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MEASUREMENT SPECIALTIES INC
Form DEF 14A
July 29, 2003

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 []

Check the appropriate box:

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

MEASUREMENT SPECIALTIES, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(3) Filing Party: _____
(4) Date Filed: _____

MEASUREMENT SPECIALTIES, INC.
710 ROUTE 46 EAST, SUITE 206
FAIRFIELD, NJ 07004

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Measurement Specialties will hold its Annual Meeting of Shareholders at the University Club, 54th Street and 5th Avenue, New York, New York, on Tuesday, September 23, 2003, at 2:00 p.m. Eastern time. The University Club requires business attire to attend the meeting. We are holding the meeting for the following purposes:

1. To elect two members of the Board of Directors, whose term is described in the proxy statement.
2. To approve the Measurement Specialties, Inc. 2003 Stock Option Plan.
3. To ratify the selection of Grant Thornton LLP as our independent auditors for the fiscal year ending March 31, 2004.
4. To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.

Holders of record of Measurement Specialties common stock at the close of business on July 28, 2003 are entitled to vote at the meeting.

In addition to the proxy statement and proxy card, a copy of Measurement Specialties' annual report on Form 10-K for the fiscal year ended March 31, 2003, 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 can 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.

By Order of the Board of Directors,
JOHN P. HOPKINS
Chief Financial Officer and Secretary

July 29, 2003

PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Measurement Specialties, Inc. of proxies to be voted at our Annual Meeting of Shareholders, to be held on September 23, 2003,

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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 2:00 p.m. Eastern time. The meeting will be held at the University Club, 54th Street and 5th Avenue, New York, New York. Shareholders will be admitted beginning at 1:00 p.m. Eastern time.

We are first mailing this proxy statement and proxy card (including voting instructions) on or about August 4, 2003, to persons who were shareholders at the close of business on July 28, 2003, the record date for the meeting.

Our fiscal year begins on April 1 and ends on March 31. References in this proxy statement to the year 2003 or fiscal 2003 refer to the 12-month period from April 1, 2002 through March 31, 2003. References in this proxy statement to the year 2004 or fiscal 2004 refer to the 12-month period from April 1, 2003 through March 31, 2004.

PROXIES AND VOTING PROCEDURES

WHO CAN VOTE?

You are entitled to vote at the Annual Meeting all shares of Measurement Specialties' common stock that you held as of the close of business on the record date. Each share of common stock is entitled to one vote with respect to each matter properly brought before the meeting.

On July 21, 2003, there were 12,354,801 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 Telephone. You can vote your shares by telephone, by calling the toll-free telephone number on your proxy card. Telephone voting is available 24 hours a day. If you vote by telephone, you do not need to return your proxy card. Your vote by telephone must be received by 11:59 p.m. Eastern time, September 22, 2003.
- By Internet. You can also 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 return your proxy card. Your vote by Internet must be received by 11:59 p.m. Eastern time, September 22, 2003. 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 Mail. If you choose to vote by mail, mark your proxy, date and sign

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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 23, 2003.

- 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, 2003.

If you hold your shares through a broker, your shares may be voted even if you do not vote or attend the Annual Meeting. Under the rules of the American Stock Exchange, member brokers who do not receive instructions from beneficial owners will be allowed to vote on the election of Directors and the ratification of auditors, but not on the adoption of the 2003 Plan.

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.

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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 Measurement Specialties, Inc. 2003 Stock Option Plan and to ratify the selection of independent auditors, 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, 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: "for" the nominees for Director, "for" the Measurement Specialties, Inc. 2003 Stock Option Plan, and "for" the ratification of the appointment of Grant Thornton LLP as our independent auditors for fiscal 2004.

Proxies marked as abstaining, 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 a broker non-vote will not be counted as votes for or against a particular matter. Accordingly, marked abstentions and broker non-votes will have no effect on the outcome of a vote.

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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.

WHO WILL PAY THE EXPENSES OF PROXY DISTRIBUTION?

Measurement Specialties 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 and the American Stock Exchange, 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 Measurement Specialties stock.

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.

