LYDALL INC /DE/
Form DEF 14A
March 10, 2016

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 x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o 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)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
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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 29, 2016
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 2017 and until their successors are elected and qualified;
2. Holding an advisory vote on executive compensation;
3. Ratifying the appointment of PricewaterhouseCoopers LLP as independent auditor for fiscal year 2016; and
4. 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
Senior Vice President, General Counsel,
Chief Administrative Officer and Secretary

Manchester, CT
March 10, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 29, 2016.

This proxy statement, along with the Lydall, Inc. 2015 Annual Report and Form 10-K,

are available free of charge on our website at:
www.lydall.com and by clicking on Investor Relations.

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Lydall, Inc.
One Colonial Road
Manchester, CT 06042-2378

PROXY STATEMENT

Lydall, Inc. (we , Lydall or the Company) is providing these proxy materials in connection with the solicitation by our Board of Directors (the Board) of proxies to be voted at our 2016 Annual Meeting of Stockholders (the Annual Meeting) to be held on Friday, April 29, 2016 beginning at 9:00 a.m. at the Hilton Hartford, 315 Trumbull Street, Hartford, Connecticut and at any postponements or adjournments thereof. This Proxy Statement is being mailed or otherwise furnished to stockholders on or about March 18, 2016. You should review this information together with our 2015 Annual Report to Stockholders, which accompanies this Proxy Statement.

Information about the Annual Meeting

Why did you send me this Proxy Statement?

We sent you this Proxy Statement and the enclosed proxy card because the Board is soliciting your proxy to vote at the Annual Meeting to be held on Friday, April 29, 2016 or any postponements or adjournments thereof. This Proxy Statement summarizes information that is intended to assist you in making an informed vote on the proposals described in this Proxy Statement.

Who can vote at the Annual Meeting?

Only stockholders of record of Lydall s Common Stock at the close of business on March 4, 2016 (the Record Date) are entitled to vote at the Annual Meeting and any postponement or adjournment thereof. As of the Record Date, there were 17,118,347 shares of Common Stock issued and outstanding, the holders of which are entitled to one vote per share.

How many shares must be present to conduct the Annual Meeting?

We must have a quorum present in person or by proxy to hold the Annual Meeting. A quorum is a majority of the outstanding shares entitled to vote. Votes withheld from any nominee, abstentions and broker non-votes (defined below) will be counted as present or represented for the purpose of determining the presence or absence of a quorum for the Annual Meeting.

What matters are to be voted upon at the Annual Meeting?

Three proposals are scheduled for a vote:

Election as Directors of the eight nominees named in this Proxy Statement, to serve until the annual meeting of stockholders to be held in 2017 and until their successors are elected and qualified;
Approval, on an advisory basis, of the compensation of the Company s Named Executive Officers; and
Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent auditor for the fiscal year ending December 31, 2016.

How does the Board recommend that I vote?

The Board recommends that you vote:

FOR the election of each of the nominees for Director named in this Proxy Statement;
FOR the proposal to approve, on an advisory basis, the compensation of the Company s Named Executive Officers; and
FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent auditor.

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How do I vote before the Annual Meeting?

With respect to the election of directors, you may vote FOR any or all of the nominees or withhold authority to vote for any or all nominees. For the advisory vote on the compensation of the Company s Named Executive Officers, and the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditor, you may vote FOR or AGAINST or abstain from voting.

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

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

How do I vote if my broker holds my shares in street name ?

If you hold your shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or other nominee. For directions on how to vote shares held beneficially in street name, please refer to the voting instruction card provided by your broker, bank or other nominee.

May I vote at the Annual Meeting?

Yes, if you hold your shares in your own name, you may vote your shares at the Annual Meeting if you attend in person. Even if you plan to attend the Annual Meeting in person, we recommend that you also submit your proxy or voting instructions as described above so that your vote will be counted if you later decide not to attend the Annual Meeting in person. 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, bank or other nominee.

What should I do if I receive more than one set of proxy materials?

You may receive more than one set of these proxy materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive to ensure that all your shares are voted.

How many votes do I have?

Each share of Common Stock that you own as of the close of business on the Record Date entitles you to one vote on each nominee and on each other matter voted upon at the Annual Meeting.

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May I change my vote?

Yes, if you own shares in your own name, you may change your vote or revoke your proxy at any time before the vote at the Annual Meeting by executing a valid proxy bearing a later date and delivering it to us prior to the Annual Meeting at Lydall, Inc., One Colonial Road, Manchester, Connecticut 06042, Attn: Secretary. You may withdraw your vote at the Annual Meeting and vote in person by giving written notice to our Secretary. You may also revoke your vote without voting by sending written notice of revocation to our Secretary at the above address. However, if you are a beneficial owner whose shares are held of record by a broker, bank or other nominee, you must contact your broker, bank or other nominee to change your vote.

How are my shares voted if I submit a proxy but do not specify how I want to vote?

