and Kenneth E. Thompson, are "independent," as defined in the NASDAQ listing standards.

The Board of Directors meets on a regularly scheduled basis during the year to review significant developments affecting the Company and to act on matters requiring Board approval, and may hold special meetings between scheduled meetings when appropriate. During fiscal 2008, the Board held six meetings. Each incumbent Director attended more than 75% of the total number of meetings of the Board of Directors and the Board committees of which he was a member during the period he served as a Director in fiscal 2008. The Company does not have a policy requiring all Directors to attend annual meetings of shareholders. Messrs. Topfer, Uber, Thompson, Arnold and Guidone were the Directors then serving who attended the Company's 2007 Annual Meeting.

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established various committees to assist it with the performance of its responsibilities. These committees and their current members are discussed below.

### Audit Committee

During fiscal year 2008, the Audit Committee consisted of John D. Arnold (Chairman), Satish Rishi and Kenneth E. Thompson. All of the Audit Committee members are "independent," as independence for audit committee members is defined in the NASDAQ listing standards, including the heightened independence standards for audit committees under the Exchange Act. The Board has determined that all Audit Committee members have the financial sophistication and experience required by NASDAQ listing standards. The Board has also determined that current Director Satish Rishi qualifies as an "audit committee financial expert," as defined in Item 407(d)(5) of SEC Regulation S-K. For additional information regarding the experience and background of Mr. Rishi, see "Item 1 - Election of Directors" above.

During fiscal 2008, the Audit Committee met six times. The functions of the Audit Committee are described in its report, which is included in this proxy statement. The Board has adopted a written charter setting forth the functions of the Audit Committee. This charter is available to shareholders on our website, [www.meas-spec.com](http://www.meas-spec.com).



## **Compensation Committee**

During fiscal 2008, the Compensation Committee consisted of R. Barry Uber (Chairman), Morton L. Topfer and Kenneth E. Thompson. All of the Compensation Committee Members are “independent,” as independence for Compensation Committee members is defined in the NASDAQ listing standards.

The functions of the Compensation Committee are to (1) develop and maintain compensation policy and strategy that credits a direct relationship between pay levels and corporate performance and returns to shareholders, (2) recommend to our Board of Directors for approval, compensation and benefit plans for executive officers, (3) review and approve annually corporate and personal goals and objectives to serve as the basis for the Chief Executive Officer’s compensation, evaluate the Chief Executive Officer’s performance in light of the goals and, based on such evaluation, determine, or recommend to the Board of Directors for determination, the annual total compensation for our other executive officers, (4) approve the grants of stock options and other equity-based incentives to the extent provided under our compensation plans, and (5) review and recommend to our Board of Directors compensation for non-employee directors.

During fiscal 2008, the Compensation Committee met five times. The Board has adopted a written charter setting forth the functions of the Compensation Committee. This charter is available to shareholders on our website, [www.meas-spec.com](http://www.meas-spec.com).

## **Nominating Committee**

During fiscal year 2008, the Nominating Committee consisted of R. Barry Uber (Chairman), Morton L. Topfer and Satish Rishi. All of the Nominating Committee members are “independent,” as independence for nominating committee members is defined in the NASDAQ listing standards. The Nominating Committee was formed to evaluate and recommend to the Board the persons to be nominated for election as directors at any meeting of shareholders, and the persons to be elected by the Board to fill any vacancy on the Board.

During fiscal 2008, the Nominating Committee met one time. The Board has adopted a written charter setting forth the functions of the Nominating Committee. This charter is available to shareholders on our website, [www.meas-spec.com](http://www.meas-spec.com).

The Nominating Committee carefully considers all director candidates recommended by our shareholders, and the Nominating Committee does not and will not evaluate such candidate recommendations any differently from the way it evaluates other candidates. In its evaluation of each proposed candidate, the Nominating Committee considers many factors including, without limitation, the individual’s experience, character, demonstrations of judgment and ability, and financial and other special expertise. The Nominating Committee is also authorized to obtain the assistance of an independent third party to complete the process of finding, evaluating and selecting suitable candidates for director. Any shareholder who wishes to recommend an individual as a nominee for election to the Board should submit such recommendation in writing to the attention of Mark Thomson (who will forward the recommendation to the Nominating Committee) through e-mail ([mark.thomson@meas-spec.com](mailto:mark.thomson@meas-spec.com)) or by mail to the Company (1000 Lucas Way, Hampton, VA 23666, Attn: Chairman of Nominating Committee), together with information regarding the experience, education and general background of the individual and a statement as to why the shareholder believes such individual to be an appropriate candidate for Director of the Company.

**COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Company encourages shareholder communications with the Board of Directors but does not have a formal process. All such communications should be sent to Frank D. Guidone through the Company's website ([www.meas-spec.com/myMEAS/investors/ceo\\_comment.asp](http://www.meas-spec.com/myMEAS/investors/ceo_comment.asp)) or by mail to the Company (1000 Lucas Way, Hampton, VA 23666). Mr. Guidone will circulate them to the other members of the Board. If the communication is directed to a particular Director, Mr. Guidone will forward the communication to that Director. The Company does not screen shareholder communications, other than for security purposes.

**COMPENSATION OF DIRECTORS**

For fiscal 2008, each of our non-employee directors received an annual cash retainer of \$35,000 payable in equal quarterly installments in arrears. In addition, each of our non-employee directors received an annual grant on December 3, 2007 of options to purchase 5,000 shares of our common stock at an exercise price of \$23.90 per share. The options were granted under the Company's 2006 Stock Option Plan. Directors who are our employees do not receive additional compensation for serving on our Board of Directors or on committees of the Board. Mr. Guidone, as President and Chief Executive Officer, is the only member of the Board of Directors who is also an employee. For fiscal 2008, all of our outside Directors (Messrs. Arnold, Rishi, Thompson, Topfer and Uber), that is, Directors who are not employees or full-time consultants of the Company, each received compensation as follows:

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$ (1))</b>	<b>Total (\$)</b>
John D. Arnold	35,000	33,205(2)	68,205
Satish Rishi	35,000	33,205(3)	68,205
Kenneth E. Thompson	35,000	56,476(4)	91,476
Morton L. Topfer	35,000	33,205(5)	68,205
R. Barry Uber	35,000	33,205(6)	68,205

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(1) Represents the dollar amount of expense recognized by the Company for financial statement reporting purposes with respect to fiscal 2008 for options granted to the Directors and, accordingly, includes amounts from awards granted in and prior to fiscal 2008. The amounts were calculated in accordance with Statement of Financial Accounting Standards No. 123R ("FASB 123R"). For a more detailed discussion on the assumptions used to calculate the fair value of our options, refer to Note 2(v) and 14 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2008.

- (2) At March 31, 2008, Mr. Arnold held options to purchase 21,000 shares of our common stock.
- (3) At March 31, 2008, Mr. Rishi held options to purchase 15,000 shares of our common stock.
- (4) At March 31, 2008, Mr. Thompson held options to purchase 10,000 shares of our common stock.
- (5) At March 31, 2008, Mr. Topfer held options to purchase 10,000 shares of our common stock.
- (6) At March 31, 2008, Mr. Uber held options to purchase 25,000 shares of our common stock.

It is the responsibility of the Compensation Committee to review and recommend to the Board the appropriate structure and amount of Board compensation. The Board makes the final determination with respect to Board compensation. The Compensation Committee will consider whether directors' independence may be jeopardized if director compensation exceeds customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated. Under its charter, the Compensation Committee has the authority to retain third-party consultants, including compensation consultants. For fiscal 2008, the Compensation Committee did not engage any compensation consultants for purposes of its review and recommendation of director compensation.

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal year 2008, the Compensation Committee consisted of R. Barry Uber (Chairman), Morton L. Topfer and Kenneth E. Thompson. None of the members has ever been an officer or employee of the Company or any of its subsidiaries, and no "Compensation Committee interlocks" existed during fiscal 2008.

#### **CODE OF ETHICS**

The Company has adopted a Code of Ethics in accordance with SEC regulations, applicable to the Company's Chief Executive Officer, senior financial officers and the Board of Directors. The Code of Ethics is available to shareholders on our website, [www.meas-spec.com](http://www.meas-spec.com).

#### **RELATED PERSON TRANSACTIONS**

The Company has adopted a policy regarding the review and approval of related person transactions. In the event that the Company proposes to enter into a related person transaction, the transaction must be reported to the Audit Committee. As provided in its charter, the Audit Committee is required to review and approve each related person transaction and any disclosures that are required by Item 404 of Regulation S-K. The Audit Committee reviews each related person transaction on a case by case basis.

For purposes of this policy, a "related person transaction" has the same meaning as in Item 404 of Regulation S-K: a transaction, arrangement or relationship (or any series of related transactions, arrangements or relationships) in which the Company is, was or will be a participant and the amount involved exceeds \$120,000 and in which any "related person" has, had or will have a direct or indirect material interest.

For purposes of this policy, a "related person" has the same meaning as in Item 404 of Regulation S-K: any person who was a director, a nominee for director or an executive officer of the Company during the Company's preceding fiscal year (or an immediate family member of such a director, nominee for director or executive officer of the Company) or a beneficial owner of more than five percent of our outstanding common stock (or an immediate family member of such owner).



## REPORT OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board to assist the Board in monitoring:

- the integrity of the financial statements of the Company,
- the independent registered public accounting firm's qualifications and independence,
- the performance of the Company's independent registered public accounting firm, and
- the compliance by the Company with legal and regulatory requirements.

The Audit Committee meets with management periodically to consider the adequacy of the Company's internal control over financial reporting and the objectivity of its financial reporting. The Audit Committee discusses these matters with the Company's independent registered public accounting firm and with appropriate company financial personnel.

The Audit Committee regularly meets privately with the independent registered public accounting firm, which has unrestricted access to the Committee.

The Audit Committee selects, evaluates and, where appropriate, replaces the independent registered public accounting firm, and reviews periodically their performance, fees and independence from management.

Each of the Directors who serves on the Audit Committee is "independent" for purposes of the NASDAQ listing standards, including the heightened independence standards for audit committees under the Exchange Act.

The Board has adopted a written charter setting out the audit related functions the Audit Committee is to perform and reviews the charter on a periodic basis to assure that the functions and duties of the Audit Committee will continue to conform to applicable SEC and stock exchange regulations as they may be amended or modified in the future.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal control over financial reporting. The independent registered public accounting firm audits the annual financial statements prepared by management, express an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of the company in conformity with accounting principles generally accepted in the United States, expresses an opinion on the Company's internal control over financial reporting and discusses with the Audit Committee any issues they believe should be raised with the Committee. The Audit Committee monitors these processes, relying without independent verification on the information provided to the Committee and on the representations made by management and the Company's independent registered public accounting firm.

This year, the Audit Committee reviewed the Company's audited financial statements as of and for the fiscal years ended March 31, 2008 and March 31, 2007, respectively, and met with both management and KPMG LLP, the Company's independent registered public accounting firm for fiscal 2008 and fiscal 2007 to discuss those financial statements. Management has represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States.

The Audit Committee received from and discussed with KPMG LLP the written disclosure and the letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T. These items relate to that firm's independence from the Company. The Audit Committee also discussed with KPMG LLP any matters required to be discussed by Statement on Auditing Standards No. 61 as amended (AICPA, *Professional Standards*, Vol 1. AU 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008.

John D. Arnold (Chairman)  
Satish Rishi  
Kenneth E. Thompson

## COMPENSATION DISCUSSION AND ANALYSIS

Through the following questions and answers we explain all material elements of our executive compensation program:

### General

#### *What are the objectives of our executive compensation programs?*

Measurement Specialties, Inc. is a leader in the design, development and manufacture of sensors and sensor-based systems for original equipment manufacturers and end users, based on a broad portfolio of proprietary technologies. We operate in highly fragmented markets that are characterized by high levels of competition. We believe that we need qualified executive officers who are capable of independent thinking and responsible decision making in order to compete in the markets we serve. Under the direction of the Compensation Committee of our Board of Directors, we seek to compensate our executive officers at levels that are competitive so that we may attract, retain and motivate highly capable executive officers. We also seek to design our compensation programs to align our executive officers' interests with those of our shareholders and, in doing so, build long-term value for our shareholders.

Our fiscal 2008 executive compensation, including year-end bonuses and stock option grants awarded for and in fiscal 2008, reflected our effort to realize these objectives.

#### *What are the principal components of our executive compensation programs?*

**Overview:** The Company's policy for compensating our executive officers is intended to support the Company's short-term and long-term goals by providing our executive officers an appropriate mix of compensation elements that effectively balance short-term annual incentives that reward executives for current performance and the achievement of near-term goals with long-term incentives that reward executives for performance over a sustained period. To support this policy, our executive compensation programs consist of three principal components:

a base salary;

annual incentives; and

long-term incentive compensation.