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Two Directors will be elected at this Annual Meeting to serve for a three-year term expiring at our Annual Meeting in 2006. The Board has nominated Joseph R. Mallon, Jr. and The Honorable Dan J. Samuel for the positions. You can find information about Messrs. Mallon and Samuel below.

The persons named in the proxy card will vote such proxy "for" the election of Messrs. Mallon and Samuel, unless you indicate that your vote should be withheld. If elected, each of Mr. Mallon and Mr. Samuel 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. Mallon and Samuel has indicated to the company that he will serve if elected. We do not anticipate that either Mr. Mallon or Mr. Samuel 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. Mallon and Samuel as Directors.

NOMINEES FOR TERM EXPIRING IN 2006

Joseph R. Mallon, Jr. has served as a Director since June 1993. Mr. Mallon served as our Chairman of the Board from April 1995 to January 31, 2003 and served as our Chief Executive Officer from April 1995 to June 2002. From April 1995 to February 1998, Mr. Mallon also served as President. Mr. Mallon has thirty-eight years of experience in electronic sensor and micro-electromechanical systems (MEMS) technology and is a named inventor in forty-one United States patents. From January 1990 to January 1993, Mr. Mallon was a Director and Executive Vice President of Lucas NovaSensor. In October 1985, Mr. Mallon co-founded NovaSensor, where he served as a Director and Co-President until its acquisition by Lucas Industries. Mr. Mallon serves as a Director of Sepragen Corporation and Sensant Corporation. Mr. Mallon is a trustee of the Educational Board of California State University, Hayward. Mr. Mallon received a B.S. in Science (Physics) from Fairleigh Dickinson University and an M.B.A. (Management, Marketing and New Ventures) from California State University, Hayward. Age 58

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The Honorable Dan J. Samuel has been a Director since October 1994. Since 1986, Mr. Samuel has been a business consultant and a director of public companies, as well as of the British-American Educational Foundation and of the Asian Institute of Technology Foundation. Previously, Mr. Samuel served as President and Chief Executive Officer of Scallop Corporation, the New York subsidiary of the Royal Dutch/Shell Group of Companies. Mr. Samuel, who serves as a Director of Canadian Overseas Packaging Industries, received a B.A. and M.A. from Oxford University. Age 77

DIRECTORS WHOSE TERMS WILL EXPIRE IN 2004

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

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Wilson, Sonsini, Goodrich & Rosati in Palo Alto, California and Foley & Lardner in Milwaukee, Wisconsin. Mr. Arnold received a B.A. in business administration from the University of Wisconsin and a J.D. from Stanford Law School. Age 48

Frank D. Guidone has served as Chief Executive Officer since June 2002 and has been a Director since December 2002. Mr. Guidone has been a Managing Director/Principal of Corporate Revitalization Partners, a Dallas-based turnaround/crisis management consultancy firm, since 2000. 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 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 38

DIRECTOR WHOSE TERM EXPIRES IN 2005

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. and a member of the Board of Directors of Dell Computer Corporation. He previously served at Dell as Counselor to the Chief Executive Officer, from December 1999 to February 2002, and Vice Chairman, from June 1994 to December 1999. Prior to joining Dell, Mr. Topfer served for 23 years at Motorola, Inc. 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. He also serves as a director of Bio Reference Laboratories. Age 66

ITEM 2-APPROVAL OF MEASUREMENT SPECIALTIES, INC. 2003 STOCK OPTION PLAN

DESCRIPTION OF THE 2003 PLAN AND VOTE REQUIRED

On July 28, 2003, the Board of Directors adopted the Measurement Specialties, Inc. 2003 Stock Option Plan (the "2003 Plan") and directed that the 2003 Plan be submitted to the shareholders for approval at the 2003 Annual Meeting. The 2003 Plan will become effective upon the affirmative vote of a majority of the votes cast by holders of the shares of our common stock voting in person or by proxy at the Annual Meeting. We will continue to make awards

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under the 1998 Stock Option Plan of Measurement Specialties (the "1998 Plan").

The purpose of the 2003 Plan is to enable us to attract, retain, motivate and provide additional incentive to our Directors, officers, employees consultants and advisors, whose contributions are essential to our growth and success by enabling them to participate in the our long-term growth through ownership of our stock.