If you submit a properly executed and signed proxy card and return it without indicating how you would like to vote your shares, the persons named in the proxy card (or, if applicable, their substitutes) will vote your shares as the Board recommends, which is:

FOR the election of each of the nominees for Director named in this Proxy Statement;
FOR the proposal to approve, on an advisory basis, the compensation of the Company s Named Executive Officers; and
FOR the proposal to ratify the selection of PricewaterhouseCoopers LLC as our independent auditor.

What is a broker non-vote?

If you are a beneficial owner whose shares are held of record by a broker, bank or other nominee, you must instruct the broker, bank or other nominee how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker, bank or other nominee does not have discretionary authority to vote. This is called a broker non-vote. In particular, brokers will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange (NYSE). If you are a beneficial owner whose shares are held of record by a broker, your broker has discretionary voting authority under NYSE rules to vote your shares on the proposal to ratify the appointment of PricewaterhouseCoopers LLP even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority under NYSE rules to vote on the election of directors or on the advisory vote on executive compensation without instructions from you, and in the absence of instructions from you, a broker non-vote will occur and your shares will not be voted on these matters.

Your vote is important and we strongly encourage you to vote your shares by following the instructions provided on the voting instruction card. Please return your voting instructions to your broker, bank or other nominee and contact the person responsible for your account to ensure that your shares are voted on your behalf.

What vote is required to elect directors?

Under our Bylaws, Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting. This means that the nominees receiving the highest number of votes, whether or not a majority of the total number of votes cast, will be elected. Neither votes that are withheld nor broker non-votes will affect the outcome of the election of Directors.

What happens in an uncontested election if an incumbent director does not receive a majority of the votes cast on his or her election?

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. Under this policy, in uncontested elections, an incumbent Director nominee is required 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. For this purpose, votes cast include votes to withhold authority but exclude broker non-votes.

The Corporate Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or take any other action. The Board will act on the tendered resignation, taking into account the Corporate Governance Committee s recommendation, and publicly disclose its decision and rationale 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

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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.

What vote is required to approve, on an advisory basis, the compensation of the Company s Named Executive Officers?

This matter is being submitted to enable stockholders to approve, on an advisory basis, the compensation of the Company s Named Executive Officers. In order to be approved on an advisory basis, this proposal must receive the affirmative vote of a majority of the shares present or represented at the Annual Meeting and entitled to vote and voting on the matter. Brokers are not entitled to vote on this proposal in the absence of voting instructions from the beneficial owner. Abstentions and broker non-votes are not considered to have been voted on this matter and have the practical effect of reducing the number of affirmative votes required to achieve a majority for the matter by reducing the total number of shares from which the majority is calculated. This proposal is an advisory vote and the result will not be binding on the Board or the Company.

What vote is required to ratify the appointment of PricewaterhouseCoopers LLC as Lydall s independent auditor for the fiscal year ending December 31, 2016?

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 matter will constitute the stockholders approval. Because this proposal is considered a discretionary item for which a broker will have discretionary voting power, if you do not give instructions with respect to this proposal, there will be no broker non-votes with respect to this proposal. Abstentions are not considered to have been voted on this matter and have the practical effect of reducing the number of affirmative votes required to achieve a majority for the matter by reducing the total number of shares from which the majority is calculated.

Who will count the votes?

Votes will be counted by one or more inspectors of election appointed by the Board.

Who pays for the solicitation of proxies?

We will pay for the entire cost of soliciting proxies. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. In addition, our Directors and employees may solicit proxies in person, by telephone, via the Internet, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies.

How can I find out the results of the voting at the Annual Meeting?

We will announce preliminary results at the Annual Meeting. We will report final results in a filing with the SEC on a Current Report on Form 8-K within four business days after the Annual Meeting.

What is householding and how does it work?

The SEC s householding rules permit us to deliver only one set of proxy materials to stockholders who share an address unless otherwise requested. This procedure reduces printing and mailing costs. If you share an address with another stockholder and have received only one set of proxy materials, you may request a separate copy of these materials at no cost to you by writing to Lydall, Inc. One Colonial Road, Manchester, Connecticut 06042, Attn: Secretary, or by calling us at (860) 646-1233. Alternatively, if you are currently receiving multiple copies of the proxy materials at the same address and wish to receive a single copy in the future, you may contact us by calling or writing to us at the telephone number or address given above.

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If you are a beneficial owner (i.e., your shares are held in the name of a broker, bank or other nominee), the broker, bank or other nominee may deliver only one copy of the notices of stockholder meetings and related proxy statements to stockholders who have the same address unless the broker, bank or other nominee has received contrary instructions from one or more of the stockholders. If you wish to receive a separate copy of the notices of stockholder meetings and proxy statements, now or in the future, you may contact us at the address or telephone number above and we will promptly deliver a separate copy. Beneficial owners sharing an address, who are currently receiving multiple copies of the notice of stockholder meetings and proxy statements and wish to receive a single copy in the future, should contact their broker, bank or other nominee to request that only a single copy be delivered to all stockholders at the shared address in the future.

