

UNIVERSAL SECURITY INSTRUMENTS INC
Form DEF 14A
July 29, 2008

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

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

Check the appropriate box:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the,
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| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | |
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Universal Security Instruments, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

(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 pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

UNIVERSAL SECURITY INSTRUMENTS, INC.

**7-A gwynns mill court
owings mills, maryland 21117**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD
September 8, 2008**

To the Shareholders of Universal Security Instruments, Inc.:

The Annual Meeting of Shareholders of Universal Security Instruments, Inc., a Maryland corporation (the "Company") will be held at the Pikesville Hilton, 1726 Reisterstown Road, Baltimore, Maryland, on September 8, 2008 at 8:15 a.m., local time, for the following purposes:

1. To elect one director to serve until the Annual Meeting of Shareholders to be held in 2011 and until their successors are duly elected and qualify;
2. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed July 24, 2008 as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting.

By Order of the Board of Directors

James B. Huff
Secretary

Owings Mills, Maryland
August 1, 2008

IMPORTANT - YOUR PROXY IS ENCLOSED

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN, AND MAIL THE ACCOMPANYING FORM OF PROXY TO THE COMPANY AS PROMPTLY AS POSSIBLE IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

UNIVERSAL SECURITY INSTRUMENTS, INC.

7-A gwynns mill court
owings mills, maryland 21117
(410) 363-3000

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of Universal Security Instruments, Inc., a Maryland corporation (the "Company"), in connection with the Annual Meeting of Shareholders to be held on September 8, 2008, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying notice of the meeting. The Board of Directors has fixed the close of business on July 24, 2008 as the record date (the "Record Date") for the determination of shareholders entitled to notice of, and to vote at, the meeting. On that date, there were outstanding 2,486,567 shares of the Company's Common Stock par value \$.01 per share (the "Shares").

Each record holder of Shares on the Record Date is entitled to one vote for each Share held on all matters to come before the meeting, including the election of directors. Shares may be voted in person or by proxy. The accompanying proxy may be revoked by the person giving it at any time prior to its being voted by filing a written notice of such revocation with the Secretary of the Company, by executing a proxy bearing a later date or by attending the meeting and voting in person.

BENEFICIAL OWNERSHIP

The following table reflects the names and addresses of the only persons known to the Company to be the beneficial owners of 5% or more of the Shares outstanding as of the Record Date. For purposes of calculating beneficial ownership, Rule 13d-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act") requires inclusion of Shares that may be acquired within sixty days of the Record Date. Unless otherwise indicated in the footnotes to this table, beneficial ownership of Shares represents sole voting and investment power with respect to those Shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
Harvey B. Grossblatt 7-A Gwynns Mill Court Owings Mills, MD 21117	130,401(1)	5.24%
FMR Corp. 82 Devonshire Street Boston, MA 02109	241,255	9.70%
First Manhattan Co. 437 Madison Avenue New York, NY 10022	226,325	9.10%
North Star Investment Management Corp.20 North Wacker Drive Chicago, IL 60606	151,376	6.08%
Advisory Research, Inc. 180 North Stetson Street Chicago, IL 60601	138,258	5.56%

(1)Includes 19,999 Shares which Mr. Grossblatt presently has the right to acquire through the exercise of stock options and 500 shares beneficially owned by Mr. Grossblatt's spouse.

ELECTION OF DIRECTORS

The Board of Directors currently consists of four directors. The Company's directors are divided into three classes and are elected for terms of three years each and until their successors are elected and qualify. The Board has nominated Mr. Harvey B. Grossblatt for election as director at the 2008 Annual Meeting to serve for a term of three years and until his successor is elected and qualified. A quorum for the Annual Meeting consists of a majority of the issued and outstanding Shares present in person or by proxy and entitled to vote. Under Maryland law, unless a corporation's charter or bylaws provide otherwise, directors are elected by a plurality of all votes cast at a meeting at which a quorum is present. The Company's Bylaws provide that the affirmative vote of a majority of the Shares issued and outstanding and entitled to vote is necessary for the election of directors. If no nominee receives the requisite vote, Mr. Grossblatt will continue to serve as a director until his successor is duly elected and qualified. Consequently, withholding of votes, abstentions and broker non-votes with respect to Shares otherwise present at the Annual Meeting in person or by proxy will have the effect of a vote withheld.