SUMMARY OF THE 2003 PLAN

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The following summary of the 2003 Plan is qualified in its entirety by reference to the text of the 2003 Plan, which is attached as Appendix A. The

2003 Plan will be administered by our Board of Directors. Our Board of Directors may delegate the administration of the 2003 Plan to our Compensation Committee. However, the Plan may be administered only by the members of our Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") for the purpose of granting options to our officers or Directors pursuant to Section 16 of the Securities Exchange Act of 1934. Further, the 2003 Plan may be administered only by members of our Compensation Committee who are "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") for the purpose of granting options to our officers or directors under Section 16 of the Exchange Act where such compensation is intended to qualify as "performance based compensation" within the meaning of Section 162(m)(4)(C) of the Code. For purposes of the following discussion, the term "Administrator" means the Board of Directors or the committee to whom it delegates its authority as provided above. The Administrator has the authority, subject to the terms of the 2003 Plan, to determine the individuals to whom options will be granted, the times at which options will be granted and the terms and conditions of the options.

The major provisions of the 2003 Plan are as follows:

ELIGIBILITY. Options may be granted to our key employees, consultants, advisors and directors. Options intended to qualify as incentive stock options ("ISOs") may only be granted to key employees while actually employed by us. Non-employee Directors, consultants and advisors are not entitled to receive ISOs under the 2003 Plan.

OPTION PRICE. The option price for ISOs generally will be 100% of the fair market value of Measurement Specialties common stock on the date the option is granted; however, if the participant in the 2003 Plan owns more than 10% of the combined voting power of Measurement Specialties and any subsidiary or parent corporation, the option price will be not less than 110% of the fair market value of Measurement Specialties common stock on the date of grant. The fair market value of Measurement Specialties common stock first becoming subject to exercise as incentive stock option by an optionee who is an employee during any given calendar year may not exceed \$100,000. The option price for non-qualified stock options (as defined below) will be determined by the Administrator and may be less than, equal to or greater than the fair market value of Measurement Specialties common stock on the date of grant. Fair market value for purposes of the 2003 Plan is the closing market price of Measurement Specialties common stock as reported on the stock exchange determined by the Board to be the primary market for the common stock on the date of grant (currently, the American Stock Exchange). In the event Measurement Specialties common stock is not traded on an exchange at the time of grant, the fair market value will be the closing market price as reported on the Nasdaq National Market System. If Measurement Specialties common stock is not listed or traded on any exchange or

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on the Nasdaq National Market System, the Administrator will determine fair market value.

DURATION OF OPTIONS. Each stock option will terminate on the date fixed by the Administrator, which will not be more than ten years after the date of grant. If the participant in the 2003 Plan owns more than 10% of the combined voting power of Measurement Specialties

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and any subsidiary or parent corporation, and an incentive stock option is granted to such participant, the option will terminate on the date fixed by the Administrator, which will not be more than five years after the date of grant.

VESTING. Options become exercisable when they have vested. The Administrator will specify the relevant vesting provisions at the time of the grant.

EXERCISE PERIOD. The exercise period for options granted under the 2003 Plan may not exceed 10 years from the date of grant. Unless otherwise determined by the Administrator:

- if an optionee is terminated because of retirement, the optionee may exercise the option any time prior to its expiration date or within three months of the optionee's termination, whichever is earlier;
- if an optionee is terminated because of disability, the optionee may exercise the option any time prior to its expiration date or within twelve months of the optionee's termination, whichever is earlier;
- if an optionee is terminated because of death, the optionee's legal representative may exercise the option any time prior to its expiration date or within twelve months of the optionee's termination, whichever is earlier;
- if an optionee is terminated for cause (as defined in the 2003 Plan), all options immediately terminate; and
- if an optionee is terminated for any reason other than those stated above, the optionee may exercise the option at any time prior to the expiration of the option or within three months of termination, whichever is earlier.

PAYMENT. The Administrator will determine whether exercise of options will be settled in whole or in part in cash, common stock or other securities of Measurement Specialties or other property.