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 elected and qualified. The Corporate Governance Committee of the Board believes the Company is well-served by its current Directors, and accordingly, the Committee 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 2017 and until their successors are 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.

In connection with its consideration of Director nominations for the Annual Meeting, the Corporate Governance Committee considered the factors described in the Corporate Governance section of this Proxy Statement, under Nomination Process. 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. 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. There are no family relationships between any Director, nominee for Director or executive officer of the Company. 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 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.

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.

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Nominees and Qualifications

The following table contains certain biographical information pertaining to each nominee for election as a Director of the Company, including their business experience and other directorships. Each nominee 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 service on other public company boards of directors. Included in the table below is a discussion of each nominee s principal experience, qualifications, attributes and skills that led the Corporate Governance Committee to conclude that he or she should serve as one of our Directors.

Name, Title, Age and Date Became a Director	Business Experience, Other Directorships and Qualifications
Dale G. Barnhart *President and Chief Executive Officer, Lydall, Inc.* *Age: 63* *Director Since: 2007*	President and Chief Executive Officer of the Company since 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. As the President and Chief Executive Officer of the Company, Mr. Barnhart 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.
Kathleen Burdett *Former Vice President and Chief Financial Officer, Dexter Corporation* *Age: 60* *Director Since: 2003* *Committees (since):* *Audit Review Committee (2003)*	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.

Audit Review Committee, Chairperson (2004) *Corporate Governance Committee (2008)*	As the former Vice President and Chief Financial Officer of a publicly held manufacturing company that manufactured and sold nonwoven fiber products, Ms. Burdett is familiar with the markets in which the Company s Performance Materials business operates. In addition to her relevant industry experience, Ms. Burdett has 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.

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Name, Title, Age and Date Became a Director	Business Experience, Other Directorships and Qualifications
W. Leslie Duffy, Esq. *Chairman of the Board of Directors, Lydall, Inc. (since 2005); former partner, Cahill Gordon & Reindel LLP* *Age: 76* *Director Since: 1992* *Committees (since):* *Corporate Governance Committee (2003)*	Mr. Duffy is a retired partner of the law firm of Cahill Gordon & Reindel LLP, an international law firm where he specialized in transactional and corporate governance matters from 1965 through 2012. Mr. Duffy 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. The Board believes that his legal background and business experiences, together with his extensive knowledge of the Company s operations and history, offer a valuable contribution to the Board, particularly on matters relating to corporate governance, board oversight and strategic acquisitions.
Matthew T. Farrell *Chief Executive Officer, Church & Dwight Co., Inc.* *Age: 59* *Director Since: 2003* *Committees (since):* *Audit Review Committee (2003)* *Compensation Committee (2004)*	Mr. Farrell is Chief Executive Officer of Church & Dwight Co., Inc. (Church & Dwight), which manufactures and markets a wide range of personal care, household and specialty products. In 2015, Mr. Farrell was Executive Vice President, Chief Financial Officer and Chief Operating Officer of Church & Dwight. From 2007 through 2014, Mr. Farrell was Chief Financial Officer of Church & Dwight. Prior to that, Mr. Farrell was Chief Financial Officer of Alpharma Inc., a specialty 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. As the Chief Executive Officer and former Chief Financial Officer of a publicly held manufacturing business, and a member of the executive management team of another publicly held company, Mr. Farrell has industry experience and knowledge relevant to the Company s business. He also has prior experience serving as an audit partner of KPMG Peat Marwick LLP. In addition, Mr. Farrell has professional expertise from senior management positions he has held in investor relations and communications. The Board believes that his background, business experiences and knowledge offer a valuable contribution to the Board, particularly on matters relating to manufacturing, finance, audit, investor relations and communications.
Marc T. Giles *Former President and Chief Executive Officer of Gerber Scientific, Inc.* *Age: 60*	Mr. Giles currently holds directorships at the following public companies: (1) Checkpoint Systems, Inc., a global leader in merchandise availability solutions for the retail industry, since March 2013, where he also serves as Chair of the Audit Committee and as a member of the Compensation Committee; (2) 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 (3)

Director Since: 2008 *Committees (since):* *Compensation Committee (2008)* Corporate Governance Committee (2008)	Gerber Scientific, Inc. (Gerber Scientific), a manufacturer that provides software, computerized manufacturing systems, supplies and services to a variety of industries in over 100 countries, since 2001. He was the President and Chief Executive Officer of Gerber Scientific from 2001 until 2012 and provided transitional services through his retirement in 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, he 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. As the former President and Chief Executive Officer of a global manufacturing business which is comparable in size to the Company and was public until 2011, Mr. Giles is knowledgeable about general management and strategic planning, mergers and acquisitions, sales and marketing and business development. In addition to his business experience, Mr. Giles is also the Director of three other public companies.

