

LYDALL INC /DE/  
Form DEF 14A  
March 17, 2015

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

## SCHEDULE 14A

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

## Lydall, Inc.

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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## NOTICE OF ANNUAL MEETING

To: The Owners of Lydall, Inc. Common Stock

You are cordially invited to attend the Annual Meeting of Stockholders.

**Location:** Hilton Hartford, 315 Trumbull Street, Hartford, CT 06103  
**Date:** Friday, April 24, 2015  
**Time:** 9:00 a.m.

The Annual Meeting of Stockholders will be held for the purposes of:

1. Electing the eight nominees named in the proxy statement to serve as Directors until the annual meeting of stockholders to be held in 2016 and until their successors are elected and qualified;
2. Approving the Restated Certificate of Incorporation;
3. Holding an advisory vote on executive compensation;
4. Ratifying the appointment of PricewaterhouseCoopers LLP as independent auditors for fiscal year 2015; and
5. Transacting any other business that may properly come before the Annual Meeting.

All stockholders are invited to attend the Annual Meeting. However, whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. Therefore, we urge you to vote promptly and submit your proxy by telephone, via the Internet, or by signing, dating and returning the enclosed proxy card in the enclosed prepaid envelope. If you decide to attend the Annual Meeting, you have the right to vote in person even if you have previously submitted your proxy. If you hold your stock in street name, you should follow the voting instructions provided by your bank, broker or other nominee.

Sincerely,

Chad A. McDaniel  
*Vice President, General Counsel and Secretary*

Manchester, CT  
March 17, 2015

## IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 24, 2015.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING

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This proxy statement, along with the Lydall, Inc. 2014 Annual Report and Form 10-K, are available free of charge on our website at: [www.lydall.com](http://www.lydall.com) and by clicking on Investor Relations

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## PROXY STATEMENT

## GENERAL INFORMATION

This proxy statement of Lydall, Inc. ( Lydall or the Company or us or our ), a Delaware corporation, is being mailed otherwise furnished to stockholders on or about March 17, 2015 in connection with the solicitation by the Board of Directors (the Board ) of Lydall of proxies to be voted at the 2015 Annual Meeting of Stockholders (the Annual Meeting ). The Annual Meeting will be held on April 24, 2015, at 9:00 a.m. at the Hilton Hartford, 315 Trumbull Street, Hartford, CT 06103.

At the Annual Meeting, the stockholders will consider and vote upon the following proposals put forth by the Board:

1. To elect the eight nominees named in the proxy statement to serve as Directors until the next annual meeting of Stockholders to be held in 2016 and until their successors are elected and qualified;
2. To approve the Restated Certificate of Incorporation;
3. To hold an advisory vote on executive compensation; and
4. To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2015.

The Board recommends that you vote **FOR** the nominees for election to the Board named in the proxy, **FOR** the Restated Certificate of Incorporation, **FOR** the advisory vote on executive compensation and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors.

The Board knows of no other matter to be presented at the Annual Meeting and the deadline for stockholders to submit proposals or nominations has passed. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted in accordance with the judgment of those individuals named as proxies and in accordance with the applicable rules and regulations of the Securities and Exchange Commission (the SEC ).

# YOUR VOTE IS IMPORTANT!

You are cordially invited to attend the Annual Meeting. However, to ensure that your shares are represented at the Annual Meeting, please submit your proxy or voting instructions as described in Options for Voting. Submitting a proxy or voting instructions will not prevent you from attending the Annual Meeting and voting in person, if you so desire, but will help the Company secure a quorum and reduce the expense of additional proxy solicitation.

## Options for Voting

If you hold shares in your own name, you may vote as follows:

1. **Telephone.** To vote by telephone, please follow the instructions on the enclosed proxy card. If you vote by telephone, it is not necessary to mail your proxy card.
2. **Internet.** To vote on the Internet, please follow the instructions on the enclosed proxy card. If you vote by Internet, it is not necessary to mail your proxy card.
3. **Mail.** To vote by mail, please complete, sign and mail the proxy card in the enclosed prepaid envelope.
4. **In Person.** If you wish to vote in person, written ballots will be available at the Annual Meeting.

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We would appreciate your vote **as soon as possible** for use at the Annual Meeting or at any adjournments of the Annual Meeting. Properly executed proxies received by Lydall's Corporate Secretary before the Annual Meeting will be voted as directed unless revoked. A proxy may be revoked at any time before it is exercised by: (a) notifying Lydall's Corporate Secretary in writing; (b) delivering a proxy with a later date; or (c) attending the Annual Meeting and voting in person.

Unless you indicate otherwise, shares represented by proxies properly voted will be voted as follows:

FOR the nominees for election to the Board named in the proxy,  
FOR the Restated Certificate of Incorporation,  
FOR the advisory vote on executive compensation, and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors.

If you hold your shares in street name (i.e., in a brokerage account), you should follow the voting instructions provided by your bank, broker or other nominee, including any instructions provided regarding your ability to vote by telephone or through the Internet. Please note that if you hold your shares in street name, in order to vote in person at the Annual Meeting, you must request a proxy from your broker.

## Voting Mechanics

A majority in interest of the outstanding shares represented at the Annual Meeting in person or by proxy shall constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting.