SHARES THAT MAY BE ISSUED UNDER THE 2003 PLAN. A maximum of 1,000,000 shares of Measurement Specialties common stock (which number may be adjusted as described below) are available for issuance pursuant to the exercise of stock options granted under the 2003 Plan. If any stock option terminates or is canceled for any reason without having been exercised in full, the shares of stock not issued will then become available for additional grants of options. The shares available under the 2003 Plan represent approximately 8.1% of Measurement Specialties common stock issued and outstanding on July 21, 2003. The number of shares available under the 2003 Plan is subject to adjustment in the event of any stock split, stock dividend, recapitalization, spin-off or other similar action.

ESTIMATE OF BENEFITS. The number of stock options that would be awarded to Measurement Specialties' Chief Executive Officer and the other four most highly compensated executive officers of Measurement Specialties pursuant to the 2003 Plan are not currently determinable. In the fiscal year ended March 31, 2003, an aggregate of 300,000 stock options were awarded to Measurement Specialties' Chief Executive Officer and the four other most highly compensated executive

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officers as a group under the 1998 Plan (excluding warrants issued to Corporate Revitalization Partners, a consulting firm of which Mr. Guidone is a

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Managing Director, as more fully described below under the heading "Executive Agreements and Related Transactions"). Additionally in the fiscal year ended March 31, 2003, 626,400 options were granted to 86 other employees, including all current officers who are not executive officers, and 45,000 options were granted to Directors who are not executive officers.

FEDERAL INCOME TAX CONSEQUENCES OF THE 2003 PLAN

INCENTIVE STOCK OPTIONS. Some of the options granted under the 2003 Plan may constitute "Incentive Stock Options" within the meaning of Section 422 of the Code. Under present Federal tax laws, there will be no Federal income tax consequences to either Measurement Specialties or an optionee upon the grant of an ISO, nor will an optionee's exercise of an ISO result in Federal income tax consequences to Measurement Specialties. Although an optionee will not realize ordinary income upon his exercise of an ISO, the excess of the fair market value of the common stock acquired at the time of exercise over the option price may constitute an adjustment in computing alternative minimum taxable income under Section 56 of the Code and, thus, may result in the imposition of the "alternative minimum tax" pursuant to Section 55 of the Code on the optionee. If an optionee does not dispose of common stock acquired through an ISO within one year of the ISO's date of exercise or two years from the date of grant of the ISO, whichever is later (each, a "disqualifying disposition"), any gain realized upon a subsequent disposition of common stock will constitute long-term capital gain to the optionee. If an optionee disposes of the common stock in a disqualifying disposition, an amount equal to the lesser of (i) the excess of the fair market value of the common stock on the date of exercise over the option price or (ii) the actual gain realized upon a subsequent disposition will constitute ordinary income to the optionee in the year of the disposition. Any additional gain upon such disposition will be taxed as short-term capital gain. Measurement Specialties will receive a deduction in an amount equal to the amount constituting ordinary income to an optionee.

NON-QUALIFIED STOCK OPTIONS. Certain stock options which do not constitute ISOs ("Non-qualified stock options") may be granted under the 2003 Plan. Under present Federal income tax regulations, there will be no Federal income tax consequences to either Measurement Specialties or the optionee upon the grant of a non-qualified stock option. However, the optionee will realize ordinary income upon the exercise of a non-qualified stock option in an amount equal to the excess of fair market value of the common stock acquired upon the exercise of such option over the option price, and Measurement Specialties will receive a corresponding deduction. The gain, if any, realized upon a subsequent disposition of such common stock will constitute short- or long-term capital gain, depending on the optionee's holding period.

The Federal income tax consequences described in this section are based on U.S. laws and regulations in effect on July 29, 2003, and there is no assurance that the laws and regulations will not change in the future and affect the tax consequences of the matters discussed in this section. Tax consequences in other countries may vary.

TERMINATION OF AND AMENDMENTS TO THE 2003 PLAN

The Board of Directors may amend the 2003 Plan from time to time, except that no amendment will be made without shareholder approval if such approval is necessary to comply with applicable law. No options may be granted under the 2003 Plan after July 27, 2013.

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The Board of Directors recommends a vote FOR the approval of the Measurement Specialties, Inc. 2003 Stock Option Plan.