Unless contrary instruction is given, the persons named in the proxies solicited by the Board of Directors will vote each such proxy for the election of the named nominee. If the nominee is unable to serve, the Shares represented by all properly executed proxies which have not been revoked will be voted for the election of such substitute as the Board of Directors may recommend or the Board of Directors may reduce the size of the Board to eliminate the vacancy. At this time, the Board does not anticipate that the nominee will be unavailable to serve.

The following table sets forth, for the nominees and each continuing director, his name, age as of the Record Date, the year he first became a director of the Company, the expiration of his current term, and whether such individual has been determined by the Board to be "independent" as defined in Section 121A of the American Stock Exchange (Amex) Company Guide. There are no known arrangements or understandings between any director or nominee for director of the Company and any other person pursuant to which such director or nominee has been selected as a director or nominee.

Name	Age	Director Current Term		Independent
		Since	to Expire	
<i>Board Nominees for Term to Expire in 2011</i>				
Harvey B. Grossblatt	61	1996	2008	No
<i>Directors Continuing in Office</i>				
Ronald A. Seff, M.D.	60	2002	2009	Yes
Cary Luskin	51	2002	2010	Yes
Ira F. Bormel	47	2008	2010	Yes

Presented below is certain information concerning the nominees and directors continuing in office. Unless otherwise stated, all directors and nominees have held the positions indicated for at least the past five years.

Harvey B. Grossblatt was Chief Financial Officer of the Company from 1983 until August 2004, Secretary and Treasurer of the Company from 1988 until August 2004, Chief Operating Officer of the Company from April 2003 through August 2004, and Chief Executive Officer since August 2004.

Ronald A. Seff, M.D. has been in the private practice of ophthalmology since 1977. From 1977 until 1998, Dr. Seff practiced with, and was a senior executive of, a large medical practice with four offices in Maryland.

Cary Luskin has been in the retail electronic business since 1978. Since 1998, Mr. Luskin has been President of The Big Screen Store, Inc., a chain of large-screen television retail stores.

Ira F. Bormel was appointed by the Board on July 24, 2008 to serve the remaining portion of Dr. Howard B. Silverman's term of office following Dr. Silverman's passing in March 2008. Since 1999, Mr. Bormel has served as chief financial officer of Berman Enterprises LLC and related companies, a Maryland based owner, developer and manager of office and retail commercial properties. Mr. Bormel is also a former controller and chief financial officer of the Company.

CORPORATE GOVERNANCE

Board of Directors. During the fiscal year ended March 31, 2008, the Board met four times. No incumbent director attended fewer than 75% of the total number of meetings of the Board of Directors of the Company held during the year and the total number of meetings held by all committees on which the director served during such year. Board members are expected to attend the Annual Meeting of Shareholders, and all incumbent directors attended the 2007 Annual Meeting of Shareholders.

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The Board has the following committees, each of which meets at scheduled times:

Audit Committee. The Audit Committee is appointed by the Board to assist the Board in its duty to oversee the Company's accounting, financial reporting and internal control functions and the audit of the Company's financial statements. The Committee's responsibilities include, among others, direct responsibility for hiring, firing, overseeing the work of and determining the compensation for the Company's independent auditors, who report directly to the Audit Committee. The members of the Audit Committee during the fiscal year ended March 31, 2008 were Mr. Luskin (Chairman), Dr. Seff and Dr. Silverman. Effective July 24, 2008, Mr. Bormel has been appointed to the Audit Committee to replace Dr. Silverman and has also been designated to chair the Audit Committee. None of the Audit Committee members is an employee of the Company and each is independent under existing Amex and Securities and Exchange Commission (SEC) requirements. The Board has examined the SEC's definition of "audit committee financial expert" and determined that Mr. Luskin and Mr. Bormel satisfy this definition. Accordingly, Mr. Bormel has been designated by the Board as the Company's audit committee financial expert. During the fiscal year ended March 31, 2008, the Audit Committee met four times. The Board has adopted a written charter for the Audit Committee, which was included as Appendix A to the Company's Proxy Statement for the Company's 2006 Annual Meeting of Shareholders.

