

MATERIAL SCIENCES CORP
Form DEF 14A
May 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

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

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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MATERIAL SCIENCES CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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3) Filing Party:

4) Date Filed:

May 29, 2009

Dear Shareowner:

The 2009 Annual Meeting of Shareowners will be held on Thursday, June 25, 2009, at 10:00 a.m. (CDT) at 2200 East Pratt Boulevard, Elk Grove Village, Illinois, 60007. We hope you will attend. We will be voting on the matters outlined in the attached notice of annual meeting and proxy statement. We also will hear management's report regarding the past fiscal year's operations.

It is important that your shares be represented at the meeting, regardless of the number you own or whether or not you plan to attend. Accordingly, we urge you to vote your shares as soon as practicable.

I look forward to seeing you on June 25, 2009.

Sincerely,

MR. JOHN P. REILLY

Non-Executive Chairman of the Board

NOTICE OF ANNUAL MEETING OF SHAREOWNERS

The Annual Meeting of Shareowners of Material Sciences Corporation will be held on Thursday, June 25, 2009, at 10:00 a.m. (CDT) at 2200 East Pratt Boulevard, Elk Grove Village, Illinois, 60007, for the following purposes:

1. To elect seven directors to the Board;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending February 28, 2010; and
3. To transact any other business as may properly come before the meeting or any adjournment or postponement thereof.

Our Board of Directors recommends you vote **FOR** the election of the nominated directors and **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. Shareowners of record at the close of business on May 8, 2009, are entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

Whether or not you expect to be present at the meeting, please vote your shares by following the instructions on the enclosed proxy card or voting instruction card. Any person voting by proxy has the power to revoke it at any time prior to its exercise at the meeting in accordance with the procedures described in the accompanying proxy statement.

IF YOU PLAN TO ATTEND:

Please note that space limitations make it necessary to limit attendance to shareowners. Registration will begin at 9:00 a.m., and seating will begin at 9:45 a.m. Each shareowner may be asked to present valid picture identification, such as a driver's license or passport. Shareowners holding stock in brokerage accounts (street name holders) will need to bring a copy of the voting instruction card or a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and certain other electronic devices will not be permitted at the meeting.

By Order of the Board of Directors,

James M. Froisland

Senior Vice President, Chief Financial Officer,

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Chief Information Officer and Corporate Secretary

Elk Grove Village, Illinois

May 29, 2009

PROXY STATEMENT

This proxy statement is solicited by the Board of Directors of Material Sciences Corporation (MSC, the Company, we, our, or us) and contains information related to the annual meeting of shareowners of the Company to be held on Thursday, June 25, 2009, beginning at 10:00 a.m. (CDT), at the Company's principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois, 60007, and at any postponements or adjournments thereof. Directions to our facility may be obtained by telephoning (847) 718-8397. This proxy statement is being mailed on or about May 29, 2009, to all shareowners entitled to vote at the meeting.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, shareowners will act upon the matters outlined in the accompanying notice of annual meeting. In addition, management will report on our fiscal 2009 performance and respond to appropriate questions from shareowners.

Who is entitled to vote at the meeting?

Only shareowners of record at the close of business on May 8, 2009, the record date for the meeting, are entitled to receive notice of and to vote at the meeting. If you were a shareowner of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting or at any postponements or adjournments of the meeting.

What are the voting rights of the holders of our common stock?

Other than as described with respect to the election of directors, each outstanding share of our common stock will be entitled to one vote on each matter considered at the meeting. If one or more shareowners give notice before the voting at the meeting of their intention to cumulate their votes in the election of directors, all shareowners entitled to vote shall have the right to so cumulate their votes. We have not received such notice from a shareowner as of the date of this proxy statement, but if such notice is given to us prior to the voting at the meeting, each holder of our common stock will be entitled, for each share held, to one vote for each director being elected and may cast all such votes for a single nominee (who has been nominated by the Board or in accordance with our By-Laws) or distribute such votes among two or more such nominees. If such notice is given, each executed proxy will grant the person or persons named therein discretionary authority to cumulate votes in connection with the election of directors, except no votes represented by such proxy may be voted for any nominee with respect to which authority to vote has been withheld on the proxy card or voting instruction card and except to the extent that specific instructions have been given on the proxy card or voting instruction card as to cumulative voting. In the event of cumulative voting, if voting authority is withheld from a particular nominee or nominees, votes will be cumulated in favor of the other nominees, and if different specific instructions are given, the

specific instructions will be followed.

