

MATTHEWS INTERNATIONAL CORP  
Form DEF 14A  
January 17, 2006

SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

- Preliminary Proxy Statement  Confidential, for use of the  
 Definitive Proxy Statement Commission only  
 Definitive Additional Materials  
 Soliciting Material pursuant to Rule 14a-11c or Rule 14a-12

MATTHEWS INTERNATIONAL CORPORATION  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(I)(4) and 0-11.

1) Title of each class of securities to which transaction applies: \_\_\_\_\_

2) Aggregate number of securities to which transaction applies: \_\_\_\_\_

3) Per unit price or other underlying value of transaction computed  
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4) Proposed maximum aggregate value of transaction: \_\_\_\_\_

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1) Amount Previously Paid: \_\_\_\_\_

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4) Date Filed: \_\_\_\_\_

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**2006**

**NOTICE**

**OF**

**ANNUAL**

**MEETING**

**AND**

**PROXY**

**STATEMENT**

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Notice of  
ANNUAL MEETING OF SHAREHOLDERS  
To be held February 16, 2006

To Our Shareholders:

The Annual Meeting of the Shareholders of Matthews International Corporation will be held at 6:00 PM on Thursday, February 16, 2006 at the Sheraton Station Square Hotel, 300 West Station Square Drive, Pittsburgh, Pennsylvania, for the purpose of considering and acting upon the following:

1. To elect three directors of the Company for a term of three years.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the records of the Company for the fiscal year ending September 30, 2006.
3. To transact such other business as may properly come before the meeting.

Shareholders of record as of December 30, 2005 will be entitled to vote at the Annual Meeting or any adjournments thereof.

Please indicate on the enclosed proxy card whether you will or will not be able to attend this meeting. Return the card in the enclosed envelope as soon as possible. If you receive more than one proxy card (for example, because you own common stock in more than one account), please be sure to complete and return all of them.

We hope you can be with us for this important occasion.

Sincerely,

Steven F. Nicola  
Corporate Secretary

January 17, 2006

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**Matthews International Corporation**  
**Two NorthShore Center**  
**Pittsburgh, PA 15212 - 5851**  
**412 / 442-8200**

**PROXY STATEMENT**

The accompanying proxy is solicited by the Board of Directors of the Company whose principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212. This Proxy Statement and the accompanying proxy were first released to shareholders on or about January 17, 2006.

Execution of the proxy will not affect a shareholder's right to attend the meeting and vote in person. Any shareholder giving a proxy has the right to revoke it at any time before it is voted by giving notice to the Corporate Secretary or by attending the meeting and voting in person.

Matters to be considered at the Annual Meeting are those set forth in the accompanying notice. Shares represented by proxy will be voted in accordance with instructions. In the absence of instructions to the contrary, the proxy solicited will be voted for the proposals set forth.

Management does not intend to bring before the meeting any business other than that set forth in the Notice of Annual Meeting of Shareholders. If any other business should properly come before the meeting, it is the intention of management that the persons named in the proxy will vote in accordance with their best judgment.

**OUTSTANDING STOCK AND VOTING RIGHTS**

The Company has one class of stock outstanding: Class A Common Stock, par value \$1.00 per share, referred to as the "Common Stock."

Each outstanding share of Common Stock of the Company entitles the holder to one vote upon any business properly presented at the shareholders' meeting. Cumulative voting is not applicable to the election of directors.

The Board of Directors of the Company has established December 30, 2005 as the record date for shareholders entitled to vote at the Annual Meeting. The transfer books of the Company will not be closed. A total of 32,056,128 shares of Common Stock are outstanding and entitled to vote at the meeting.

Abstentions and broker non-votes have no effect on any proposal to be voted upon. Broker non-votes as to any matter are shares held by brokers and other nominees which are voted at the meeting on matters as to which the broker or nominee has discretionary authority, but which are not voted on the matter in question because the broker or nominee does not have discretionary voting authority as to such matter.

## GENERAL INFORMATION REGARDING CORPORATE GOVERNANCE

### Board of Directors

The Board of Directors is the ultimate governing body of the Company. As such, it functions within a framework of duties and requirements established by statute, government regulations and court decisions. Generally, the Board of Directors reviews and confirms the basic objectives and broad policies of the Company, approves various important transactions, appoints the officers of the Company and monitors Company performance in key results areas.

### Board Composition

The Restated Articles of Incorporation of the Company provide that the Board of Directors has the power to set the number of directors constituting the full Board, provided that such number shall not be less than five nor more than fifteen. Until further action, the Board of Directors has fixed the number of directors constituting the full Board at eight, divided into three classes. The terms of office of the three classes of directors end in successive years. The Board of Directors has determined that all of its directors are independent, other than Company employees David M. Kelly, Joseph C. Bartolacci and David J. DeCarlo.

In fiscal 2005, the Board established the position of Lead Independent Director to facilitate and coordinate meetings among the Board's independent directors. The independent directors meet at such times as are necessary and generally on the dates of regularly scheduled Board meetings. The independent directors met a total of five times in fiscal 2005. William J. Stallkamp is the Company's Lead Independent Director.

During fiscal year 2005, there were six regularly scheduled meetings and two special meetings of the Board of Directors.

### Board Committees

There are four standing committees appointed by the Board of Directors -- the Executive, Nominating and Corporate Governance, Audit and Compensation Committees.

Management has the same responsibility to each Committee as it does to the Board of Directors with respect to providing adequate staff services and information. Furthermore, each Committee has the same power as the Board of Directors to employ the services of outside consultants and to have discussions and interviews with personnel of the Company and others.

The principal functions of the four standing Committees are summarized as follows:

#### Executive Committee

The Executive Committee is appointed by the Board of Directors to have and exercise during periods between Board meetings all of the powers of the Board of Directors, except that the Executive Committee may not elect directors, change the membership of or fill vacancies in the Executive Committee, change the By-laws of the Company or exercise any authority specifically reserved by the Board of Directors. Among the functions customarily performed by the Executive Committee during periods between Board meetings are the approval, within limitations previously established by the Board of Directors, of the principal terms involved in sales of securities of the Company, and such reviews as may be necessary of significant developments in major events and litigation involving the Company. In addition, the Executive Committee is called upon periodically to provide advice and counsel in the formulation of corporate policy changes and, where it deems advisable, make recommendations to the Board of Directors.