Nominations. The independent members of the Company's Board of Directors acts as a nominating committee for the annual selection of its nominees for election as directors, and the Board held one meeting during the 2008 fiscal year in order to make nominations for directors. The Board has not adopted a charter with respect to the nominating committee function. The Board of Directors believes that the interests of the Company's shareholders are served by relegating the nominations process to the Board members who are independent from management. While the Board will consider nominees recommended by shareholders, it has not actively solicited recommendations from the Company's shareholders for nominees, nor established any procedures for this purpose. In considering prospective nominees, the Board will consider the prospect's relevant financial and business experience, the integrity and dedication of the prospect, his independence and other factors the Board deems relevant. The Board of Directors will apply the same criteria to nominees recommended by shareholders as those recommended by the full Board. Nominations for director may be made by shareholders, provided such nominations comply with certain timing and informational requirements set forth in the Company's Bylaws. See "Other Matters" elsewhere in this Proxy Statement.

Compensation Committee. The Board's Compensation Committee consists of Mr. Luskin (Chairman), Dr. Seff and Mr. Bormel, none of whom is an employee of the Company and each of whom is independent under existing Amex and SEC requirements. The Compensation Committee is charged with reviewing and determining the compensation of the Chief Executive Officer and the other executive officers of the Company. The Board has not adopted a charter with respect to the Compensation Committee. The Compensation Committee met one time during the fiscal year ended March 31, 2008.

Director Compensation

During the Company's fiscal year ended March 31, 2008, Mr. Grossblatt, the Company's president and chief executive officer, received no additional compensation for serving as a director. Directors are eligible to participate in the Company's Non-Qualified Stock Option Plan. During the Company's fiscal year ended March 31, 2008, the Company paid to each of Mr. Luskin and Dr. Seff a \$10,000 fee for annual service as a director and \$7,500 to Dr. Silverman. Directors' compensation is payable in cash or Shares (computed at the closing price as reported by the Amex on the date of the payment).

The following table summarizes the compensation paid to directors for the fiscal year ended March 31, 2008:

Name	Fees Earned or Paid in Cash	Stock Awards	Total
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(a)	(b)	(c)	(h)
Cary Luskin	\$ 10,000	—\$	10,000
Ronald A. Seff, M.D.	\$ 10,000	—\$	10,000
Howard B. Silverman, Ph.D.	\$ 7,500	—\$	7,500

Transactions with Management

Pursuant to its written charter, the Audit Committee of the Board of Directors of the Company reviews all transactions with related persons that are required to be disclosed under applicable regulation. During the fiscal year ended March 31, 2008, there were no transactions with related persons which are required to be disclosed.

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Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that is designed to promote the highest standards of ethical conduct by the Company's directors, executive officers and employees. The Company will furnish, without charge, a copy of its Code of Business Conduct and Ethics to each shareholder who forwards a written request to the Secretary, Universal Security Instruments, Inc., 7-A Gwynns Mill Court, Owings Mills, Maryland 21117.

Communications with the Board

Any shareholder desiring to contact the Board, or any specific director(s), may send written communications to: Board of Directors (Attention: (Name(s) of director(s), as applicable)), c/o the Company's Secretary, 7-A Gwynns Mill Court, Owings Mills, Maryland 21117. Any proper communication so received will be processed by the Secretary. If it is unclear from the communication received whether it was intended or appropriate for the Board, the Secretary will (subject to any applicable regulatory requirements) use his judgment to determine whether such communication should be conveyed to the Board or, as appropriate, to the member(s) of the Board named in the communication.

INFORMATION REGARDING SHARE OWNERSHIP OF MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of the Shares as of the Record Date by (i) each executive officer of the Company named in the Summary Compensation Table included elsewhere in this Proxy Statement, (ii) each current director and each nominee for election as a director and (iii) all directors and executive officers of the Company as a group. For purposes of calculating beneficial ownership, Rule 13d-3 of the Exchange Act requires inclusion of Shares that may be acquired within sixty days of the Record Date. Unless otherwise indicated in the footnotes to this table, beneficial ownership of Shares represents sole voting and investment power with respect to those Shares.