Who can attend the meeting?

Shareowners as of the record date, or their duly appointed proxies, may attend the meeting. Registration will begin at 9:00 a.m., and seating will begin at 9:45 a.m. If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and certain other electronic devices will not be permitted at the meeting.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of your voting instruction card or brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

What constitutes a quorum?

A majority of the outstanding shares of our common stock, represented in person or by proxy, shall constitute a quorum for the transaction of business at the meeting. The close of business on May 8, 2009, has been fixed as the record date for the determination of shareowners entitled to notice of and vote at the meeting. On that date, there were 13,185,698 shares of our common stock outstanding and entitled to vote.

Proxies received but marked as abstentions and broker non-votes will be counted for purposes of determining whether there is a quorum at the meeting. If there is not a quorum at the meeting, the shareowners entitled to vote at the meeting, whether present in person or by proxy, will only have the power to adjourn the meeting until such time as there is a quorum. The meeting may be reconvened without notice to shareowners, other than an announcement at the prior adjourned meeting, within 30 days after the record date and a quorum must be present at such reconvened meeting.

How do I vote?

If the shares of our common stock are held in your name, you can vote on matters to come before the meeting in two ways:

- by completing, dating and signing the enclosed proxy card and returning it in the enclosed postage-paid envelope; or
- by written ballot at the meeting.

Shareowners whose shares of our common stock are held in street name must either direct the record holder of their shares as to how to vote their shares of common stock or obtain a proxy from the record holder to vote at the meeting. Street name shareowners should check the voting instruction cards used by their brokers or nominees for specific instructions on methods of voting, including by telephone or using the Internet.

Your shares will be voted as you indicate. If you return the proxy card but you do not indicate your voting preferences, then the individuals named on the proxy card will vote your shares in accordance with the recommendations of the Board of Directors. The Board and management do not expect any additional matters to be presented at the annual meeting other than those outlined in the notice of the annual meeting. Should

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any other matter presented for voting at the meeting, or at any adjournment or postponement thereof, requiring a vote of the shareowners arise, the proxy confers upon the person or persons named on the proxy card discretionary authority to vote the shares represented by such proxy on any such other matter in accordance with their best judgment. Such authority includes the discretionary authority of the person or persons named on the proxy card to cumulate votes so as to elect the maximum number of directors.

How can I change my vote?

If your shares are held in your name, you may revoke your proxy at any time before it is exercised by:

- filing with the Secretary of MSC a written notice of revocation;

- sending in another duly executed proxy bearing a later date; or
- attending the meeting and casting your vote in person.

If your shares are held in street name, you must contact your broker or nominee to revoke your proxy. In either case, your last vote will be the vote that is counted.

How do I vote my 401(k) shares?

If you are one of our many employees who participate in the MSC common stock fund under our 401(k) plan, you will receive from the plan trustee a request for voting instructions with respect to all of the shares allocated to your plan account. You are entitled to direct the plan trustee how to vote your plan shares. If you do not give voting instructions to the plan trustee within the time specified by the plan trustee, your plan shares will be voted by the plan trustee in the same proportion as shares held by the plan trustee for which voting instructions have been received. You may revoke your previously given voting instructions by June 23, 2009, by filing with the plan trustee either a written notice of revocation or a properly completed and signed voting instruction card bearing a later date.

How do I vote my ESPP shares?

If you are one of our employees who participate in the MSC Employee Stock Purchase Plan (ESPP), your shares are registered in your name, and you should receive a proxy voting card for your ESPP shares. See *How do I vote?* section above.

What vote is required to approve each item?

Election of Directors. Directors will be elected by the vote of the holders of a majority of shares of common stock represented at the meeting in person or by proxy unless there is cumulative voting. If the vote is conducted by cumulative voting, then the seven nominees receiving the greatest number of votes shall be elected as directors. Shares of common stock as to which authority to vote for the election of one or more director nominees is withheld on the enclosed proxy or voting instruction card will not be counted in determining the number of shares necessary for approval if the vote is conducted by cumulative voting.