ITEM 3 -- RATIFICATION OF INDEPENDENT AUDITORS

APPOINTMENT OF AUDITORS FOR FISCAL 2004

The Audit Committee has appointed Grant Thornton LLP as our independent auditors for 2004. We are not required to have the shareholders ratify the selection of Grant Thornton LLP as our independent auditors. 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 Grant Thornton LLP but may retain such independent auditors. 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 Measurement Specialties and its shareholders. Representatives of Grant Thornton 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 Grant Thornton LLP as our independent auditors for fiscal 2004.

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Change in Auditors

Effective June 7, 2002, we terminated the engagement of Arthur Andersen LLP as our independent auditor. The decision to terminate the engagement of Arthur Andersen was recommended and approved by our Audit Committee and approved by our Board of Directors.

Arthur Andersen was retained as our independent auditor on September 18, 2000. Arthur Andersen's report on the financial statements of the company for the year ended March 31, 2001 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended March 31, 2001 and March 31, 2002 and the interim period between March 31, 2002 and June 7, 2002, there were no disagreements between the company and Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Arthur Andersen, would have caused it to make reference to the subject matter of the disagreements in connection with its report. During the fiscal years ended March 31, 2001 and March 31, 2002 and the interim period between March 31, 2002 and June 7, 2002, there were no reportable events (as defined in Item 304(a) (1) (v) of Regulation S-K promulgated by the Securities and Exchange Commission).

We provided Arthur Andersen a copy of the foregoing disclosures.

We engaged Grant Thornton LLP as our new independent auditor, effective June 11, 2002. Grant Thornton LLP previously served as our independent auditor from 1992 until September 18, 2000. During the fiscal years ended March 31,

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2001 and March 31, 2002 and the interim period between March 31, 2002 and June 11, 2002, we did not consult with Grant Thornton LLP regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on the company's financial statements, or (iii) any matter that was either the subject of a disagreement (as described above) or a reportable event, except as follows:

- Grant Thornton LLP performed a quarterly review of our Form 10-Q for the quarter ended June 30, 2000 in accordance with Statement on Auditing Standard No. 71; and
- Grant Thornton LLP issued a consent to the inclusion of the audit report for the years ended March 31, 2000 and 1999 included in our Registration Statement on Form S-1 dated March 29, 2001 (and the Amendments thereto dated July 12, 2001 and August 1, 2001, respectively) and our Registration Statement on Form S-8 dated August 1, 2001.

Subsequent to our engagement of Grant Thornton LLP, we restated our previously issued financial statements for the fiscal year ended March 31, 2001, and our previously issued financial results for each of the quarterly periods in the fiscal year ended March 31, 2001 and the first three quarters of the fiscal year ended March 31, 2002, as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2002.

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FEES PAID TO OUR INDEPENDENT AUDITORS

AUDIT FEES

The aggregate fees billed by Grant Thornton LLP for professional services rendered for the audit of our financial statements for fiscal 2003, and the review of our financial statements for each of the first three quarters in fiscal 2003, were approximately \$346,000.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

There were no financial information systems design and implementation fees for fiscal 2003.

ALL OTHER FEES

There were no fees paid to Grant Thornton LLP for fiscal 2003 other than the audit fees described above.

GOVERNANCE OF THE COMPANY

Pursuant to the New Jersey Business Corporation Act and the company's by-laws, Measurement Specialties' 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 five members on our Board.

During fiscal 2003, the Board held 27 meetings and the committees held a total of 15 meetings. Each nominee for Director attended more than 75% of the

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total number of meetings of the Board of Directors and the Board committees of which he was a member in fiscal 2003.

COMMITTEES OF THE BOARD OF DIRECTORS

During fiscal 2003, the Board of Directors had two standing committees. The Audit Committee consisted of John D. Arnold (Chairman), Mort Topfer and The Honorable Dan J. Samuel. The Compensation Committee consisted of The Honorable Dan J. Samuel (Chairman), Mort Topfer and John D. Arnold, Mr. Topfer having been appointed to the Compensation Committee in July 2002. During fiscal 2003, the Audit Committee met 12 times and the Compensation Committee met three times. The Board of Directors does not maintain a separate nominating committee. The functions of the Audit Committee and the Compensation Committee are described in their respective reports, each of which is included in this proxy statement.