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class
Harvey B. Grossblatt (1)	130,401	5.24%
Cary Luskin (2)	72,756	2.92%
Ronald A. Seff, M.D. (3)	81,469	3.27%
James B. Huff (4)	17,409	0.70%
Ira F. Bormel	0	0
All directors and executive officers as a group (5 persons) (5)	302,035	12.14%

(1) Includes 19,999 Shares Mr. Grossblatt has the right to acquire through the exercise of stock options.

(2) Includes 13,333 Shares Mr. Luskin has the right to acquire through the exercise of stock options.

(3) Includes 4,000 Shares Dr. Seff has the right to acquire through the exercise of stock options.

(4) Includes 9,666 Shares Mr. Huff has the right to acquire through the exercise of stock options.

(5) See footnote 1-5 above.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires that the Company's directors and executive officers and each person who owns more than 10% of the Company's Shares, file with the SEC an initial report of beneficial ownership and subsequent reports of changes in beneficial ownership of the Shares. To the Company's knowledge, based solely upon the review of the copies of such reports furnished to us, all of these reporting persons complied with the Section 16(a) filing requirements applicable to them with respect to transactions during the fiscal year ended March 31, 2008.

EXECUTIVE COMPENSATION

Introduction

The individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during the fiscal year ended March 31, 2008 as well two of the Company's most highly compensated employees whose total compensation during the fiscal year exceeded \$100,000 (listed in the Summary Compensation Table below), are referred to as the "named executive officers."

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Summary Compensation Table

The following table sets forth information regarding the total compensation paid or earned by the named executive officers as compensation for their services in all capacities during the fiscal years ended March 31, 2008 and 2007.

Name and Principal Position	Year	Base Salary \$	Bonus \$	Stock Awards \$	Option Awards \$(¹)	All Other Compensation \$	Total \$
(a)	(b)	(c)	(d)	(e)	(f)	(i)	(j)
Harvey B. Grossblatt, President and CEO	2008	343,045	0	0	0	75,509 ⁽²⁾	418,553
	2007	318,074	304,657	0	1,816,331	66,321 ⁽²⁾	2,505,293
James B. Huff, Secretary/Treasurer/CFO	2008	171,090	0	0	75,192	13,750 ⁽³⁾	260,032
	2007	149,038	10,000	0	0	13,632 ⁽³⁾	172,670
Ronald Lazarus, President/USI Electric, Inc.	2008	220,000	0	0	0	38,335 ⁽⁴⁾	258,335
	2007	220,000	112,409	0	964,206	35,466 ⁽⁴⁾	1,332,081
Philip A. Haigh VP of Consumer Sales	2008	100,154	26,724	0	146,747	11,526 ⁽⁵⁾	285,151
	2007	84,000	18,785	0	0	10,420 ⁽⁵⁾	113,205

(1) The amounts shown on the “Option Awards” column reflect the compensation cost related to stock option awards included in the Company’s financial statements for the relevant fiscal year, computed in accordance with Statement of Financial Accounting Standards No. 123(R) (“SFAS No. 123(R)”. For a discussion of valuation assumptions, see the Company’s Annual Report for the year ended March 31, 2008. While these amounts are deductible for federal income tax purposes, for financial statement purposes, these amounts are charged to additional paid-in capital. There were no stock option awards granted during 2007 or 2008. As of March 31, 2008, the aggregate number of stock options outstanding is: Harvey B. Grossblatt – 19,999; James B. Huff – 9,666; and Ronald Lazarus – 10,666.

(2) All other compensation for Mr. Grossblatt for 2008 and 2007, respectively, includes employer 401(k) contributions of \$29,500 and \$28,925, medical reimbursement and health insurance premiums of \$38,615 and \$31,473, group life and disability premiums of \$6,542 and \$4,981, and auto lease value of \$852 and \$852.

All other compensation for Mr. Huff for 2008 and 2007, respectively, includes employer match of 401(k) contributions of \$7,000 and \$5,917, group life and disability premiums of \$3,700 and \$1,715, and auto lease value or reimbursement allowance of \$3,050 and \$6,000.