The members of the Executive Committee are David M. Kelly (Chairman), David J. DeCarlo and Glenn R. Mahone. It is expected that Joseph C. Bartolacci will be appointed to the Executive Committee after the 2006 Annual Meeting. The Executive Committee holds meetings at such times as are required. During fiscal year 2005, the Executive Committee met five times.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee met four times during fiscal 2005. The principal functions of the Nominating and Corporate Governance Committee, the members of which are John P. O'Leary, Jr. (Chairman), Glenn R. Mahone and John D. Turner, are to (1) identify individuals qualified to become Board of Director members, (2) recommend to the Board of Directors the director nominees for the next annual meeting of shareholders, (3) develop and recommend to the Board of Directors a set of corporate governance principles, (4) lead the Board of Directors in complying with its corporate governance principles and (5) review and make recommendations to the Board of Directors concerning director compensation. This Committee is committed to ensuring that (i) the nominees for membership on the Board of Directors are of the highest possible caliber and are able to provide insightful, intelligent and effective guidance to the management of the Company and (ii) the governance of the Company is in full compliance with law, reflects generally accepted principles of good corporate governance, encourages flexible and dynamic management without undue burdens and effectively manages the risks of the business and operations of the Company.

### **Audit Committee**

The principal function of the Audit Committee is to provide oversight of (1) the integrity of the Company's financial statements, reports on internal controls and other financial information provided by the Company, (2) the Company's compliance with legal and regulatory requirements, (3) the qualifications and independence of the Company's independent registered public accounting firm and (4) the performance of the Company's internal audit function (including disclosure controls and procedures for internal controls over financial reporting) and independent registered public accounting firm. The Committee will serve as a vehicle to provide an open avenue of communication between the Company's Board of Directors and financial management, the internal audit department, and the independent registered public accounting firm. The Audit Committee is responsible for appointing the Company's independent registered public accounting firm.

The Audit Committee members are Robert J. Kavanaugh (Chairman), John P. O'Leary, Jr. and William J. Stallkamp, all of whom the Board of Directors has determined in its business judgment are independent from the Company and its management as defined by the relevant provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). All members of the Audit Committee are considered to meet the requirements of an Audit Committee financial expert as defined by Securities and Exchange Commission ("SEC") regulations under the Sarbanes-Oxley Act, and Mr. Kavanaugh has been designated as the Audit Committee financial expert. During fiscal year 2005, the Audit Committee met six times.



### **Compensation Committee**

The principal functions of the Compensation Committee, the members of which are William J. Stallkamp (Chairman), Robert J. Kavanaugh and John D. Turner, are to review periodically the suitability of the remuneration arrangements (including benefits), other than stock remuneration, for the principal executives of the Company, and to prepare an annual report on executive compensation for inclusion in the Company's Proxy Statement. A subcommittee of the Compensation Committee, the Stock Compensation Committee, the members of which are Messrs. Stallkamp (Chairman), Kavanaugh and Turner, consider and grant stock remuneration and administer the Company's 1992 Stock Incentive Plan. The Compensation Committee met five times during fiscal year 2005.

### **Meeting Attendance**

Under the applicable rules of the SEC, the Company's Proxy Statement is required to name those directors who during the preceding year attended fewer than 75% of the total number of meetings held by the Board and by the Committees of which they are members. During fiscal year 2005, all directors attended more than 75% of such meetings for which they were eligible.

The Company does not have a formal policy with regard to Board members attending the Annual Meeting of Shareholders, but it is customary for the Board members to do so, and in general all or most of the Board members have attended annual meetings in the recent past. All Board members attended the 2005 Annual Meeting of Shareholders.

### **Compensation of Directors**

Under the Company's 1994 Director Fee Plan, as amended, each eligible independent director receives an annual retainer valued at \$30,000. Such annual retainer will be paid either in cash or in shares of the Company's Common Stock, as determined by the Nominating and Corporate Governance Committee. If the Nominating and Corporate Governance Committee decides to pay the annual retainer in cash, a director may instead elect to receive the annual retainer in current shares of the Company's Common Stock or Common Stock credited to a deferred stock account as phantom stock. If the Nominating and Corporate Governance Committee or its Stock Compensation Subcommittee chooses to pay such annual retainer in Common Stock, a director may defer the receipt of such Common Stock. Each Committee chairperson receives an additional retainer fee of \$2,000 (or \$3,500 in the case of the Audit Committee chairperson) for a year of service as a Committee chairperson. The Lead Independent Director receives an additional retainer fee of \$5,000 for a year of service as Lead Independent Director. In addition, each director is paid \$1,500 for every meeting of the Board of Directors attended, \$1,000 for every Committee meeting attended, and \$1,500 for each shareholders' meeting attended. Directors may also elect to receive the common stock equivalent of meeting fees, which will be credited to a deferred stock account as phantom stock. Beginning in fiscal 2005, each eligible independent director received an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of \$40,000. The precise awards to be granted and their valuation are determined by the Nominating and Corporate Governance Committee or its Stock Compensation Subcommittee.

The Company does not provide any retirement benefits or perquisites to any of its non-employee directors.

## **Access to Directors**

The shareholders of the Company may communicate in writing to the Board of Directors by sending such communication to the Board or a particular director in care of Steven F. Nicola, Corporate Secretary, at the Company. At present, such communications will be directly forwarded to the Board or such particular director, as applicable.

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

Nominations for election to the Board of Directors may be made by the Nominating and Corporate Governance Committee or by the shareholders. Joseph C. Bartolacci, who was recently elected by the Board to be a director, and Glenn R. Mahone and William J. Stallkamp, whose terms of office are expiring, have been nominated by the Nominating and Corporate Governance Committee to serve for a three-year term that will end in 2009. Nominations made by the shareholders must be made in writing in accordance with Section 6.1 of the Restated Articles of Incorporation. No such nominations have been received.