We have selected programs that we believe are commonly used by public companies, both within and outside of our industry, because we believe commonly used programs are well understood by our shareholders, employees and analysts. Moreover, we selected each program only after we first confirmed, with the assistance of outside professional advisors, that the program comports with settled legal and tax rules. We describe each of these principal components below.

**Relationship of the principal components:** The Compensation Committee exercises its judgment in making executive compensation decisions, and considers various factors within the overall framework of our executive compensation program. While we review each element of compensation individually and in the aggregate, we do not have a specific policy on the percentage of an executive officer's total compensation that should be "short-term" versus "long-term" nor do we have a specific policy on the percentage of total compensation that should be "cash" versus "equity." We allocate the three principal components of our executive compensation programs in a manner that we believe optimizes each executive officer's contribution to us.

**Base Salary:** We believe base salaries provide basic compensation at a level that allows us to recruit and retain key executive talent. Base salaries are based on a combination of factors, primarily the performance of the executive, relative level of responsibility and experience, salaries of similarly situated executive officers at peer companies and, with respect to the base salaries of executive officers other than our Chief Executive Officer, the recommendations of our Chief Executive Officer. Although our Compensation Committee annually reviews salaries of our executive officers, our Compensation Committee does not automatically adjust base salaries if it concludes that adjustments to other components of the executive's compensation would be more appropriate. In addition, as discussed below, the employment agreements that we have with certain of our executive officers provide for fixed annual base salaries or minimum annual base salaries, thereby limiting the discretion of the Compensation Committee with respect to compensation decisions regarding base salaries.

**Annual Incentives:** We provide annual incentive opportunities to executive officers to motivate their performance in achieving our current year business goals. In setting the respective potential bonus levels of the executive officer, the Compensation Committee considers such factors as the executive officer's individual performance and relative level of responsibility. Each year, we adopt an annual incentive compensation plan that establishes specifically identified payout opportunities dependent upon achieving pre-determined financial performance targets and personal performance objectives. Payments under our annual incentive compensation plan are made in cash after the fiscal year-end results are finalized.

**Long-Term Incentive Compensation:** Our long-term incentive program is focused on rewarding performance that enhances shareholder value through the use of equity-based awards that link compensation to the value of our common stock and strengthen the alignment of management and shareholder interests. Over the past three years, equity-based awards to our executive officers have taken the form of stock options exercisable for shares of our common stock that vest in part in regular installments and in part based on performance. The number of stock options subject to an award has been computed by taking into account the Company's performance, the executive officer's individual performance, our retention objectives, and other factors.

Stock options are granted on the first day of the month following the day on which they are approved by the Compensation Committee and are priced at 100% of fair market value on the date of grant, which under the 2006 Stock Option Plan is the closing market price of our common stock on the date of the grant. Executive officers benefit from stock option grants only to the extent the price of our common stock appreciates above the exercise price of the stock options.



**Other Benefits:** In addition to the components of compensation discussed above, we also provide certain other benefits to our executive officers to ensure that our executive compensation program remains competitive. These other benefits are specifically disclosed in the “All Other Compensation” column of the Summary Compensation Table on page 33 of this proxy statement. Our Compensation Committee reviews annually the dollar value of these other benefits to the executive officers and the cost of providing these other benefits to the Company. However, such review does not influence the Compensation Committee’s decisions regarding the determination of the principal elements of an executive officer’s current level of compensation.

***What do we seek to reward and accomplish through our executive compensation programs?***

We provide annual incentive opportunities primarily to provide performance incentives to our key employees to meet annual performance objectives. Our annual corporate objectives are measured by sales increases, net income, EBITA margins (defined as earnings before deduction of interest, taxes and amortization (“EBITA”) to sales) and other financial metrics of performance, such as working capital reductions. In the case of our Chief Executive Officer, our Compensation Committee has also taken into account the strategic direction he has provided the Company and his stewardship of the Company since the beginning of his involvement with the Company. We provide long-term incentive awards primarily to motivate and reward key employees over longer periods. Through vesting and forfeiture provisions that we include in awards of stock options, we provide an additional incentive to executives to act in furtherance of our longer-term interests. An executive whose employment with us terminates before equity-based awards have vested, either because the executive has not performed in accordance with our expectations or because the executive chooses to leave, will generally forfeit the unvested portion of the award. As a result, the Compensation Committee believes that providing the executive officers compensation in the form of stock options serves to encourage retention of the executive officers.

***How do we determine the amount of each principal component of compensation to our executives?***

Our Compensation Committee exercises judgment and discretion in setting compensation for our executive officers. The Committee exercises its judgment and discretion only after it has first reviewed peer company practices, evaluated the recommendations of our Chief Executive Officer and evaluated our corporate performance. See “To what extent do we benchmark total compensation and material elements of compensation and what are the benchmarks that we use?” below.

Our Chief Executive Officer, Chief Financial Officer and certain Vice-Presidents each have an employment agreement with us that provides for, among other things, an annual salary and for an annual bonus, including, in certain cases, a minimum annual bonus, thereby limiting the discretion of the Compensation Committee with respect to their compensation, as well as certain post-employment severance payments. See “Executive Agreements and Related Transactions” below for a discussion of each of these employment agreements.

***What is the role of our executive officers in the compensation process?***

Our Compensation Committee meets periodically with our Chief Executive Officer to address executive compensation, including the rationale for our compensation programs and the efficacy of the programs in achieving our compensation objectives. The Compensation Committee also relies on our executive officers to evaluate compensation programs to assure that they are designed and implemented in compliance with laws and regulations, including SEC reporting requirements. The Compensation Committee relies on the recommendations of our Chief Executive Officer regarding the performance of individual executive officers, other than the Chief Executive Officer. At meetings in fiscal 2008, the Compensation Committee received recommendations from our Chief Executive Officer regarding salary adjustments, annual incentive targets and stock option awards for our executive officers. The Compensation Committee believes that it is important for it to receive the input of the Chief Executive Officer on compensation matters since he is knowledgeable about the activities of our executive officers and the performance of their duties and responsibilities, as well as their contributions to the growth of the Company and its business.

***To what extent do we benchmark and what are the benchmarks that we use?***

The Compensation Committee compares each element of total compensation and total compensation in the aggregate to compensation provided by peer groups of publicly-traded companies in the sensory devices and similar industries in evaluating the compensation of our executive officers. The Committee does not engage in formal benchmarking or rely on peer group comparisons to set executive compensation for our executive officers other than our Chief Executive Officer. Instead, the Compensation Committee uses peer group comparisons to assess the reasonableness of its executive compensation decisions in an effort to ensure that our compensation program remains competitive.

Under its charter, our Compensation Committee has the sole authority to retain, and terminate, any third-party consultants to assist in the evaluation of executive compensation, and the sole authority to approve such consultant's fees and other retention terms. For fiscal 2008, 3C was retained to assist our Compensation Committee in its determination of our Chief Executive Officer's fiscal 2008 long-term incentive compensation award.

We aim to provide total target compensation for our Chief Executive Officer that approximates the 65<sup>th</sup> percentile compared to total target compensation for chief executive officers at companies in our industry and of similar size based on data from published surveys. The Board of Directors believes that providing our Chief Executive Officer with total target compensation that approximates the 65<sup>th</sup> percentile of the peer group is appropriate given his leadership and role in the growth in sales and profitability that we have experienced over the past four fiscal years.

The following table sets forth the total compensation peer group information reviewed by the Compensation Committee for our Chief Executive Officer for fiscal year 2008:

<b>Component of Compensation</b>	<b>FY 2008 Actual or Target Compensation</b>	<b>Finding</b>
Base Salary	\$ 450,000	Base salary approximates the 47 <sup>th</sup> percentile of the peer group.
Annual Incentive Compensation	\$ 337,000	Target annual incentive compensation is 75% of base salary.
Total Annual Cash Compensation	\$ 787,500	Total annual cash compensation approximates the 65 <sup>th</sup> percentile of the peer group.
Estimated Value of Long-Term Incentive <sup>(1)</sup>	\$ 1,098,000	This amount represents the dollar value of the long-term incentive award needed to reach the 65 <sup>th</sup> percentile of the peer group for fiscal 2008 total compensation.
Total Compensation	\$ 1,885,500	This amount represents the 65 <sup>th</sup> percentile of the peer group.

(1) Assumes the grant of 87,840 options using a Black Scholes value of \$12.50, which assumes a grant date stock price and exercise price of \$25.97, which was the closing price for our common stock on November 6, 2007, volatility of 50%, risk-free-rate of return of 3.99%, five-year exercise term and 0% dividend yield.

For fiscal 2008, the Compensation Committee awarded our Chief Executive Officer 20,001 options, which were valued at \$25,595 based on the dollar amount recognized in fiscal 2008 using the grant date fair value of the equity award computed in accordance with SFAS 123R. This long-term incentive award together with prior awards and the total annual cash compensation resulted in total compensation for our Chief Executive Officer in fiscal 2008 of \$1,004,374.

***What specific items of corporate performance do we take into account in setting compensation policies and making compensation decisions?***

Our corporate performance primarily impacts the annual incentives and long-term incentive compensation that we provide our executive officers. We use or weight items of corporate performance differently in our annual incentive awards and long-term compensation awards and some items are more determinative than others.

Goals for executive officers in fiscal 2008 varied because the scope of responsibility and authority of executive officers differ. Goals are generally developed around metrics tied to our growth and profitability, including increases in revenue, decreases in expenses, completion of developments in accordance with budgets and timelines, execution of acquisitions in accordance with targets, enhanced operational efficiencies and development of additional opportunities for our long-term growth.



***How do we determine when awards are granted, including awards of equity-based compensation?***

Historically, our Compensation Committee has awarded annual bonuses in the quarter following the fiscal year end. The Compensation Committee makes an annual grant of stock options, following review of pertinent financial information and industry data. In addition, the Compensation Committee conducts a thorough review of stock option awards and grant procedures annually. In the case of newly-hired executive officers or promotions, the Compensation Committee has made awards simultaneous with the executive's hire or promotion date. The date on which the Committee has met has varied from year to year, primarily based on the schedules of Committee members and the timing of compilation of data requested by the Committee.

We have not engaged in backdating options. We do not have any program or plan to time option grants in coordination with the release of material non-public information.

***What factors do we consider in decisions to increase or decrease compensation materially?***

Historically, we have generally not decreased the base salaries of our executive officers or reduced their annual incentive compensation targets. In fact, under the terms of the employment agreements with certain of our executive officers, we are unable to do so as the employment agreements provide for annual salaries and for an annual incentive payment, including, in certain cases, a minimum annual incentive payment. When an executive officer's performance falls short of our expectations, we believe our interests are best served by replacing the executive officer with an executive who performs at the level we expect. Annual incentive compensation may vary since the amount awarded to an executive officer depends in part upon his individual performance. As a result, total compensation is effectively decreased if individual performance is poor. The factors that we consider in decisions to increase compensation include the individual performance of the executive and our corporate performance, as discussed above.

***To what extent does our Compensation Committee consider amounts accumulated or potentially realizable from prior compensation in setting current compensation?***

The primary focus of our Compensation Committee in setting executive compensation is the executive officer's current level of compensation. Although the Compensation Committee reviews accumulated or potentially realizable compensation, including from previously granted stock options, such review generally does not influence the Compensation Committee's decisions regarding the determination of an executive officer's current level of compensation. This reflects the Compensation Committee's view that an executive officer's compensation level should reflect the executive's performance, the Company's performance and the executive's contribution to the Company's performance. The Compensation Committee further believes that reducing an executive officer's annual direct compensation based on the value of accumulated or potentially realizable compensation would weaken the competitiveness of the Company's compensation program and make it more difficult to attract and retain key executive talent.

***What are our equity or other security ownership requirements for executives?***

We provide our executive officers with a commensurate portion of their total compensation in the form of stock options, which are intended to reward performance that enhances value for all of our shareholder and strengthen the alignment of management and shareholder interests. We generally believe that our executive officers should be able to share in the value that they create for all of our shareholders throughout their careers with us. Therefore, we do not maintain minimum share ownership requirements for our executive officers.

***Why have we entered into agreements with executive officers that provide for post-employment payments, including following a change-in-control?***

The employment agreements with our Chief Executive Officer and our Chief Financial Officer, as well as with other executive officers of the Company, provide for post-employment severance absent a change of control if we terminate the applicable executive (other than for cause) prior to the expiration of the stated employment term. We believe this approach provides us with the flexibility to terminate the applicable executive at any time and for any reason while providing the executive with the benefit of his or her bargained for compensation. The Company's obligations under these agreements would be assumed by a successor to the Company following a change in control. We believe it is in our best interest to have agreements with certain of our executive officers that maintain their focus on, and commitment to, us notwithstanding a potential merger or other change of control. The terms of these employment agreements, including the compensation payable thereunder, were based on our review of the market for key executive talent at the time of hiring and negotiations with the executive officer. Additionally, these agreements contain confidentiality and non-competition provisions.