(3) All other compensation for Mr. Lazarus for 2008 and 2007 respectively, includes employer match of 401(k) contributions of \$8,800 and \$8,800, medical reimbursement and health insurance premiums of \$11,797 and \$11,172, group life and disability premiums of \$5,738 and \$3,494, and auto reimbursement allowances of \$12,000 and \$12,000.

(4) All other compensation for Mr. Haigh for 2008 and 2007 respectively, includes employer match of 401(k) contributions of \$4,032 and \$3,360, medical reimbursement and health insurance premiums of \$0 and \$0, group life and disability premiums of \$2,694 and \$2,260, and auto reimbursement allowances of \$4,800 and \$4,800.

Outstanding Equity Awards at 2008 Fiscal Year End

The following table sets forth, for each of the executive officers named in the Summary Compensation Table, information with respect to unexercised options as of the Company’s fiscal year ended March 31, 2008:

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
(a)			(e)	(f)

	Exercisable (1)	Unexercisable		
	(b)	(c)		
	13,333	0	11.27	3/22/2010
Harvey B. Grossblatt	6,666	0	16.09	3/23/2011
	0	1,666 ⁽¹⁾	7.68	8/30/2009
	4,000	0	11.27	3/22/2010
James B. Huff	4,000	0	16.09	3/23/2011
	6,666	0	11.27	3/22/2010
Ronald Lazarus	4,000	0	16.09	3/23/2011
	1,333	0	11.27	3/22/2010
Manny Pacheco	1,333	0	16.09	3/23/2011

(1) These options vest on September 1, 2008.

401(k) Plan

The Company has a defined contribution profit sharing plan covering eligible employees. The Plan is voluntary with respect to participation and is subject to the provisions of ERISA. The plan provides for participant contributions of up to 25% of annual compensation, as defined by the plan. The Company contributes an amount equal to a match of the first three percent (3%) contributed by the employee plus fifty percent (50%) of the next two percent (2%) contributed by the employee with a maximum contribution of four percent (4%). The Company may contribute an additional amount from its profits as authorized by the Board of Directors. The Company made no additional contributions in 2008. Participants in the plan are immediately vested in their and the Company's contributions, plus actual earnings thereon. The Company's 2008 contributions to the plan on behalf of named executive officers are included in the "All Other Compensation" column in the "Summary Compensation Table" above.

Executive Employment Agreements

The Chief Executive Officer's compensation is governed largely by his employment agreement with the Company, originally effective April 1, 2002, as amended. The current employment agreement expires on July 31, 2009. The employment agreement currently provides that Mr. Grossblatt's base annual salary beginning July 18, 2005 was \$300,000, increased to \$325,000 on August 1, 2006, and increasing to \$350,000 on August 1, 2007. Additionally, Mr. Grossblatt is entitled to bonus compensation for each fiscal year of the Company in which the Company earned pre-tax net income in excess of an amount equal to 8% of shareholders' equity as of the start of the fiscal year, as follows: 3% of all (after the 8% threshold) pre-tax net income up to \$1 million, 4% of pre-tax net income from \$1-\$2 million, 5% of pre-tax net income from \$2-\$3 million, 6% of pre-tax net income from \$3-\$4 million, 7% of pre-tax net income over \$4 million. Mr. Grossblatt is also entitled to life, health and disability insurance benefits, medical reimbursement, automobile allowance, and Company paid retirement plan contributions.

If the Employment Agreement is not renewed by the Company or is terminated by Mr. Grossblatt for good reason, Mr. Grossblatt is entitled to receive his compensation through any balance of the employment term plus a lump sum payment equal to his last 12 months base salary and bonus, health benefits for three years, and an additional lump sum payment payable on each of the first three anniversaries of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company.