The Nominating and Corporate Governance Committee operates pursuant to a Charter, which is available for viewing on the Company's website at [www.matw.com](http://www.matw.com) under the section entitled "Corporate Governance". All members of the Nominating and Corporate Governance Committee are independent in accordance with the listing standards of NASDAQ.

In recommending and nominating directors for election to the Board of Directors of Matthews, a candidate's background, skills, diversity, personal characteristics and business experience will be assessed, and the following criteria and qualifications as to the candidates should be observed. Candidates are to be of the highest ethical character, share the values of the Company, have reputations, both personal and professional, consistent with the image and reputation of the Company, be highly accomplished in their respective field, with superior credentials and recognition, and provide the relevant expertise and experience necessary to assist the Board and the Company to increase shareholder value.

The Board of Directors has no reason to believe that any of the nominees will become unavailable for election. If any nominee should become unavailable prior to the meeting, the accompanying proxy will be voted for the election in the nominee's place of such other person as the Board of Directors may recommend.

Only affirmative votes are counted in the election of directors. The three nominees for election as directors at the Annual Meeting who receive the highest number of votes cast for the election of directors by the holders of the Company's Common Stock present in person or voting by proxy, a quorum being present, will be elected as directors.

The Board of Directors recommends that you vote FOR the election of directors.

The following information is furnished with respect to the persons nominated by the Board of Directors for election as directors and with respect to the continuing directors.

## **Nominees**

Joseph C. Bartolacci, age 45, was appointed President and Chief Operating Officer effective September 1, 2005. Mr. Bartolacci was elected to the Board of Directors on November 15, 2005. He had been President, Casket Division since February 2004 and Executive Vice President of Matthews since January 1, 2004. He had served as President, Matthews Europe since April 2002, and had also been President, Caggiati, S.p.A. (a wholly-owned subsidiary of Matthews International Corporation) since June 1999. Prior thereto, he was General Counsel of Matthews. Mr. Bartolacci received a Bachelor of Science degree in Accounting from Saint Vincent College and a Juris Doctor from the University of Pittsburgh. Prior to joining Matthews, Mr. Bartolacci was Vice President and General Counsel of Thrift Drug Company.

Glenn R. Mahone, age 60, was elected to the Board of Directors of the Company in April 2003. Mr. Mahone is a partner in the Business and Regulatory Department and member of the Executive Committee of Reed Smith LLP, a national law firm that provides legal services to the Company. Prior to returning to Reed Smith in 1991, he spent ten years in the radio broadcast industry as a chief executive, entrepreneur and owner, and served on the board of directors of the two major trade associations which provide leadership to the radio broadcast industry. Mr. Mahone holds Master of Laws, Juris Doctor and Bachelor of Science degrees from Yale University, Duquesne University and the Pennsylvania State University, respectively. He is currently the Chairman of the Board of the Allegheny County Airport Authority and the Manchester Bidwell Corporation, and is a member of the Board of Trustees of Westminster College and Duquesne University.

William J. Stallkamp, age 66, has been a director of the Company since 1981. Mr. Stallkamp was appointed as the Board's Lead Independent Director in fiscal 2005. Mr. Stallkamp was a Vice Chairman of Mellon Financial Corporation, a financial services company, in Pittsburgh, Pennsylvania and Chairman and Chief Executive Officer of Mellon PSFS in Philadelphia, Pennsylvania until his retirement on January 1, 2000. Until January 2002, he was a fund advisor and Chairman of the Operations Group at Safeguard Scientifics, Inc., a technology company. Currently, he is Managing Partner of Penn Hudson Financial Group, a private financial consulting firm in Philadelphia. He received a Bachelor of Science Degree in Business Administration from Miami University of Oxford, Ohio. He serves as a director of Cowee Forest Products, Inc., United Concordia Companies, Inc., Highmark, The Philadelphia Stock Exchange, The Smithers-Oasis Company and Medmark, Inc. He also serves as the Chairman of the Board of Directors of Akcelerant Holdings, Inc. and the General Partner of Venhill, a technology investment firm. He is a member of the Board of Directors of the Southeastern Pennsylvania Chapter of the American Red Cross and the Franklin Institute.

## **Continuing Directors**

David J. DeCarlo, age 60, is Vice Chairman of Matthews International and has been a director of the Company since 1987. He was elected President, Bronze Division in November 1993, Group President, Bronze and Casket Divisions in February 2004 and Vice Chairman effective September 1, 2005. Mr. DeCarlo received a Bachelor of Science Degree in Industrial Management from West Virginia University in 1967, a Master of Arts Degree in Economics and Statistics from the University of Pennsylvania in 1970, and an M.B.A. in Finance from the University of Pennsylvania Wharton School of Finance in 1971 where he also completed all the required courses for a Ph.D. in Applied Economics and Finance. Prior to joining Matthews, Mr. DeCarlo held various management positions with Reynolds Aluminum Company, Westinghouse Electric Corporation, and Joy Manufacturing Company where his last position was Vice President of Field Operations.

Robert J. Kavanaugh, age 68, has been a director of the Company since 1998. Mr. Kavanaugh is a retired partner of the Pittsburgh, PA office of Arthur Andersen LLP, an accounting firm. Mr. Kavanaugh has more than 38 years of experience assisting clients in numerous industries and has extensive experience in public reporting, SEC related matters, and mergers and acquisitions. Mr. Kavanaugh served as the advisory partner to a number of major clients, both public and private. Mr. Kavanaugh retired from Arthur Andersen LLP in August 1996.

David M. Kelly, age 63, was elected Chairman of the Board on March 15, 1996. He joined the Company on April 3, 1995 as President and Chief Operating Officer and was appointed Chief Executive Officer on October 1, 1995. Prior to his employment with the Company, Mr. Kelly was employed by Carrier Corporation for 23 years. During that time, his positions included Marketing Vice President for Asia Pacific; President of Japanese Operations; Vice President, Manufacturing; President of North American Operations; and Senior Vice President for Carrier's residential and light commercial businesses. Mr. Kelly received a Bachelor of Science in Physics from Boston College in 1964, a Master of Science Degree in Molecular Biophysics from Yale University in 1966, and a Master of Business Administration from Harvard Business School in 1968. He is Chairman of the Executive Committee and the Jas. H. Matthews & Co. Educational and Charitable Trust, a member of the Company's Pension Board, and serves on the boards of various subsidiaries of Matthews International Corporation. Mr. Kelly is a member of the Board of Directors of Duquesne Light Holdings, Inc., Mestek, Inc. and Federated Investors.