Other Items. For each other item, including the ratification of the appointment of Deloitte & Touche LLP, the affirmative vote of the holders of a majority of the shares of common stock represented in person or by proxy will be required for approval. Abstentions will be treated as being present and entitled to vote on the items and, therefore, will have the effect of votes against the proposal.

Effect of Broker Non-Votes. Brokers, banks or other nominees have discretionary authority to vote shares without instructions from beneficial owners on matters considered routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm; therefore, your shares may be voted on these matters if your shares are held in the name of a brokerage firm, even if you do not provide the brokerage firm with instructions. On non-routine matters, brokers, banks and nominees do not have discretion to vote shares without instructions from beneficial owners and thus are not entitled to vote on such proposals in the absence of such specific instructions, resulting in broker non-votes for those shares. Broker non-votes will not be

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counted for any purpose in determining whether a matter has been approved. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

STOCK OWNERSHIP
Who are the largest owners of our common stock?

The following table contains information regarding the persons known to us that beneficially own more than 5% of our common stock as of May 8, 2009.

Equity Ownership of Certain Beneficial Owners

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Class (1)</u>
Frank L. Hohmann III (2) c/o Material Sciences Corporation 2200 East Pratt Blvd. Elk Grove Village, IL 60007	1,757,940	13.3%
Tontine Capital Partners, L.P. (3) Jeffrey L. Gendell 55 Railroad Avenue Greenwich, Connecticut 06830	1,290,738	9.8%
RBF Capital, LLC (4) 35 Sycamore Ave. Mill Valley, CA 94941	1,199,126	9.1%
Dimensional Fund Advisors LP (5) Palisades West, Building One 6300 Bee Cave Road Austin, Texas, 78746	1,177,086	8.9%
Ironwood Investment Management, LLC (6) 21 Custom House Street, Suite 240 Boston, MA 02110	1,111,002	8.4%
State of Wisconsin Investment Board (7) PO Box 7842 Madison, WI 53707	1,106,924	8.4%

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Wellington Management Company, LLP (8) 75 State Street	978,981	7.4%
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Boston, MA 02109

Royce & Associates, LLC (9) 1414 Avenue of the Americas	916,020	6.9%
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New York, NY 10019

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- (1) Based upon the 13,185,698 shares of our common stock outstanding on May 8, 2009.
 - (2) Mr. Hohmann has sole voting and dispositive power with respect to 1,691,520 shares and shared voting and dispositive power with respect to 40,000 shares. The number of shares beneficially owned includes: 91,520 shares held by Mr. Hohmann individually; 1,600,000 held by grantor retained annuity trusts of which Mr. Hohmann is trustee and beneficiary; 5,000 shares held in trust for the daughter of Mr. Hohmann, for which Mr. Hohmann is not the trustee and for which he disclaims beneficial ownership; 10,700 shares beneficially owned by Mr. Hohmann's adult son, for which Mr. Hohmann disclaims beneficial ownership;

- and 40,000 shares held in a private charitable foundation, for which Mr. Hohmann serves as trustee and for which he disclaims beneficial ownership. This amount also includes 10,720 shares that may be acquired through the exercise of currently exercisable options.
- (3) Based on a Schedule 13G/A filed on February 13, 2009, by Tontine Overseas Associates, L.L.C. (TOA); Tontine Capital Partners, L.P. (TCP); Tontine Capital Management, L.L.C. (TCM); and Jeffrey L. Gendell. TCM is the general partner of TCP and has the power to direct the affairs of TCP. Mr. Gendell is the managing member of TCM and TOA, and in that capacity directs their operations. TOA has shared voting power and shared dispositive power with respect to 280,755 shares, TCP has shared voting power and shared dispositive power with respect to 1,009,983 shares, TCM has shared voting power and shared dispositive power with respect to 1,009,983 and Jeffrey L. Gendell has shared voting power and shared dispositive power with respect to 1,290,738 shares.
 - (4) Based on a Schedule 13G filed on January 6, 2009, by RBF Capital, LLC (RBF) and Richard B. Fullerton. RBF Capital, LLC is deemed to be the beneficial owner of the shares pursuant to separate arrangements whereby it acts as unregistered investment adviser to certain persons. Richard B. Fullerton is deemed to be the beneficial owner of the shares pursuant to his ownership interest in RBF. RBF and Richard B. Fullerton have sole voting and sole dispositive power with respect to all shares.
 - (5) Based on a Schedule 13G/A filed on February 9, 2009, by Dimensional Fund Advisors LP (Dimensional Fund). Dimensional Fund has sole voting power with respect to 1,170,436 of such shares and sole dispositive power with respect to all such shares. According to the 13G, all of the shares are owned by certain investment companies, trusts and accounts to which Dimensional Fund serves as an investment manager or advisor and, therefore, Dimensional Fund disclaims beneficial ownership of all such shares.
 - (6) Based on a Schedule 13G/A filed on February 13, 2009, by Ironwood Investment Management, LLC (Ironwood). Ironwood has sole voting power and sole dispositive power with respect to all shares.
 - (7) Based on a Schedule 13G/A filed on January 30, 2009, by State of Wisconsin Investment Board. State of Wisconsin Investment Board has sole voting power and sole dispositive power with respect to all shares.
 - (8) Based on a Schedule 13G/A filed on February 17, 2009, by Wellington Management Company, LLP (Wellington). Wellington has shared voting power with respect to 690,800 of such shares and shared dispositive power with respect to all 978,981 such shares.
 - (9) Based on a Schedule 13G/A filed on January 27, 2009, by Royce & Associates, LLC (Royce). Royce has sole voting power and sole dispositive power with respect to all shares.

