

## Edgar Filing: - Form

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PSE" BORDER="0" CELLPADDING="0" CELLSPACING="0" WIDTH="100%"> • The Committee shall be comprised of at least three members of the Board, one of whom shall be appointed as the chairman of the Committee (the Chair ).

- The Board will appoint the Chair and members of the Committee following nomination by the Nominating and Governance Committee.
- All members of the Committee will be independent directors as defined by the New York Stock Exchange listing standards, and no member of the Committee can be an affiliated person as defined under applicable Securities and Exchange Commission rules and regulations.
- Each Committee member must be financially literate, or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- At least one member of the Committee shall have accounting or related financial management experience.
- Director s fees are the only compensation that Committee members may receive from the Corporation other than any retirement or similar benefit which may be permissible under relevant SEC and NYSE rules.

### Meetings

- The Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary. The Committee may from time to time form one or more subcommittees, each of which may take such actions as may be delegated by the Committee.

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- All meetings shall be at the call of the Chair of the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business.
- Periodically, the Committee will meet separately with each of the independent auditors, the internal audit function staff and members of management. Such private meetings will occur at least quarterly or as requested by the Committee, the independent auditors or the internal audit function staff.

## **Authority and Responsibilities**

Among other items, the Committee shall:

### ***Oversight of Independent Auditors***

- Have the sole authority, at the Corporation's expense, to: (a) appoint, (b) retain, (c) terminate, (d) compensate and (e) oversee the Corporation's independent auditors, which shall report directly to the Committee.
- Have the sole authority to approve all audit services, internal control-related services and permitted non-audit services, including the fees and terms thereof, of the independent auditors. In accordance with the pre-approval policies established by the Committee, the Committee, or a member of the Committee, must pre-approve any audit, internal-control related or non-audit service provided to the Corporation by the independent auditor.
- Review and evaluate the qualifications, performance and independence of the independent auditors, including its lead audit partner, and periodically present its conclusions to the Board.
- At least annually, obtain and review a report by the independent auditors describing: (a) the internal quality-control procedures used by the independent auditors; (b) any material issues raised by the most recent internal quality-control review or peer review of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the independent auditors, and any steps taken to deal with such issues; and (c) all relationships between the independent auditors and the Corporation.
- Consider whether or not there should be a regular rotation of the independent auditors, and monitor the periodic rotation of the independent auditors' lead partner and the audit partner responsible for reviewing the audit.
- Review the proposed scope of the annual audit to be conducted by the independent auditors. Discuss any significant changes in the planned scope or conduct of the annual audit, the coordination of the internal and external audit functions and the independent auditors' opinion rendered with respect to the annual financial statements.

### ***Oversight of Internal Audit Function***

- Review the performance of the Corporation's internal audit function (which shall report jointly to the Committee and to management).

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- Review the adequacy and effectiveness of the Corporation's internal controls, any special audit steps adopted in light of any material control deficiencies, and the performance and qualifications of the internal audit function staff.
- Review and discuss significant findings on specific audits completed by the internal audit function and management's responses to such findings, including any follow-up action undertaken as a result of such findings.
- Discuss any significant changes in the planned scope or conduct of the internal audit, and the coordination of the internal and external audit functions.

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- Discuss with management and the independent auditors the internal audit function responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
- Review and approve the Internal Auditing Mission Statement and Charter on an annual basis.

***Financial and Disclosure Matters***

- Prepare a report that the rules of the Securities Exchange Act of 1934 require to be included in the Corporation's annual proxy statement.
- Review and discuss the Corporation's reporting process, disclosure controls and procedures and internal controls over financial reporting, which have been designed under the supervision of the Chief Executive Officer and Chief Financial Officer.
- Review and discuss with both management and the independent auditors prior to public disclosure the Corporation's (a) annual audited and quarterly financial statements, (b) Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) annual report to shareowners.
- Review and discuss disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the Annual Report on Form 10-K and Quarterly Reports on Form 10-Q about any significant deficiencies in the design or operation of the Corporation's internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls over financial reporting.
- Review and discuss with management and the independent auditors the Corporation's annual report on internal controls over financial reporting and the independent auditor's attestation of such report prior to the filing of the report with the Securities and Exchange Commission.
- Review and discuss with the independent auditors any audit problems or difficulties and other issues and recommendations identified by the independent auditors together with management's responses.
- Review with the independent auditors any restrictions on the scope of the independent auditors' activities or access to requested information, and review and resolve any significant disagreements between the independent auditors and management.
- Review with the independent auditors: (a) any accounting adjustments noted or proposed by the auditors that were passed (as immaterial or otherwise); (b) communications between the independent auditors and the auditors' national office with respect to material issues presented by the engagement and related to the Corporation's financial statements; and (c) any management or internal control letter issued, or proposed to be issued, by the independent auditors to the Corporation.
- Review and discuss earnings press releases generally, including the use of proforma or non-GAAP presentations, as well as financial information, forward-looking statements and earnings guidance provided to shareowners, analysts and rating agencies.
- Review legal, regulatory, environmental and other matters including any off-balance sheet or off-shore transactions that have or could have an impact on the financial structure or financial results of the Corporation, or any non-ordinary course of business financial transactions.