***Do we have a policy regarding the recovery of awards or payments if corporate performance measures upon which awards or payments are based are restated or adjusted in a manner that would reduce the size of an award or payment?***

We have not adopted a policy that provides for recovery of an award if a performance measure used to calculate the award is subsequently adjusted in a manner that would have reduced the size of the award. Although we have not previously experienced any such adjustment, if we were to experience such an adjustment, our Compensation Committee would assess the circumstances relating to the adjustment and take such actions as it believes to be appropriate, including, potentially, an action to recover the excess portion of the award.

***How do accounting considerations impact our compensation practices?***

Accounting consequences are not a material consideration in designing our compensation practices. However, we designed our fiscal 2008 equity awards so that its overall cost fell within a budgeted dollar amount and so that the awards would qualify for classification as equity awards under SFAS No. 123R. Under SFAS No. 123R the compensation cost recognized for an award classified as an equity award is fixed for the particular award and, absent modification, is not revised with subsequent changes in market prices of our common shares or other assumptions used for purposes of the valuation.

***How do tax considerations impact our compensation practices?***

Prior to implementation of a compensation program and awards under the program, we evaluate the federal income tax consequences, both to us and to our executives, of the program and awards. In certain cases, we have adjusted the form or manner of some of our compensation programs in light of tax planning considerations. Before approving a program, our Compensation Committee receives an explanation from our outside professionals as to the tax treatment of the program and awards under the program and assurances from our outside professionals that the tax treatment should be respected by taxing authorities.

Section 162(m) of the Internal Revenue Code limits our tax deduction each year for compensation to each of our Chief Executive Officer and our four other highest paid executive officers to \$1 million unless, in general, the compensation is paid under a plan that is performance-related, non-discretionary and has been approved by our shareholders. Generally, Section 162(m) has not had a significant impact on our compensation programs.

**Fiscal 2008 Executive Compensation**

***Base Salaries***

As noted above, our Compensation Committee annually reviews salaries of our executive officers. However, as discussed above, the employment agreements that we have with certain of our executive officers provide for annual base salaries. Under their employment agreements, Messrs. Guidone, Thomson, Smith and MacGibbon are entitled to minimum annual base salaries of \$450,000, \$230,000, \$190,000 and \$203,000, respectively. In addition, prior to his resignation from the Company in December 2007, Mr. Monaghan was entitled to an annual base salary of €163,379.

In making base salary decisions for fiscal 2008 for our executive officers listed in the Summary Compensation Table on page 33 of this proxy statement (“named executive officers”), the Compensation Committee considered (1) the terms of the named executive officer’s employment agreement, if any, (2) the performance of the named executive officer, (3) his level of responsibility and experience and (4) overall Company performance levels. The relative weight given to each of these factors varied by position and individual and was within the sole discretion of the Compensation Committee. As noted above, although the Compensation Committee reviews base salaries annually, it does not automatically adjust base salaries on an annual basis. Based on the foregoing considerations and the fact that it had not increased the annual base salaries of Messrs. Allier, MacGibbon and Smith in over one year, the Compensation Committee determined to award them the annual base salaries set forth under the “Salary” column in the Summary Compensation Table on page 33 of this proxy statement, representing increases in their annual base salaries of 14.3%, 9.7% and 5.3%, respectively, compared to their respective annual base salaries for fiscal 2007.

**Annual Incentive Compensation**

For fiscal 2008, we adopted the fiscal year 2008 Management Variable Compensation Plan (the “2008 VC Plan”). The 2008 VC Plan determined the amount of annual incentive compensation to be awarded to each of the three groups within the Company (Position/Vibration/Piezo, Pressure/Force and Humidity/Temperature) as follows.

*Accrual Calculation.* During each quarter in fiscal year 2008, we accrued to a target pool an amount equal to a certain percentage of the Company’s year-to-date EBITA at the end of such quarter. The percentage of year-to-date EBITA that was ultimately accrued to the target pool was determined based upon meeting certain thresholds measured by the year-to-date ratio of the Company’s EBITA margin.

<b>YTD EBITA Margin</b>	<b>Bonus Accrual</b> (as % of YTD EBITA)
>16% of sales	10%
<13% of sales	2%
>13% but <16% of sales	2% to 10%, pro-rata

*Group Allocation.* Of the total accrual, 80% was to be divided among the groups based on the number of “credits” each group earned, divided by the total number of “credits.” Groups earned credits based on their operating income, organic growth and working capital reduction. The value of each credit was the total target accrual (defined above), divided by the number total number of earned credits. Earned credits were calculated as follows:

- *Adjusted EBITA.* Each group would be awarded one credit for every \$1,000 of EBITA (earnings before interest, taxes and amortization of acquired intangibles and other non-recurring expenses, but after allocation of option expense). The earned credits would then be adjusted up based on the group’s organic growth. For example, if the Pressure/Force group were to earn \$12 million in EBITA, and posted 20% organic growth, it would have earned 14,400 credits (12,000\*1.2).
- *Working Capital (Assets) Reduction.* Working capital reduction is the reduction of working capital through improved collections of trade receivables and higher inventory turns. Each group would be awarded one credit for every \$1,000 reduction in working capital assets (“WCA”), normalized for net sales. For example, if the Pressure/Force group had a fourth quarter baseline of \$23 million in WCA and increased sales 20% in fiscal 2008 as compared to fiscal 2007, the normalized baseline WCA would have been \$27.6 million. If the actual fiscal 2008 WCA for the Pressure/Force group had been \$25 million (measured as the average WCA for the fourth quarter of fiscal 2008), the Pressure/Force group would have earned 2,600 bonus credits (27,600-25,000).



*Discretionary Allocation.* 20% of the total bonus accrual was included in a pool that was to be distributed to each group subjectively by our Chief Executive Officer in his sole discretion. Our Chief Executive Officer made this discretionary allocation based on the achievement of various [quantitative and non-quantitative] measures that were not captured under the VC Plan.

*Employee Distribution.* Messrs. Guidone, Thomson, Smith, Allier and MacGibbon were assigned target bonus percentages of 75%, 40%, 40%, 60% and 60%, respectively, of their respective base salaries. At the beginning of the fiscal year, all eligible employees were required to have objective, measurable goals defined and documented with their manager, as discussed under “Annual Incentive Compensation” above. Based on performance to these goals, each group calculated the total funds required to meet the bonus needs based on individual performance (“Target Pool”). Groups scaled this amount (up or down) depending on the actual group plus discretionary allocation, as compared to Target Pool. Included in each group pool was the allocation of shared resources, including corporate resources. Accordingly, corporate staff received a portion of their bonus based on the results of each group, thereby tying corporate (or shared) performance to all groups.

For fiscal 2008, we earned approximately \$1.2 million or 40% of the target pool. The target pool was then allocated among the Company’s various business groups based on three factors: (1) each particular business group’s EBITA and organic sales growth; (2) the working capital reduction of each group; and (3) the discretion of our Chief Executive Officer. Based on the foregoing, the named executive officers received the amounts set forth under the “Bonus” column of the Summary Compensation Table on page 33 of this proxy statement.

#### ***Long-Term Incentive Compensation***

The Compensation Committee uses stock options as an important part of the long-term incentive compensation program and believes options continue to be an effective way to link an executive officer’s compensation to the performance of the Company. Awards are intended to encourage each of the executive officers to continue in the employ of the Company, to enhance their incentive to perform at the highest level, and in general, to further the best interests of the Company and its shareholders.

For fiscal 2008, the Compensation Committee considered the following factors in determining the size of each stock option grant awarded to each named executive officer:

- the executive officer’s individual performance;
- the executive officer’s potential future contributions to the Company and level of responsibility;
- retention issues and concerns; and
- the cost of the awards to the Company.

Based on the foregoing, the Compensation Committee awarded the named executive officers the number of stock options set forth in the “Grants of Plan-Based Awards in Fiscal Year 2008” table beginning on page 35 of this proxy statement.

### **Fiscal 2009 Developments**

The Board of Directors has adopted and is recommending that our shareholders approve the 2008 Plan, a description of which is included under “Item 2 — Proposal to Approve the 2008 Equity Incentive Plan” beginning on page 7 of this proxy statement. Previously, our equity compensation plans only permitted the grant of stock options. We believe that the 2008 Plan will provide us with flexibility in the future by permitting the grant of stock options and restricted stock units. Of the awards that may be granted to the named executive officers under the 2008 Plan, our Compensation Committee intends to grant a substantial portion of such awards (generally at least 50% of the awards granted to each named executive officer) in the form of performance-based awards, which will be earned or issued to the recipient only upon the achievement of established performance goals.

### **Compensation Committee Report**

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with our management and based on the review and discussion recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and thereby incorporated by reference into our Annual Report on Form 10-K. The Board accepted the Compensation Committee’s recommendation. This report is made by the undersigned members of the Compensation Committee:

R. Barry Uber (Chair)  
Morton L. Topfer  
Kenneth E. Thompson

**EXECUTIVE OFFICERS**

Our executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Frank Guidone	43	Chief Executive Officer, President and Director
Mark Thomson	40	Chief Financial Officer and Secretary
J. Victor Chatigny	57	Group Vice President – Position/Vibration/Piezo
Glen MacGibbon	46	Group Vice President – Pressure/Force
Jean-Francois Allier	55	Group Vice President – Humidity/Temperature
Steven Smith	59	Vice President/General Manager - Asia
Mitch Thompson	53	Vice President – Technology
Jeffrey Kostelni	41	Vice President – Finance

Officers are not appointed for fixed terms. Biographical information for our current officers who are not also continuing Directors follows:

*Mark Thomson* was appointed as Chief Financial Officer and Secretary of the Company effective April 2, 2007. Prior to his appointment, Mr. Thomson held the position of Vice President and Chief Financial Officer of Allied Aerospace Industries, Inc., a provider of complex engineering solutions for aerospace & defense contractors and government agencies, since May 2002. Mr. Thomson served as the Senior Director of Finance & Accounting at the Launch Systems Group of Orbital Sciences Corporation, a designer and manufacturer of small space and rocket systems, from January 2001 to May 2002 and Group Controller from June 1998 to January 2001, prior to which he held financial management positions with several subsidiaries of Lockheed Martin, a global designer and manufacturer of aeronautics, electronic systems, information systems and space systems, from 1991 to 1998. Mr. Thomson is a graduate of the Lockheed Martin Financial Management program, holds an MBA from the University of Nevada, Reno, and a BA in Financial Economics from Saint Anselm College and is a graduate of the Harvard Business School General Management program.

*J. Victor Chatigny* was appointed Group Vice President - Position/Vibration/Piezo effective April 1, 2007, prior to which he served as Vice President and General Manager of our Sensors Division since his appointment in June 2002. Mr. Chatigny joined the Company through our 1998 acquisition of PiezoSensors from AMP Incorporated, a designer and manufacturer of sensor systems and applications, where he served as Director of Sales, Marketing and Research and Development since 1993. Mr. Chatigny also served in US Army Corps of Engineers where he was Captain, 11<sup>th</sup> Engineering Battalion and Commander of the Atomic Demolition Muniton Detachment. He holds B.S. and M.S. degrees in industrial engineering and management from Clarkson University, and a M.B.A. (finance) from The American University.

*Glen MacGibbon* was appointed Group Vice President - Pressure/ Force effective April 1, 2007, prior to which he served as Vice President, Global Sales and Marketing of our Sensor Products Division since March 1, 2005. Prior to that, he was Director of Global Sales & Marketing since joining the Company in 1998. Mr. MacGibbon joined Measurement Specialties through our 1998 acquisition of PiezoSensors from AMP Incorporated, where he held various sales management roles since 1989. Previously he was working in both regional sales and technical support roles for the Riston Division of Dupont Electronics, a supplier of electronics and advanced display materials. He holds a B.S. in Mechanical Engineering from Bucknell University, and an M.B.A. from Illinois Benedictine College.

*Jean-François Allier* has served as Group Vice President - Humidity/Temperature, since December 31, 2007, having previously served as Group Vice President - Humidity/Chemical/Gas effective April 1, 2007 until December 31, 2007, and as Vice President and General Manager of Europe for the Sensor Products Division from March 2005 until April 2007. He joined Measurement Specialties in December 2004, through the Company's acquisition of Humirel SA. Mr. Allier began his career as a financial analyst for a French regional bank where he remained until 1978. He later held various positions throughout Europe with Motorola Semiconductors. His experience at Motorola includes engineering, product marketing, research and development, and business management. In 1998, he founded Humirel SA and remained as President and CEO until its acquisition in December 2004 by the Company. Mr. Allier holds an M.S. in Engineering from Ecole des Mines and a D.E.A. in Material Science.

