

MATERIAL SCIENCES CORP  
Form DEF 14A  
May 23, 2006  
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**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
- .. Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- .. Definitive Additional Materials
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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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May 23, 2006

Dear Shareowner:

The 2006 Annual Meeting of Shareowners will be held on Thursday, June 22, 2006, at 10:00 a.m. (EDT) at our Application Research Center, 6855 Commerce Boulevard, Canton, Michigan. 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 22, 2006.

Sincerely,

DR. RONALD A. MITSCH

*Non-Executive Chairman of the Board*

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**NOTICE OF ANNUAL MEETING OF SHAREOWNERS**

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The Annual Meeting of Shareowners of Material Sciences Corporation will be held on Thursday, June 22, 2006, at 10:00 a.m. (EDT) at our Application Research Center, 6855 Commerce Boulevard, Canton, Michigan, 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, 2007; 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 appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

Shareowners of record at the close of business on May 1, 2006, 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 other electronic devices will not be permitted at the meeting.***

By Order of the Board of Directors,

Jeffrey J. Siemers

*Executive Vice President, Chief Administrative and*

*Financial Officer and Secretary*

Elk Grove Village, Illinois

May 23, 2006

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**PROXY STATEMENT**

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This proxy statement is solicited by Material Sciences Corporation ( MSC or the Company ) and contains information related to the annual meeting of shareowners of the Company to be held on Thursday, June 22, 2006, beginning at 10:00 a.m. (EDT), at our Application Research Center, 6855 Commerce Boulevard, Canton, Michigan, and at any postponements or adjournments thereof. This proxy statement is being mailed on or about May 23, 2006 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 2006 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 1, 2006, 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?***

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

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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.



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### ***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 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 1, 2006, 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 14,746,574 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.

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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 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;

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- 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 19, 2006, 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.

### *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, 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 a broker non-vote for those shares. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

**Table of Contents****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 1, 2006.

<b><u>Name and Address</u></b>	<b>Shares of Common Stock</b>	
	<b>Beneficially Owned</b>	
	<b><u>Number</u></b>	<b><u>Percent (1)</u></b>
T. Rowe Price Associates, Inc. (2) 100 E. Pratt Street  Baltimore, MD 21202	1,687,600	11.4%
Dimensional Fund Advisors, Inc. (3) 1299 Ocean Ave.  11 <sup>th</sup> Floor  Santa Monica, CA 90401	1,072,727	7.3%
Royce & Associates, LLC (4) 1414 Avenue of the Americas  New York, NY 10019	902,500	6.1%
Wellington Management Company LLP (5) 75 State Street  Boston, MA 02109	846,500	5.7%
Wells Fargo & Company (6) 420 Montgomery Street  San Francisco, CA 94104	895,562	6.1%
Frank L. Hohmann III (7) c/o Material Sciences Corporation  2200 East Pratt Blvd.  Elk Grove Village, Illinois 60007	1,803,070	12.2%

(1) Based upon the number of shares of our common stock outstanding on May 1, 2006.

(2) Based on a Schedule 13G/A filed on February 14, 2006 by T. Rowe Price Associates, Inc. ( T. Rowe ), T. Rowe has sole voting power with respect to 256,300 shares and sole dispositive power with respect to all 902,500 shares.

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- (3) Based on a Schedule 13G/A filed on February 6, 2006 by Dimensional Fund Advisors, Inc. ( Dimensional Fund ), Dimensional Fund has sole voting and dispositive power with respect to all such shares. According to the Schedule 13G/A, all of the shares are owned by advisory clients of Dimensional Fund and, therefore, Dimensional Fund disclaims beneficial ownership of all such shares.
- (4) Based on a Schedule 13G/A filed on January 30, 2006 by Royce & Associates, LLC ( Royce ), Royce has sole voting and dispositive power with respect to all such shares.
- (5) Based on a Schedule 13G filed on February 14, 2006 by Wellington Management Company, LLP ( Wellington ), Wellington has shared voting power with respect to 539,000 shares and shared dispositive power with respect to 846,000 shares. According to the Schedule 13G, all of the shares are owned of record by clients of Wellington, which is deemed to beneficially own such shares in its capacity as investment advisor.
- (6) Based on a Schedule 13G/A filed on February 2, 2006 by Wells Fargo & Company ( WF ) and Wells Capital Management Incorporated ( WCM ), WF has sole voting power with respect to 818,580 shares, sole dispositive power with respect to 894,062 shares and shared dispositive power with respect to 1,500 shares. WCM has sole voting power with respect to 808,500 shares and sole dispositive power with respect to 878,562 shares.

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- (7) Mr. Hohmann has sole voting and dispositive power with respect to 1,736,650 shares and shared voting and dispositive power with respect to 40,000 shares held in a private charitable foundation, for which Mr. Hohmann serves as trustee and for which he disclaims beneficial ownership. The number of shares beneficially owned also includes: 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 and 10,700 shares beneficially owned by Mr. Hohmann's adult son, for which Mr. Hohmann disclaims beneficial ownership. This amount also includes 10,720 shares that may be acquired through the exercise of currently exercisable options.