John P. O'Leary, Jr., age 59, has been a director of the Company since 1992. Mr. O'Leary retired as Senior Vice President, SCA North America, a packaging supplier, in June 2004, where he had served as Senior Vice President since May 2002. Prior thereto, he was President and Chief Executive Officer of Tuscarora Incorporated ("Tuscarora"), a wholly-owned subsidiary of SCA Packaging International B.V. and a division of SCA North America. Tuscarora is a producer and manufacturer of custom design protective packaging. Preceding SCA's acquisition of Tuscarora, Mr. O'Leary served as Chairman of Tuscarora's Board of Directors. Mr. O'Leary holds a Masters in Business Administration from the University of Pennsylvania Wharton School of Business and received a Bachelor's Degree in Economics from Gettysburg College. He currently serves on the Board of Directors of Pregis Corporation.

John D. Turner, age 59, has been a director of the Company since 1999. Mr. Turner retired as Chairman and Chief Executive Officer of Copperweld Corporation, a manufacturer of tubular and bimetallic wire products, in 2003, where he had served as Chief Executive Officer since 1988. Mr. Turner received a Bachelor's Degree in Biology from Colgate University. He currently serves on the Board of Directors of Duquesne Light Holdings, Inc. and Allegheny Technologies Incorporated. Mr. Turner also serves on the Board of Trustees of Geneva College.

The term for each nominee and director is listed below:

Nominees:	Term to expire at Annual Meeting of Shareholders in:
Joseph C. Bartolacci	2009
Glenn R. Mahone	2009
William J. Stallkamp	2009
Continuing Directors:	
David J. DeCarlo	2007
Robert J. Kavanaugh	2007
John P. O'Leary, Jr.	2007
David M. Kelly	2008
John D. Turner	2008

## **PROPOSAL 2**

### **SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Company's Board of Directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the records of the Company for the year ending September 30, 2006.

The Audit Committee has determined that it would be desirable to request an expression of opinion from the shareholders on the appointment. Ratification of the appointment of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of all the votes cast by shareholders of Common Stock entitled to vote at the meeting. If the shareholders do not ratify the selection of PricewaterhouseCoopers LLP, the selection of an alternative independent registered public accounting firm will be considered by the Audit Committee.

It is not expected that any representative of PricewaterhouseCoopers LLP will be present at the Annual Meeting of Shareholders.

The Board of Directors recommends that you vote FOR Proposal 2.

**STOCK OWNERSHIP**

The Company's Restated Articles of Incorporation divide its voting stock into three classes: Preferred Stock, and Class A and Class B Common Stock. At the present time, none of the Preferred Stock or Class B Common Stock is issued or outstanding. The following information is furnished with respect to persons who the Company believes, based on its records, beneficially own more than five percent of the outstanding shares of Common Stock of the Company, and with respect to directors, officers and executive management. Those individuals with more than five percent of such shares could be deemed to be "control persons" of the Company.

This information presented is as of November 30, 2005.

Name of Beneficial Owner (1)	Number of Class A Shares Beneficially Owned (2)	Percent of Class	Deferred Stock Compen-sation Shares (4)
Directors, Officers and Executive Management:			
D.M. Kelly	343,486(3)	1.1%	-
J.C. Bartolacci	64,696(3)	0.2	-
M.J. Beck	-	-	-
D.J. DeCarlo	128,150(3)	0.4	-
R.J. Kavanaugh	2,000	*	9,877
G.R. Mahone	1,867	*	573
R.W. Murray	2,800	*	-
J.P. O'Leary, Jr.	13,017	*	17,970
W.J. Stallkamp	1,700	*	15,096
J.D. Turner	4,000	*	4,307
All directors, officers and executive management as a group (18 persons)	818,555(3)	2.5	47,823
Others:			
Neuberger Berman, L.P. 605 Third Avenue New York, NY 10158	4,470,040**	14.0	
Ariel Capital Management, Inc. 200 East Randolph Drive, Suite 2900 Chicago, IL 60601	3,438,461	10.7	
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	2,757,485	8.6	

\* Less than 0.1%

\*\* Information is as of December 31, 2005

- (1) Unless otherwise noted, the mailing address of each beneficial owner is the same as that of the Registrant.
- (2) The nature of the beneficial ownership for all shares is sole voting and investment power, except as follows:
  - Ariel Capital Management, LLC ("Ariel") has no beneficial (economic) interest in any of the 3,438,461 shares. Ariel holds voting power and investment discretion solely for its clients in a fiduciary capacity as a registered investment management firm. To our knowledge, no client individually owns 5% or more of Matthews International Corporation common stock. Ariel, in its capacity as investment adviser, has sole voting power for 2,397,256 shares and sole investment discretion for 3,434,231 shares.
  - Neuberger Berman, LLC ("NB"), is a registered investment advisor. In its capacity as investment advisor, NB may have discretionary authority to dispose of or to vote shares that are under its management. As a result, NB may be deemed to have beneficial ownership of such shares. NB does not, however, have any economic interest in the shares. The clients are the actual owners of the shares and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such shares. As of December 31, 2005, of the shares set forth above, NB had shared dispositive power with respect to 4,470,040 shares, sole voting power with respect to 49,700 shares and shared voting power on 3,612,300. With regard to the shared voting power, Neuberger Berman Management, Inc. and Neuberger Berman Funds are deemed to be beneficial owners for purposes of Rule 13(d) since they have shared power to make decisions whether to retain or dispose of the securities. NB is the sub-advisor to the above referenced Funds. It should be further noted that the above mentioned shares are also included with the shared power to dispose calculation.
  - These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment advisor with power to direct investments and/or power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Price Associates has sole dispositive power for 2,757,485 shares and sole voting power for 843,585 shares.
- (3) Includes options exercisable within 60 days of November 30, 2005 as follows: Mr. Kelly, 250,666 shares; Mr. Bartolacci, 36,667 shares; Mr. DeCarlo, 68,000 shares; and all directors and officers as a group, 494,639 shares.
- (4) Represents shares of Class A Common Stock held in a deferred stock compensation account for the benefit of the director under the Company's Director Fee Plan. See "General Information Regarding Corporate Governance--Compensation of Directors."