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COMPENSATION OF DIRECTORS

Directors who are our employees do not receive additional compensation for serving on our Board of Directors or on committees of the Board. For fiscal 2003, our outside Directors, that is Directors who are not employees of Measurement Specialties, each received a cash retainer of \$35,000 and an option to purchase 15,000 shares of our common stock.

Outside Directors do not receive retirement or other fringe benefits and do not receive additional compensation related to committee meetings.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee in fiscal 2003 were The Honorable Dan J. Samuel, John D. Arnold and Mort Topfer. None of the members has ever been an officer or employee of Measurement Specialties or any of its subsidiaries, and no "compensation committee interlocks" existed during fiscal 2003.

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 Measurement Specialties,
- the independent auditor's qualifications and independence,
- the performance of Measurement Specialties' independent auditors, and
- the compliance by Measurement Specialties with legal and regulatory requirements.

We meet with management periodically to consider the adequacy of Measurement Specialties' internal controls and the objectivity of its financial reporting. We discuss these matters with Measurement Specialties' independent auditors and with appropriate company financial personnel.

We regularly meet privately with the independent auditors who have unrestricted access to the committee.

We select, evaluate and, where appropriate, replace the independent auditor (subject, if applicable, to shareholder ratification), and review periodically their performance, fees and independence from management.

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Other than Morton L. Topfer, each of the Directors who serves on the committee is "independent" for purposes of the American Stock Exchange listing standards. That is, the Board of Directors has determined that neither Mr. Arnold nor Mr. Samuel has a relationship with Measurement Specialties that may interfere with his independence from Measurement Specialties and its management.

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The Board has determined that Mr. Topfer is not "independent," as defined under American Stock Exchange listing standards, by reason of the bridge loan extended to the company in October 2002 by Castletop Capital, L.P., a limited partnership controlled by Mr. Topfer, and the amendments thereto (as more fully described below under the heading "Executive Agreements and Related Transactions"). Applicable American Stock Exchange rules, however, permit us to appoint one member to our audit committee who is not "independent" if the Board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required in the best interests of the company and our shareholders.

The Board believes that Mr. Topfer's financial sophistication and expertise, together with his extensive business background and experience, have helped significantly to guide the company through a difficult transition period, and believes that his continued service on the Audit Committee would strongly benefit the company and its shareholders. The Board has further determined that notwithstanding Mr. Topfer's interest in the loan transaction described above, Mr. Topfer will be able to exercise independent judgment and to perform his Audit Committee responsibilities in a fair and impartial manner. The Board has resolved, therefore, that the best interests of the company require that Mr. Topfer remain as a member of the Audit Committee.

The Board has adopted a written charter setting out the audit related functions the committee is to perform. The Board amended and restated the charter in 2002 to reflect changes in law and applicable SEC and American Stock Exchange regulations and reviews the charter on an ongoing basis to assure that the functions and duties of the Audit Committee will continue to conform to such applicable 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 controls. The independent auditors audit 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 and discuss with us any issues they believe should be raised with us. We monitor these processes, relying without independent verification on the information provided to us and on the representations made by management and the independent auditors.

This year, we reviewed Measurement Specialties' audited financial statements as of and for the fiscal year ended March 31, 2003 and the fiscal year ended March 31, 2002, and met with both management and Grant Thornton LLP, Measurement Specialties' independent auditors, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with accounting principles generally accepted in the United States.

We have received from and discussed with Grant Thornton LLP the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the

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company. We also discussed with Grant Thornton LLP any matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

Based on these reviews and discussions, we recommended to the Board that the company's audited financial statements be included in Measurement Specialties' annual report on Form 10-K for the fiscal year ended March 31, 2003.

