

LYDALL INC /DE/
Form DEF 14A
March 16, 2012

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

SCHEDULE 14A INFORMATION

**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 Pursuant to §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.
 - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:

Edgar Filing: LYDALL INC /DE/ - Form DEF 14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

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, Connecticut Salon B, 315 Trumbull Street, Hartford, CT 06103
Date: Friday, April 27, 2012
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 next Annual Meeting of Stockholders to be held in 2013 and until their successors are elected and qualified;
2. Approving the Lydall 2012 Stock Incentive Plan;
3. Holding an advisory vote on executive compensation;
4. Ratifying the appointment of PricewaterhouseCoopers LLP as independent auditors for fiscal year 2012; 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,

Paul G. Igoe
Vice President, General Counsel and Corporate Secretary

Manchester, CT
March 23, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 27, 2012.

This Proxy Statement, along with the Lydall, Inc. 2011 Annual Report and Form 10-K, are available free of charge on our website at:

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

www.lydall.com and by clicking on [Investor Relations](#)

TABLE OF CONTENTS

PROXY STATEMENT

TABLE OF CONTENTS

<u>GENERAL INFORMATION</u>	<u>1</u>
<u>Options for Voting</u>	<u>1</u>
<u>Voting Mechanics</u>	<u>2</u>
<u>Majority Voting Policy for Election of Directors</u>	<u>3</u>
<u>Cost of Solicitation</u>	<u>3</u>
<u>Eligibility to Vote</u>	<u>3</u>
<u>Obtaining Copies</u>	<u>3</u>
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	<u>4</u>
<u>Biographical Information</u>	<u>4</u>
<u>Nomination Process</u>	<u>6</u>
<u>Qualifications of Nominees</u>	<u>6</u>
<u>Nominations by Stockholders</u>	<u>8</u>
<u>PROPOSAL 2 APPROVAL OF LYDALL 2012 STOCK INCENTIVE PLAN</u>	<u>8</u>
<u>PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>16</u>
<u>PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	<u>18</u>
<u>Principal Fees and Services</u>	<u>18</u>
<u>CORPORATE GOVERNANCE</u>	<u>19</u>
<u>General</u>	<u>19</u>
<u>Committees</u>	<u>19</u>
<u>Leadership Structure</u>	<u>20</u>
<u>Independence Determination</u>	<u>21</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>21</u>
<u>Risk Oversight</u>	<u>21</u>
<u>Related Party Transactions</u>	<u>21</u>
<u>Board Attendance</u>	<u>22</u>
<u>Communications With Directors</u>	<u>22</u>
<u>Additional Disclosures</u>	<u>22</u>
<u>REPORT OF THE AUDIT REVIEW COMMITTEE</u>	<u>23</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>24</u>
<u>Overview Executive Summary</u>	<u>24</u>
<u>Compensation Objectives</u>	<u>25</u>

<u>Create Incentives That Motivate Performance</u>	<u>25</u>
<u>Align Management and Stockholder Interests</u>	<u>25</u>
<u>Retain Executives</u>	<u>25</u>
<u>Implementing Our Objectives</u>	<u>25</u>
<u>Overseeing Executive Compensation Programs</u>	<u>25</u>
<u>Determining Compensation</u>	<u>25</u>
<u>Role of Management</u>	<u>26</u>
<u>Role of Consultants</u>	<u>26</u>