### **Stock Ownership Guidelines**

In 1996, the Company established guidelines for stock ownership by management. These guidelines are intended to promote the alignment of the interests of management with the Company's shareholders. The guidelines provide for ownership by management of shares of the Company's Common Stock with a minimum market value ranging up to six times base salary depending upon position with the Company. Individuals are expected to achieve compliance with these guidelines within a reasonable period of time after appointment to their respective positions.

During fiscal 2005, the Company adopted guidelines for stock ownership by non-employee directors. The guidelines provide that each director maintain ownership of shares of the Company's Common Stock (either directly, through restricted shares issued under the Company's Director Fee Plan or through shares held in a deferred stock compensation account for the benefit of the director under the Company's Director Fee Plan) with a market value approximating five times the annual retainer (the annual retainer is currently \$30,000). Directors are expected to achieve compliance with these guidelines within a reasonable period of time upon becoming a director.

**COMPENSATION OF EXECUTIVE MANAGEMENT AND RETIREMENT BENEFITS**

The following table sets forth the individual compensation information for the fiscal years ended September 30, 2005, 2004 and 2003 for the Company's Chief Executive Officer and the four most highly compensated executives.

**Summary Compensation Table**

Name of Individual and Principal Position	Year	Salary	Bonus (1)	Awards Securities Underlying Options (Shares)	Payouts LTIP Payouts (2)	All Other Compensation (3)
David M. Kelly Chairman of the Board and Chief Executive Officer	2005	\$ 476,135	\$ 486,500	100,000	\$ 1,042,833	\$ 299
	2004	452,007	461,990	120,000	484,478	276
	2003	433,253	437,289	120,000	455,682	236
David J. DeCarlo Director and Vice Chairman	2005	309,072	217,582	52,000	532,560	3,718
	2004	283,600	207,382	60,000	295,841	2,233
	2003	260,865	193,906	100,000	137,987	2,083
Joseph C. Bartolacci Director, President and Chief Operating Officer	2005	243,152	153,505	50,000	145,596	1,044
	2004	203,715	129,923	40,000	98,057	13,490
	2003	175,745	94,691	40,000	98,388	37,255
Martin J. Beck President, Brand Solutions	2005	250,000	150,000	-	-	3,564
Ralph W. Murray Chairman of the Board of Advisors, The Cloverleaf Group, Inc.	2005	247,154	150,000	-	-	10,531

(1) Includes the current portion of management incentive plan and supplemental management incentive payments. The Company has adopted a management incentive plan for officers and key management personnel. Participants in such plan are not eligible for the Company's profit distribution plan. The incentive plan is based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. See Long-Term Incentive Plans - Awards in Last Fiscal Year table. In addition, some or all of the current portion of management incentive plan and supplemental management incentive payments shown in the summary compensation table may have been deferred by the Company under the deferred compensation provisions of the management incentive plan.

(2) Represents payments of deferred amounts under the management incentive plan. Some or all of these LTIP payouts may have been further deferred by the Company under the deferred compensation provisions of the management incentive plan.

(3) Includes premiums for term life insurance. Each officer of the Company is provided term life insurance coverage in amounts in excess of the Company's standard group term coverages. Amounts reported in this column include only



life insurance benefit costs, except for Mr. Bartolacci. The amount reported in this column in fiscal years 2004 and 2003 for Mr. Bartolacci include supplemental compensation of \$12,924 and \$36,742, respectively, to cover expenses while on an international assignment.

The Summary Compensation Table does not include expenses of the Company for incidental benefits of a limited nature to executives, including the use of Company vehicles, club memberships, dues, or tax planning services. The Company believes such incidental benefits are in the conduct of the Company's business; but, to the extent such benefits and use would be considered personal benefits, the value thereof is not reasonably ascertainable and does not exceed, with respect to any individual named in the Summary Compensation Table, the lesser of \$50,000 or 10% of the annual compensation reported in such table.

### Long-Term Incentive Plans - Awards in Last Fiscal Year

Name	Number of Shares or Other Rights	Performance or Other Period Until Maturity or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans
D.M. Kelly	-	2 Years	\$ 446,456
D.J. DeCarlo	-	2 Years	719,286
J.C. Bartolacci	-	2 Years	98,318
M.J. Beck	-	N/A	N/A
R.W. Murray	-	N/A	N/A

The Company has a management incentive plan based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. Payment of these amounts may be subject to further deferral by the Company under the deferred compensation provisions of the management incentive plan.

### Option/SAR Grants in Last Fiscal Year

Name	Number of Securities	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price per Share	Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation	
					5%	10%
D.M. Kelly	100,000	22.1%	\$ 36.03	11/16/14	\$ 2,265,592	\$ 5,741,458
D.J. DeCarlo	52,000	11.5	36.03	11/16/14	1,178,108	2,985,558
J.C. Bartolacci	50,000	11.0	36.03	11/16/14	1,132,796	2,870,729
M.J. Beck	-	-	-	-	-	-

R.W. Murray

(1) All options were granted at market value as of the date of grant. Options are exercisable in various share amounts based on the attainment of certain market value levels of Common Stock, but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. In addition, except for the options granted to Mr. Kelly and Mr. DeCarlo, options vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the certain market value levels described above). The options are not exercisable within six months from the date of grant and expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with consent of the Company), retirement or death.