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Name, Title, Age and Date Became a Director	Business Experience, Other Directorships and Qualifications
William D. Gurley *Former President and Chief Executive Officer of Stanadyne Corporation* *Age: 67* *Director Since: 2006* *Committees (since):* *Compensation Committee (2006)* Compensation Committee, Chairperson (2008) Corporate Governance (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. From 1989 to 2006, Mr. Gurley served on Stanadyne s Board of Directors. Prior to joining Stanadyne, Mr. Gurley worked in the Automotive Products Division of Garrett Corporation and the Packard Electric Division of General Motors Corporation. As the former President and Chief Executive Officer of a manufacturer of engine components and fuel filtration systems and as a result of his prior work experience for the executive management teams of other businesses serving the industry, Mr. Gurley is knowledgeable about the automotive industry in which the Company operates. He also 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.
Suzanne Hammett *Executive Vice President and Chief Commercial Credit Risk Officer, Capital One, N.A.* *Age: 60* *Director Since: 2000* *Committees (since):* *Audit Review Committee (2003)* Compensation Committee (2004)	Since 2007, Ms. Hammett has been 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. 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 tenure. As the Executive Vice President and Chief Commercial Credit Risk Officer of one of the largest banking institutions in the United States, and with her prior experience working for a number of other financial institutions and investment banks, Ms. Hammett is knowledgeable about commercial finance, business analysis and credit risk management, all of which are important to the Company s business.
S. Carl Soderstrom, Jr. *Former Senior Vice President*	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.

and Chief Financial Officer, Rockwell Automotive *Age: 62* *Director Since: 2003* *Committees (since):* *Corporate Governance Committee, Chairperson (2004)* Audit Review Committee (2003)	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 International (Rockwell), most recently at the automotive business of Rockwell (subsequently spun off and merged to form ArvinMeritor, Inc., now known as Meritor, Inc. At the time, ArvinMeritor 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. Mr. Soderstrom served as Senior Vice President and Chief Financial Officer at the time of his retirement. Prior to joining Rockwell, Mr. Soderstrom held management positions at General Electric Company and Emerson Electric Co. With his 18 years experience in a variety of senior positions at a global supplier to the automotive industry, most recently as Senior Vice President and Chief Financial Officer, Mr. Soderstrom is knowledgeable about the automotive industry in which the Company operates. In addition to his industry experience, he serves as the Director of two other public companies, is a member of an Audit, a Finance and a Nominating and Corporate Governance Committee, and Chair of an Audit Committee. He brings extensive experience in product engineering, quality management, manufacturing, finance and procurement to our Board.

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PROPOSAL 2 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.

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 2015, 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 revenue, operating income, gross margin and free cash flow financial goals pre-established yearly;*
- *Performance-based restricted stock awards based on the Company achieving earnings per share goals established three years in advance; and*
- *Qualified and nonqualified stock options providing value only when the share price increases.*

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 revenue, 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 minimum threshold for 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 *2015 Summary Compensation Table* and other related compensation tables and the narrative disclosures that describe the compensation of the Company s NEOs in fiscal 2015. The *Compensation Discussion and Analysis* highlights in more detail how the compensation of the NEOs in fiscal 2015 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 2015 reflects and supports these compensation policies and procedures.

In accordance with Section 14A of the Securities Exchange Act (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.

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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.

PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

The Audit Review Committee has appointed PricewaterhouseCoopers LLP (PwC) to serve as independent auditor to conduct an audit of the Company s consolidated financial statements for the fiscal year ending December 31, 2016. 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 auditor 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 AUDITOR FOR FISCAL YEAR 2016.

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, 2015 and December 31, 2014, and fees for other services rendered by PwC during those periods:

Fee Category

	Fiscal 2015	% of Total	Fiscal 2014	% of Total
Audit fees	$ 1,134,000	100 %	$ 1,413,500	94 %
Audit-related fees				
Tax fees			91,200	6 %
All other fees				
Total Fees	$ 1,134,000	100 %	$ 1,504,700	100 %

The decrease in the 2015 audit fees compared to the 2014 audit fees relates primarily to the absence in 2015 of the non-recurring fees incurred in 2014 in connection with the acquisition of the Industrial Filtration businesses.

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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 auditor if the Audit Review Committee pre-approves the engagement of the independent auditor for such projects and services. On a periodic basis, the independent auditor reports 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 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 and 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 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, within the meaning of the applicable NYSE rules. The Board has adopted a charter for each of the three standing committees, and the Company has a Code of Ethics and Business Conduct (the Code) applicable to all Directors, officers and employees. Links to the Corporate Governance Guidelines, charters and Code can be found on Lydall s website at *www.lydall.com*. All materials available at *www.lydall.com* are also available to stockholders in print without charge, upon written request to Lydall, Inc., One Colonial Road, Manchester, CT 06042-2378, Attention: General Counsel.

