VERISIGN INC/CA
Form 10-Q
April 25, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 000-23593

VERISIGN, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-3221585
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12061 Bluemont Way, Reston, Virginia	20190
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 948-3200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): YES o NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding April 19, 2013
Common stock, $.001 par value	150,744,698

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As required under Item 1—Financial Statements included in this section are as follows:

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CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$78,620	$130,736
Marketable securities	1,483,827	1,425,700
Accounts receivable, net	13,617	11,477
Deferred tax assets	286	44,756
Prepaid expenses and other current assets	38,849	30,795
Total current assets	1,615,199	1,643,464
Property and equipment, net	333,183	333,861
Goodwill	52,527	52,527
Long-term deferred tax assets	52,793	7,299
Other long-term assets	17,411	25,325
Total long-term assets	455,914	419,012
Total assets	$2,071,113	$2,062,476
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$119,986	$130,391
Deferred revenues	591,356	564,627
Subordinated convertible debentures, including contingent interest derivative	606,142	—
Deferred tax liabilities	388,923	—
Total current liabilities	1,706,407	695,018
Long-term deferred revenues	255,438	247,955
Subordinated convertible debentures, including contingent interest derivative	—	597,614
Long-term debt	100,000	100,000
Long-term deferred tax liabilities	3,657	386,914
Other long-term tax liabilities	44,747	44,298
Total long-term liabilities	403,842	1,376,781
Total liabilities	2,110,249	2,071,799
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value $.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share; Authorized shares: 1,000,000; Issued shares: 319,745 at March 31, 2013 and 318,722 at December 31, 2012; Outstanding shares: 151,185 at March 31, 2013 and 153,392 at December 31, 2012	320	319
Additional paid-in capital	19,777,251	19,891,291
Accumulated deficit	(19,816,032)	(19,900,545)
Accumulated other comprehensive loss	(675)	(388)
Total stockholders' deficit	(39,136)	(9,323)
Total liabilities and stockholders' deficit	$2,071,113	$2,062,476

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,					
	2013			2012		
Revenues	$ 236,447			$205,726		
Costs and expenses:						
Cost of revenues	47,254			41,256		
Sales and marketing	18,104			27,815		
Research and development	18,176			14,765		
General and administrative	19,649			23,508		
Restructuring charges	—			(548	)	
Total costs and expenses	103,183			106,796		
Operating income	133,264			98,930		
Interest expense	(12,596	)		(12,340	)	
Non-operating (loss) income, net	(5,777	)		807		
Income from continuing operations before income taxes	114,891			87,397		
Income tax expense	(30,378	)		(21,292	)	
Income from continuing operations, net of tax	84,513			66,105		
Income from discontinued operations, net of tax	—			1,904		
Net income	84,513			68,009		
Unrealized loss on investments, net of tax	(267	)		(5	)	
Realized gain on investments, net of tax, included in net income	(20	)		(5	)	
Other comprehensive loss	(287	)		(10	)	
Comprehensive income	$ 84,226			$67,999		
Basic income per share:						
Continuing operations	$ 0.55			$0.41		
Discontinued operations	—			0.02		
Net income	$ 0.55			$	16.60	242,591
Equity Compensation Plans Not Approved by Shareholders(3)			—		—	—
Total			2,023,913	$	22.68	387,786

(1) There are no outstanding warrants or rights.
(2) Amounts exclude any securities to be issued upon exercise of outstanding options.
(3) We do not have any equity compensation plans that have not been approved by shareholders.

ITEM 3 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Appointment of Independent Registered Public Accounting Firm for Fiscal 2009

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

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

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

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

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

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

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

Pre-Approval of Audit and Permissible Non-Audit Services

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

GOVERNANCE OF THE COMPANY

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

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

Audit Committee

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

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

Compensation Committee

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

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

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

Nominating Committee

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

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

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

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

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

COMPENSATION OF DIRECTORS

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

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

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

(2) At March 31, 2008, Mr. Arnold held options to purchase 21,000 shares of our common stock.

(3) At March 31, 2008, Mr. Rishi held options to purchase 15,000 shares of our common stock.

(4) At March 31, 2008, Mr. Thompson held options to purchase 10,000 shares of our common stock.

(5) At March 31, 2008, Mr. Topfer held options to purchase 10,000 shares of our common stock.

(6) At March 31, 2008, Mr. Uber held options to purchase 25,000 shares of our common stock.

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

CODE OF ETHICS

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

RELATED PERSON TRANSACTIONS

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

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

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

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REPORT OF THE AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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COMPENSATION DISCUSSION AND ANALYSIS

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

General

What are the objectives of our executive compensation programs?

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

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

What are the principal components of our executive compensation programs?

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

- a base salary;
- annual incentives; and
- long-term incentive compensation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

How do accounting considerations impact our compensation practices?

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

How do tax considerations impact our compensation practices?

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

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

Fiscal 2008 Executive Compensation

Base Salaries

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

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

Annual Incentive Compensation

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

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

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

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

- *Adjusted EBITA*. Each group would be awarded one credit for every $1,000 of EBITA (earnings before interest, taxes and amortization of acquired intangibles and other non-recurring expenses, but after allocation of option expense). The earned credits would then be adjusted up based on the group’s organic growth. For example, if the Pressure/Force group were to earn $12 million in EBITA, and posted 20% organic growth, it would have earned 14,400 credits (12,000*1.2).