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- Review and discuss policies regarding risk assessment and risk management, and significant risks and exposures confronted by the Corporation and the steps management has taken to monitor and control such exposures.
- Review compliance with the Corporation's debt covenants.
- Review and discuss the Corporation's tax strategy, insurance coverage and related matters.

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- Review and discuss (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, (b) the accounting treatment accorded significant transactions, (c) the development, selection and disclosure of critical accounting policies and practices, (d) significant financial reporting issues and judgments about the quality, not just the acceptability, of the Corporation's accounting principles and underlying estimates made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods, regulatory and accounting initiatives and off-balance sheet structures on the financial statements, and (e) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

***Committee Governance/Other***

- Annually review the Committee's charter and, if necessary and appropriate, recommend changes to the Board.
- Establish hiring practices for employees or former employees of the independent auditors consistent with applicable rules and regulations.
- Conduct or authorize investigations into any matters within the Committee's scope of responsibility.
- At its sole discretion and the Corporation's expense, obtain advice and assistance from outside legal, financial, accounting or other experts.
- Report to the Board on the Committee's activities on a timely basis.
- Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including appropriate procedures for the confidential, anonymous submission by employees of all concerns regarding questionable accounting or auditing matters.
- Review with management and the internal audit function, the results of management's review of the Corporation's compliance, and systems for ensuring compliance, with its code of conduct and applicable laws and regulations. Review reports and disclosures of insider and affiliated party transactions and make recommendations to Board related thereto.
- Perform an annual self-assessment of the performance of the Committee in accordance with the relevant law and NYSE listing requirements.

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**Notice of Annual Meeting  
of Shareowners  
and Proxy Statement**

**Meeting Date**

**June 24, 2004**

**YOUR VOTE IS IMPORTANT!**

Please promptly vote your proxy.

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**MATERIAL SCIENCES CORPORATION**

**2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007**

**PROXY Solicited on Behalf of the Board of Directors PROXY**

**Annual Meeting of Shareowners to be Held on June 24, 2004**

**Please mark, date and sign on reverse side and return in the enclosed envelope**

The undersigned hereby appoints Dr. Ronald A. Mitsch and Ronald L. Stewart, as proxies, each with full power of substitution to represent and to vote, as designated on the reverse side, all the shares of Common Stock of Material Sciences Corporation held of record by the undersigned, at the Annual Meeting of Shareowners of Material Sciences Corporation to be held on June 24, 2004, at 10:00 a.m., CDT at the Company's offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois, or at any adjournment or postponement thereof.

Your vote for eight directors may be indicated on the reverse side. Avrum Gray, Frank L. Hohmann III, Dr. Ronald A. Mitsch, Dr. Mary P. Quin, John P. Reilly, John D. Roach, Curtis G. Solsvig III, and Ronald L. Stewart have been nominated for election of directors.

**This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareowner. If no contrary direction is given, the shares represented by this proxy will be voted (1) for the election of all nominees for director; and (2) in favor of authorizing proxies to vote upon such other business as may properly come before this meeting. Unless a contrary direction is given, this proxy will grant the persons named as proxies herein discretionary authority to cumulate votes in connection with the election of directors. If you withhold your vote for a nominee, all of your cumulative votes will be allocated to the remaining nominees as determined by the proxies.**

(Continued and to be marked, dated and signed on the reverse side)

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**Address Change/Comments (mark the corresponding box on the reverse side)**

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***You can now access your Material Sciences Corporation account online.***

Access your Material Sciences Corporation shareholder account online via Investor ServiceDirect® (ISD).

Mellon Investor Services LLC, agent for Material Sciences Corporation, now makes it easy and convenient to get current information on your shareholder account.

- View account status
- View certificate history
- View book-entry information
- View payment history for dividends
- Make address changes
- Obtain a duplicate 1099 tax form
- Establish/change your PIN

***Visit us on the web at <http://www.melloninvestor.com>***

***For Technical Assistance Call 1-877-978-7778 between***

***9am-7pm Monday-Friday Eastern Time***

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Please  
mark

your  
votes as

indicated  
in

this  
example

**X**

**1. ELECT EIGHT DIRECTORS:**

(duly nominated and named on the reverse  
side of this proxy and listed to the right)

**FOR**  
all nominees  
..

**WITHHOLD  
AUTHORITY**  
to vote for all  
nominees  
..

**NOMINEES:**

- 01 Avrum Gray,
- 02 Frank L. Hohmann III,
- 03 Dr. Ronald A. Mitsch,
- 04 Dr. Mary P. Quin,
- 05 John P. Reilly,
- 06 John D. Roach,
- 07 Curtis G. Solsvig III, and
- 08 Ronald L. Stewart

2. Authorize proxies to vote upon  
such other business as may  
properly come before the meeting  
or any adjournment or  
postponement thereof.

FOR      AGAINST      ABSTAIN  
..            ..            ..

Withhold votes from nominee(s) (write name(s) of nominee(s)) or give cumulative voting  
instructions (write name(s) of nominee(s) and number of votes allocated to such nominee(s))  
as  
indicated on the line below:

\_\_\_\_\_

Signature \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Please sign exactly as name appears. Joint owners should each sign. Executors, administrators, trustees, etc. should so indicate when signing. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person. PLEASE MARK, DATE, SIGN AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

é FOLD AND DETACH HERE é