Committees

The table below shows current membership and indicates the chairperson (*) for each of the standing Board committees.

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 and the Company s internal audit function), the outside auditor s 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 auditor, 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.

The Audit Review Committee meets regularly in private session with the independent auditor, has the sole authority to retain and dismiss the independent auditor, pre-approves audit and non-audit services, and periodically reviews the independent auditor s performance and independence from management. The independent auditor has unrestricted access to, and reports 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 responsibility for the Company s compensation of management, incentive plans and programs. The duties and responsibilities of the Compensation Committee 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 (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 the Company s Compensation Discussion and Analysis (CD&A) with management and, based upon such review, 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 annual proxy statement; 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 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 ; 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; evaluating the Chief

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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.

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. The Corporate Governance Committee evaluates the skills and expertise needed by the Board and the skills and expertise that are possessed by current Board members. The Corporate Governance Committee seeks persons of the highest ethical standards 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 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 76 on December 31, 2015 and 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, and Mr. Duffy agreed to continue to serve as a Director and to stand for re-election.

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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.

Leadership Structure

The Board, upon the recommendation of the Corporate Governance Committee, has determined that the roles of the Chair of the Board and the 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 spokesperson for the Company.

Independence Determination

The Board has concluded that Kathleen Burdett, W. Leslie Duffy, Matthew T. Farrell, Marc T. Giles, William D. Gurley, Suzanne Hammett, and S. Carl Soderstrom, Jr. (all of the non-employee Directors) 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 2015 or 2016. The categorical standards are set forth in the Company s Corporate Governance Guidelines (available on *www.lydall.com*).

Compensation Committee Interlocks and Insider Participation

As discussed above, all members of the Compensation Committee are independent Directors under the enhanced independence rules of the NYSE for compensation committee members. No executive officer of the Company has served as a Director or a member of a compensation committee of another company where any member of the Compensation Committee is an executive officer.

Risk Oversight

The Board oversees the Company s risk management processes directly and through its committees.

Management has adopted an ongoing risk management process that it uses to identify and assess Company risks. Periodically, management advises the Board and the appropriate Board committee of the following:

risks identified;

management s assessment of those risks at the business unit and corporate levels;

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its plans for the management of those identified risks or the mitigation of their effects; and
the results of the implementation of those plans.

The Board fulfills its oversight role by discussing with management the policies and practices utilized by management in assessing and managing risks and providing input on those policies and practices, through:

Board oversight of the business and strategic risks of the Company;
Audit Review Committee oversight of financial reporting and compliance risks confronting the Company; and
Compensation Committee oversight of risks associated with the Company s compensation policies and practices, including variable cash compensation, equity compensation and change in control arrangements.

In addition, the Board may request regular reports directly from personnel of the Company responsible for oversight of particular risks within the Company. This process enables the Board and its committees to coordinate and supervise risk oversight, particularly with respect to risks that are overseen by different committees of the Board and different personnel within the Company.

The Company provides detailed risk factors impacting its business in its Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q filed with the SEC.

Related Party Transactions

The Board is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest. Accordingly, as a general matter, the Company prefers to avoid related party transactions.

The Company follows a policy for the review and prior approval by the Corporate Controller s Department of all related party transactions. In addition, annually, the Corporate Secretary obtains responses of the Directors and executive officers to questions as to whether a family member of a Director or executive officer is employed by the Company and whether a Director or executive officer has any other relationship with the Company. The Company compiles a list of those companies reported (if any) and compares it against the record of companies with whom the Company transacts business, noting the dollar amount of transactions with such companies, if any. The Company then provides a report to the members of the Audit Review Committee, which reviews the information.

The Company did not engage in any related party transactions requiring disclosure during fiscal year 2015.

Board Attendance

During fiscal year 2015, the Board held eight meetings (including three special meetings). The Audit Review Committee held seven meetings (including two special meeting); the Compensation Committee held five meetings; and the Corporate Governance Committee held four meetings. Each of the Directors attended at least 75% of the aggregate of the number of meetings of each of the Board and of each of the Board committees of which he or she was a member during fiscal year 2015. The Board s practice is to meet in executive session without members of management present at every regularly scheduled Board meeting held in person and at special meetings as circumstances warrant. These sessions are presided over by the Chair of the Board.

A Board meeting is scheduled in conjunction with the Company s Annual Meeting, and in accordance with the Corporate Governance Guidelines, all of the Director nominees are expected to attend the Annual Meeting. All Directors and nominees attended last year s Annual Meeting.

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Communications With Directors

Stockholders of Lydall and other parties may contact the Chair of the Board by email at: *chairman@lydall.com* and if interested in communicating with the Board, or any Director, may write to them at the following address:

Lydall, Inc.
One Colonial Road
Manchester, CT 06042

Communications are distributed to the Board, or to any individual Directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board has requested that certain items that are unrelated to the duties and responsibilities of the Board should be excluded, such as product inquiries and complaints, new product suggestions, resumes and other forms of job inquiries, surveys, and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management Director upon request.