*Steven Smith* has served as Vice President/General Manager - Asia since January 2006. Prior to joining the Company in December 2006, Mr. Smith spent five years as Vice President/General Manager of a wholly owned subsidiary of Compass Aerospace, Inc., a manufacturer of precision aircraft parts; five years in management consulting in the product development and private equity/due diligence practice areas of George Group, Inc., a global management consulting, technology services and outsourcing company; and 19 years combined with the aerospace electronics firms of Rockwell International, a manufacturer of defense and aerospace products, and Electrospace Systems, a manufacturer of electronic equipment and systems. Mr. Smith has held operational, engineering, marketing, financial and general management positions in his varied work experience. Mr. Smith received a B.A. in Economics (with minor studies in engineering) from the University of Southern California and a MBA (Finance) from the University of Louisville.

*Mitch Thompson* was appointed Vice President - Technology effective April 7, 2008, having previously served as Global Engineering Director, Piezo Electric Products. Mr. Thompson joined Measurement Specialties through our 1998 acquisition of PiezoSensors from AMP Incorporated, a designer and manufacturer of sensor systems and applications, where he held various technical and management roles since 1986. He holds a B.S. in Meteorology (atmospheric physics) from Penn State University.

*Jeffrey Kostelni* was appointed Treasurer and Vice President of Finance of the Company effective January 14, 2008, having previously served as Vice President of Finance effective November 20, 2006 until January 14, 2008, as Corporate Controller from May 15, 2005 until November 20, 2006, and as SEC and Technical Accounting Director from June 7, 2004 until May 15, 2005. Prior to joining the Company, he was Chief Financial Officer and Treasurer of Bontex, Inc., an international specialty fiberboard manufacturer, from 1994 to 2004, and held various positions in the audit department of Deloitte & Touche, a public accounting firm, from 1988 to 1993. He holds a Bachelor of Science degree in Accountancy from Villanova University and is a Certified Public Accountant.

**EXECUTIVE COMPENSATION**

*Summary Compensation.* The following table contains summary information concerning the annual compensation for our principal executive officer (“CEO”), principal financial officer (“CFO”), our three most highly compensated executive officers other than our CEO and CFO and one individual who would have been included in this table had he been an executive officer of March 31, 2008 (see note (13) to this table) for the fiscal years ended March 31, 2008 and March 31, 2007:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Option Awards (\$ (1))</b>	<b>All Other Compensation (\$ (2))</b>	<b>Total (\$)</b>
Frank Guidone President and Chief Executive Officer (3)	2008	450,000	139,000(4)	398,152	17,222(5)	1,004,374
	2007	450,000	150,000(6)	281,500	13,500(7)	895,000
Mark Thomson Chief Financial Officer (8)	2008	230,000	50,000(4)	231,618	—	511,618
	2007	—	—	—	—	—
Steve Smith Vice President, General Manager - Asia (9)	2008	192,567	32,000(4)	185,067	54,253(10)	463,887
	2007	190,000	40,000(6)	267,259	46,219(11)	543,478
Jean-Francois Allier Group Vice President - Humidity/Temperature (12)	2008	181,226	45,000(4)	150,847	—	377,073
	2007	—	—	—	—	—
Terence Monaghan Group Vice President - Temperature/Optical (13)	2008	183,334	—	168,865	13,091(13)	365,290
	2007	226,533	65,000(6)	66,637	—	358,170
Glen MacGibbon Group Vice President - Pressure/Force (14)	2008	189,621	60,000(4)	45,906	12,453(15)	307,980
	2007	—	—	—	—	—

(1) Represents the dollar amount of expense recognized by the Company for financial statement reporting purposes with respect to fiscal 2008 and 2007 for options granted to the named executive officers and, accordingly, includes amounts from awards granted in and prior to fiscal 2008 and 2007. The amounts were calculated in accordance with FAS 123R. For a more detailed discussion on assumptions used to calculate the fair value of our options, refer to Note 2(v) and 14 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 and Note 2(v) and 14 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

(2) Excludes perquisites and other personal benefits unless the aggregate amount of such compensation exceeds \$10,000.

(3) Mr. Guidone is party to an employment agreement with the Company that provides for an annual base salary of \$450,000.

(4) Represents bonuses earned in fiscal 2008 but paid in June 2008.

(5) Represents employer matching contribution of \$7,650 under the Company’s 401(k) plan, reimbursement of dental expenses of \$406, reimbursement of medical expenses of \$3,720, payment of disability insurance premium of \$3,686 and payment of life insurance premium of \$1,760.



- (6) Represents bonuses earned in fiscal 2007 but paid in June 2007.
- (7) Represents employer matching contribution under the Company's 401(k) plan.
- (8) Mr. Thomson was hired as Chief Financial Officer effective as of April 2, 2007. Mr. Thomson is party to an employment agreement with the Company that provides for an annual base salary of \$230,000.
- (9) Mr. Smith is party to an employment agreement with the Company that provides for various perquisites, including housing and travel.
- (10) Represents housing reimbursement of \$34,466, family travel reimbursement of \$7,662, life insurance of \$71, reimbursement of dental expenses of \$497, reimbursement of medical expenses of \$2,817 and employer matching contribution of \$8,740 under the Company's 401(k) plan.
- (11) Represents housing reimbursement of \$28,700, family travel reimbursement of \$8,650, tax preparation reimbursement of \$100 and employer matching contribution of \$8,769 under the Company's 401(k) plan.
- (12) Mr. Allier was appointed Group Vice President - Humidity/Temperature as of December 31, 2007.
- (13) Mr. Monaghan resigned from his position of Group Vice President - Temperature/Optical as of December 31, 2007. Mr. Monaghan was party to an employment agreement that provided for an annual base salary of €163,379 (\$226,553 during fiscal 2007 based on an average exchange rate of \$1.40715 to €1.00 during such period and, after a 4% increase applicable to fiscal 2008, \$183,334 during fiscal 2008 through the date of such resignation based on an average exchange rate of \$1.4009 to €1.00 during such period). Pursuant to his employment agreement and in connection with his resignation, in December 2007, Mr. Monaghan received cash for the value of his earned but unused vacation equal to €8,887 (\$13,091 based on an average exchange rate of \$1.4730 to €1.00 during such period).
- (14) Mr. MacGibbon is party to an employment agreement with the Company that provides for an annual base salary of \$203,000.
- (15) Represents reimbursement of dental expenses of \$391, reimbursement of medical expenses of \$3,587, and employer matching contribution of \$8,475 under the Company's 401(k) plan.

*Grants of Plan-Based Awards in Fiscal Year 2008.* The following table contains information related to the grant of stock options under the Company's 2006 Stock Option Plan during the fiscal year ended March 31, 2008 to the executive officers named in the Summary Compensation Table. There were no other equity awards granted during the fiscal year ended March 31, 2008.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Market Value of Stock and Option Awards (\$) (1)
		Threshold (#)	Target (#)	Maximum (#)			
Frank Guidone	12/3/2007	—	—	—	20,001(2)	23.90	25,595
Mark Thomson	4/2/2007	—	—	25,000(3)	50,000(4)	22.53	225,596
Steve Smith	12/3/2007	—	—	—	5,001(2)	23.90	6,022
Steve Smith	12/3/2007	—	—	—	7,500(2)	23.90	9,598
Jean-Francois Allier	12/3/2007	—	—	—	15,000(2)	23.90	19,195
Terence Monaghan	—	—	—	—	—	—	—
Glen MacGibbon	7/2/2007	—	—	—	10,000(5)	23.63	24,277
MacGibbon	12/3/2007	—	—	—	9,999(2)	23.90	12,285

(1) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal 2008 for the fair value of options granted to the named executive officers. The fair value was estimated in accordance with FASB 123R. For a more detailed discussion on assumptions used to calculate the fair value of our options, refer to Note 2(v) and 14 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2008.

(2) Represents incentive stock options that vest in three equal installments on December 3, 2008, 2009 and 2010.

(3) Represents non-qualified stock options that vest in installments on April 2, 2008, 2009, 2010, 2011 and 2012, subject to qualitative performance targets determined annually by the Compensation Committee, up to a maximum of 5,000 options vesting per year. For fiscal year 2008, the performance targets set by the Compensation Committee consisted of the following qualitative goals to be considered by our Chief Executive Officer in connection with his review of Mr. Thomson's performance: (i) stabilizing and upgrading the financing and accounting organization, improving teamwork and reducing turnover; (ii) improving financial planning and analysis, the structure of group and consolidated reporting and internal analysis; (iii) improving treasury functions; (iv) implementing a global goals/reporting measurement process; and (v) improving monthly close process and shortening cycle time.

(4) Represents 22,190 incentive stock options and 27,810 non-qualified stock options that vest in five equal installments on April 2, 2008, 2009, 2010, 2011 and 2012.

(5) Represents incentive stock options that vest in five equal installments on July 2, 2008, 2009, 2010, 2011 and 2012.



*Outstanding Equity Awards at Fiscal Year-End 2008.* The following table contains information concerning unexercised options held as of March 31, 2008 by the executive officers named in the Summary Compensation Table. There were no other outstanding equity awards as of March 31, 2008.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#)		Number of Securities Underlying Unexercised Options (#)	
	Exercisable	Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Frank Guidone	7,836(1)	11,754(1)	25.52	3/31/2016
	112,164(2)	168,246(2)	25.52	3/31/2016
	—	20,001(3)	23.90	12/3/2015
Mark Thomson	—	22,190(4)	22.53	4/2/2017
	—	52,810(5)	22.53	4/2/2017
	—	5,001(6)	23.90	12/3/2015
Steve Smith	8,038(7)	12,057(7)	24.88	11/30/2015
	31,962(8)	47,943(8)	24.88	11/30/2015
	—	7,500(9)	23.90	12/3/2015
Jean-Francois Allier	20,000(10)	30,000(10)	24.14	11/9/2015
	—	16,000(11)	24.22	6/21/2016
	—	15,000(12)	23.90	12/3/2015
Terence Monaghan (13)	—	—	—	—
Glen MacGibbon	40,000(14)	—	13.48	5/1/2012
	1,600(15)	2,400(15)	24.14	11/9/2015
	—	9,999(16)	23.90	12/3/2015
	—	10,000(17)	23.63	7/2/2017

(1) Represents grant of 19,590 incentive stock options that vest in five equal installments of 3,918 on March 31, 2007, 2008, 2009, 2010, and 2011.

(2) Represents grant of 280,410 non-qualified stock options that vest in five equal installments of 56,082 on March 31, 2007, 2008, 2009, 2010, and 2011.

(3) Represents grant of 20,001 non-qualified stock options that vest in three equal installments of 6,667 on December 3, 2008, 2009 and 2010.

(4) Represents grant of 22,190 incentive stock options that vest in five equal installments of 4,438 on April 2, 2008, 2009, 2010, 2011 and 2012.

(5) Includes (a) 27,810 non-qualified stock options that vest in five equal installments of 5,562 on April 2, 2008, 2009, 2010, 2011 and 2012, and (b) 25,000 non-qualified stock options that vest in installments on April 2, 2008, 2009, 2010, 2011 and 2012 subject to performance targets determined by the Compensation Committee, up to a maximum of 5,000 performance-target based options vesting per year. See note (3) to the Grants of Plan-Based Awards in Fiscal Year 2008 table.

(6) Represents grant of 5,001 non-qualified stock options that vest in three equal installments of 1,667 on December 3, 2008, 2009 and 2010.



- (7) Represents grant of 20,095 incentive stock options that vest in five equal installments of 4,019 on November 30, 2006, 2007, 2008, 2009 and 2010.
- (8) Represents grant of 79,905 non-qualified stock options that vest in five equal installments of 15,981 on November 30, 2006, 2007, 2008, 2009 and 2010.
- (9) Represents grant of 7,500 non-qualified stock options that vest in three equal installments of 2,500 on December 3, 2008, 2009 and 2010.
- (10) Represents grant of 50,000 incentive stock options that vest in five equal installments of 10,000 on November 9, 2006, 2007, 2008, 2009 and 2010.
- (11) Represents grant of 20,000 incentive stock options that vest in five equal installments of 4,000 on June 21, 2007, 2008, 2009, 2010 and 2011.
- (12) Represents grant of 15,000 non-qualified stock options that vest in three equal installments of 5,000 on December 3, 2008, 2009 and 2010.
- (13) Mr. Monaghan resigned from his position of Group Vice President - Temperature/Optical as of December 31, 2007. Under the terms of the incentive plan under which Mr. Monaghan received stock options, Mr. Monaghan's unvested options were forfeited upon his resignation and his vested options expired 90 days after his resignation if not earlier exercised. As of March 31, 2008, Mr. Monaghan held no unexercised options.
- (14) Represents grant of 40,000 incentive stock options that vest in two installments of 10,000 on April 1, 2005 and 2006 and one installment of 20,000 on April 1, 2007.
- (15) Represents grant of 4,000 incentive stock options that vest in five equal installments of 800 on November 9, 2006, 2007, 2008, 2009 and 2010.
- (16) Represents grant of 9,999 non-qualified stock options that vest in three equal installments of 3,333 on December 3, 2008, 2009 and 2010.
- (17) Represents grant of 10,000 non-qualified stock options that vest in five equal installments of 2,000 on July 2, 2008, 2009, 2010, 2011 and 2012.