How much common stock do our directors and executive officers own?

The following table provides certain information, as of May 8, 2009, on the beneficial ownership of our common stock by each director of MSC, each nominee for director of MSC, the executive officers named in the Summary Compensation Table below, and the directors and executive officers of MSC as a group. To our knowledge, each person has sole voting and investment power for the shares shown unless otherwise noted. The address of all officers and directors described below is c/o Material Sciences Corporation, 2200 East Pratt Blvd., Elk Grove Village, IL 60007.

Name	Number of shares directly owned (1)	Number of shares under exercisable options (2)	Total number of shares beneficially owned	Percent of class (3)
Non-Employee Directors				
Mr. Terry L. Bernander	0	0	0	*
Mr. Avrum Gray	0	4,420	4,420	*
Mr. Frank L. Hohmann III (4)	1,747,220	10,720	1,757,940	13.3%
Mr. Samuel Licavoli	5,000	0	5,000	*
Mr. Patrick J. McDonnell	0	0	0	*
Dr. Ronald A. Mitsch	26,021	10,818	36,839	*
Mr. John P. Reilly	3,000	0	3,000	*
Mr. Dominick J. Schiano	0	0	0	*
Named Executive Officers				
Mr. Clifford D. Nastas	42,463	0	42,463	*
Mr. James M. Froisland	8,200	0	8,200	*
Mr. Matthew M. Murphy	4,300	0	4,300	*
Mr. Michael R. Wilson	0	0	0	*
Mr. Robert R. Rogowski	0	0	0	*
All Executive Officers and Directors as a group (14 Persons)	1,845,314	27,758	1,873,072	14.2%

* Less than 1%

- (1) Includes all shares deemed beneficially owned in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, except for shares that may be acquired through the exercise of stock options, which information is set forth separately.
- (2) Includes shares subject to options that are exercisable on May 8, 2009, and options which become exercisable within 60 days thereafter.
- (3) Based upon the 13,185,698 shares of our common stock outstanding on May 8, 2009.
- (4) Mr. Hohmann has sole voting and dispositive power with respect to 1,691,520 shares and shared voting and dispositive power with respect to 40,000 shares. The number of shares beneficially owned includes: 91,520 shares held by Mr. Hohmann individually; 1,600,000 held by grantor retained annuity trusts of which Mr. Hohmann is trustee and beneficiary; 5,000 shares held in trust for the daughter of Mr. Hohmann, for which Mr. Hohmann is not the trustee and for which he disclaims beneficial ownership; 10,700 shares beneficially owned by Mr. Hohmann's adult son, for which Mr. Hohmann disclaims beneficial ownership; and 40,000 shares held in a private charitable foundation, for which Mr. Hohmann serves as trustee and for which he disclaims beneficial ownership.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of shares of our common stock with the SEC. Directors, executive officers and greater than 10% shareowners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon a review of filings with the SEC, copies of such reports furnished to us or written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that, from March 1, 2008, through February 28, 2009, our directors, executive officers and greater than 10% shareowners complied with the reporting requirements of Section 16(a) on a timely basis.