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

The following table provides certain information, as of May 1, 2006, on the beneficial ownership of our common stock by each director of MSC, each nominee for director of MSC, the executive officers (including our former Chief Executive Officer) 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.

<u>Name</u>	<u>Number of shares directly owned (1)</u>	<u>Shares under exercisable options (2)</u>	<u>Total shares beneficially owned</u>	<u>Percent of class</u>
<b>Non-Employee Directors</b>				
Avrum Gray		4,420	4,420	*
Frank L. Hohmann III	1,792,350(3)	10,720	1,803,070	12.2%
Dr. Ronald A. Mitsch	26,021	10,818	36,839	*
Mr. John Reilly	3,000		3,000	*
John D. Roach (4)	1,465	3,907	5,372	*
Curtis G. Solsvig III	10,000	3,907	13,907	*
Samuel Licavoli				*
<b>Named Executive Officers</b>				
Ronald L. Stewart				*
Jeffrey J. Siemers	491		491	*
Mark J. Gresser	2,328		2,328	*
John M. Klepper	6,110	5,731	11,841	*
Kevin Williams				*
Clifford D. Nastas	18,496		18,496	*
<b>All Executive Officers and Directors as a group (13 Persons)</b>	<b>1,860,261</b>	<b>39,503<sup>(5)</sup></b>	<b>1,899,764</b>	<b>12.9%</b>

\* 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 1, 2006 and options which become exercisable within 60 days thereafter.
- (3) Mr. Hohmann has sole voting and dispositive power with respect to 1,736,650 shares and shared voting and dispositive power with respect to 40,000 shares held in a private charitable foundation, for which Mr. Hohmann serves as trustee and for which he disclaims beneficial ownership. The number of shares



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beneficially owned also includes: 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 and 10,700 shares beneficially owned by Mr. Hohmann's adult son, for which Mr. Hohmann disclaims beneficial ownership.

- (4) Includes 1,465 shares for Mr. Roach which may be issuable within 60 days pursuant to his deferred stock unit account established under the 2001 Compensation Plan for Non-Employee Directors. Mr. Roach has deferred receipt of such stock until January 1, 2009.
- (5) Includes shares underlying currently exercisable options to purchase 39,503 shares of common stock that our current directors and executive officers have the right to acquire within 60 days of May 1, 2006.

**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, 2005 through February 28, 2006, our directors, executive officers and greater than 10% shareowners complied with the reporting requirements of Section 16(a).



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**ELECTION OF DIRECTORS**

**(Item No. 1 on Proxy or Voting Instruction Card)**

The seven persons listed below are proposed to be elected for a period to end at the 2007 Annual Meeting of Shareowners, when they may be proposed to be re-elected or successors are elected and qualified at that meeting or, as provided in our By-Laws, upon the earlier 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. As previously disclosed, John D. Roach has informed us that he will not stand for re-election to the Board upon completion of his term of service at the 2006 Annual Meeting of Shareowners.

Information regarding the nominees, as of May 1, 2006, is set forth below, including their ages, the period each has served on the Board and the nominees' business experience.

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**Mr. Avrum Gray**                      **Director since 2003**

**Age 70**

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; 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 Lynch Corporation, 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); Lynch Interactive Corp., a multimedia services corporation; currently 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; former member of Illinois Institute of Technology Board of Overseers MBA program; former chairman of Chicago Presidents Organization; former Chairman of the Board of Trustees of Spertus College; and former Presidential Appointee to the United States Department of Commerce.

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

**Age 60**

Mr. Hohmann, a private investor, has been a director since February 2002. Mr. Hohmann 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 managing director at WM Sword and Co. He is a member of the board of directors of Egerton Capital Limited, Mount European Fund, U. Vine Limited and a trustee of Winterthur Museum.

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**Mr. Sam Licavoli Director since April 2006**

**Age 65**

Mr. Licavoli is currently retired after serving as the President and Chief Executive Officer of the Industrial Group of Businesses at Textron, Incorporated from January 2002 through March 2003. Prior to this he served as Chairman, President and Chief Executive Officer of Textron Industrial Company from July 2000 through March 2003 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 Siegel Robert, Waterbury Companies, and Breeze Industrial Products Corporation.

**Dr. Ronald A. Mitsch Director since 1999**

**Age 71**

Dr. Mitsch was named our Non-Executive Chairman of the Board in April 2003. 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 member of the board of directors of The Lubrizol Corporation and is a Life Trustee of Hamline University.

**Mr. John Reilly Director since 2004**

**Age 62**

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 a 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, 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.