Additional Disclosures

In accordance with NYSE rules, in the event that any member of the Audit Review Committee simultaneously serves on the audit committees of more than three public companies, the Board will assess whether such simultaneous service impairs the ability of such member to effectively serve as a member of the Audit Review Committee, and the Company will disclose such assessment either on or through the Company s website or in its annual proxy statement or Annual Report on Form 10-K filed with the SEC. No member of the Company s Audit Review Committee currently serves on the audit committees of more than three public companies.

In addition, the Company will disclose, either on or through the Company s website or in its annual proxy statement or Annual Report on Form 10-K filed with the SEC, any contributions by the Company to a tax exempt organization in which any non-management or independent Director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of $1 million or 2% of such tax exempt organization s consolidated gross revenues. No such contributions have been made by the Company to any such tax exempt organization.

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REPORT OF THE AUDIT REVIEW COMMITTEE

The Audit Review Committee (the Committee) operates under a written Charter adopted and approved by the Board. The Charter, which defines the functions and responsibilities of the Committee, is reviewed annually. A link to the Committee s Charter can be found on *www.lydall.com*. The Committee has determined that its Charter and practices are consistent with the listing standards of the NYSE and the provisions of the Sarbanes-Oxley Act of 2002.

During 2015, all Directors who served on the Committee were independent for purposes of the NYSE rules and Section 10A(m)(3) of the Exchange Act. The Board has determined that none of the Committee members has a relationship with the Company that may interfere with his/her independence from the Company and its management, and that each member is an audit committee financial expert as defined by the SEC.

Periodically, the Committee meets with management to consider the adequacy of the Company s internal controls and the objectivity and appropriateness of its financial reporting. The Committee also discusses these matters with PwC, the Company s independent auditors, appropriate Company financial personnel, and internal auditors, both separately and jointly. Independent and internal auditors of the Company have unrestricted access to the Committee.

Management has primary responsibility for the Company s financial statements and the overall reporting process, including the Company s system of internal controls. The independent auditors audit the annual financial statements prepared by management, express an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of the Company in conformity with generally accepted accounting principles in the United States (U.S. GAAP), and discuss with the Committee the Company s significant accounting policies, accounting estimates and management judgments reflected in the financial statements, audit adjustments arising from the audit, and other matters in accordance with Auditing Standard No. 1301 (Communications with Audit Committees) as adopted by the Public Company Accounting Oversight Board (PCAOB).

The Committee reviewed the Company s audited financial statements for the fiscal year ended December 31, 2015, and met with both management and PwC to discuss those financial statements. Management has represented to the Committee that the financial statements were prepared in accordance with U.S. GAAP. PwC has reported to the Committee that such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in accordance with U.S. GAAP.

At each regularly scheduled Committee meeting during 2015, the Committee monitored and discussed with management and PwC the status of the Company s compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The Committee also reviewed and discussed with PwC and management their reports and attestations on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Committee annually reviews PwC s independence and performance in connection with the determination to retain PwC. PwC has provided to the Committee the written disclosures and the letter required by PCAOB s Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence), and the Committee discussed and confirmed with PwC their independence. As a result of their evaluation, the Committee has concluded that PwC has the ability to provide the necessary expertise to audit the Company s businesses on a global basis, and the Committee approved the appointment of PwC as Lydall s independent registered public accounting firm for 2016.

Based on the foregoing, the Committee has recommended to the Board, and the Board approved, that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015.

Kathleen Burdett, Chair
Matthew T. Farrell
Suzanne Hammett
S. Carl Soderstrom, Jr.

COMPENSATION DISCUSSION AND ANALYSIS

Overview Executive Summary

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 2015, the compensation of the Named Executive Officers primarily 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 based on competitive benchmarking, individual performance and individual responsibilities;
Annual cash bonuses based on the Company s performance against financial goals pre-established yearly, including revenue, operating income, gross margin and free cash flow;
Performance-based restricted stock awards (PSAs) based on the Company achieving long-term earnings per share (EPS) goals established three years in advance; and
Stock options vesting over four-years and providing future value only when the share price increases.

Our executive compensation structure is designed to achieve the Company s short-term and long-term financial and operational objectives and to align the interests of stockholders and executives. In that respect, the actual 2015 compensation of the NEOs reflects the philosophy of making a substantial portion of each executive s compensation variable depending on the Company s performance. The chart below shows the 2015 compensation pay mix for the CEO.

The CEO compensation pay mix is calculated based on (1) 2015 Base Salary, (2) 2015 Cash Bonus paid in February 2016, and (3) 2015 Long-Term Incentive grant made on December 5, 2014.