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values**

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options			
	Shares Acquired On Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
D.M. Kelly	74,667	\$ 1,715,970	126,667	390,666	\$ 1,553,472	\$ 5,188,213
D.J. DeCarlo	118,000	2,729,536	12,667	246,666	188,992	3,174,388
J.C. Bartolacci	-	-	13,333	146,000	278,700	1,571,125
M.J. Beck	-	-	-	-	-	-
R.W. Murray	-	-	-	-	-	-

## **Report of the Compensation Committee**

The Company's executive compensation policies are administered by the Compensation Committee of the Board of Directors. The Committee consists of three independent, non-employee directors: Messrs. Stallkamp (Chairman), Kavanaugh and Turner. Executive compensation for the Company's Chief Executive Officer and the four other most highly compensated executives is presented in the Summary Compensation Table.

### Objectives and Policies

The Compensation Committee seeks to:

- . Ensure that there is a strong linkage between executive compensation and the creation of shareowner value;
- . Align the interests of the Company's executives with those of its stockholders through potential stock ownership;
- . Ensure that compensation and incentives are at levels that enable the Company to attract and retain high-quality executives.

### Compensation Philosophy

The company maintains a compensation philosophy that targets fixed compensation (i.e., base salaries) at the median of comparable companies, with greater emphasis placed on variable components of pay. We define the competitive market for executive pay to include companies of similar size and scope to Matthews.

### Components of Compensation

The Company's executive compensation program presently is comprised of three elements: base salary, annual incentives (bonuses) and stock options. An independent executive compensation consulting firm is periodically engaged to provide comparative market compensation data.

### Base Salary

The objective of the base salary policy is to target compensation at the median level in comparison to the market and to reflect individual performance when determining actual pay. An outside consulting firm specializing in such services is retained periodically to compare executives' salaries with other executives at corporations whose annual revenues are similar in size to Matthews. Accordingly, base salaries of executives for calendar 2005 were increased over calendar 2004 to reflect competitive market pay practices.

### Annual Incentive Compensation (Bonuses)

Annual incentive payments paid to executives in 2005 were based upon the improvement in economic value added over the prior two years' base. Economic value added is defined for this purpose as operating profit less the associated capital cost of operating assets. The incentive pools are determined based upon a percentage of absolute economic value added plus a percentage of the incremental economic value added over a two-year base. The incentive pools are distributed to individuals based upon each participant's target incentive and performance relative to achievement of personal goals. Earned incentive awards that exceed target levels are deferred and paid in the subsequent two fiscal years. Payment of deferred amounts may be subject to further deferral by the Company under the deferred compensation provisions of the management incentive plan. In 2005, certain executives received a payout of fifty percent of incentive award amounts earned and deferred from fiscal years 2004 and 2003. The remaining fifty percent earned in fiscal 2004 is payable in 2006 contingent upon economic value added performance and continued employment (except in the event of death or retirement) during fiscal 2006.

In fiscal 2005, certain executives earned incentive awards in excess of target levels. Amounts in excess of target have been deferred and are payable contingent upon economic value added performance and continued employment (except in the event of death or retirement) during fiscal years 2006 and 2007.

#### Stock Options

Stock options, which are an integral part of incentive compensation for the executives of the Company, serve to encourage share ownership by Company executives and thus align the interests of executive management and shareholders. The Stock Compensation Committee (Messrs. Stallkamp, Kavanaugh and Turner) approves periodic grants of stock options to executives and other key employees of the Company to foster a commitment to increasing long-term shareholder value. An outside consulting firm specializing in such services was retained in fiscal 2005 to provide guidance on executives' stock options compared with other executives at corporations whose annual revenues are similar in size to Matthews. During fiscal 2005, certain executives and other personnel were granted nonstatutory stock options to purchase a combined total of 453,200 shares of the Company's stock at fair market value at the time of the grants.

#### Report on 2005 CEO Compensation

The Chief Executive Officer's compensation is established based on the philosophy and policies enunciated above for all executive management. This includes cash compensation (base salary and annual cash incentive payouts) and long-term incentives (stock option awards). In calendar 2005, Mr. Kelly's base salary was increased 5.7 percent. Mr. Kelly's annual incentive paid in 2005 was based upon the annual incentive plan described above. Mr. Kelly was granted 100,000 non-statutory stock options in fiscal 2005 under the 1992 Stock Incentive Plan to further align his long-term interests with those of the Company's shareholders.

#### Tax Policy

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") disallows federal income tax deductions for compensation paid to the Chief Executive Officer and any of the other four highest compensated executives in excess of \$1 million in any taxable year, subject to certain exceptions. One exception involves compensation paid pursuant to shareholder-approved compensation plans that are performance-based. Certain of the provisions in the Company's 1992 Stock Incentive Plan, as amended, are intended to cause grants of stock options under such plan to be eligible for this performance-based exception (so that compensation upon exercise of such options should be deductible under the Code). Payments of cash compensation to executives (and certain other benefits which could be awarded under the plan, such as restricted stock) are not at present eligible for this performance-based exception. The Committee has taken and intends to continue to take whatever actions are necessary to minimize, if not eliminate, the Company's non-deductible compensation expense, while maintaining, to the extent possible, the flexibility which the Committee believes to be an important element of the Company's executive compensation program. Compensation paid to the Chief Executive Officer and any of the other four highest compensated executives has not exceeded \$1 million in any taxable year.

Compensation Committee:

W.J. Stallkamp, Chairman

R.J. Kavanaugh

J.D. Turner

November 15, 2005

**COMPARISON OF FIVE-YEAR CUMULATIVE RETURN \*  
AMONG MATTHEWS INTERNATIONAL CORPORATION,  
S&P 500 INDEX AND S&P SMALLCAP 600 INDEX \*\***

<u>Year</u>	<u>Matthews</u>	<u>S&amp;P 500</u> <u>Index</u>	<u>S&amp;P Small</u> <u>Cap Index</u>
2000	100	100	100
2001	151	74	90
2002	161	59	89
2003	182	73	114
2004	235	83	144
2005	263	93	176

\* Total return assumes dividend reinvestment

\*\* Fiscal year ended September 30

**Note:**

Performance graph assumes \$100 invested on October 1, 2000 in Matthews International Corporation Common Stock, Standard & Poor's (S&P) 500 Index and S&P SmallCap 600 Index. The results are not necessarily indicative of future performance.