Under New York Stock Exchange ( NYSE ) rules, your broker may vote shares held in street name on certain routine matters. NYSE rules consider the ratification of the appointment of the Company's independent auditors (Proposal 4) to be a routine matter. As a result, your broker is permitted to vote your shares on this matter at its discretion without instruction from you. When a proposal is not a routine matter, such as the election of Directors (Proposal 1), the approval of the Restated Certificate of Incorporation (Proposal 2) and the advisory vote on executive compensation, also known as a Say-on-Pay proposal (Proposal 3) and you have not provided voting instructions to your broker with respect to one of these proposals, your broker cannot vote the shares on that proposal. The missing votes for these non-routine matters are called broker non-votes.

With respect to Proposal 1, the election of Directors, a stockholder may cast a vote for all nominees or withhold authority to vote for any or all nominees. Under the Company's Bylaws, Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting. Neither votes that are withheld nor broker non-votes will affect the outcome of the election of Directors. However, as discussed below in Majority Voting Policy for Election of Directors, Company policy requires an incumbent Director to tender his or her resignation if the Director does not receive a majority of the votes cast in an uncontested election.

With respect to Proposal 2, approval of the Restated Certificate of Incorporation, a stockholder may cast a vote for or against the proposal or abstain from voting. Under the Company's Certificate of Incorporation, the affirmative vote of at least two-thirds of the voting power of all classes of stock entitled to vote in elections of Directors will constitute the stockholders' approval. Abstentions and broker non-votes have the same effect as a vote against Proposal 2.

With respect to Proposal 3, the Say-on-Pay proposal, and Proposal 4, the ratification of the appointment of the Company's independent auditors, a stockholder may cast a vote for or against the proposals or abstain from voting. Under the Company's Bylaws, the affirmative vote of a majority of the shares present or represented at the Annual Meeting and entitled to vote and voting on the matters will constitute the stockholders' approval. Abstentions and broker non-votes are not considered to have been voted on such matters and have the practical effect of reducing the number of affirmative votes required to achieve a majority for such matters by reducing the total number of shares from which the majority is calculated. The Say-on-Pay proposal is an advisory vote and the result will not be binding on the Board or the Company.

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### **Majority Voting Policy for Election of Directors**

Our Board has adopted a majority voting policy with respect to the election of Directors, which is set forth in the Corporate Governance Guidelines of the Company. The majority voting policy applies only to uncontested elections for Directors (i.e., elections in which the number of nominees does not exceed the number of Directors to be elected) and requires an incumbent Director nominee to tender his or her resignation if the number of shares voted for a Director's election is less than 50% of the number of the votes cast with respect to that Director's election. Votes cast include votes to withhold authority but exclude abstentions and broker non-votes with respect to that Director's election.

The Corporate Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Corporate Governance Committee's recommendation, and publicly disclose (by press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Corporate Governance Committee, in making its recommendation, and the Board, in making its decision, may each consider any factors or other information that they consider appropriate and relevant and may act in their sole and absolute discretion. The Director who has tendered his or her resignation in accordance with this policy may not participate in the consideration of such tendered resignation by either the Corporate Governance Committee or the Board.

If an incumbent Director's resignation is not accepted by the Board, such Director will continue to serve until the next Annual Meeting and until his or her successor is duly elected and qualified, or his or her earlier resignation or removal. If a Director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill the resulting vacancy or otherwise take action pursuant to the applicable provisions of the Company's Bylaws and the Company's Restated Certificate of Incorporation in effect at such time.

### **Cost of Solicitation**

All costs of solicitation of proxies will be borne by the Company. Other costs anticipated are those ordinarily incurred in connection with the preparation and mailing of proxy materials. In addition to solicitations of proxies by mail, the Company's Directors, officers and other employees, without additional remuneration, may solicit proxies by telephone and in person.

### **Eligibility to Vote**

Only holders of record of Lydall's Common Stock at the close of business on February 27, 2015 (the Record Date) are entitled to vote at this Annual Meeting and any adjournment thereof. As of the Record Date, there were 17,246,597 shares of Common Stock issued and outstanding, the holders of which are entitled to one vote per share.

### **Obtaining Copies**

Our Annual Report on Form 10-K containing financial statements for the fiscal year ended December 31, 2014 (2014 Annual Report) has been mailed to the stockholders with this proxy statement. This proxy statement, the 2014 Annual Report, a letter to the stockholders and the accompanying proxy card were first mailed to stockholders on or about

March 17, 2015. Additionally, copies of the Company's 2014 Annual Report may be printed from [www.lydall.com](http://www.lydall.com) or will be provided without charge, upon request. Requests may be directed to the Company at Lydall, Inc., P.O. Box 151, Manchester, CT 06045-0151, Attention: General Counsel.

## **PROPOSAL 1 ELECTION OF DIRECTORS**

The current term of office of all of the Company's Directors expires at the Annual Meeting and when their successors are duly elected and qualified. The Corporate Governance Committee of the Board has nominated Dale G. Barnhart, Kathleen Burdett, W. Leslie Duffy, Matthew T. Farrell, Marc T. Giles, William D. Gurley, Suzanne Hammett, and S. Carl Soderstrom, Jr. for election as Directors of the Company until the next annual meeting of stockholders to be held in 2016 and until their successors are duly elected and qualified. Each nominee is currently serving as a Director of the Company, and each nominee has consented to serve if re-elected. If any nominee becomes unavailable to serve as a Director before the Annual Meeting, the Corporate Governance Committee may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Corporate Governance Committee.