- *Working Capital (Assets) Reduction*. Working capital reduction is the reduction of working capital through improved collections of trade receivables and higher inventory turns. Each group would be awarded one credit for every $1,000 reduction in working capital assets (“WCA”), normalized for net sales. For example, if the Pressure/Force group had a fourth quarter baseline of $23 million in WCA and increased sales 20% in fiscal 2008 as compared to fiscal 2007, the normalized baseline WCA would have been $27.6 million. If the actual fiscal 2008 WCA for the Pressure/Force group had been $25 million (measured as the average WCA for the fourth quarter of fiscal 2008), the Pressure/Force group would have earned 2,600 bonus credits (27,600-25,000).

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

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

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

Long-Term Incentive Compensation

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

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

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

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

Fiscal 2009 Developments

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

Compensation Committee Report

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

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

EXECUTIVE OFFICERS

Our executive officers are as follows:

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

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

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

J. Victor Chatigny was appointed Group Vice President - Position/Vibration/Piezo effective April 1, 2007, prior to which he served as Vice President and General Manager of our Sensors Division since his appointment in June 2002. Mr. Chatigny joined the Company through our 1998 acquisition of PiezoSensors from AMP Incorporated, a designer and manufacturer of sensor systems and applications, where he served as Director of Sales, Marketing and Research and Development since 1993. Mr. Chatigny also served in US Army Corps of Engineers where he was Captain, 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.

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

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

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

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

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

EXECUTIVE COMPENSATION

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

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

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

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

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

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

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

(6) Represents bonuses earned in fiscal 2007 but paid in June 2007.

(7) Represents employer matching contribution under the Company’s 401(k) plan.

(8) Mr. Thomson was hired as Chief Financial Officer effective as of April 2, 2007. Mr. Thomson is party to an employment agreement with the Company that provides for an annual base salary of $230,000.

(9) Mr. Smith is party to an employment agreement with the Company that provides for various perquisites, including housing and travel.

(10) Represents housing reimbursement of $34,466, family travel reimbursement of $7,662, life insurance of $71, reimbursement of dental expenses of $497, reimbursement of medical expenses of $2,817 and employer matching contribution of $8,740 under the Company’s 401(k) plan.

(11) Represents housing reimbursement of $28,700, family travel reimbursement of $8,650, tax preparation reimbursement of $100 and employer matching contribution of $8,769 under the Company’s 401(k) plan.

(12) Mr. Allier was appointed Group Vice President - Humidity/Temperature as of December 31, 2007.

(13) Mr. Monaghan resigned from his position of Group Vice President - Temperature/Optical as of December 31, 2007. Mr. Monaghan was party to an employment agreement that provided for an annual base salary of €163,379 ($226,553 during fiscal 2007 based on an average exchange rate of $1.40715 to €1.00 during such period and, after a 4% increase applicable to fiscal 2008, $183,334 during fiscal 2008 through the date of such resignation based on an average exchange rate of $1.4009 to €1.00 during such period). Pursuant to his employment agreement and in connection with his resignation, in December 2007, Mr. Monaghan received cash for the value of his earned but unused vacation equal to €8,887 ($13,091 based on an average exchange rate of $1.4730 to €1.00 during such period).

(14) Mr. MacGibbon is party to an employment agreement with the Company that provides for an annual base salary of $203,000.

(15) Represents reimbursement of dental expenses of $391, reimbursement of medical expenses of $3,587, and employer matching contribution of $8,475 under the Company’s 401(k) plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(7) Represents grant of 20,095 incentive stock options that vest in five equal installments of 4,019 on November 30, 2006, 2007, 2008, 2009 and 2010.

(8) Represents grant of 79,905 non-qualified stock options that vest in five equal installments of 15,981 on November 30, 2006, 2007, 2008, 2009 and 2010.

(9) Represents grant of 7,500 non-qualified stock options that vest in three equal installments of 2,500 on December 3, 2008, 2009 and 2010.

(10) Represents grant of 50,000 incentive stock options that vest in five equal installments of 10,000 on November 9, 2006, 2007, 2008, 2009 and 2010.

(11) Represents grant of 20,000 incentive stock options that vest in five equal installments of 4,000 on June 21, 2007, 2008, 2009, 2010 and 2011.

(12) Represents grant of 15,000 non-qualified stock options that vest in three equal installments of 5,000 on December 3, 2008, 2009 and 2010.

(13) Mr. Monaghan resigned from his position of Group Vice President - Temperature/Optical as of December 31, 2007. Under the terms of the incentive plan under which Mr. Monaghan received stock options, Mr. Monaghan's unvested options were forfeited upon his resignation and his vested options expired 90 days after his resignation if not earlier exercised. As of March 31, 2008, Mr. Monaghan held no unexercised options.

(14) Represents grant of 40,000 incentive stock options that vest in two installments of 10,000 on April 1, 2005 and 2006 and one installment of 20,000 on April 1, 2007.

(15) Represents grant of 4,000 incentive stock options that vest in five equal installments of 800 on November 9, 2006, 2007, 2008, 2009 and 2010.

(16) Represents grant of 9,999 non-qualified stock options that vest in three equal installments of 3,333 on December 3, 2008, 2009 and 2010.

(17) Represents grant of 10,000 non-qualified stock options that vest in five equal installments of 2,000 on July 2, 2008, 2009, 2010, 2011 and 2012.

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

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

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

EXECUTIVE AGREEMENTS AND RELATED TRANSACTIONS

Agreement with Frank Guidone

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

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

Agreement with Mark Thomson

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

Agreement with Terence Monaghan

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

Agreement with Steve Smith

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

Agreement with Glen MacGibbon

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

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

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

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

Mark Thomson			
Termination Without Change in Control			
· Cause	64,491	—	64,491
·			