ELECTION OF DIRECTORS

(Item No. 1 On Proxy Or Voting Instruction Card)

The Board currently consists of nine members. The seven persons listed below, at the recommendation of the Compensation, Organization and Corporate Governance Committee, are nominated by the Board to be elected for a period to end at the 2010 Annual Meeting of Shareowners, when they may be nominated by the Board to be re-elected, successors being elected and qualified or, as provided in our By-Laws, upon the earliest of death, resignation or removal. Unless authority to vote for one or more nominees is withheld in the proxy, signed proxies that are returned will be voted for approval of the election of the seven nominees listed below. All nominees have indicated a willingness to serve as directors, but if any of them should decline or be unable to act as a director, the persons named in the proxy will vote for the election of another person or persons as the Board recommends. All of the nominees currently serve as members of the Board. Mr. Gray and Dr. Mitsch will be retiring from the Board at the annual meeting, after which the Board will consist of seven members if all nominees are elected.

The Company has a policy calling for the retirement of directors at the annual shareowners meeting following a director's 72nd birthday.

Information regarding the nominees, as of May 8, 2009, is set forth below, including their ages, the period each has served on the Board and the nominees' business experience.

Nominees

Mr. Terry L. Bernander **Director since 2008**

Age 53

Mr. Bernander, a market consultant, was President and Chief Executive Officer of AZ Automotive Corporation from June 2002 through March 2009. AZ is a Tier 1 automotive supplier of highly engineered metal-formed components, complex modules and mechanical assemblies. Prior to this, from 1997 through 2001, he served as President and Chief Executive Officer of Faurecia Exhaust Division, AP Automotive Systems and Tube Products, each of which are portfolio companies of Questor Management Company. He has been a member of the Board of Directors of Polar Corporation since 2003.

Mr. Frank L. Hohmann III **Director since 2002**

Age 63

Mr. Hohmann, a private investor, spent 23 years with Donaldson, Lufkin & Jenrette, which was acquired by Credit Suisse First Boston. Mr. Hohmann was a managing director in the equity derivatives group at Credit Suisse First Boston until he retired on January 2, 2002. From 1974 to 1978, he was a managing director at WM Sword and Co. He is a

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member of the board of directors of Egerton Capital Limited, a trustee of Winterthur Museum, and a trustee of Madison Avenue Presbyterian Church.

Mr. Sam Licavoli

Director since 2006

Age 67

Mr. Licavoli is currently retired after serving as the President and Chief Executive Officer of the Industrial Products Group of Businesses at Textron, Inc. from January 2002 through March 2003. Prior to this he served as Chairman, President and Chief Executive Officer of Textron's Industrial Products Group from July 2000 through January 2002 and as Chairman, President and Chief Executive Officer of Textron's Automotive Group from June 1998 through July 2000. Mr. Licavoli served as President of Textron's Automotive Trim Company from 1996 through June 1998. He is a member of the Board of Directors of Waterbury Companies, Inc. and Taylor-Wharton International, a private equity portfolio company.

Mr. Patrick J. McDonnell

Director since 2006

Age 65

Mr. McDonnell is president and chief executive officer of The McDonnell Company, LLC, a management consulting company that he founded in 2000. From 1999 to 2000, he was the President of Jordan Professional Services. From 1998 to 1999, he was President and Chief Operating Officer of LAI Worldwide, a SEC Registrant Executive Search Firm. In 1998, he was the Global Director of Assurance Services for PricewaterhouseCoopers LLP. Mr. McDonnell was a partner in Coopers & Lybrand LLP from 1979 to 1998, serving from 1993 to 1998 as the Vice Chairman of Business Assurance. Mr. McDonnell is a member of the Board of Directors of First Midwest Bancorp.

Mr. John P. Reilly

Director since 2004

Age 65

Mr. Reilly was named our Non-Executive Chairman of the Board in June 2008. Mr. Reilly is the retired Chairman, President and CEO of Scott Technologies, Inc. He has more than thirty years of experience in the automotive industry, where he has served as senior officer with a number of automotive suppliers, including Stant Corporation and Tenneco Automotive. He has also held leadership positions at the former Chrysler Corporation and Navistar International and has served as President of Brunswick Corporation and Chairman, CEO and President of Figgie International. Mr. Reilly serves on the Board of Directors of Exide Technologies, where he is Non-Executive Chairman of the Board, The Timken Company, and Marshfield Door Systems, Inc.