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The Corporate Governance Committee has determined that all nominees (other than Dale G. Barnhart, the Company's President and Chief Executive Officer) are independent within the meaning of the applicable NYSE rules. There are no family relationships between any Director, nominee for Director or executive officer of the Company. The Corporate Governance Guidelines of the Company specify that at least a majority of the members of the Board, as well as all of the members of the Audit Review Committee, the Compensation Committee and the Corporate Governance Committee, shall be independent within the meaning of the applicable NYSE rules.

Under the Restated Certificate of Incorporation of the Company, the Board is empowered to establish the number of Directorships between three and fifteen. The Board has currently fixed the number of Directorships at eight.

Unless otherwise instructed, it is the intention of the persons named in the accompanying proxy card to vote for the Director nominees designated by the Corporate Governance Committee. Proxies cannot be voted for a greater number of persons than the number of nominees named.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF ALL PERSONS NOMINATED BY THE CORPORATE GOVERNANCE COMMITTEE AS DIRECTORS OF THE COMPANY.**

## **Biographical Information**

Set forth below is biographical information pertaining to each nominee for election as a Director of the Company, including his or her principal occupation and business experience for at least the past five years and the names of other public companies for which each nominee serves as a Director or has served as a Director during the past five years. Please refer to Qualifications of Nominees below for a further discussion of the specific experience, qualifications, attributes and skills of each nominee that led our Corporate Governance Committee to conclude that he or she should continue to serve as one of our Directors.

**Dale G. Barnhart, 62**, has served as a Director since October 2007 and as our President and Chief Executive Officer since August 2007. Mr. Barnhart was the Chief Executive Officer of Synventive Molding Solutions, a manufacturer of hot runner systems, machine nozzles, temperature controllers and sprue bushings for the injection molding industry, from 2005 to 2007. Prior to that, Mr. Barnhart was a consultant working with two private equity groups and was President of Invensys Climate Control, a provider of products and services to the heating, ventilating and air conditioning and commercial refrigeration markets.

**Kathleen Burdett, 59**, has served as a Director since June 2003, as Chair of our Audit Review Committee since April 2004 and as a member of our Corporate Governance Committee since April 2008. Ms. Burdett served as Vice President and Chief Financial Officer of Dexter Corporation (Dexter), a developer and manufacturer of nonwoven products primarily used in the food packaging, medical, and hygiene markets, specialty polymers primarily used in the aerospace and electronics markets and precise, reproducible biological, and biochemical products used for applications in the life sciences industry, from 1994 until Dexter's merger with Invitrogen Corporation (Invitrogen), in 2000. From 2000 until her retirement in 2002, Ms. Burdett served as a consultant to Invitrogen. Prior to that, Ms. Burdett served as the Controller and Principal Accounting Officer of Dexter and as a member of the Board of Directors of Life Technologies, Inc. (Life Technologies), a majority owned subsidiary of Dexter, and as Chair of the Audit Committee and as a member of the Executive Committee and the Compensation Committee of Life Technologies.

**W. Leslie Duffy, Esq., 75**, has served as a Director since May 1992, as Chair of our Board since August 2005 and as a member of our Corporate Governance Committee since May 2003. Mr. Duffy is a retired partner of the law firm of Cahill Gordon & Reindel LLP, where he worked from 1965 through 2012.

**Matthew T. Farrell, 58**, has served as a Director since August 2003, as a member of our Audit Review Committee since August 2003 and as a member of our Compensation Committee since August 2004. Since 2014, Mr. Farrell has been Executive Vice President, Chief Financial Officer and Chief Operating Officer of Church & Dwight Co., Inc. ( Church & Dwight ), which manufactures and markets a wide range of products under the ARM & HAMMER® and other brand names. From 2007 through 2014, Mr. Farrell was Executive Vice President and Chief Financial Officer of Church & Dwight, and from 2006 through 2007, he was Vice President and Chief Financial Officer of Church & Dwight. Prior to that, Mr. Farrell was Executive Vice President and Chief Financial Officer of Alpharma Inc., a specialty

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pharmaceutical company; he served as Vice President, Investor Relations & Communications at Ingersoll-Rand Ltd., and he held various senior financial positions at AlliedSignal Inc. Mr. Farrell began his career with KPMG Peat Marwick LLP, where he was an audit partner from 1989 until 1994.

**Marc T. Giles, 59**, has served as a Director and as a member of our Compensation and Corporate Governance Committees since April 2008. Mr. Giles has served as a director of Checkpoint Systems, Inc., a global leader in merchandise availability solutions for the retail industry, since March 2013, where he also serves as a member of the Audit and Compensation Committees; Intevac, Inc., a leader in thin film processing technologies and developer of advanced high sensitivity digital sensors, cameras, and integrated systems, since May 2014, where he also serves as a member of the Audit Committee; and Gerber Scientific, Inc. ( Gerber Scientific ), a manufacturer that provides software, computerized manufacturing systems, supplies and services to a wide variety of industries, since 2001. He was the President and Chief Executive Officer of Gerber Scientific from 2001 until February 2012 and provided transitional executive services to Gerber Scientific through his retirement on December 31, 2012. Mr. Giles previously served as Senior Vice President and President of Gerber Technology, Inc. ( Gerber Technology ), a subsidiary of Gerber Scientific. Prior to joining Gerber Technology, Mr. Giles served in several senior positions in business unit management, strategy development, mergers and acquisitions and sales and marketing management with FMC Corp., a manufacturer of machinery and chemicals.