*Option Exercises and Stock Vested in Fiscal Year 2008.* The following table contains information, on an aggregated basis, concerning the exercise of stock options during the year ended March 31, 2008 by the executive officers named in the Summary Compensation Table. There was no vesting of stock during the fiscal year ended March 31, 2008.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))
Frank Guidone	—	—
Mark Thomson	—	—
Steve Smith	—	—
Jean Francois Allier	4,000	12,400
Terence Monaghan	—	—
Glen MacGibbon	25,000	518,000

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(1) Value realized on exercise is computed based on the difference between the market price of the underlying security at exercise and the exercise price of the option.

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## **EXECUTIVE AGREEMENTS AND RELATED TRANSACTIONS**

### **Agreement with Frank Guidone**

The Company entered into an employment agreement with Frank Guidone, the Company's current Chief Executive Officer, effective as of March 31, 2006. From June 2002 through March 2006, Mr. Guidone served as Chief Executive Officer through consulting arrangements with consulting firms of which Mr. Guidone was a principal. Mr. Guidone's employment agreement is for an initial term of two years with automatic renewal for successive one-year terms unless either party gives timely notice of non-renewal. Under the terms of Mr. Guidone's employment agreement, Mr. Guidone will continue to serve as the Chief Executive Officer at an annual base salary of \$450,000 subject to annual increases at the discretion of the Board of Directors. In addition, Mr. Guidone received a guaranteed bonus in the amount of \$50,000 in connection with the execution of his employment agreement. Mr. Guidone is also eligible to receive an annual bonus pursuant to the Company's Bonus Plan, payable in accordance with the terms thereof, based upon annual performance criteria and goals established by the Compensation Committee. Further, pursuant to Mr. Guidone's employment agreement, upon the termination of employment by Mr. Guidone for good reason, or termination of employment by the Company other than for cause (as such events are described in Mr. Guidone's employment agreement), Mr. Guidone will be entitled to receive a lump sum payment of 150% of his then annual salary. Further, pursuant to the terms of his employment agreement, Mr. Guidone received an option to purchase 300,000 shares of the Company's common stock at an exercise price per share equal to the fair market value of a share of the Company's common stock on March 30, 2006. Upon a change of control of the Company, all unvested options will immediately vest. Mr. Guidone's option was granted pursuant to the Company's 2006 Stock Option Plan and is subject to the terms, conditions and provisions thereof and of the related option award agreement.

On November 6, 2007, the Company and Mr. Guidone entered into an amendment and restatement of Mr. Guidone's employment agreement. The restated employment agreement was approved by the Compensation Committee. The Restated employment agreement, among other things, (1) removes the target bonus amount of 55% of Mr. Guidone's annual salary and provides that the amount of any bonus payable to Mr. Guidone will be determined by the Compensation Committee or the Board, (2) removes the fixed employment term (previously an initial term of two years continuing through March 31, 2008 and automatic renewal terms of one year thereafter) and (3) provides for the payment of severance benefits in the event that Mr. Guidone's employment is terminated by the Company without cause or by Mr. Guidone for cause. Such severance benefits include a lump sum payment in the amount of (1) accrued but unpaid salary, (2) earned but unpaid bonus, (3) incurred but unreimbursed business expenses plus (4) 150% of Mr. Guidone's annual salary.

### **Agreement with Mark Thomson**

The Company entered into an employment agreement with Mark Thomson, the Company's current Chief Financial Officer, effective as of April 2, 2007. Pursuant to his employment agreement, Mr. Thomson will receive an annual base salary of \$230,000, subject to annual increases at the discretion of the Board of Directors or Compensation Committee. Mr. Thomson will be eligible for an annual bonus of up to 40% of his annual salary based on minimum Company and individual performance standards to be determined on an annual basis by management of the Company, except that, with respect to the first year of Mr. Thomson's employment, he was entitled to receive and did receive a guaranteed minimum bonus of \$45,000. In addition, pursuant to Mr. Thomson's employment agreement, on April 2, 2007 the Company granted Mr. Thomson an option to purchase up to 75,000 shares of the Company's common stock at an exercise price per share equal to the fair market value of a share of the Company's common stock on the date of such grant. A portion of Mr. Thomson's options equal to 50,000 shares will vest over a five year period in equal 20% installments on each of the successive five year anniversaries of the date of the grant contingent on the continued employment of Mr. Thomson with the Company. The remaining 25,000 options are subject to vesting conditions based upon performance targets to be determined by the Compensation Committee, up to a maximum of 5,000 options vesting per year on each of the successive five year anniversaries of the date of the grant. Upon a change of control of the Company, all unvested options will immediately vest. Mr. Thomson's option was granted pursuant to the Company's 2006 Stock Option Plan and will be subject to the terms, conditions and provisions thereof and of the related option award agreement. Furthermore, pursuant to Mr. Thomson's employment agreement, upon the termination of employment by Mr. Thomson for good reason, or termination of employment by the Company other than for cause (as such events are described in the employment agreement), Mr. Thomson will be entitled to receive 100% of his annual salary in effect at the time of such termination to be paid in equal installments over the course of one year in accordance with the Company's payroll practices then in effect.

### **Agreement with Terence Monaghan**

The Company entered into an employment agreement with Terence Monaghan, the former Group Vice President - Temperature/Optical, effective as of April 3, 2006. Pursuant to Mr. Monaghan's employment agreement, Mr. Monaghan received an annual base salary of €163,379, subject to annual increases at the discretion of the Board of Directors or Compensation Committee. Mr. Monaghan was eligible for an annual bonus of up to 30% of his annual salary based on minimum company and individual performance standards to be determined on an annual basis by management of the Company. Mr. Monaghan resigned from his position with the Company as of December 31, 2007. Under the terms of the incentive plan under which Mr. Monaghan received stock options, Mr. Monaghan's unvested options were forfeited upon his resignation and his vested options expired 90 days after his resignation if not earlier exercised. As of March 31, 2008, Mr. Monaghan held no unexercised options.

### **Agreement with Steve Smith**

The Company entered into an employment agreement with Steve Smith, its Vice President and General Manager - Asia, effective as of December 7, 2005. Pursuant to Mr. Smith's employment agreement, Mr. Smith receives an annual base salary of \$190,000, subject to annual increases at the discretion of the Board of Directors, a moving allowance/sign-on bonus of \$30,000, a housing allowance, reimbursement for return airfare for four (4) trips per year from Shenzhen to the United States, and a "gross-up" payment for any tax and tax preparation obligations incurred as a result of his assignment in China that are less favorable to Mr. Smith than the tax obligations he would incur had he worked at the Company's principal office in Virginia. Mr. Smith is eligible for an annual bonus of up to 25% of his annual salary based on minimum company and individual performance standards to be determined on an annual basis by the Board of Directors. In addition, pursuant to Mr. Smith's employment agreement, on November 30, 2005 the Company granted Mr. Smith an option to purchase up to 100,000 shares of the Company's common stock at an exercise price per share equal to the fair market value of a share of the Company's common stock on the date of such grant. Mr. Smith's option vests over a five year period in equal 20% installments on each of the successive five year anniversaries of the date of the grant contingent on the continued employment of Mr. Smith with the Company. Upon a change of control of the Company, all unvested options will immediately vest. Mr. Smith's option was granted pursuant to the Company's [2003] Stock Option Plan and is subject to the terms, conditions and provisions thereof and of the related option award agreement. Furthermore, pursuant to Mr. Smith's employment agreement, upon the termination of employment by Mr. Smith for good reason, or termination of employment by the Company other than for cause (as such events are described in the employment agreement), Mr. Smith will be entitled to receive 100% of his annual salary in effect at the time of such termination to be paid semi-monthly and an allowance of up to \$10,000 for repatriation and relocation to the United States.

### **Agreement with Glen MacGibbon**

The Company entered into an employment agreement with Glen MacGibbon, its Group Vice President - Pressure/Force, effective as of March 14, 2008. Pursuant to Mr. MacGibbon's employment agreement, Mr. MacGibbon receives an annual base salary of \$203,000, subject to annual increases at the discretion of the Board of Directors or Compensation Committee. Mr. MacGibbon is eligible for an annual bonus of up to 60% of his annual salary based on minimum Company and individual performance standards to be determined on an annual basis by management of the Company. In addition, pursuant to Mr. MacGibbon's employment agreement, Mr. MacGibbon is eligible for an annual grant of options to purchase up to 15,000 shares of the Company's common stock as the Company may determine from time to time. Mr. MacGibbon's options granted pursuant to his employment agreement shall vest over a three year period in equal installments on each of the successive three year anniversaries of the date of the grant contingent on the continued employment of Mr. MacGibbon with the Company. Upon a change of control of the Company, all unvested options will immediately vest. Upon the termination of employment by Mr. MacGibbon for good reason, or termination of employment by the Company other than for cause (as such events are described in the employment agreement), Mr. MacGibbon's options otherwise vesting within 12 months thereafter will immediately vest. Mr. MacGibbon's options shall be granted pursuant to the Company's 2006 Stock Option Plan and are subject to the terms, conditions and provisions thereof and of the related option award agreement. Furthermore, pursuant to Mr. MacGibbon's employment agreement, upon the termination of employment by Mr. MacGibbon for good reason, or termination of employment by the Company other than for cause (as such events are described in the employment agreement), Mr. MacGibbon will be entitled to receive 100% of his annual salary in effect at the time of such termination to be paid in equal installments over the course of one year in accordance with the Company's payroll practices then in effect, together with any accrued but unpaid annual bonus earned in the fiscal year prior to such termination or a pro-rata portion of the accrued annual bonus versus the total target bonus for the current fiscal year.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following table reflects the estimated potential compensation payable to each of the executive officers named in the Summary Compensation Table under the Company's compensation and benefit plans and arrangements, and under each such executive's respective employment agreement, as applicable, in the event of termination of such executive's employment under various scenarios. The amounts shown are estimates of the amounts that would be paid out to the executives upon termination of their employment assuming that such termination was effective March 31, 2008. For a description of our employment agreements with each of Messrs. Guidone, Thomson, Smith, Monahan and MacGibbon, see "Executive Agreements and Related Transactions" beginning on page 38 of this proxy statement.

Name	Cash Severance Payment (\$)	Acceleration and Continuation of Equity Awards (\$)(1)	Total Termination Benefits (\$)
<b>Frank Guidone</b>			
<i>Termination Without Change in Control</i>			
· Cause	149,385	—	149,385
· Voluntary	149,385	—	149,385
· Death	149,385	—	149,385
· Retirement	149,385	—	149,385
· Without Cause or for Good Reason	824,385	—	824,385
<i>Termination Following Change in Control</i>			
· Cause	149,385	635,675	785,060
· Voluntary	149,385	635,675	785,060
· Death	149,385	635,675	785,060
· Retirement	149,385	635,675	785,060
· Without Cause or for Good Reason	824,385	635,675	1,460,060



**Mark Thomson***Termination Without Change in Control*

· Cause	64,491	—	64,491
· Voluntary	64,491	—	64,491
· Death	64,491	—	64,491
· Retirement	64,491	—	64,491
· Without Cause or for Good Reason	294,491	—	294,491

*Termination Following Change in Control*

· Cause	64,491	313,676	378,167
· Voluntary	64,491	313,676	378,167
· Death	64,491	313,676	378,167
· Retirement	64,491	313,676	378,167
· Without Cause or for Good Reason	294,491	313,676	608,167

**Steve Smith***Termination Without Change in Control*

· Cause	36,615	—	36,615
· Voluntary	36,615	—	36,615
· Death	36,615	—	36,615
· Retirement	36,615	—	36,615
· Without Cause or for Good Reason	246,615	—	246,615

*Termination Following Change in Control*

· Cause	36,615	241,658	278,273
· Voluntary	36,615	241,658	278,273
· Death	36,615	241,658	278,273
· Retirement	36,615	241,658	278,273
· Without Cause or for Good Reason	246,615	241,658	488,273

**Jean-Francois Allier***Termination Without Change in Control*

· Cause	45,000	—	45,000
· Voluntary	45,000	—	45,000
· Death	45,000	—	45,000
· Retirement	45,000	—	45,000
· Without Cause or for Good Reason	45,000	—	45,000

*Termination Following Change in Control*

· Cause	45,000	289,051	334,051
· Voluntary	45,000	289,051	334,051
· Death	45,000	289,051	334,051
· Retirement	45,000	289,051	334,051
· Without Cause or for Good Reason	45,000	289,051	334,051

**Terence Monaghan (2)***Termination Without Change in Control*

· Voluntary	17,904	—	17,904
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**Glen MacGibbon***Termination Without Change in Control*

· Cause	74,894	—	74,894
· Voluntary	74,894	—	74,894
· Death	74,894	—	74,894
· Retirement	74,894	—	74,894
· Without Cause or for Good Reason	277,894	—	277,894

*Termination Following Change in Control*

· Cause	74,894	209,500	284,394
· Voluntary	74,894	209,500	284,394
· Death	74,894	209,500	284,394
· Retirement	74,894	209,500	284,394
· Without Cause or for Good Reason	277,894	209,500	487,394

(1) The acceleration of any unvested options at March 31, 2008 is based on the difference between the closing price of our common stock at March 31, 2008 and the exercise prices of the options.