**Mr. Curtis G. Solsvig III Director since 2003**

**Age 51**

Mr. Solsvig is Managing Director of Everett & Solsvig, a management consulting and portfolio management services company that he founded in 2002. He previously served as president of Gerhardt, Inc., a company he formed in 1991 to provide management-consulting services in workout and turnaround situations. Prior to 1991, Solsvig held management positions with Alvarez & Marsal, Inc. and The Boston Consulting Group. He serves on the boards of Egerton Capital and Pangborn Corporation.

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**Mr. Clifford D. Nastas**

**Director since December 2005**

**Age: 43**

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 directors listed above.**

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**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

***How often did the Board meet in fiscal 2006?***

The Board held 34 meetings, including 14 telephonic meetings, during fiscal 2006. Each current director attended at least 75% of the total number of meetings of the Board and committees on which the director served that were held while the director was a member.

***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 2005 annual meeting of shareowners, all of the directors then nominated for election, except for Mr. Roach, were present. Mr. Hohmann attended the meeting 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. Seven of MSC's eight current directors are non-employee directors. Although the Board has not adopted categorical standards of materiality for independence purposes (other than those set forth in the New York Stock Exchange listing standards), 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 under applicable New York Stock Exchange listing standards.

***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 New York Stock Exchange listing standards (which incorporates the standards set forth in the rules of the Securities and Exchange Commission). The Board has determined that Messrs. Reilly and Solsvig satisfy the audit committee financial expert criteria established by the Securities and Exchange Commission and have accounting and financial management expertise as required under the New York Stock Exchange listing requirements.

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*What committees has the Board established?*

The Board's Audit Committee and Compensation, Organization, and Corporate Governance Committee are each comprised of independent directors under applicable New York Stock Exchange listing standards. The following is a description of those committees' members, responsibilities and the number of meetings they each held in fiscal 2006:

<b>Committee</b>	<b>Members</b>	<b>Primary Responsibilities</b>	<b># of Meetings</b>
Audit	Reilly (Chairperson)	<ul style="list-style-type: none"> <li>Assists the Board in its oversight of the company's accounting, auditing and reporting practices.</li> </ul>	17, including 7 telephonic
	Solsvig	<ul style="list-style-type: none"> <li>Monitors the integrity of the company's consolidated financial statements, the company's compliance with legal and regulatory requirements and the company's system of internal controls.</li> </ul>	
	Mitsch	<ul style="list-style-type: none"> <li>Selects, evaluates, and, when appropriate, replaces the independent auditor, and pre-approves audit, internal control-related and permitted non-audit services.</li> <li>Monitors the qualifications, independence and performance of the company's internal and independent auditors.</li> </ul>	
Compensation, Organization and Corporate Governance	Hohmann (Chairperson)	<ul style="list-style-type: none"> <li>Determines the compensation of our executive officers and key employees.</li> </ul>	12, including 4 telephonic
	Gray	<ul style="list-style-type: none"> <li>Reviews and approves cash incentive compensation paid to key employees.</li> </ul>	
	Licavoli	<ul style="list-style-type: none"> <li>Reviews and makes recommendations to the Board regarding the company's compensation and benefit plans and policies.</li> </ul>	
	Mitsch	<ul style="list-style-type: none"> <li>Reviews corporate practices relating to succession planning.</li> </ul>	
	Roach	<ul style="list-style-type: none"> <li>Identifies and recommends candidates for election to the Board.</li> <li>Oversees the evaluation of the Board and management.</li> <li>Approves our corporate governance principles and our Code of Business Ethics.</li> </ul>	

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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](http://www.matsci.com) and are available to any shareowner in print upon request.

In November 2005, in connection with the appointment of Clifford D. Nastas as Chief Executive Officer, the Board formed an Executive Committee. The duties of the Executive Committee include advising the Chief Executive Officer with respect to strategic and operational planning and management development. The members of the Executive Committee are Mr. Solsvig, who serves as the Executive Committee's chairperson, Dr. Mitsch and Mr. Nastas. In fiscal 2006, the Executive Committee held no formal meetings, but Messrs. Solsvig and Nastas met generally on a weekly basis.

### ***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, Dr. Mitsch, as Non-Executive Chairman of the Board, presides over the executive sessions of the Board. Dr. Mitsch was re-appointed as Non-Executive Chairman of the Board to serve a term ending on June 22, 2006, or until his earlier death, resignation or removal.

### ***How can I communicate with the Board?***

Interested parties, including shareowners, may communicate with the Board, Dr. Mitsch, the lead director, the Chairman of the Audit Committee or the non-employee directors as a group by writing to those individuals or the group at the following address: Material Sciences Corporation, 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007.

The Compensation, Organization and Corporate Governance Committee approved a process for handling letters received by MSC and addressed to the Board, the lead director, the Chairman of the Audit Committee or the non-employee directors as a group. Under that process, MSC's Secretary reviews all such correspondence and regularly forwards to the directors a summary of all such correspondence, together with copies of all such correspondence that, in the opinion of the Secretary, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by MSC that is addressed to members of the Board and request copies of such correspondence. There was no such correspondence received during fiscal 2