**Retirement Plans**

The Company's domestic retirement plan is noncontributory and provides benefits based upon length of service and final average earnings. Generally, employees age 21 with one year of continuous service are eligible to participate in the retirement plan. The benefit formula is 3/4 of 1% of the first \$550 of final average monthly earnings plus 1-1/4% of the excess times years of credited service (maximum 35 years). The plan is a defined benefit plan and covered compensation is limited generally to base salary or wages. Benefits are not subject to any deduction or offset for Social Security.

In addition to benefits provided by the Company's retirement plan, the Company has a Supplemental Retirement Plan, which provides for supplemental pension benefits to executive officers of the Company designated by the Board of Directors. Upon normal retirement under this plan, such individuals who meet stipulated age and service requirements are entitled to receive monthly supplemental retirement payments which, when added to their pension under the Company's retirement plan and their maximum anticipated Social Security primary insurance amount, equal, in total, 1.85% of final average monthly earnings (including incentive compensation) times the individual's years of continuous service (subject to a maximum of 35 years). Upon early retirement under this plan, reduced benefits will be provided, depending upon age and years of service. Benefits under this plan do not vest until age 55 and the attainment of 15 years of continuous service. However, in order to recruit Mr. Kelly, the Company waived such minimum service requirement with respect to Mr. Kelly. No benefits will be payable under such supplemental plan following the voluntary employment termination or death of any such individual. The Company has established a non-revocable trust to fund the Supplemental Retirement Plan, and a provision has been made on the Company's books for the actuarially computed obligation.

The following table shows the total estimated annual retirement benefits payable at normal retirement under the above plans for the individuals named in the Summary Compensation Table at the specified executive remuneration and years of continuous service:

Covered Remuneration	<u>Years of Continuous Service</u>				
	15	20	25	30	35
\$ 150,000	\$ 41,625	\$ 55,500	\$ 69,375	\$ 83,250	\$ 97,125
200,000	55,500	74,000	92,500	111,000	129,500
250,000	69,375	92,500	115,625	138,750	161,875
300,000	83,250	111,000	138,750	166,500	194,250
400,000	111,000	148,000	185,000	222,000	259,000
500,000	138,750	185,000	231,250	277,500	323,750
600,000	166,500	222,000	277,500	333,000	388,500
700,000	194,250	259,000	323,750	388,500	453,250
800,000	222,000	296,000	370,000	444,000	518,000
900,000	249,750	333,000	416,250	499,500	582,750
1,000,000	277,500	370,000	462,500	555,000	647,500

The table shows benefits at the normal retirement age of 65, before applicable reductions for social security benefits. The Employee Retirement Income Security Act of 1974 places limitations, which may vary from time to time, on pensions which may be paid under federal income tax qualified plans, and some of the amounts shown on the foregoing table may exceed the applicable limitation. Such limitations are not currently applicable to the Company's Supplemental Retirement Plan.

Estimated years of continuous service for each of the individuals named in the Summary Compensation Table, as of October 1, 2005 and rounded to the next higher year, are: Mr. Kelly, 11 years; Mr. DeCarlo, 21 years; and Mr. Bartolacci, 9 years. Messrs. Beck and Murray are not participants in the Company's principal U.S. retirement plans.



## **AUDIT COMMITTEE MATTERS**

### **Report of the Audit Committee**

The Audit Committee of Matthews International Corporation is composed of three independent directors. The Committee operates under a written charter adopted by the Company's Board of Directors.

Management of the Company has the primary responsibility for preparing the financial statements, establishing the system of internal controls, and assessing the effectiveness of the Company's internal control over financial reporting. The Audit Committee is responsible for reviewing the Company's financial reporting process on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61, "Communication With Audit Committees", SAS No. 90, "Audit Committee Communications", and such other matters as are required to be discussed under the standards of the Public Company Accounting and Oversight Board.

The Company's independent registered public accounting firm also provided to the Committee the written disclosures required by Independence Standards Board Standard No. 1, "Independence Discussions With Audit Committees," and the Committee discussed with the independent registered public accounting firm that firm's independence.

The Committee discussed with the Company's independent registered public accounting firm and internal auditors the overall scope and plan for their respective audits. The Committee meets with the independent registered public accounting firm and internal auditors to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based on the Committee's discussions referred to above and the Committee's review of the report of the independent registered public accounting firm on the consolidated financial statements of the Company for the year ended September 30, 2005, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005 for filing with the Securities and Exchange Commission.

Audit Committee:

R.J. Kavanaugh, Chairman

J.P. O'Leary, Jr.

W.J. Stallkamp

December 5, 2005

**Relationship with Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP ("PwC") has been the independent registered public accounting firm performing the audits of the consolidated financial statements of the Company since 1983. PwC periodically changes the personnel assigned to the annual audit engagements. In addition to performing the audit of the Company's consolidated financial statements, PwC provided various other services during fiscal 2005 and 2004. The aggregate fees (including out-of-pocket expenses) billed for fiscal 2005 and 2004 for each of the following categories of services are set forth below. Audit fees for the year ended September 30, 2005 also include fees for services related to the Company's compliance with Section 404 of the Sarbanes-Oxley Act.

	2005	2004
Audit fees (includes audits and reviews of the Company's fiscal 2005 and 2004 financial statements)	\$890,879	\$391,479
Audit-related fees (primarily acquisition related work and audits of the Company's various employee benefit plans)	120,920	220,266
Tax fees	112,283	120,384
All other fees	-	-

All services provided by PwC for significant audit, audit-related, tax and other services are approved in advance by the Audit Committee. Fees for the annual audit, including quarterly financial reviews, are approved by the Audit Committee upon appointment of the Company's independent registered public accounting firm. Other services are approved in advance on a specific project basis during the year. Examples of such projects include acquisition due diligence and tax assistance engagements. Where approval in advance by the Audit Committee is not practical due to time constraints, management provides a written description of the engagement to the Chairman of the Audit Committee and obtains the Chairman's approval prior to proceeding with the engagement. Ratification of such services by the full Audit Committee is obtained at the next scheduled Audit Committee meeting. The Company's independent registered public accounting firm provides a summary of audit and other services and related fees to the Audit Committee at each of its regularly scheduled Committee meetings. The summary includes, by individual project, total estimated fees, actual fees incurred to date and an estimate of fees to complete each project. The Audit Committee has also considered whether the provision of non-audit services by PwC is compatible with maintaining the independence of PwC.