Mr. Dominick J. Schiano

Director since 2007

Age 54

Mr. Schiano is Vice Chairman and Global Industry Partner of DLJ Merchant Banking, a private equity investor and an affiliate of Credit Suisse, a position he has held since March 2007. Prior to joining Credit Suisse, he served as a Managing Director and member of the investment committee of Questor Partners Funds, a position he held from 2003 to 2007. From 1997 to 2003, he served in several leadership roles at Textron Inc., including Executive Vice President and General Manager of the Threaded Products Group at Textron Fasteners Inc. and Executive Vice President and Chief Financial Officer of Textron Automotive Inc.

Mr. Clifford D. Nastas

Director since 2005

Age 46

Mr. Nastas has served as our Chief Executive Officer and as a member of the Board since December 1, 2005. Mr. Nastas served as our President and Chief Operating Officer from June 2005 to December 2005, and as our Executive Vice President and Chief Operating Officer from October 2004 through June 2005. Prior to that time, he held numerous executive positions with MSC including: Vice President and General Manager of the Engineered Materials and Solutions Group from May 2004 to October 2004; Vice President of Sales and Marketing of the Engineered Materials and Solutions Group from July 2003 to May 2004; and Vice President of Marketing of MSC Laminates and Composites Inc. from January 2001 to July 2003. Mr. Nastas served as the Global Automotive Business Director for Honeywell International Inc., a technology and manufacturing provider of aerospace products, control technologies, automotive products, specialty chemicals and advanced materials, from 1995 until he joined the Company in January 2001.

The Board of Directors recommends a vote FOR the election of each of the director nominees listed above.

Retiring Directors

Mr. Avrum Gray

Director since 2003

Age 73

Mr. Gray is Chairman and Founding Partner of G-Bar Limited Partnership and affiliates (1982 to present), one of the nation's largest independent options trading firms and a leading specialist in computer-based arbitrage activities in the derivatives markets; and was Chairman of the Board of Alloy Consolidated Industries, a privately held automotive aftermarket company (1969-1991); and Chairman of the Board, Lynch Systems, Inc., (1991-2001), a capital equipment manufacturer. Mr. Gray is a member of the Board of Directors of The LGL Group, Inc., an AMEX listed manufacturing company (1999 to Present); Nashua Corporation, a NASDAQ National Market listed manufacturer of paper products and labels (2001 to Present); SL Industries, Inc., an AMEX listed manufacturer of power and data quality equipment and systems (2001 to Present) and Lynch Interactive Corp., a multimedia services corporation. He is also a member of Illinois Institute of Technology Financial Markets and Trading Advisory Board; a trustee of Spertus College; a governing member of the Chicago Symphony Orchestra; a member of the Board of Directors of Lyric Opera Chicago; former member of Illinois Institute of Technology Board of Overseers MBA program; the former chairman of Chicago Presidents Organization; former Chairman of the Board of Trustees of Spertus College; and a former Presidential Appointee to the United States Department of Commerce.

Dr. Ronald A. Mitsch

Director since 1999

Age 74

Dr. Mitsch was our Non-Executive Chairman of the Board from April 2003 until June 2008. Dr. Mitsch retired as Vice Chairman and Executive Vice President, Industrial and Consumer Markets and Corporate Services of the 3M Company in 1998. Dr. Mitsch had served in these capacities since 1995. Since joining the 3M Company in 1960, Dr. Mitsch held several key management positions including Senior Vice President, Research and Development. Dr. Mitsch is a Life Trustee of Hamline University.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

How often did the Board meet in fiscal 2009?

The Board held 12 meetings, including 3 telephonic meetings, during fiscal 2009. Each current director attended at least 75% of the aggregate of total number of meetings of the Board and the total number of meetings of committees on which the director served that were held while the director was a member thereof during the last fiscal year.

What is the attendance policy for directors at our annual meeting?

All directors properly nominated for election at the meeting are expected to attend the annual meeting of shareowners. At the 2008 annual meeting of shareowners, all of the directors then nominated for election, were present either in person or telephonically.

Which of our directors are independent?