If Mr. Grossblatt's employment is terminated following or in anticipation of a "change of control" of the Company, Mr. Grossblatt will be entitled to receive a lump sum payment equal to his base salary for the balance of the Employment Agreement's term and the amount of Mr. Grossblatt's last bonus. In addition, Mr. Grossblatt is entitled to receive health benefits for three years, and an additional lump sum payment payable on the anniversary of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company. Furthermore, Mr. Grossblatt will receive an amount equal to three times his base salary for the last 12 months and the amount of his last bonus, limited to 2.99 times Mr. Grossblatt's average annual taxable compensation from the Company which is included in his gross income for the five taxable years of the Company ending before the date on which the change of control occurs.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's death, Mr. Grossblatt's estate is entitled to receive a lump sum payment equal to his base salary for the greater of the balance of the Employment Agreement's term or one year, reduced by any individual life insurance benefits the premiums for which are paid for by the Company, plus the amount of his last bonus and the amount of the Company's last 401(k) plan contribution made on behalf of Mr. Grossblatt. In addition, Mr. Grossblatt's estate is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the term or three years following the date of death, or the cash equivalent thereof.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's disability, Mr. Grossblatt is entitled to the continuation of the payment of his base salary for the balance of the term, reduced by any group or individual disability income insurance benefits the premiums for which are paid for by the Company and Social Security disability benefits paid to Mr. Grossblatt. In addition, Mr. Grossblatt is entitled to the health insurance and medical reimbursement benefits and a payment equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company, for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

The Employment Agreement generally prohibits Mr. Grossblatt from competing with the Company during the term and during any subsequent period during which he receives compensation from the Company.

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Potential Payments upon Termination or Change in Control

The table below shows the estimated incremental value transfer to Harvey B. Grossblatt, the only named executive officer who is contractually entitled to compensation upon termination or a change in control, under various scenarios relating to a termination of employment. Please refer to the discussion titled “Executive Employment Agreements”, above, in this Executive Compensation Section for a description of the circumstances that would trigger payments and benefits upon termination or a change in control. The tables below assume that such termination occurred on March 31, 2008, the last day of the Company’s 2008 fiscal year. The Company’s stock price on the last business day of its 2008 fiscal year was \$6.45. The actual amounts that would be paid to any named executive officer can only be determined at the time of an actual termination of employment and would vary from those listed below. The estimated amounts listed below are in addition to any other benefits that are available to employees generally.

	Non Renewal	Resignation for Good Reason	Termination Following Change in Control ⁽¹⁾	Death	Disability
Severance	\$ 654,657 ⁽²⁾	\$ 1,121,324 ⁽²⁾	\$ 1,821,324 ⁽⁵⁾	\$ 154,657 ⁽⁶⁾	\$ 146,667 ⁽⁸⁾
Health Benefits	\$ 115,845 ⁽³⁾	\$ 115,845 ⁽³⁾	\$ 115,845 ⁽³⁾	\$ 115,845 ⁽⁷⁾	\$ 115,845 ⁽⁹⁾
401(k) Contribution	\$ 88,500 ⁽⁴⁾	\$ 88,500 ⁽⁴⁾	\$ 88,500 ⁽⁴⁾	\$ 29,500	\$ 88,500 ⁽¹⁰⁾
Tax gross up	—	—	\$ 1,407,668	—	—

(1) Limited to 2.99 times Mr. Grossblatt’s average annual taxable compensation from the Company which is included in his gross income for the five taxable years of the Company ending before the date on which the change of control occurs.

(2) Lump sum payment equal to Mr. Grossblatt’s last 12 months base salary and bonus.

(3) The aggregate of the health benefits for the first three years following the termination.

(4) The aggregate of the respective annual lump sum payments, payable on each of the first three anniversaries of the termination, equal to the 401(k) plan contribution the Company would have made on behalf of the Company had Mr. Grossblatt remained employed by the Company.

(5) Lump sum payment equal to Mr. Grossblatt’s annual base salary for the balance of the employment period and last bonus, plus three times Mr. Grossblatt’s last 12 months base salary and bonus.

(6) Mr. Grossblatt’s estate is entitled to receive a lump sum payment equal to his base salary for the greater of the balance of the employment term or one year, reduced by any individual life insurance benefits the premiums for which are paid for by the Company, plus the amount of his last bonus and the amount of the Company’s last 401(k) plan contribution made on his behalf.

(7) Mr. Grossblatt’s estate is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the employment term or three years following the date of death, or the cash equivalent thereof.