**CERTAIN TRANSACTIONS**

In July 2005, Matthews acquired certain assets of Milso Industries ("Milso"), and Harry A. Pontone, one of the owners of Milso, was appointed President of Matthews' Casket Division. Mr. Pontone's son and three of his brothers were also owners of Milso. The cash purchase price paid for the assets of Milso was approximately \$95.0 million, with potential additional consideration of up to \$7.5 million based upon fiscal 2006 performance of the acquired operations. In connection with the acquisition, the Company entered into an employment agreement with Mr. Pontone. The agreement has a five-year term at an annual base salary of not less than \$400,000. Mr. Pontone's son and two of his brothers also entered into five-year employment agreements, each with an annual base salary of \$100,000. Additionally, the employment agreements provide for a total annual compensation pool (base salary and bonus) of \$1,750,000 for the four aforementioned individuals, and an additional three relatives of Mr. Pontone who are also employed by the Company, for a period of five years. Under the terms of the employment agreements, additional amounts can be earned based on the performance of the Company's casket operations during the term of the

agreements.

In connection with the Milso acquisition, the Company leases manufacturing and warehouse facilities from entities in which Harry A. Pontone and three of his brothers have an ownership interest. During fiscal 2005, the Company paid rent under the leases of \$250,956.

During fiscal 2005, Franz J. Schwarz, Managing Director-Graphics Europe, was a 30% owner of S+T Gesellschaft Fur Reprotechnik GmbH ("S+T GmbH"), a German graphics business in which the Company owned a 50% interest. On September 30, 2005, the Company acquired Mr. Schwarz's 30% interest for a price of \$8.3 million. Additionally, Mr. Schwarz's son owns a 20% interest in S+T GmbH. During fiscal 2005, S+T GmbH paid dividends to Mr. Schwarz and his son of \$1,510,389 and \$1,006,926, respectively.

In July 2004, the Company acquired substantially all of the assets of The Cloverleaf Group, L.P. ("Cloverleaf") at a cost of approximately \$34.0 million, with potential additional consideration contingent upon the future growth in value of the acquired operations. Martin J. Beck and Ralph W. Murray were shareholders of Cloverleaf. In connection with the acquisition, the Company entered into employment agreements with Messrs. Beck and Murray. Each agreement has a three-year term at an annual base salary of not less than \$250,000. If employment is terminated by the Company without cause prior to the expiration of the employment agreement, the employee is entitled to salary continuation during the remaining term of the agreement. Additionally, in connection with the Cloverleaf acquisition, the Company entered into two facility leases with an entity whose owners include Mr. Murray and several members of Mr. Murray's immediate family. During fiscal 2005, the Company paid rent under the leases of \$300,000.

#### **COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT**

Based solely upon a review of Forms 3 and 4 and amendments thereto, if any, furnished to the Company during its most recent year and representations from reporting persons that no Forms 5 were required, all forms were filed timely.

#### **SHAREHOLDER PROPOSALS FOR 2007 ANNUAL MEETING**

Shareholders may make proposals for inclusion in the proxy statement and proxy form for the 2007 Annual Meeting of Shareholders. To be considered for inclusion, any such proposal should be written and mailed to the Secretary of the Company at the corporate office for receipt by September 20, 2006.

Section 2.09 of the By-laws of the Company requires that any shareholder intending to present a proposal for action at an Annual Meeting must give written notice of the proposal, containing the information specified in such Section 2.09, so that it is received by the Company not later than the notice deadline determined under such Section 2.09. This notice deadline will generally be 75 days prior to the anniversary of the Company's Annual Meeting for the previous year, or December 4, 2006 for the Company's Annual Meeting in 2007. Any shareholder proposal received by the Secretary of the Company after December 4, 2006 will be considered untimely under Rule 14a-4(c)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**OTHER MATTERS**

The cost of soliciting proxies in the accompanying form will be paid by the Company. Shareholder votes at the Annual Meeting will be tabulated by the Company's transfer agent, Computershare Investor Services LLC. A copy of the Company's Annual Report for 2005 has previously been mailed to each shareholder of record, or will be mailed with this Proxy Statement.

By Order of The Board of Directors

Steven F. Nicola  
Corporate Secretary

Exhibit A

PROXY - MATTHEWS INTERNATIONAL CORPORATION

Notice of  
ANNUAL MEETING OF SHAREHOLDERS  
To be held February 16, 2006

Sheraton Station Square Hotel  
300 West Station Square Drive  
Pittsburgh, PA

To Our Shareholders:

The Annual Meeting of the Shareholders of Matthews International Corporation will be held at 6:00 PM, Thursday, February 16, 2006 at the Sheraton Station Square Hotel, 300 West Station Square Drive, Pittsburgh, Pennsylvania, for the purpose of considering and acting upon the proposals set forth on the reverse side of this form.

Shareholders of record at the close of business on December 30, 2005 will be entitled to vote at the Annual Meeting or any adjournments thereof.

I hereby appoint David M. Kelly and Steven F. Nicola and each of them, with full power of substitution and revocation, proxies to vote all shares of Common Stock of Matthews International Corporation which I am entitled to vote at the Annual Meeting of Shareholders or any adjournment thereof, with the authority to vote as designated on the reverse side.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY  
USING THE ENCLOSED PREPAID ENVELOPE

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ANNUAL MEETING PROXY CARD

IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE LISTED PROPOSALS.

1. Election of Directors

FOR WITHHOLD

- 01 - Joseph C. Bartolacci (3 year term)
- 02 - Glenn R. Mahone (3 year term)
- 03 - William J. Stallkamp (3 year term)

FOR AGAINST ABSTAIN

- 2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the records of the Company for the fiscal year ending September 30, 2006.

- 4. To transact such other business as may properly come before the meeting.

I plan to attend the meeting.

Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee, or guardian, please give full title as such. 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.

Signature 1 - Please keep signature within the box

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Signature 2 - Please keep signature within the box

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Date (mm/dd/yyyy)

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