The Compensation, Organization and Corporate Governance Committee conducts an annual review of the independence of the members of the Board and its committees and reports its findings to the full Board. Eight of MSC's nine current directors are non-employee directors. Only Mr. Nastas, our Chief Executive Officer, is not a non-employee director. Although the Board has not adopted categorical standards of materiality for independence purposes, information provided by the non-employee directors and MSC did not indicate any material transactions or relationships (e.g., commercial, industrial, banking, consulting, legal, accounting, charitable or familial) which would impair the independence of any of the non-employee directors. Based on the report of the Compensation, Organization and Corporate Governance Committee, the Board affirmatively determined that each of its non-employee directors nominated for election at the annual meeting are independent directors as that term is defined in the New York Stock Exchange rules (the NYSE Rules).

Which members of the Audit Committee meet the independence and financial literacy requirements for audit committee members?

All three current members of the Audit Committee meet the enhanced independence standards for audit committee members set forth in the NYSE Rules (which incorporate the standards set forth in the rules of the Securities and Exchange Commission). The Board has determined that Mr. McDonnell is an audit committee financial expert as that term is defined by Securities and Exchange Commission rules and has accounting and financial management expertise as required under NYSE Rules.

What committees has the Board established?

The Board's Audit Committee and Compensation, Organization and Corporate Governance Committee are each comprised of independent directors as that term is defined under NYSE Rules applicable to such committees members. The Audit Committee is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The following is a description of the members, responsibilities and the number of meetings of each of the Audit Committee, the Compensation, Organization and Corporate Governance Committee and the Executive Committee held in fiscal 2009:

Committee	Members	Primary Responsibilities	# of Meetings in Fiscal Year 2009
Audit	McDonnell (Chairperson) Reilly Schiano	<ul style="list-style-type: none"> Assists the Board in its oversight of the company's accounting, auditing and reporting practices. Monitors the integrity of the company's consolidated financial statements, the company's compliance with legal and regulatory requirements and the effectiveness of the company's system of internal controls. Selects, evaluates, and, when appropriate, replaces the independent auditor, and pre-approves audit, internal control-related and permitted non-audit services. Monitors the qualifications, independence and performance of the company's internal and independent auditors. 	11, including 6 telephonic
Compensation, Organization and Corporate Governance	Hohmann (Chairperson) Bernander Gray Licavoli Mitsch	<ul style="list-style-type: none"> Determines the compensation of our executive officers and key employees. Reviews and approves cash incentive compensation paid to key employees. Reviews and makes recommendations to the Board regarding the company's compensation and benefit plans and policies. Reviews corporate practices relating to succession planning. Identifies and recommends candidates for election to the Board. Oversees the evaluation of the Board and management. Approves our corporate governance principles and our Code of Business Ethics. 	5, including 1 telephonic

Committee	Members	Primary Responsibilities	# of Meetings in Fiscal Year 2009
Executive Committee	Reilly (Chairperson) Licavoli Nastas	<ul style="list-style-type: none"> • Advising CEO and senior management in strategic and operational planning and development • Reviewing and reporting to the Board on CEO leadership development and progress • Facilitating CEO reporting to Board on strategic planning and fostering communication among the Board and senior management • Counseling CEO on significant corporate commitments 	8 telephonic

The Compensation, Organization and Corporate Governance Committee has the power and authority to act as MSC's nominating committee. To the extent permitted by law, it may delegate its authority to perform functions related to compensation matters, although it has not elected to do so.

The Board has adopted written charters for each of the Audit and the Compensation, Organization and Corporate Governance Committees which set forth the roles and responsibilities of each committee. Those written charters are available on our website at www.matsci.com and are available to any shareholder in print upon request.

Does the Board have a lead director and does it hold executive sessions?

The Board of Directors approved the Corporate Governance Guidelines which designates the chairperson of the Compensation, Organization and Corporate Governance Committee as the lead director of the Board when our Chief Executive Officer also holds the position of Chairman of the Board. The lead director's primary responsibility is to preside over periodic executive sessions of the Board in which management directors and other members of management do not participate. The position of Chief Executive Officer and Chairman are not currently held by the same person. Accordingly, Mr. Reilly, as Non-Executive Chairman of the Board, presides over the executive sessions of the Board. Mr. Reilly was appointed as Non-Executive Chairman of the Board to serve a term ending on June 25, 2009, or until his earlier death, resignation or removal.