(8) Mr. Grossblatt is entitled to the continuation of the payment of his base salary for the balance of the term, reduced by any group or individual disability income insurance benefits the premiums for which are paid for by the Company and Social Security disability benefits paid to Mr. Grossblatt.

(9) Mr. Grossblatt is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

(10) Mr. Grossblatt is entitled to a payment equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company, for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

Equity Compensation Plan Information

The following table provides information, as of March 31, 2008, with respect to all compensation arrangements maintained by the Company, including individual compensation arrangements, under which Shares are authorized for issuance. The weighted-average exercise price does not include restricted stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	88,921	\$ 12.93	4,232
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	88,921	\$ 12.93	4,232

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the annual audited financial statements of the Company and its subsidiaries.

The Audit Committee has discussed with Grant Thornton LLP, the independent auditors for the Company for the fiscal year ended March 31, 2008, the matters required to be discussed by Statement on Auditing Standards 61. The Board of Directors has received the written disclosures and the letter from the independent auditors required by Independent Standards Board Standard No. 1 and has discussed with the independent auditors the independent auditors' independence.

Based on the foregoing review and discussions, the Board of Directors approved the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008 for filing with the Securities and Exchange Commission.

The Audit Committee

Cary Luskin
Ronald A. Seff, M.D.

INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has selected the firm of Grant Thornton LLP as the Company's independent public accountants for the current fiscal year. Grant Thornton LLP has served as the Company's independent public accountants since 1999. Representatives of Grant Thornton LLP are expected to be present at the meeting, and will have the opportunity

to make a statement if they desire to do so and to respond to appropriate questions.

The following is a description of the fees billed to the Company by Grant Thornton LLP (the “Auditor”) during the fiscal years ended March 31, 2008 and 2007:

Audit Fees

Audit fees include fees paid by the Company to the Auditor in connection with the annual audit of the Company’s consolidated financial statements, and review of the Company’s interim financial statements. Audit fees also include fees for services performed by the Auditor that are closely related to the audit and in many cases could only be provided by the Auditor. Such services include consents related to Securities and Exchange Commission and other regulatory filings. The aggregate fees for audit services rendered to the Company for the years ended March 31, 2008 and 2007 totaled \$163,275 and \$162,000, respectively.

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Audit Related Fees

Audit related services include due diligence services related to accounting consultations, internal control reviews and employee benefit plan audits. There were no audit related services provided in either year.

Tax Fees

Tax fees include corporate tax compliance, advisory and planning services. The aggregate fees billed to the Company by the Auditor for the tax related services rendered to the Company for the years ended March 31, 2008 and 2007 totaled \$0 and \$0, respectively.

Approval of Independent Auditor Services and Fees

The Company's Audit Committee reviews all fees charged by the Company's independent auditors, and actively monitors the relationship between audit and non-audit services provided. The Audit Committee must pre-approve all audit and non-audit services provided by the Company's independent auditors and fees charged.

OTHER MATTERS

The Board of Directors is not aware of any other matter which may be presented for action at the 2008 Annual Meeting of Shareholders, but should any other matter requiring a vote of the shareholders arise at the 2008 Annual Meeting, it is intended that the proxies will be voted with respect thereto in accordance with the best judgment of the person or persons voting the proxies, discretionary authority to do so being included in the proxy.

The cost of soliciting proxies will be borne by the Company. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Shares held of record by such persons, and the Company will reimburse them for their reasonable out-of-pocket expenses. Officers and directors may also solicit proxies.

As a matter of policy, the Company will accord confidentiality to the votes of individual shareholders, whether submitted by proxy or ballot, except in limited circumstances, including any contested election, or as may be necessary to meet legal requirements. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Company and will determine whether or not a quorum is present. Abstentions will be treated as Shares that are present and entitled to vote for purposes of determining the presence of a quorum but as unvoted for purposes of determining the approval of any matter submitted to the shareholders for a vote. If a broker indicates on the proxy that it does not have discretionary authority as to certain Shares to vote on a particular matter, those Shares will not be considered as present and entitled to vote with respect to that matter.