**William D. Gurley, 66**, has served as a Director since April 2006, as Chair of our Compensation Committee since April 2008 and as a member of our Corporate Governance Committee since April 2006. From 2005 to 2011, Mr. Gurley served as a member of the New England Advisory Council of the Federal Reserve Bank of Boston. From 1995 until his retirement in 2006, Mr. Gurley served as President and Chief Executive Officer of Stanadyne Corporation ( Stanadyne ), an engine components and fuel systems manufacturer for industries including automotive and filtration. Prior to that, Mr. Gurley held various senior executive positions at Stanadyne, including Executive Vice President of Marketing, Engineering and Operations. Mr. Gurley served as a Director on Stanadyne s Board of Directors from 1989 to 2006. Prior to joining Stanadyne, Mr. Gurley worked in the Automotive Products Division of Garrett Corporation and the Packard Electric Division of General Motors Corporation.

**Suzanne Hammett, 59**, has served as a Director since January 2000, as a member of our Audit Review Committee since May 2003 and as a member of our Compensation Committee since April 2004. Ms. Hammett currently is the Executive Vice President and Chief Commercial Credit Risk Officer for Capital One, N.A., a diversified bank that offers financial products and services to consumers, small businesses and commercial clients. She has held that position since 2007. Prior to joining Capital One, N.A., Ms. Hammett served as the Executive Vice President, Chief Risk Officer for the Radian Group Inc., a credit enhancement company, from 2005 to 2007. Ms. Hammett began her career with J.P. Morgan Chase & Co., where she was an Executive Vice President and held numerous senior positions, including Head of Credit Risk Policy, during her 28 year career with this institution.

**S. Carl Soderstrom, Jr., 61**, has served as a Director since June 2003, as Chair of our Corporate Governance Committee since August 2004 and as a member of our Audit Review Committee since June 2003. Mr. Soderstrom currently is a member of the Board of Directors of FreightCar America, Inc. and serves as Chair of the Audit Committee and as a member of their Nominating and Corporate Governance Committee. In addition, Mr. Soderstrom currently is a member of the Board of Directors of Westar Energy, Inc. and serves as a member of both their Audit and their Finance Committees. From 1986 until his retirement in 2004, Mr. Soderstrom held various senior positions at Rockwell Automotive, the automotive business of Rockwell International (subsequently spun off and merged to form ArvinMeritor, Inc.) and ArvinMeritor, Inc., now known as Meritor, Inc., which at the time was a global supplier of a broad range of integrated systems, modules and components serving light vehicle, commercial truck, trailer and specialty original equipment manufacturers and certain aftermarkets, including Senior Vice President and Chief

Financial Officer. Prior to joining Rockwell Automotive, Mr. Soderstrom held positions with General Electric Company and the ALCO Controls Division of Emerson Electric Co.

## **Nomination Process**

The Corporate Governance Committee is responsible for identifying individuals who are qualified to be Directors, consistent with criteria approved by the Board, and selecting the Director nominees for each Annual Meeting. In fulfilling its responsibility, the Corporate Governance Committee evaluates the skills and expertise needed by the Board and the skills and expertise that are possessed by current

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Board members. The Corporate Governance Committee seeks persons of the highest ethical standing and proven integrity, and with demonstrated ability and sound judgment, to serve as members of the Board.

When considering candidates for Director, the Corporate Governance Committee takes into account a number of factors, including the following criteria approved by the Board: (i) whether the candidate is independent under the NYSE rules, the rules and regulations under the Securities Exchange Act of 1934, as amended ( Exchange Act ), and the independence standards adopted by the Board; (ii) whether the candidate has skills and expertise needed by the Board; (iii) whether the candidate has demonstrated ability and judgment; (iv) whether the candidate has prior experience as a corporate Director; (v) whether the candidate has prior public company experience; (vi) whether the candidate has prior experience in manufacturing companies; and (vii) the extent to which the candidate has other time commitments and obligations that might interfere with his or her duties and responsibilities as a Director. All members of the Audit Review Committee must meet the additional standards for independence applicable to members of an audit committee under Section 10A(m) of the Exchange Act and the NYSE rules and must satisfy the financial literacy requirements of the NYSE rules. At least one member of the Audit Review Committee must be an audit committee financial expert, as defined under rules promulgated by the SEC. All members of the Compensation Committee must meet the additional standards for independence applicable to members of a compensation committee under the NYSE rules. Not all Directors need to fulfill all criteria; rather, the Corporate Governance Committee seeks candidates whose skills balance or complement the skills of other Board members. No Director may sit on more than four boards of publicly-traded companies in addition to the board of the company by which he or she is employed.

The Corporate Governance Committee has not adopted a written policy with regard to the consideration of diversity when evaluating candidates for Director. However, in practice, the Corporate Governance Committee considers diversity of viewpoint, professional experience, education and skill in assessing candidates for the Board to ensure breadth of experience, knowledge and abilities within the Board. The Corporate Governance Committee does not assign specific weights to particular criteria that the Corporate Governance Committee reviews and no particular criterion is a prerequisite for the consideration of any prospective nominee.

When seeking candidates for Director, the Corporate Governance Committee may solicit suggestions from incumbent Directors, management or others. In some cases, the Corporate Governance Committee has employed a search firm to identify appropriate candidates and perform screening interviews and reference checks for candidates who are then interviewed by the Corporate Governance Committee and presented to the Board if appropriate.