John D. Arnold (Chairman)
Morton L. Topfer
The Honorable Dan J. Samuel

REPORT OF THE COMPENSATION COMMITTEE
ON EXECUTIVE COMPENSATION

The Compensation Committee's policies are intended to attract and retain talented executives, motivate attainment of strategic objectives, and align executives' interests with those of shareholders. Pursuant to the Committee's recommendations, the Board approves officers' base salaries, salary increases, bonuses, stock option grants and, where applicable, employment contracts and severance payments. A significant amount of an officer's yearly compensation is based upon the company's performance for the fiscal year and over time.

The Committee seeks to offer competitive compensation packages that are consistent with market and industry practices, based on input from the Chief Executive Officer with reference to a periodic survey of similar-sized companies in similar industries. The fiscal 2003 average base compensation for the company's officers is intended to be competitive with salaries paid to similarly situated executives. The fiscal 2003 average base salaries of the company's officers, excluding the Chief Executive Officer, did not increase over fiscal 2002 base salaries.

Annual bonus maximums are intended to be competitive with those available to similarly situated executives and provide for a significant performance incentive. The Chief Executive Officer recommends awards to the Compensation Committee with reference to the level of achievement of corporate and individual objectives. Corporate objectives are measured by sales increases, net income, and other goals determined annually. Individual objectives are intended to be objectives that are under the respective officers' direct control. The Board retains the right to make discretionary adjustments it deems appropriate. There were no employee bonus awards for fiscal 2003, except for a \$27,500 bonus paid to the Chief Financial Officer.

Officers' eligibility for stock option grants, and the frequency and size of such grants, are intended to be competitive with observed market practices for similarly situated executives and encourage increased shareholder value. The company's stock option plan complies with applicable laws and regulations, permitting the company to deduct for federal income tax purposes the cost of any compensation arising thereunder relating to Internal Revenue Code section 162(m). At present, the company has no other compensation programs or policies that could give rise to compensation to an officer in excess of \$1 million a year.

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The company has no formal executive severance pay policy. Severance pay and non-monetary severance benefits are determined as appropriate with reference to observed market practice, length of service and reason for termination.

The Committee's policies for compensating the Chief Executive Officer are intended to provide significant annual and long-term performance incentives. The Committee seeks to provide the Chief Executive Officer with base compensation which is intended to be competitive with salaries paid to similarly situated chief executives. In May 2002, the company retained Corporate Revitalization Partners ("CRP") to conduct its ongoing operational/financial restructuring efforts. In June 2002, Frank Guidone, a Managing Director of CRP, became the company's Chief Executive Officer. During fiscal 2003, the company incurred \$2.6 million in consulting fees and expenses payable to CRP (excluding the success fees described below). In addition to consulting fees based on hours billed by CRP consultants (at hourly rates that range from \$175 to \$275, capped at a maximum of 50 hours per consultant each week), CRP earned an aggregate "success fee" of \$138,000 and warrants exercisable to purchase an aggregate of 120,615 shares of the company's common stock (at an exercise price of \$2.28/share) as a result of (i) the successful negotiation of a forbearance agreement with our prior lenders, (ii) maintenance of compliance with the terms of that forbearance agreement, and (iii) the successful refinance of indebtedness to our prior lenders.

The Board neither rejected, nor did it materially modify, any action or recommendation of the Committee.

The Honorable Dan J. Samuel, Chairman
John D. Arnold, Member
Morton L. Topfer, Member

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EXECUTIVE OFFICERS

Our executive officers are as follows:

| NAME | AGE | POSITION |
|----------------------|-----|---|
| ---- | --- | ----- |
| Frank Guidone | 38 | Chief Executive Officer and Director |
| John P. Hopkins | 42 | Chief Financial Officer and Secretary |
| Mark W. Cappiello | 49 | Vice President and General Manager of the Consumer Products Division |
| J. Victor Chatigny | 52 | Vice President and General Manager of the Sensors Division |
| Steven P. Petrucelli | 50 | Chief Technical Officer |

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

John P. Hopkins was appointed Chief Financial Officer in July 2002. Prior to joining Measurement Specialties, he was Vice President, Finance from April 2001, and was Vice President and Controller from January 1999 to March 2001, with Cambrex Corporation, a provider of scientific products and services to the life sciences industry. From 1988 to 1998, he held various senior financial positions with ARCO Chemical Company, a manufacturer and marketer of specialty chemicals and chemical intermediates. Mr. Hopkins is a Certified Public Accountant and was an Audit Manager for Coopers & Lybrand prior to joining ARCO

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Chemical. Mr. Hopkins holds a B.S. in Accounting from West Chester University, and an M.B.A. from Villanova University.