Any shareholder desiring to present a proposal at the 2009 Annual Meeting of Shareholders and wishing to have that proposal included in the proxy statement for that meeting must submit the same in writing to the Secretary of the Company at 7-A Gwynns Mill Court, Owings Mills, Maryland 21117, in time to be received by April 3, 2009. In addition, if a shareholder desires to bring business (including director nominations) before the 2009 Annual Meeting of Shareholders that is not the subject of a proposal timely submitted for inclusion in the Company's Proxy Statement, written notice of such business, as currently prescribed in the Company's Bylaws, must be received by the Company's Secretary between March 3, 2009 and April 3, 2009. For additional requirements, a shareholder should refer to Article I, Section 8 of the Company's Bylaws, "Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals," a copy of which may be obtained from the Company's Secretary or from the Company's SEC filings. If the Company does not receive timely notice pursuant to the Bylaws, the nomination or proposal will be excluded from consideration at the meeting.

The persons designated by the Company to vote proxies given by shareholders in connection with the Company's 2009 Annual Meeting of Shareholders will not exercise any discretionary voting authority granted in such proxies on any matter not disclosed in the Company's 2009 proxy statement with respect to which the Company has received written notice no later than June 17, 2009 that a shareholder (i) intends to present such matter at the 2009 Annual Meeting, and (ii) intends to and does distribute a proxy statement and proxy card to holders of such percentage of the Shares required to approve the matter. If a shareholder fails to provide evidence that the necessary steps have been taken to complete a proxy solicitation on such matter, the Company may exercise its discretionary voting authority if it discloses in its 2009 proxy statement the nature of the proposal and how it intends to exercise its discretionary voting authority.

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Shareholders who do not plan to attend the Annual Meeting are urged to complete, date, sign and return the enclosed proxy in the enclosed envelope, to which no postage need be affixed if mailed in the United States. Prompt response is helpful and your cooperation will be appreciated.

By Order of the Board of Directors,

JAMES B. HUFF

Secretary

Owings Mills, Maryland

August 1, 2008

THE COMPANY WILL FURNISH, WITHOUT CHARGE, A COPY OF ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED MARCH 31, 2008, TO EACH SHAREHOLDER WHO FORWARDS A WRITTEN REQUEST TO THE SECRETARY, UNIVERSAL SECURITY INSTRUMENTS, INC., 7-A GWYNNS MILL COURT, OWINGS MILLS, MARYLAND 21117.

To the extent the rules and regulations adopted by the SEC state that certain information included in this Proxy Statement is not deemed “soliciting material” or “filed” with the SEC or subject to Regulation 14A promulgated by the SEC or to the liabilities of Section 18 of the Exchange Act, such information shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Exchange Act.

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PROXY

UNIVERSAL SECURITY INSTRUMENTS, INC.

7-A Gwynns Mill Court
Owings Mills, Maryland 21117

This Proxy is Solicited on Behalf of the Board of Directors of Universal Security Instruments, Inc. The undersigned hereby appoints Harvey B. Grossblatt as proxy, with the power of substitution, to vote as designated below all of the shares the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at the Pikesville Hilton, 1726 Reisterstown Road, Baltimore, Maryland, on September 8, 2008 at 8:15 a.m., prevailing local time, and any adjournments or postponements thereof, and otherwise to represent the undersigned at the meeting, with all powers possessed by the undersigned if personally present at the meeting.

1. ELECTION OF DIRECTORS: FOR all nominees listed below
(except as set forth to the contrary below)

WITHHOLD AUTHORITY to vote for all nominees listed below

Mr. Harvey B. Grossblatt

The terms of the elected Directors expire at the 2011 annual meeting and when their successors are elected and qualify.

(INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name on the space provided below.)

2. In their discretion, the proxies are authorized to vote upon any other business which properly comes before the meeting and any adjournments or postponements thereof.

[REVERSE SIDE OF PROXY CARD]

This proxy, when properly executed, will be voted in the manner directed hereby by the undersigned share-holders. If no direction is made, this proxy will be voted in favor of all nominees and in the discretion of the proxies upon any other business which properly comes before the meeting.

Please sign exactly as your name appears on your proxy card. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

PLEASE MARK, SIGN, DATE AND MAIL THE CARD IN THE ENCLOSED ENVELOPE.

DATED: _____, 2008
Signature _____

DATED: _____, 2008
Signature _____