Unless otherwise requested by the Corporate Governance Committee, a Director shall offer not to stand for re-election at any annual meeting that follows his or her seventieth birthday. In addition, a Director shall tender his or her resignation following any change in the Director's employment status or principal position, or any other significant change in his or her personal circumstances. The Board may ask the Director not to resign, or may defer acceptance of the resignation. Mr. Duffy turned 75 on December 31, 2014. Mr. Duffy offered not to stand for re-election at the Annual Meeting. After considering Mr. Duffy's many contributions to the Board and his specialized experience in areas of critical importance to the Company, the Corporate Governance Committee recommended to the full Board that Mr. Duffy be asked to agree to stand for re-election at the Annual Meeting as a Director. The Board approved the recommendation of the Corporate Governance Committee. Mr. Duffy agreed to continue to serve as a Director and to stand for re-election.

## **Qualifications of Nominees**

The Corporate Governance Committee believes the Company is well-served by its current Directors, and all such persons are willing to continue to serve as Directors. Accordingly, the Corporate Governance Committee has nominated all of them for re-election at the Annual Meeting.

In connection with its consideration of Director nominations for the Annual Meeting, the Corporate Governance Committee considered the factors described above under Nomination Process. The Corporate Governance Committee has determined that each of the nominees for re-election, other than Mr. Barnhart, is independent as defined by the NYSE rules and that each of the nominees for re-election, including Mr. Barnhart, are free from the influence of any particular stockholder or group of stockholders whose interests may diverge from the interests of the Company's stockholders as a whole. In addition, the Corporate Governance Committee has determined that each member of our Audit Review Committee is financially literate within the meaning of the NYSE rules and is an audit committee financial expert as

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defined under rules promulgated by the SEC. The Corporate Governance Committee has also determined that each member of the Compensation Committee meets the enhanced independence rules of the NYSE.

Each nominee also brings a unique background and set of skills to our Board, giving the Board as a whole competence and experience in a wide variety of areas, including executive management, manufacturing, marketing, finance, legal, corporate governance, mergers and acquisitions, private equity and other board service. Set forth below is each nominee's specific experience, qualifications, attributes and skills that led the Corporate Governance Committee to conclude that he or she should serve as one of our Directors.

Mr. Barnhart is the President and Chief Executive Officer of the Company. As such, he brings an in-depth understanding of the Company's business, including its employees, products and markets, to our Board. In addition, Mr. Barnhart provides valuable insight through his prior executive management experience with other manufacturing businesses that are comparable to Lydall, including setting an overall strategic direction for company growth and implementing plans to effectively execute growth strategies including in international markets. Mr. Barnhart is also experienced in Lean Six Sigma, the business management strategy utilized by the Company to improve efficiency, reduce costs and meet customer expectations.

Ms. Burdett is the former Vice President and Chief Financial Officer of a publicly held manufacturing company that developed and manufactured products for the life sciences industry and manufactured and sold nonwoven fiber products. Our Performance Materials business manufactures and sells nonwoven fiber products and markets and sells products in the life sciences industry. In addition to her relevant industry experience, Ms. Burdett has prior experience serving as a Director of another publicly held company where she chaired its Audit Committee and served as a member of its Executive and Compensation Committees.

Mr. Duffy is a former partner of an international law firm, where he specialized in transactional and corporate governance matters. He has more than forty-five years of experience advising numerous business entities operating in a variety of industry sectors, including oil and gas, pharmaceuticals, healthcare, automotives, professional services, industrial manufacturing, telecommunications, consumer products, and food services, and on a variety of situations.

Mr. Farrell is the Executive Vice President, Chief Financial Officer and Chief Operating Officer of a publicly held manufacturing business that markets a wide range of personal care, household and specialty products. He has prior experience serving as an audit partner of KPMG Peat Marwick LLP and as a member of the executive management team of another publicly held company that manufactured and sold products in the life sciences industry. In addition to his relevant industry experience and knowledge, Mr. Farrell has professional expertise from senior management positions he has held in investor relations and communications.

Mr. Giles is a Director and the former President and Chief Executive Officer of a global manufacturing business that is comparable in size to the Company and provides software, computerized manufacturing systems, supplies and services to a wide variety of industries in over 100 countries. Until August 2011, this manufacturing business was publically traded on the NYSE. Mr. Giles currently serves as a Director of two public companies. He has experience in general management and strategic planning, mergers and acquisitions, sales and marketing, and business development.

Mr. Gurley is the former President and Chief Executive Officer of a manufacturer of engine components and fuel systems. He is knowledgeable about the automotive industry in which the Company operates, having prior work experience for the executive management teams of other businesses serving the industry. He has experience in marketing, engineering, operations and strategic planning of highly engineered products in both publicly owned and

privately held companies in the United States, Europe, Asia and South America.

Ms. Hammett is the Executive Vice President and Chief Commercial Credit Risk Officer of one of the largest banking institutions in the United States, and she has prior experience working for a number of other financial institutions and investment banks. She is knowledgeable about commercial finance, business analysis and credit risk management, all of which are important to the Company's business.

Mr. Soderstrom is currently a Director of two other publicly held corporations. He serves as the Chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee at one of those public companies, and as a member of both the Audit and the Finance Committees at the other. Having spent 18 years in a variety of senior positions at a tier-one global supplier to the automotive

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industry, most recently as their former Senior Vice President and Chief Financial Officer, Mr. Soderstrom brings extensive experience in product engineering, quality management, manufacturing, finance and procurement to our board of directors.