(2) Mr. Monaghan resigned from his position of Group Vice President - Temperature/Optical as of December 31, 2007. The amounts shown are amounts which Mr. Monaghan was entitled to receive as of December 31, 2007.

**BENEFICIAL OWNERSHIP OF MEASUREMENT SPECIALTIES COMMON STOCK**

The following table shows information regarding the beneficial ownership of our common shares as of April 30, 2008 for:

each of our directors;

each executive officer named in the summary compensation table; and

all directors and executive officers as a group.

<b>Name and Address of Beneficial Owner (1)</b>	<b>Amount and Nature of Beneficial Ownership (2)</b>	<b>Percent (2)</b>
Morton L. Topfer (3)	893,052	6.18%
Frank D. Guidone (4)	220,420	1.52%
J. Victor Chatigny	114,783	*
Glen MacGibbon (5)	102,782	*
John D. Arnold (6)	91,575	*
Jean Francois Allier (7)	45,500	*
Steven Smith (8)	45,000	*
R. Barry Uber (9)	34,200	*
Terence Monaghan	25,340	*
Satish Rishi (10)	20,000	*
Mark Thomson (11)	17,753	*
Kenneth E. Thompson (12)	13,500	*
All directors and executive officers as a group (12 persons) (13)	1,623,905	11.23%

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\* less than 1%

- (1) The address of each person is c/o Measurement Specialties, Inc., 1000 Lucas Way, Hampton, VA 23666.
- (2) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and all of our directors and executive officers as a group and the percentage ownership of that person and all of our directors and executive officers as a group, shares of common stock subject to options and warrants held by that person and all of our directors and executive officers as a group that are currently exercisable or exercisable within 60 days of the date hereof are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name. The percentage of beneficial ownership is based on 14,457,100 shares of common stock outstanding as of July 28, 2008.
- (3) Includes options held by Mr. Topfer to purchase 10,000 shares and shares of our common stock held by Castletop Capital, L.P., a private investment company of which Mr. Topfer is a Managing Director. Mr. Topfer has shared voting and shared investment power with respect to the shares held by Castletop Capital.
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|------|--|
| (4)  | Includes options to purchase 120,000 shares.                 |
| (5)  | Includes options to purchase 41,600 shares.                  |
| (6)  | Includes options to purchase 21,000 shares.                  |
| (7)  | Includes options to purchase 24,000 shares.                  |
| (8)  | Includes options to purchase 40,000 shares.                  |
| (9)  | Includes options to purchase 26,000 shares.                  |
| (10) | Includes options to purchase 15,000 shares.                  |
| (11) | Includes options to purchase 15,000 shares.                  |
| (12) | Includes options to purchase 10,000 shares.                  |
| (13) | Includes options to purchase an aggregate of 322,600 shares. |

**CERTAIN BENEFICIAL OWNERS**

The following table gives information about each shareholder, other than any of our directors or executive officers, known by us to be a beneficial owner of more than 5% percent of common stock as of April 30, 2008, based on information filed with the SEC:

<b>Name and Address of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percent</b>
Lord Abbett & Co. LLC 90 Hudson Street Jersey City, New Jersey 07302	1,793,179(1)	12.45(1)
Brown Capital Management, Inc. 1201 N Calvert Street Baltimore, Maryland 21201	1,200,010(2)	8.33(2)

(1)Based solely on the disclosures made in a report on Schedule 13G/A filed with the SEC by Lord, Abbett & Co. LLC on February 14, 2008.

(2)Based solely on the disclosures made in a report on Schedule 13G/A filed with the SEC by Brown Capital Management, Inc. on February 14, 2008.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, executive officers, and the persons who beneficially own more than 10% of our common stock, to file reports of ownership and changes in ownership with the SEC. Copies of all filed reports are required to be furnished to us. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during fiscal 2008, except for Jean-Francois Allier (two late Form 4 filings which reported an aggregate of two transactions), John D. Arnold (one late Form 4 filing which reported one transaction) Victor Chatigny (two late Form 4 filings which reported an aggregate of four transactions), Frank Guidone (one late Form 4 filing which reported one transaction) Glen MacGibbon (three late Form 4 filings which reported an aggregate of three transactions), Terence Monaghan (one late Form 3 filing), Satish Rishi (one late Form 4 filing which reported one transaction), Steven Smith (one late Form 4 filing which reported one transaction), Kenneth E. Thompson (one late Form 4 filing which reported one transaction), Mark Thomson (two late Form 4 filings which reported an aggregate of two transactions) and R. Barry Uber (one late Form 4 filing which reported one transaction).

**ANNUAL REPORT ON FORM 10-K**

In addition to the proxy statement and proxy card, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008 is enclosed. The Annual Report on Form 10-K is being furnished to you without the exhibits thereto. Upon your request, the Company will provide you with a copy of the exhibits. You may under some circumstances be responsible for the Company's reasonable expenses in furnishing such exhibits.

## SHAREHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING

Shareholders who wish to present proposals to be considered for inclusion in the Company's proxy materials for the 2009 Annual Meeting of Shareholders must submit such proposals to our Secretary at Measurement Specialties, Inc., 1000 Lucas Way, Hampton, VA 23666 by March 31, 2009. For any proposal that is not submitted for consideration for inclusion in next year's proxy materials, but is instead sought to be presented directly at the 2009 Annual Meeting, SEC rules permit us to exercise discretionary voting authority to the extent conferred by proxy if we: (1) receive notice of the proposal before June 14, 2009 and advise shareholders in the 2009 proxy statement of the nature of the proposal and how management intends to vote on such matter or (2) do not receive notice of the proposal before June 14, 2009. Notices of intention to present proposals at the 2009 Annual Meeting should be submitted to our Secretary at Measurement Specialties, Inc., 1000 Lucas Way, Hampton, VA 23666.

Our by-laws provide that a shareholder entitled to vote for the election of directors may nominate persons for election to our Board of Directors by delivering written notice to our Secretary. With respect to an election to be held at an annual meeting of shareholders, such notice generally must be received by our Secretary not later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day before the first anniversary of the preceding year's annual meeting. In the event that the date of an annual meeting is more than 30 days before or more than seventy days after the first anniversary of the preceding year's annual meeting, such notice must be received by our Secretary not earlier than the close of business on the 120<sup>th</sup> day before the annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day before the annual meeting or the 10<sup>th</sup> day following the day on which we publicly announce the date of the annual meeting. With respect to an election to be held at a special meeting of shareholders, such notice must be received by our Secretary not earlier than the close of business on the 120<sup>th</sup> day before such special meeting, and not later than the close of business on the later of the 90<sup>th</sup> day before such special meeting or the 10<sup>th</sup> day following the day on which we publicly announce the date of the special meeting and the nominees proposed by our Board of Directors to be elected at such special meeting.

The shareholder's notice must include:

- as to each person whom the shareholder proposes to nominate for election as a director:
  - all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required pursuant to Regulation 14A under the Exchange Act; and
  - such person's written consent to being named in the proxy statement as a nominee and to serving as such a director if elected; and
- as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:
  - the name and address of such shareholder, as they appear on our books, and of such beneficial owner;

- (a) the class and number of shares of capital stock of the Company that are owned beneficially and of record by such shareholder and such beneficial owner, and (b) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Company or with a value derived in whole or in part from the value of any class or series of shares of the Company, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Company or otherwise directly or indirectly owned beneficially by such shareholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company;
- a representation that the shareholder is a holder of record of the Company's common stock entitled to vote at such meeting and intends to appear in person or by proxy at the annual meeting to propose such nomination; and
- a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group that intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's common stock required to elect the nominee and/or (2) otherwise to solicit proxies from shareholders in support of such nomination.

Because the 2008 annual meeting is to be held on September 16, 2008, written notice of a shareholder proposal to be acted upon at the 2009 annual meeting must be received by our Secretary not later than the close of business on June 18, 2009, nor earlier than the close of business on May 19, 2009.

In order for a shareholder to bring other business before a shareholder meeting, timely notice must be received by our Secretary within the time limits described in the immediately preceding paragraph. The shareholder's notice must contain:

· as to each matter:

- a brief description of the business desired to be brought before the annual meeting;
- the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend our by-laws, the language of the proposed amendment);
- the reasons for conducting such business at the annual meeting; and
- any material interest in such business of such shareholder and for the beneficial owner, if any, on whose behalf the proposal is made; and

·as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, the information described above with respect to the shareholder proposing such business.

The requirements found in our by-laws are separate from and in addition to the requirements of the Securities and Exchange Commission that a shareholder must meet to have a proposal included in our proxy statement.

#### **OTHER MATTERS**

The Board of Directors is not aware of any matters other than those set forth in this proxy statement that will be presented for action at the Annual Meeting. However, if any other matter should properly come before the meeting, the persons authorized by the accompanying proxy will vote and act with respect thereto, in what according to their judgment, is in the interests of the Company and its shareholders.

July 29, 2008

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**MEASUREMENT SPECIALTIES, INC.  
2008 EQUITY INCENTIVE PLAN**

**Section 1. Purpose**

The purpose of the Measurement Specialties, Inc. 2008 Equity Incentive Plan (the “Plan”) is to enable Measurement Specialties, Inc. (the “Company”) to attract, retain, motivate and provide additional incentives to certain directors, officers, employees, consultants and advisors, whose contributions are essential to the growth and success of the Company, by enabling them to participate in the long-term growth of the Company through stock ownership.

**Section 2. Definitions**

As used in the Plan:

“Award” means a grant of an Option or Restricted Stock Units under the terms of this Plan.

“Award Agreement” means the agreement between the Company and a Participant pursuant to which an Award is granted, and which specifies the terms and conditions of the Award.

“Board” means the Board of Directors of the Company.

“Cause” means the termination of a Participant’s employment, consulting or advisory relationship with the Company or the termination of a Participant’s membership on the Board because of the occurrence of any of the following events, as determined by the Board:

(i) the Participant materially breaches or fails to perform any of his obligations as an employee or director of the Company;

(ii) the Participant conducts his duties with respect to the Company in a manner that is improper or negligent; or

(iii) the Participant fails to perform his obligations faithfully as provided in any employment agreement executed between the Company and the Participant or is otherwise terminated for “cause” as “cause” may be defined in such agreement, engages in habitual drunkenness, drug abuse, or commits a felony, fraud or willful misconduct which has resulted, or is likely to result, in material damage to the Company, or as the Board in its sole discretion may determine.

“Change in Control” means any of the following events:

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(i) a change during any 12-month period in the ownership of the capital stock of the Company, whereby a corporation, partnership, other entity, person, or group acting in concert, as described in Section 14(d)(2) of the Exchange Act holds or acquires, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of a number of shares of capital stock of the Company, as the case may be, which constitutes more than fifty percent (50%) of the combined voting power of the Company's then outstanding capital stock entitled to vote generally in the election of directors; or

(ii) the consummation of any merger, consolidation, share exchange or reorganization plan involving the Company, as the case may be, in which the Company, as applicable, is not the surviving entity, or the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of more than 50% of the combined assets of the Company to any corporation, partnership, other entity, person, or group acting in concert, as described in Section 14(d)(2) of the Exchange Act, other than to a wholly-owned subsidiary of the Company or to any "affiliate" (as defined in Rule 12b-2 under the Exchange Act) of any of the foregoing;

provided, that the following events shall not constitute a Change in Control:

(i) the acquisition of shares of capital stock of the Company by the Company or any of their subsidiaries or "affiliates" (as defined in Rule 12b-2 under the Exchange Act);

(ii) the acquisition of shares of capital stock of the Company by any employee benefit plan (or trust) sponsored or maintained by the Company;

(iii) any transfer of shares of capital stock by gift, devise or descent by a stockholder to a member of such stockholder's family or to a trust established or maintained for the benefit of a stockholder or any member of his family; or

(iv) the acquisition of shares of capital stock by any officer or employee of the Company pursuant to any stock option plan established by the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Committee" means the Compensation Committee of the Board (or any successor committee of the Board) or such other committee that is responsible for making recommendations to the Board (or for exercising authority delegated to it by the Board pursuant to Section 3 of the Plan, if any) with respect to the grant and terms of Awards under the Plan; provided, however, that (i) with respect to Awards to any employees who are officers of the Company or members of the Board for purposes of Section 16 of the Exchange Act, Committee means all of the members of the Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3 adopted under the Exchange Act, or any successor rule, (ii) with respect to Awards to any employees who are officers of the Company or members of the Board for purposes of Section 16 and who are intended to satisfy the requirements for "performance based compensation" within the meaning of Section 162(m)(4)(C) of the Code, the regulations promulgated thereunder, and any successors thereto, Committee means all of the members of the Compensation Committee who are "outside directors" within the meaning of Section 162(m) of the Code, and (iii) with respect to all Awards, the Committee shall be comprised of "independent" directors to the extent required by the listing requirements or rules of any stock exchange or quotation system on which the Common Stock may be listed or quoted.