Key Compensation Decisions

The following highlights the key decisions made by the Committee related to 2015 compensation for the NEOs:

Made adjustments to increase the base salaries of NEOs where appropriate, as detailed below under the Base Salary section
Awarded a cash payout at 119% of target to the current NEOs employed at corporate headquarters (Messrs. Barnhart, Deakin and McDaniel) and 161% of target to the current NEO employed at a business unit (Mr. Abbruzzi) under the Company s annual incentive performance program (the AIP Program) based on the Company s and a business unit s consolidated performance metrics for 2015
Granted long-term incentive opportunities through PSAs (50%) and stock options (50%)

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Set financial performance metrics targets for the AIP Program consistent with the business plan to support continued sustained growth and profitability

Established EPS performance goal for the PSA grant

Certified the vesting of PSAs granted in February and May of 2013 based on the achievement of 2015 actual EPS of $2.71 versus a target EPS of $1.32

At the request of the Compensation Committee, management conducted its annual assessment of the risk profile of the Company s compensation programs in February 2016. As a result of this review, the Compensation Committee determined that the risks arising from the Company s compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Compensation Objectives

Create Incentives that Motivate Performance

The key elements of executive compensation that depend on the Company s financial and operating performance include:

annual incentive award payouts that are tied to achievement of financial performance targets, with opportunities for more compensation should actual results exceed targets; and

long-term incentive awards that are made in the form of performance-based stock awards (which are contingent upon the Company achieving specific financial targets) and stock options (which only have value if the stock price increases after the date of grant).

Align Management and Stockholder Interests

The Committee provides compensation and adopts policies designed to align the interests of executives with those of the stockholders. These include:

granting executives compensation opportunities in the form of equity awards, so that the actual compensatory value of an award is directly connected to the Company s stock price;

making cash and equity awards contingent upon the Company achieving financial measures that correlate with long-term stockholder value such as income from operations, earnings per share, free cash flow and gross margin;

share retention guidelines that require executives to acquire and hold an amount of stock equal to a multiple of their annual base salaries;

provisions relating to the clawback or recoupment of compensation in equity-based compensation programs and in cash bonus plans; and

policies to prohibit hedging and limit pledging of the Company s stock.

Attract, Motivate and Retain Executives

The Committee strives to attract, motivate and retain executive officers by:

offering competitive base salaries;

tying annual cash bonuses to short-term performance goals;

linking PSAs to long-term performance goals and continued employment; and

granting stock options that require stock price appreciation to provide value and continued employment to vest.

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Implementing Compensation Objectives

Overseeing Executive Compensation Programs

The Committee has been appointed by the Board to oversee matters relating to executive compensation. Reporting to the Board, the Committee has overall responsibility for the Company s compensation and incentive plans and programs. For a more detailed description of the Committee s responsibilities and its composition, please see the discussion under the heading *Corporate Governance Committees* in this proxy statement.

Determining Compensation

The Committee determines and approves the Chief Executive Officer s compensation and approves the compensation for each of the other Named Executive Officers based upon the recommendations of the Chief Executive Officer. From time-to-time, the Committee engages independent compensation consultants to provide market and competitive information to assist it in understanding the competitive landscape for all of the Named Executive Officers and in developing compensation programs for them.

In determining compensation for the Named Executive Officers for fiscal 2015, including the grant of stock options and PSAs in December 2014, the Committee considered the following:

competitive pay practices (as informed by the Company s experiences in recruiting new executive officers, and the Meridian analysis described below);
the executive s individual performance, responsibilities, and experiences (as informed by the Board s annual evaluation of the CEO and by the input received from the CEO with respect to each of the other executive officers);
the Company s performance and financial condition; and
external market and economic conditions.

In addition, the Committee reviews compensation data (which summarize each component of the five-year compensation histories of each NEO) and an accumulated wealth analysis (which summarizes the long-term equity-based compensation accumulated by each NEO over the past five years). The Committee also evaluates each individual s total compensation compared with other executives within the organization.

The Committee does not assign specific weights to any of these factors described above and, ultimately, the Committee s compensation decisions are subjectively reached based on the Committee s business judgment.

Periodically throughout the year, the Committee discusses the philosophy for overall compensation, reviews and discusses adequacy and appropriateness of the structure of compensation, considers whether to modify compensation and the relative mix of compensation elements and, on occasion, makes changes to compensation that it deems appropriate.

Role of Management

The Chief Executive Officer assists the Committee with respect to the compensation packages for the NEOs other than himself. This assistance includes making recommendations regarding salary and incentive compensation levels based on management s review of performance, achievement of goals and objectives, and competitive market information. Executive officers do not play a role in their own compensation determinations or that of others (except that the Chief Executive Officer is directly involved, with the support of senior leaders in the Human Resources Department, in the compensation determinations of other executive officers), except to discuss their own respective individual performance with the Chief Executive Officer. The final approval of compensation for the executive officers is performed in private session, with no executive officer (including the CEO) attending. No executive officers are involved in determining Director compensation.