## **Nominations by Stockholders**

The Corporate Governance Committee will consider in accordance with the criteria described above written proposals from stockholders for nominees for Director, provided such proposals meet the requirements set forth in the Company's Bylaws. For a description of the procedures a stockholder must follow to nominate a person for election to the Board, please see Stockholder Proposals and Director Nominations below.

## **PROPOSAL 2 APPROVAL OF RESTATED CERTIFICATE OF INCORPORATION**

The Board of Directors is recommending amending and restating the current Restated Certificate of Incorporation (the Current Charter) of the Company in order to consolidate existing provisions and make certain further revisions as described below.

The Current Charter was filed on August 26, 1987 and amended on May 14, 1992 and May 12, 1993. Certificates of Correction and a Certificate of Elimination were filed on December 22, 2014. The restated certificate of incorporation (the Restated Certificate) consolidates and integrates all of the previous amendments, restatements and certificates into a single document.

In addition, the Restated Certificate amends Section 6(a) regarding the election of Directors to clarify that each director is elected for a one-year term or until his or her successor is duly elected and qualified, subject to such director's earlier death, resignation or removal; to provide that any newly created directorship or other vacancy on the Board of Directors may be filled by either (i) the remaining members of the Board of Directors (though less than a quorum or by the sole remaining director) or (ii) the stockholders entitled to vote on the election of directors; and to further clarify that any director elected to fill a vacancy shall hold office for the remainder of the term of the director who he or she has replaced or until his or her successor is duly elected and qualified.

The Restated Certificate also amends the Current Charter to:

specifically set forth the total number of shares of stock which the Company is authorized to issue (without changing such number);

reduce the par value of the shares of capital stock of the Company;

eliminate mandatory indemnification of employees or agents and only retain the obligation of indemnification by the Company for its officers and directors; and

make other minor corrections and clarifications.

A copy of the Restated Certificate indicating all of the proposed amendments is attached hereto as Exhibit A.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE RESTATED CERTIFICATE OF INCORPORATION.**

## **PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

At the 2011 Annual Meeting, the Board recommended and our stockholders approved the annual submission of stockholder advisory votes on the compensation of the Company's Named Executive Officers ( Named Executive Officers or NEOs ), which is commonly referred to as Say-on-Pay. Accordingly, the Company submits a Say-on-Pay vote to its stockholders on an annual basis. Although the Say-on-Pay vote is non-binding, the Board and the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding the Company's executive compensation programs.

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The goal of the Company's executive pay program is to align the interests of executives and stockholders and create long-term value for the Company's stockholders. To this end, for 2014, the compensation of the NEOs and certain other members of management, consisted of four basic components, three of which were tied to performance against financial metrics and/or the market price of the Company's stock:

*Base salary;*

*Annual cash bonuses based on the Company or business unit achieving operating income, gross margin and free cash flow financial goals set at the beginning of the year;*

*Performance-based restricted stock awards based on the Company achieving earnings per share goals; and*

*Qualified and nonqualified stock options providing value only when the share price increases.*

Approximately 63% of the compensation paid to the Chief Executive Officer (the CEO) for 2014 was variable and based on Company performance against financial metrics and/or the market price of the Company's stock. For purposes of this calculation, compensation means the sum of the CEO's 2014 salary, his 2014 incentive plan payment, the options granted to him in 2013 as part of 2014 compensation, and all other cash compensation paid in 2014.

For more information, please see *Compensation Discussion and Analysis: Overview Executive Summary* and the discussion that follows.

For all of the NEOs, the annual cash bonus earned and the long term equity awards granted are tied to a mix of operating income, gross margin, free cash flow and/or earnings per share metrics – specific financial metrics that the Compensation Committee believes align to the creation of stockholder value. If a financial metric is not satisfied, no cash bonus is paid with respect to that metric, and the performance shares tied to that metric are forfeited. Similarly, stock options granted to the NEOs only have value if the share price of the Company's stock appreciates from the date of grant.

Stockholders are urged to read the *Compensation Discussion and Analysis*, which discusses how the Company's compensation policies and procedures implement the Company's compensation philosophy, as well as the *2014 Summary Compensation Table* and other related compensation tables and the narrative disclosures that describe the compensation of the Company's NEOs in fiscal 2014. The *Compensation Discussion and Analysis* highlights in more detail how the compensation of the NEOs in fiscal 2014 reflected our pay-for-performance philosophy and other key features of our executive compensation program that are designed to align the interests of the NEOs and stockholders. The Board and the Compensation Committee believe that the policies and procedures articulated in the *Compensation Discussion and Analysis* are effective in implementing the Company's compensation philosophy and in achieving its goals, and that the compensation of the NEOs in fiscal 2014 reflects and supports these compensation policies and procedures.

In accordance with Section 14A of the Exchange Act, the Company is asking stockholders to indicate their approval of the compensation paid to the Company's NEOs as described in this proxy statement. Accordingly, the Company is asking stockholders to vote FOR the following non-binding advisory resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

The outcome of this advisory vote does not overrule any decision by the Company or the Board (or any committees thereof), create or imply any changes to the fiduciary duties of the Company or the Board (or any committees thereof), or create or imply any additional fiduciary duties for the Company or the Board (or any committees thereof).