“Company” means Measurement Specialties, Inc., a New Jersey corporation, and any present or future parent or subsidiary corporations (as defined in Section 424 of the Code) or any successor to such corporations.

“Common Stock” or “Stock” means the common stock, no par value per share, of the Company.

“Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code or, in the case of any employee with a written employment agreement, “Disability” shall have the meaning ascribed to such term, if so defined in such written employment agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value”, with respect to Common Stock, shall be determined as follows:

(i) If the Common Stock is at the time listed on any stock exchange or quotation system, the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the stock exchange or determined by the Board to be the primary market for the Common Stock, as such price is officially reported on such exchange or system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time traded on the Nasdaq Global Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question as such price is quoted on the Nasdaq Global Market or successor system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the Common Stock is not listed or traded on any stock exchange, quotation system or the Nasdaq System, the Fair Market Value shall be determined using a reasonable valuation method consistent with the final regulations issued under Section 409A of the Code.

“Incentive Stock Option” means an option to purchase shares of Common Stock awarded to a Participant under the Plan which is designated as such or is otherwise intended to meet the requirements of Section 422 of the Code or any successor provision.

“Non-Employee Director” means a member of the Board who is not an employee of the Company.

“Non-Qualified Stock Option” means an option to purchase shares of Common Stock granted to a Participant under the Plan which is designated as such or is otherwise not intended to be an Incentive Stock Option.

“Option” means an Incentive Stock Option or a Non-Qualified Stock Option.

“Participant” means an eligible person selected by the Board to receive an Award under the Plan.

“Plan” means the Measurement Specialties, Inc. 2008 Equity Incentive Plan.

“Restricted Stock Units” means an Award granted hereunder and stated with reference to a specified number of shares of Common Stock, which entitles the Participant to receive shares of Common Stock or cash (as determined by the Board), upon the lapse of a Restriction Period and/or subject to such other conditions and criteria (including the attainment of Performance Goals) as the Board may determine at the time of the grant of the Award.

“Restriction Period” means the period during which an Award is subject to forfeiture. A Restriction Period shall not lapse until all conditions imposed under the particular Award Agreement, and/or this Plan, have been fully satisfied.

“Retirement” means termination of employment in accordance with the retirement provisions of any retirement plan maintained by the Company.

### **Section 3. Administration**

(a) The Plan shall be administered by the Board. Among other things, the Board shall have authority, subject to the terms of the Plan including, without limitation, the provisions governing participation in the Plan, to grant Awards, to determine the individuals to whom and the time or times at which Awards may be granted and to determine the terms and conditions of any Award granted hereunder. Subject to paragraph (d) of this Section 3, the Board may solicit the recommendations of the Committee with respect to any of the foregoing, but shall not be bound to follow any such recommendations.

(b) Subject to the provisions of this Plan, the Board shall have authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time consider advisable, to interpret the provisions of the Plan and any Award and to decide all disputes arising in connection with the Plan. The Board’s decisions and interpretations shall be final and binding. Any action of the Board with respect to the administration of the Plan shall be taken pursuant to a majority vote or by the unanimous written consent of its members.

(c) The Board may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. The Board shall keep minutes of its actions under the Plan.

(d) The Board may condition the payment of any Award or the lapse of any Restriction Period (or any combination thereof) upon the achievement of a Performance Goal (defined below) that is established by the Board. A "Performance Goal" shall mean an objective goal that must be met by the end of the Restriction Period specified by the Board based upon one or more of the following as applied to the Company, a subsidiary, an affiliate or a business unit thereof: (i) total stockholder return, (ii) total stockholder return as compared to total return of a publicly available index, (iii) net income, (iv) pretax earnings, (v) funds from operations, (vi) earnings before interest expense, taxes, depreciation and amortization, (vii) operating margin, (viii) earnings per share, (ix) return on equity, capital, assets and/or investment, (x) operating earnings, (xi) working capital, (xii) ratio of debt to stockholders equity, (xiii) expense reduction or containment, (xiv) revenue, or (xv) such other criteria as may be determined by the Board in its sole discretion. In addition to the foregoing, a Performance Goal may be the Participant's achievement of a specified period of service with the Company, its subsidiaries, or its affiliates. The Board shall have discretion to determine the specific targets with respect to each of these categories of Performance Goals. Before paying an Award or permitting the lapse of any Restriction Period on an Award subject to this Section, the Board shall certify in writing that the applicable Performance Goal has been satisfied. Performance Goals for Awards to officers who are subject to the requirements and limitations of Section 162(m) of the Code, shall be established not later than ninety (90) days after the beginning of the applicable performance period (or at such other date as may be required or permitted for "performance-based" compensation under Section 162(m) of the Code), and shall otherwise meet the requirements of said Code section, including the requirement that the outcome of the Performance Goal be substantially uncertain at the time established.

(e) Subject to any limitations specified in this Plan and to applicable legal requirements the Board shall have the authority to delegate all or any portion of the authority granted to it under this Section 3 or elsewhere under the Plan to the Committee or the Chief Executive Officer of the Company. If such authority is so delegated by Board, the Committee or the Chief Executive Officer, as the case may be, shall have such rights and authority to make determinations and administer the Plan as are specified in the delegation of authority. To the extent that the Board delegates its authority as provided by this Section 3(e), all references in the Plan to the Board's authority to grant Awards and make determinations with respect thereto shall be deemed to include the Committee or the Chief Executive Officer, as the case may be.

#### **Section 4. Eligibility**

All employees, consultants and advisors of the Company who are from time to time responsible for the management, growth and protection of the business of the Company, and all directors of the Company, shall be eligible to participate in the Plan. The Participants under the Plan shall be selected from time to time by the Board, in its sole discretion, from among those eligible, and the Board shall determine in its sole discretion the numbers of shares to be covered by the Award or Awards granted to each Participant. Options intended to qualify as Incentive Stock Options shall be granted only to key employees while actually employed by the Company. Non-Employee Directors, consultants and advisors shall not be entitled to receive Incentive Stock Options under the Plan.

**Section 5. Shares of Stock Available for Awards**

(a) Subject to adjustment as provided in paragraph (e) below, the total number of shares of Common Stock available for Awards under the Plan shall be 1,400,000; provided that, of such aggregate number of shares, the number of shares of Common Stock available for Awards of Restricted Stock Units shall be limited to 450,000.

(b) The following limits (each an “Annual Award Limit”, and collectively, “Annual Award Limits”) shall, subject to adjustment as provided in paragraph (e) below, apply to grants of Awards under this Plan:

(i) Options: The maximum aggregate number of shares of Common Stock subject to Options which may be granted in any one Plan Year to any one Participant shall be 150,000.

(ii) Restricted Stock Units: The maximum aggregate number of shares of Common Stock subject to Awards of Restricted Stock Units which may be granted in any one Plan Year to any one Participant shall be the Fair Market Value (determined on the date of grant) of 75,000 shares of Common Stock.

(c) Any shares issued by the Company through the assumption or substitution of outstanding grants from an acquired company shall not reduce the shares available for Awards under this Plan. Any shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any shares subject to any Award granted hereunder are forfeited or such Award otherwise terminates or is forfeited, the shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for Awards under this Plan.

(d) No Option shall be exercisable, no shares of Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered and no payment shall be made under the Plan, except in compliance with all applicable laws. In this connection, it is intended generally that Awards granted under this Plan shall not constitute “non-qualified deferred compensation” as defined under Section 409A of the Code. If, however, any Award is, or becomes, subject to any of the requirements of Section 409A of the Code, such Award, and the applicable Award Agreement, shall be interpreted and administered to be consistent with such requirements, and the Board shall be entitled, on a unilateral basis, to amend, reform, interpret and administer this Plan, such Award and such Award Agreement accordingly.

(e) In the event that the Board determines, in its sole discretion, that any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reclassification, reorganization, merger, consolidation, stock split, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below Fair Market Value, or other similar transaction affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be granted under the Plan to Participants, the Board shall have the right to adjust equitably any or all of (i) the number of shares of Common Stock in respect of which Awards may be granted under the Plan to Participants, (ii) the number and kind of shares subject to outstanding Awards held by Participants, (iii) the exercise price with respect to any Awards held by Participants, (iv) the Annual Award Limits, (v) the amount and/or type of payment to be received under Awards, and, if considered appropriate, the Board may make provision for a cash payment with respect to any outstanding Awards held by a Participant, provided that the number of shares subject to any Award shall always be a whole number.

## **Section 6. Incentive Stock Options**

(a) Subject to Federal statutes then applicable and the provisions of the Plan, the Board may grant Incentive Stock Options and determine the number of shares to be covered by each such Award, the option price therefor, the term of such Award, the vesting schedule of such Award, and the other conditions and limitations applicable to the exercise of the Award. The terms and conditions of Incentive Stock Options shall be subject to and shall comply with Section 422 of the Code, or any successor provision, and any regulations thereunder. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted to the Board under the Plan be so exercised, so as to disqualify, without the consent of the Participant, any Incentive Stock Option granted under the Plan pursuant to Section 422 of the Code. The foregoing notwithstanding, any Award that fails to be an ISO shall remain outstanding according to its terms and shall be treated by the Company as a Non-Qualified Stock Option.

(b) The option price per share of Common Stock purchasable under an Incentive Stock Option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant. If the Participant owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company and an Incentive Stock Option is granted to such Participant, the option price shall be not less than 110% of Fair Market Value of the Common Stock on the date of grant.

(c) No Incentive Stock Option shall be exercisable more than ten (10) years after the date such option is granted. If a Participant owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company and an Incentive Stock Option is granted to such Participant, such Option shall not be exercisable after the expiration of five (5) years from the date of grant.

(d) Unless otherwise determined by the Board at the time of grant, in the event a Participant's employment terminates by reason of Retirement or Disability, any Incentive Stock Option granted to such Participant which is then outstanding may be exercised at any time prior to the expiration of the term of such Incentive Stock Option or within three (3) months in the case of Retirement and twelve (12) months in case of Disability (or such shorter period as the Board shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter.

(e) Unless otherwise determined by the Board at the time of grant, in the event a Participant's employment is terminated by reason of death, any Incentive Stock Option granted to such Participant which is then outstanding may be exercised by the Participant's legal representative at any time prior to the expiration date of the term of the Incentive Stock Option or within twelve (12) months (or such shorter period as the Board shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter.

(f) Unless otherwise determined by the Board at or after the time of grant, in the event a Participant's employment shall terminate for Cause, any Incentive Stock Option granted to such Participant which is then outstanding shall be canceled and shall terminate.

(g) Unless otherwise determined by the Board at or after the time of grant, in the event that a Participant's employment shall terminate for any reason other than death, Disability, Retirement or Cause, any Incentive Stock Option granted to such Participant which is then outstanding may be exercised as set forth in the applicable Award Agreement. In the absence of a specific term, any Incentive Stock Option outstanding upon such termination of employment may be exercised at any time prior to the expiration of the term of such option or within three months following Participant's termination of employment, whichever period is shorter.

(h) The aggregate Fair Market Value of Common Shares first becoming subject to exercise as an Incentive Stock Option by a Participant who is an employee during any given calendar year shall not exceed the sum of One Hundred Thousand Dollars (\$100,000.00). Such aggregate Fair market Value shall be determined as of the date such Option is granted.

#### **Section 7. Non-Qualified Stock Options**

(a) Subject to the provisions of the Plan, the Board may grant Non-Qualified Stock Options and determine the number of shares to be covered by each such Option, the option price therefor, the term of such Option, the vesting schedule and the other conditions and limitations applicable to the exercise of the Non-Qualified Stock Options.

(b) The option price per share of Common Stock purchasable under a Non-Qualified Stock Option shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant.

(c) No Non-Qualified Stock Option shall be exercisable more than ten (10) years after the date such option is granted.



(d) Unless otherwise determined by the Board at the time of grant, in the event a Participant's employment or engagement by the Company or membership on the Board terminates by reason of Retirement or Disability, any Non-Qualified Stock Option granted to such Participant which is then outstanding may be exercised at any time prior to the expiration of the term of such Non-Qualified Stock Option or within three (3) months in the case of Retirement and twelve (12) months in case of Disability following the Participant's termination of employment, engagement, or service, whichever period is shorter.