Mark W. Cappiello was appointed Vice President and General Manager of our Consumer Products Division in June 2002. Mr. Cappiello was our Vice President of Sales and Marketing from January 1988 until June 2002. Mr. Cappiello has over twenty-five years of experience in international consumer products marketing, over twenty of which have been in the scale industry. From January 1985 to October 1987, Mr. Cappiello was employed by Terrailon S.A., a French manufacturer and distributor of scales and balance products. Mr. Cappiello received a B.A. in business from the University of Connecticut.

J. Victor Chatigny has been Vice President and General Manager of our Sensors Division since his appointment in June 2002. Mr. Chatigny joined Measurement Specialties through our 1998 acquisition of PiezoSensors from AMP Incorporated, 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, 11th Engineering Battalion and Commander of the Atomic Demolition Munition 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.

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Steven P. Petrucelli, Ph.D. has been our Chief Technical Officer since September 2000. Dr. Petrucelli is a consultant in electronic and medical technology and has been an Assistant Professor at Rutgers University in the Biomedical and Electrical Engineering Departments since 1979. Dr. Petrucelli received a B.S. in electrical engineering from Lehigh University and an M.S. and Ph.D. in engineering from Rutgers University.

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EXECUTIVE COMPENSATION

Summary Compensation. The following table contains summary information concerning the annual compensation for the fiscal years ended March 31, 2003, 2002 and 2001 for our chief executive officer and certain other executive officers whose salary and bonus exceeded \$100,000 for the fiscal year ended March 31, 2003:

| NAME & PRINCIPAL POSITION | YEAR | ANNUAL COMPENSATION | | LONG-TERM COMPENSATION | |
|--|------|---------------------|--------|-------------------------------------|------------------------|
| | | SALARY | BONUS | NUMBER OF SHARES UNDERLYING OPTIONS | ALL OTHER COMPENSATION |
| Frank Guidone, Chief Executive Officer and Director (1) | 2003 | (1) | (1) | (1) | (1) |
| | 2002 | | | | |
| | 2001 | | | | |
| Joseph R. Mallon, Jr. Former Chief Executive Officer and Former Chairman of the Board, Director | 2003 | \$261,000 | \$--- | --- | \$ 11,0 |
| | 2002 | 275,000 | --- | --- | 18,8 |
| | 2001 | 260,000 | 72,800 | 50,000 | 19,8 |
| Damon Germanton Former President and Former | 2003 | \$261,000 | \$--- | --- | \$ 17,0 |
| | 2002 | 275,000 | --- | --- | 17,0 |

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| | | | | | | |
|--|------|-----------|----------|---------|----|------|
| Chief Operating Officer | 2001 | 260,000 | 72,800 | 50,000 | | 18,0 |
| Mark W. Capiello | 2003 | \$210,000 | \$--- | 75,000 | \$ | 11,0 |
| Vice President of Sales and Marketing | 2002 | 210,000 | --- | --- | | 17,0 |
| | 2001 | 198,000 | 44,431 | 30,000 | | 15,8 |
| John P. Hopkins | 2003 | \$161,900 | \$27,500 | 100,000 | \$ | 7,2 |
| Chief Financial Officer and Secretary (5) | 2002 | --- | --- | --- | | --- |
| | 2001 | --- | --- | --- | | --- |
| Steven P. Petrucelli | 2003 | \$185,000 | \$--- | 50,000 | | --- |
| Chief Technical Officer | 2002 | 185,000 | --- | --- | | 3,8 |
| | 2001 | 174,000 | 34,800 | 45,000 | | 3,2 |
| J. Victor Chatigny | 2003 | \$180,000 | \$--- | 75,000 | \$ | 9,0 |
| Vice President and General Manager of the Sensors Division | 2002 | 180,000 | 37,036 | | | 14,3 |
| | 2001 | 170,627 | 45,258 | | | 12,3 |