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION.**

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The Audit Review Committee has appointed PricewaterhouseCoopers LLP ( PwC ) to serve as independent auditors to conduct an audit of the Company s consolidated financial statements for the fiscal year ending December 31, 2015. PwC has audited the consolidated financial statements of the Company since 1995. Representatives of PwC are expected to be present at the Annual Meeting, will have the opportunity to make a statement at the Annual Meeting if they desire to do so, and are expected to be available to respond to appropriate questions.

In accordance with SEC rules and PwC policies, audit partners are subject to rotation requirements to limit the number of consecutive years of service an individual partner may provide audit service to the Company. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. The current lead PwC engagement partner was designated commencing with the 2014 audit.

Appointment of the Company s independent auditors is not required to be submitted to a vote of the stockholders of the Company for ratification. However, the Audit Review Committee has recommended that the Board submit this matter to the stockholders as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Review Committee will reconsider whether to retain PwC and may retain that firm, or another, without resubmitting the matter to the Company s stockholders. Even if the appointment is ratified, the Audit Review Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and the stockholders.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT AUDITORS FOR FISCAL YEAR 2015.****Principal Fees and Services**

The following table presents fees for professional audit services for the audit of the Company s annual consolidated financial statements for fiscal years ended December 31, 2014 and December 31, 2013, and fees for other services rendered by PwC during those periods:

<b>Fee Category</b>	<b>Fiscal 2014</b>	<b>% of Total</b>	<b>Fiscal 2013</b>	<b>% of Total</b>
Audit fees	\$ 1,413,500	94 %	\$ 1,050,000	99 %
Audit-related fees			10,800	1 %
Tax fees	91,200	6 %		
All other fees				
<b>Total Fees</b>	<b>\$ 1,504,700</b>	<b>100 %</b>	<b>\$ 1,060,800</b>	<b>100 %</b>

A majority of the increase in the 2014 audit fees compared to the 2013 audit fees relates primarily to non-recurring fees in connection with the acquisition of the Industrial Filtration businesses.

Audit fees are related to services rendered in connection with the annual audit of the Company's consolidated financial statements, including Sarbanes-Oxley Section 404 controls testing, the quarterly reviews of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q and international statutory audits. The majority of the work was performed by full-time, permanent employees of PwC. Tax fees primarily relate to various tax-related consultations.

All of the services described above were approved by the Audit Review Committee pursuant to the SEC rules that require audit committee pre-approval of audit and non-audit services. On an ongoing basis, management communicates specific projects and categories of services for which advance approval of the Audit Review Committee is required. The Audit Review Committee reviews these requests and advises management and the independent auditors if the Audit Review Committee pre-approves the engagement of the independent auditors for such projects and services. On a periodic basis, the independent auditors report to the Audit Review Committee the actual spending for such projects and services as compared with the approved amounts. The Audit Review Committee may delegate the ability to pre-approve

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audit and permitted non-audit services to a sub-committee or the Chair of the Audit Review Committee, provided that any such pre-approvals are reported at the next Audit Review Committee meeting.

The Audit Review Committee has considered whether the services provided by PwC, other than audit services, are compatible with maintaining that firm's independence and has concluded that PwC is independent.

# CORPORATE GOVERNANCE

## General

Pursuant to the Delaware General Corporation Law and the Company's Bylaws, the Company's business, property and affairs are managed by or under the direction of the Board. Members of the Board are kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to them, and by participating in meetings of the Board and its committees.

The Company is committed to good corporate governance practices to ensure that the Company is managed for the long-term benefit of its stockholders. The Board has adopted Corporate Governance Guidelines to provide a framework for the effective governance of the Company. The Corporate Governance Committee periodically reviews the Corporate Governance Guidelines and recommends changes, as appropriate, to the Board for approval.

The Board has three standing committees to facilitate and assist the Board in executing its responsibilities: the Audit Review Committee, the Compensation Committee and the Corporate Governance Committee. In accordance with NYSE rules, each Committee is comprised solely of non-employee, independent Directors. The Board has adopted a charter for each of the three standing committees, and the Company has a Code of Ethics and Business Conduct applicable to all Directors, officers and employees. Links to these materials can be found on Lydall's website at [www.lydall.com](http://www.lydall.com). All materials available at [www.lydall.com](http://www.lydall.com) are also available to stockholders in print without charge, upon written request to Lydall, Inc., P.O. Box 151, Manchester, CT 06045-0151, Attention: General Counsel.

## Committees

The table below shows current membership and indicates the chairperson (\*) for each of the standing Board committees, each of whom is independent within the meaning of the applicable NYSE rules.

Audit Review	Compensation	Corporate Governance
Kathleen Burdett*	Matthew T. Farrell	Kathleen Burdett
Matthew T. Farrell	Marc T. Giles	W. Leslie Duffy
Suzanne Hammett	William D. Gurley*	Marc T. Giles
S. Carl Soderstrom, Jr.	Suzanne Hammett	William D. Gurley
		S. Carl Soderstrom, Jr.*

The **Audit Review Committee** assists the Board in fulfilling its responsibility to oversee the integrity of the Company's financial reporting process, including the performance of the Company's systems of accounting and financial controls, the Company's internal audit function, the outside auditors' qualifications and independence, the

Company's process for monitoring compliance with applicable legal, regulatory and ethics programs, overseeing the procedures for employee complaints and concerns regarding questionable accounting or auditing matters, overseeing the annual independent audit of the Company's financial statements, and the preparation of the Audit Review Committee Report required by the SEC to be included in the Company's proxy statement.