(e) Unless otherwise determined by the Board at the time of grant, in the event a Participant's employment or engagement by the Company or membership on the Board is terminated by reason of death, any Non-Qualified Stock Option granted to such Participant which is then outstanding may be exercised by the Participant's legal representative at any time prior to the expiration date of the term of the Non-Qualified Stock Option or within twelve (12) months following the Participant's termination of employment, whichever period is shorter.

(f) Unless otherwise determined by the Board at or after the time of grant, in the event a Participant's employment or engagement by the Company or membership on the Board shall terminate for Cause, any Non-Qualified Stock Option granted to such Participant which is then outstanding shall be canceled and shall terminate.

(g) Unless otherwise determined by the Board at or after the time of grant, in the event a Participant's employment or engagement by the Company or membership on the Board shall terminate for any reason other than death, Disability, Retirement or Cause, any Non-Qualified Stock Option granted to such Participant which is then outstanding may be exercised at any time prior to the expiration of the term of such Option or within three (3) months following Participant's termination, whichever period is shorter.

#### **Section 8. Restricted Stock Units**

(a) Subject to the provisions of the Plan, the Board may grant Awards of Restricted Stock Units and determine the number of shares to be covered by each such Award, the Restriction Period, the applicable Performance Goals, whether the Award is payable in cash or shares of Common Stock, and other conditions and limitations applicable to such Awards.

(b) Unless otherwise provided in the applicable Award Agreement, during the Restriction Period, the Participant shall not have any rights as a shareholder with respect to any shares of Common Stock underlying the Restricted Stock Units.

(c) The Board may condition the expiration of the Restriction Period upon: (i) the Participant's continued service over a period of time with the Company, its subsidiaries or its affiliates, (ii) the achievement of any other Performance Goals set by the Board, or (iii) any combination of the above conditions, as specified in the Award Agreement. If the specified conditions are not attained, the Participant shall forfeit the Award, or portion of the Award with respect to which those conditions are not attained, and the Award (including the underlying Common Stock) shall be forfeited. Notwithstanding any provision contained herein to the contrary, the Board, in its sole discretion, may grant Restricted Stock Units that are not subject to any Restriction Period.

(d) At the end of the Restriction Period, if all applicable conditions have been satisfied, the Participant shall be entitled to receive a share of Common Stock for each share underlying the Restricted Stock Unit Award that is then free from restriction, or cash equal to the Fair Market Value of such shares of Common Stock, and such shares or cash shall be delivered to the Participant (or, where appropriate, the Participant's legal representative). The Board may, in its sole discretion, accelerate the vesting and delivery of Restricted Stock Units under circumstances determined by the Board to be appropriate.

(e) At the time of grant or upon the lapse of the Restriction Period of an Award of Restricted Stock Units, the Board shall determine the consideration permissible for the payment of the purchase price, if any, of the Award of Restricted Stock Units. The purchase price per share of Common Stock acquired pursuant to the Award of Restricted Stock Units shall be paid in one of the following ways: (i) in cash at the time of purchase; (ii) at the discretion of the Board, and to the extent legally permissible, according to a deferred payment or other similar arrangement with the Participant; (iii) by services rendered or to be rendered to the Company; or (iv) in any other form of legal consideration that may be legally permissible and acceptable to the Board in its sole discretion.

(f) The applicable Award Agreement shall specify the right, if any, of a Participant to receive a distribution of the Restricted Stock Unit Award as a result of, or following, the Participant's termination of employment or engagement by the Company or membership on the Board.

#### **Section 9. Change in Control**

(a) In the event of a Change in Control, the Board may, on a Participant-by-Participant basis or on a broader Plan basis, take such action as the Board, in its sole discretion determines with respect to outstanding Awards. Such action by the Committee may include, without limitation, any one or more of the following:

(i) accelerate the vesting of outstanding Awards issued under the Plan that remain unvested;

(ii) fully vest and/or accelerate the Restriction Period of any Awards;

(iii) terminate or cancel Awards in exchange for cash payments and/or provide limited opportunities to exercise such Awards prior to the effectiveness of such termination or cancellation;

(iv) require that Awards be assumed by the successor entity, or that awards for shares or other interests in the successor entity having equivalent value be substituted for such Awards; or

(v) take such other action as the Board shall determine to be reasonable under the circumstances in order to retain the original intent of the Awards.

The application of the foregoing provisions shall be determined by the Board in its sole discretion. Any adjustment may provide for the elimination of fractional shares of Common Stock in exchange for a cash payment equal to the Fair Market Value of the eliminated fractional shares of Common Stock. Notwithstanding the foregoing provisions, the time for payment of any Award shall not be accelerated, and the exercisability of an Award shall not be extended to the extent such acceleration or extension would be contrary to the requirements of Section 409A of the Code, or result in the imposition of taxation and/or penalties under Section 409A of the Code.

(b) The judgment of the Board with respect to any matter referred to in this Section 9 shall be conclusive and binding upon each Participant without the need for any amendment to the Plan.

#### **Section 10. General Provisions Applicable to Awards**

(a) Each Award under the Plan shall be evidenced by an Award Agreement delivered to the Participant specifying the terms and conditions thereof and containing such other terms and conditions not inconsistent with the provisions of the Plan as the Board considers necessary or advisable to achieve the purposes of the Plan and/or to comply with applicable tax and regulatory laws and accounting principles. For purposes of Plan interpretation the terms and conditions contained in any Award Agreement shall be deemed to have been determined by the Board at the time of grant.

(b) Each Award may be granted alone, in addition to or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly. Except as otherwise provided by the Plan or a particular Award, any determination with respect to an Award may be made by the Board at the time of grant or at any time thereafter.

(c) The Board shall determine whether Awards are settled in whole or in part in cash, Common Stock, other securities of the Company, or other property, and may, in its discretion, permit “cashless exercises” and “net exercises” of Options pursuant to such procedures as may be established by the Board.

(d) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Company. Such payment may be made in whole or in part in cash or by certified or bank check or, to the extent permitted by the Board at or after the grant of the Option, (i) by means of a net exercise pursuant to procedures established by the Board, or (ii) by delivery of shares of Common Stock owned by the Participant valued at their Fair Market Value on the date of delivery, or (iii) such other lawful consideration as the Board may in its sole discretion determine.

(e) No Award shall be transferable by the Participant otherwise than (to the extent permitted under the applicable Award Agreement) by will or by the laws of descent and distribution, and all Awards shall be exercisable during the Participant's lifetime only by the Participant or the Participant's duly appointed guardian or personal representative.

(f) The Board may at any time accelerate the vesting and exercisability or distribution of all or any portion of any Award, provided that such acceleration does not violate the provisions of Section 409A of the Code, or result in the imposition of any taxation and/or penalties under Section 409A of the Code.

(g) The Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. In the Board's sole discretion, a Participant may elect to have such tax obligations paid, in whole or in part, in shares of Common Stock, including shares retained from the Award creating the tax obligation. For withholding tax purposes, the value of the shares of Common Stock shall be the Fair Market Value on the date the withholding obligation is incurred. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Participant.

(h) For purposes of the Plan, the following events shall not be deemed a termination of employment of a Participant:

(i) a transfer to the employment of the Company from a subsidiary or from the Company to a subsidiary, or from one subsidiary to another;

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Participant's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Board otherwise so provides in writing; or

(iii) unless provided otherwise by the Board, a transfer to the employment of an entity in connection with the purchase by such entity of substantially all of the assets of a business conducted by the Company or any subsidiary.

Subject to clause (iii) of this paragraph (h), employees of a subsidiary of the Company shall be deemed to have terminated their employment on the date on which such subsidiary ceases to be a subsidiary of the Company.

#### **Section 11. Effective Date, Termination and Amendment**

(a) The Plan is effective on June 24, 2008, the date the Plan was approved by the Board, contingent, however, on approval of the Plan by the Company's shareholders within 12 months of such date. The Plan shall remain in full force and effect until the earlier of December 31, 2018, or the date it is terminated by the Board.

(b) The Board shall have the power to amend, suspend or terminate the Plan at any time, provided that any such termination of the Plan shall not affect Awards outstanding under the Plan at the time of termination. Notwithstanding the foregoing, an amendment will be contingent on approval of the Company's shareholders, to the extent required by law or by the rules of any stock exchange on which the Company's securities are traded or if the amendment would (i) increase the benefits accruing to Participants under the Plan, (ii) increase the aggregate number of shares of Common Stock that may be issued under the Plan, or (iii) modify the requirements as to eligibility for participation in the Plan.

(c) The Board may amend any outstanding Award in whole or in part from time to time. Any such amendment which the Board determines, in its sole discretion, to be necessary or appropriate to conform the Award to, or otherwise satisfy, any legal requirement (including without limitation the provisions of Code sections 162(m) or 409A or the regulations or rulings promulgated thereunder), may be made retroactively or prospectively and without the approval or consent of the Participant. Additionally, the Board may, without the approval or consent of the Participant, make adjustments in the terms and conditions of an Award in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company in order to prevent the dilution or enlargement of the benefits intended to be made available pursuant to the Award. In addition to the foregoing, the Board may amend, modify or terminate any outstanding Award held by a Participant, including substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Non-Qualified Stock Option, provided that the Participant's consent to each action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant. Except in connection with a corporate transaction involving the Company (including without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the excess price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Option or SARs without stockholder approval.

## **Section 12. Miscellaneous**

(a) No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment. The Company expressly reserves the right at any time to dismiss a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award Agreement.

(b) The Board may postpone any grant, exercise, vesting or payment of an Award for such time as the Committee in its sole discretion may deem necessary in order to permit the Company: (i) to effect, amend or maintain any necessary registration of the Plan or the shares of Common Stock issuable pursuant to the Award under applicable securities laws; (ii) to take any action in order to (A) list such shares of Common Stock or other shares of stock of the Company on a stock exchange if shares of Common Stock or other shares of stock of the Company are not then listed on such exchange, or (B) comply with restrictions or regulations incident to the maintenance of a public market for its shares of Common Stock or other shares of stock of the Company, including any rules or regulations of any stock exchange on which the shares of Common Stock or other shares of stock of the Company are listed; (iii) to determine that such shares of Common Stock in the Plan are exempt from such registration or that no action of the kind referred to in (ii)(B) above needs to be taken; (iv) to comply with any other applicable law, including without limitation, securities and tax laws; or (v) to otherwise comply with any prohibition on such acts or payments during any applicable blackout period. Additionally, the granting, exercise, vesting or payment of an Award shall be postponed during any period that the Company or any affiliate is prohibited from doing or permitting any of such acts under applicable law, including without limitation, during the course of an investigation of the Company or any affiliate, or under any contract, loan agreement or covenant or other agreement to which the Company or any affiliate is a party. The Company shall not be obligated by virtue of any terms and conditions of any Award Agreement or any provision of the Plan to recognize the grant, exercise, vesting or payment of an Award or to grant, sell or issue shares of Common Stock or make any such payments in violation of any law, including any securities or tax laws, or the laws of any government having jurisdiction thereof or any of the provisions hereof. Any such postponement shall not extend the term of the Award, and neither the Company nor its directors and officers nor the Committee shall have any obligation or liability to any Participant or to any other person with respect to shares of Common Stock or payments as to which the Award shall lapse because of such postponement.

(c) Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation arrangements for its employees.

(d) Subject to the provisions of the applicable Award, no Participant shall have any rights as a shareholder with respect to any shares of Common Stock to be distributed under the Plan until he or she becomes the holder thereof.

(e) Nothing contained in this Plan, nor any Award granted pursuant to this Plan nor any Award Agreement, shall constitute or create any employment or other relationship, or confer upon any Participant any right to continued employment or service with the Company or any subsidiary or affiliate, nor interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment or service of any Participant at any time.

(f) Nothing contained in this Plan, and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Committee, the Company or its subsidiaries or affiliates, or their officers or other representatives or the Board, on the one hand, and the Participant, the Company, its subsidiaries or affiliates or any other person or entity, on the other.

(g) Notwithstanding anything to the contrary expressed in this Plan, any provisions hereof that vary from or conflict with any applicable Federal or State securities laws (including any regulations promulgated thereunder) shall be deemed to be modified to conform to and comply with such laws.

(h) No member of the Board shall be liable for any action or determination taken or granted in good faith with respect to this Plan nor shall any member of the Board be liable for any agreement issued pursuant to this Plan or any grants under it. Each member of the Board shall be indemnified by the Company against any losses incurred in such administration of the Plan, unless his action constitutes willful misconduct.

(i) To the extent that State laws shall not have been preempted by any laws of the United States, the Plan shall be construed, regulated, interpreted and administered according to the other laws of the State of New Jersey.

(j) Awards may be granted to employees of the Company who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Board, be necessary or desirable in order to recognize differences in local law or tax policy. The Board may also impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for employees on assignments outside their home country.

Executed effective as of June 24, 2008.

**MEASUREMENT SPECIALTIES, INC.**

By: /s/ Mark Thomson

Title: Chief Financial Officer