Role of Consultants

The Committee considers information and advice obtained from its compensation consultant, Meridian Compensation Partners LLC (Meridian), in determining the compensation packages for the NEOs and all directors who are not employees of Lydall (the Outside

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Directors). Meridian is retained directly by the Committee. The Committee has determined that no conflicts of interest exist between the Company and Meridian based on SEC Rule 10C-1(b)(4) and the corresponding NYSE independence factors regarding compensation advisor independence.

In September 2014, the Committee commissioned and received an Executive Compensation Analysis report from Meridian. Inputs from the report, among other factors, were considered for setting NEO compensation for 2015. For the analysis, Meridian used data from the 2014 Aon Hewitt TCM survey and the 2014 Equilar s Top 25 Survey. The Equilar data was based on companies with less than $1 billion in revenue, while the Aon Hewitt data was based on companies with between $200 million and $1.5 billion in revenue. In both cases, the average revenue was similar in size to that of the Company.

The Meridian analysis described above was used by the Committee to supplement its general understanding of current compensation practices. The Committee does not target payment for any compensation element or total compensation to any specified level of the companies included in the survey data. The Committee does not have any policies for allocating between long-term and currently paid-out compensation, between cash and non-cash compensation, among different forms of non-cash compensation, or among different forms of long-term awards.

Elements of Compensation

As noted above, the 2015 compensation for the NEOs consisted of base salary, eligibility for an annual cash performance bonus under the AIP Program, long-term equity incentive awards and other compensation, including benefits and perquisites. Each element of compensation is explained below.

Base Salary

Adjustments were made to increase the base salaries of the NEOs (except Mr. Deakin) for 2015 ranging from 0% to 11.9% as shown in more detail in the table below. In making these adjustments, the Committee took into consideration the following: competitive pay practices (as informed by the Company s experiences in recruiting new executive officers and the Meridian analysis referred to above); the executive s individual performance, responsibilities, and experiences (as informed by the Board s annual evaluation of the CEO and by the input received from the CEO with respect to the other NEOs); the Company s performance and financial condition; the results of the Say-on-Pay vote held at the annual meeting of stockholders in 2015; and external market and economic conditions.

Except for Mr. Deakin who joined the Company in 2015, all the adjustments to NEO base salaries were approved by the Committee at a regularly scheduled meeting of the Committee held on December, 5, 2014 and were effective as of December 29, 2014.

The base salaries of the NEOs and the percentage increases for 2015 were as follows:

Name	*Base Salary for 2014*	*Percentage Increase*		*Base Salary for 2015*
Dale G. Barnhart[(1)]	$ 520,000	10.00	%	$ 572,000
Scott M. Deakin[(2)]	N/A	N/A		$ 390,000
Joseph A. Abbruzzi	$ 287,018	4.52	%	$ 300,000
Chad A. McDaniel[(3)]	$ 236,900	11.86	%	$ 265,000

David H. Williams	$ 283,250	2.38	%	$ 290,000
Robert K. Julian[4]	$ 360,500	0	%	$ 360,500

(1) Mr. Barnhart s annual base salary was increased by ten (10%) percent to $572,000 after a 24-month interval since his last base salary increase date to better align with market and in recognition of the Company s 2014 performance under his leadership.

(2) Mr. Deakin s annual base salary was effective as of September 8, 2015.

(3) Mr. McDaniel s annual base salary was increased by 11.86% to $265,000 to better align with market and in recognition of his performance in 2014. His annual base salary was further increased, effective June 1, 2015, to $290,000 in connection with his promotion to Senior Vice President, General Counsel and Chief Administrative Officer to reflect his expanded responsibilities.

(4) Mr. Julian did not receive an increase in his annual base salary due to a shift in his total compensation to be weighted more towards performance-based (at risk) compensation. Mr. Julian s employment with the Company terminated in May 2015.

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Annual Incentive Performance Program (AIP Program)

The Company s AIP Program, determination of eligibility and amount of the cash performance bonus payable to each of the NEOs is described below:

* Final AIP Payout amount for each NEO is shown in AIP Table 4 below.

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The Performance Metrics selected by the Committee for 2015 and as defined in the AIP Program are:

AIP Table 1

Performance Metric	Metric Definition
Operating Income	Operating income from continuing operations of the Company for the performance period, as set forth in the audited financial statements of the Company
Free Cash Flow	Cash flow from operations minus capital expenditures
Gross Margin	Percentage resulting from (a) the excess, if any, of net sales from continuing operations over cost of sales from continuing operations, divided by (b) net sales from continuing operations
Revenue	Total net sales, adjusted to exclude foreign exchange fluctuations

The 2015 AIP Performance Metrics, their relative weights and the performance and payout ranges are shown in the table below:

AIP Table 2

Performance Metric	Weight	Threshold[(1)] Performance	Payout	Target Performance	Payout	Maximum[(1)] Performance	Payout