The Audit Review Committee meets periodically with management to consider the adequacy of the Company's internal controls and its financial reporting process, and reviews pending or threatened legal proceedings involving the Company and other material contingent liabilities. It also discusses these matters with the Company's internal auditors, independent auditors, and appropriate Company financial and legal personnel. The Audit Review Committee reviews the Company's financial statements and discusses them with management and the independent auditors before those financial statements are filed with the SEC.

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The Audit Review Committee meets regularly in private session with the independent auditors, has the sole authority to retain and dismiss the independent auditors, pre-approves audit and non-audit services, and periodically reviews their performance and independence from management. The independent auditors have unrestricted access to, and report directly to, the Audit Review Committee.

The Audit Review Committee also reviews and approves the Company's decision to enter into all swaps transactions, has adopted and reviews annually a policy relating to the Company's use of the non-financial end-user exception ( Swaps Policy ) and reports to the Board annually on the Company's compliance with the Swaps Policy.

*Audit Committee Financial Expert* The Board has determined that each member of the Audit Review Committee is financially literate within the meaning of the NYSE rules and is an audit committee financial expert as that term is defined under Item 407(d)(5)(ii) of Regulation S-K.

The **Compensation Committee** has overall responsibility for the Company's compensation of management, incentive plans and programs. The duties and responsibilities of the Compensation Committee as set forth in its Charter include: making recommendations to the Board regarding the Company's incentive and equity-based compensation plans and non-CEO compensation policy; reviewing and approving the Company's goals and objectives relevant to compensation (including CEO compensation), such as the goal of attracting and retaining highly qualified individuals and motivating individual performance leading to increased stockholder value; determining and approving the Chief Executive Officer's annual compensation, including incentive awards; reviewing and discussing the Company's Compensation Discussion and Analysis ( CD&A ) with management and, based upon such review and discussion, considering whether it will recommend to the Board that the CD&A be included in the Company's proxy statement; preparing the Compensation Committee Report for inclusion in the proxy statement required by applicable SEC rules; approving all grants of stock awards pursuant to the Company's stock incentive compensation plans; approving all employment agreements and compensation arrangements for the CEO, the Named Executive Officers and other direct reports of the CEO; reviewing whether risks associated with the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company; reviewing the form and amount of compensation for non-management Directors and recommending changes to the Board; and retaining or obtaining advice from compensation advisors after taking into consideration certain independence factors related to said compensation advisors.

The **Corporate Governance Committee** has overall responsibility for developing Board membership and overseeing corporate governance of the Company. The Corporate Governance Committee is responsible for: identifying individuals who are qualified to become Board members consistent with criteria approved by the Board; selecting the Director nominees for the next Annual Meeting; making recommendations to the Board as to the membership and chairperson of each standing committee; developing and recommending to the Board a set of corporate governance guidelines applicable to the Company designed to provide for effective and efficient governance of the Company; overseeing the evaluation of the Board; and providing guidance on matters relating to corporate governance.

Other duties and responsibilities of the Corporate Governance Committee include: assessing whether a director nominee who does not receive a majority of the votes cast in an uncontested election of directors should continue to serve as a director; reviewing annually the relationships between directors, the Company and members of management and recommending to the Board whether each director qualifies as independent under the Board's definition of independence and the applicable NYSE rules; periodically reviewing the Board's leadership structure to assess whether it is appropriate given the specific characteristics or circumstances of the Company; overseeing the development of a succession plan for the Chief Executive Officer and contingency planning to provide for the event that one or more senior managers were to leave the employment of the Company; evaluating the Chief Executive

Officer's performance annually and overseeing the evaluation of the Company's executive officers; and reviewing and approving all director and officer indemnification and insurance arrangements.

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### **Leadership Structure**

The Board, upon the recommendation of the Corporate Governance Committee, has determined that the roles of Chair of the Board and Chief Executive Officer should remain separated. Accordingly, the Board has appointed Mr. Duffy, an independent director within the meaning of NYSE rules, as the Chair of the Board. The Company has had a non-management Chair since 1998. The Board and the Corporate Governance Committee believe this leadership structure continues to be appropriate for the Company at the present time because the bifurcated leadership structure:

*enhances the independent oversight of the Company and the Board's leadership role in fulfilling its oversight responsibilities;*

*frees the Chief Executive Officer to focus on Company operations instead of Board administration;*

*provides the Chief Executive Officer with an experienced sounding board;*

*enhances the independent and objective assessment of risk by the Board; and*

*provides an independent spokesman for the Company.*

### **Independence Determination**

The Board has concluded that all of the non-employee Directors, including all of those who serve on the above-described committees, are independent for purposes of the applicable NYSE rules, that the members of the Audit Review Committee are also independent for purposes of Section 10A(m)(3) of the Exchange Act and that the members of the Compensation Committee are also independent under the enhanced independence rules of the NYSE for compensation committee members. The Board based its independence determinations in part on a review of the responses of the Directors to questions regarding employment and compensation history, affiliations, family and other relationships (which responses indicated that no relationships or transactions exist), together with an examination of those companies with whom the Company transacts business. Although the Board maintains categorical standards to assist in determining whether non-employee Directors are independent, given the absence of any relationships or transactions between non-employee Directors and the Company, the categorical standards were not used in connection with the Board's determinations in February 2014 or 2015. The categorical standards are set forth in the Company's Corporate Governance Guidelines (available on [www.lydall.com](http://www.lydall.com)).

### **Compensation Committee Interlocks and Insider Participation**