TABLE OF CONTENTS

<u>Elements of Compensation</u>	<u>27</u>
<u>Cash Compensation</u>	<u>27</u>
<u>Base Salary</u>	<u>27</u>
<u>Annual Incentive Performance Program (AIP)</u>	<u>27</u>
<u>Long-Term Incentive Awards</u>	<u>29</u>
<u>Grants Made As Part of 2011 Compensation</u>	<u>30</u>
<u>Payouts of Prior Awards Based on 2011 Performance</u>	<u>31</u>
<u>Adjustment or Recovery of Awards</u>	<u>31</u>
<u>Other Compensation</u>	<u>32</u>
<u>Fiscal 2012 Executive Compensation Components</u>	<u>33</u>
<u>Stock Ownership</u>	<u>34</u>
<u>Tax Deductibility of Compensation</u>	<u>35</u>
<u>Compensation Committee Report on Executive Compensation</u>	<u>36</u>
<u>EXECUTIVE COMPENSATION TABLES</u>	<u>37</u>
<u>Fiscal Year 2011 Summary Compensation Table</u>	<u>37</u>
<u>Grants of Plan-Based Awards For 2011</u>	<u>38</u>
<u>Outstanding Equity Awards at Fiscal Year-End 2011</u>	<u>39</u>
<u>Option Exercises and Stock Vested For 2011</u>	<u>41</u>
<u>Pension Benefits for 2011</u>	<u>41</u>
<u>Potential Payments Upon Termination or Change-in-Control</u>	<u>41</u>
<u>Equity Compensation Plan Information</u>	<u>45</u>
<u>2011 DIRECTOR COMPENSATION</u>	<u>46</u>
<u>Meeting Fees and Cash Retainers</u>	<u>46</u>
<u>Stock Options</u>	<u>47</u>
<u>Non-Cash Retainers</u>	<u>47</u>
<u>Director Deferred Compensation and Retirement Benefits</u>	<u>47</u>
<u>Inside Director</u>	<u>48</u>
<u>SECURITIES OWNERSHIP OF DIRECTORS, CERTAIN OFFICERS AND 5% BENEFICIAL OWNERS</u>	<u>49</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>50</u>
<u>STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS</u>	<u>51</u>
<u>Timeliness of Notice</u>	<u>51</u>
<u>Content of Notice for Stockholder Nominations</u>	<u>51</u>
<u>Content of Notice for Other Stockholder Proposals</u>	<u>52</u>
<u>Consequences of Failure to Comply</u>	<u>52</u>
<u>Stockholders May Request Copies of Applicable Bylaws</u>	<u>52</u>
<u>Stockholder Proposals for 2013 Annual Meeting</u>	<u>52</u>

LYDALL 2012 STOCK INCENTIVE PLAN

**Appendix
A**

TABLE OF CONTENTS

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement of Lydall, Inc. (Lydall or the Company or us or our), a Delaware corporation, is being mailed or otherwise furnished to stockholders on or about March 23, 2012 in connection with the solicitation by the Board of Directors (the Board) of Lydall of proxies to be voted at the 2012 Annual Meeting of Stockholders (the Annual Meeting). The Annual Meeting will be held on April 27, 2012, at 9:00 a.m. at the Hilton Hartford, Connecticut Salon B, 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 2013 and until their successors are elected and qualified;
2. To approve the Lydall 2012 Stock Incentive Plan;
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, 2012.

The Board recommends that you vote **FOR** the nominees for election to the Board named in the proxy, **FOR** the approval of the Lydall 2012 Stock Incentive Plan, **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 officers 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.

TABLE OF CONTENTS

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.

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 by telephone, over the Internet or signed and returned to the Company will be voted **FOR** the nominees for election to the Board named in the proxy, **FOR** the approval of the Lydall 2012 Stock Incentive Plan, **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 Lydall 2012 Stock Incentive Plan (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, withhold authority to vote for all nominees or withhold authority to vote for any individual nominee. 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 Proposals 2, 3 and 4, a stockholder may cast a vote for or against the proposal or abstain from voting.

With respect to Proposal 2, the approval of the Lydall 2012 Stock Incentive Plan, under NYSE rules, approval requires that (1) a majority of Lydall's Common Stock, par value \$.10 per share (Common Stock), issued, outstanding and entitled to vote at the Annual Meeting must actually vote on the matter (with abstentions counting as votes and broker non-votes not counting as votes) and (2) votes in favor must constitute at least a majority of the votes cast (with abstentions counting as votes cast and broker non-votes not counting as votes cast). Accordingly, abstentions will have the same effect as a vote against Proposal 2, and the failure to give your broker instructions for how to vote could, depending on the number of votes cast, result in Proposal 2 not being adopted.

2

TABLE OF CONTENTS

With respect to Proposal 3, the Say-on-Pay proposal, and Proposal 4, the ratification of the appointment of the Company's independent auditors, 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. Under the Company's Bylaws, 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.

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 he or she does not receive the favorable vote of at least a majority of the votes cast at any meeting for the election of Directors at which a quorum is present. Under the Company's majority voting policy, a majority of votes cast means that the number of shares voted for a Director's election exceeds 50% of the number of the votes cast with respect to that Director's election. Votes cast include votes to withhold authority and 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 March 1, 2012 (the Record Date) are entitled to vote at this Annual Meeting and any adjournment thereof. As of the Record Date, there were 17,130,528 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, 2011 (2011 Annual Report), has been mailed to the stockholders with this proxy statement. This proxy statement, the 2011 Annual Report, a letter to the stockholders and the accompanying proxy card were first mailed to stockholders on or about March 23, 2012. Additionally, copies of the Company's 2011 Annual Report may be printed from 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: Vice President, General Counsel and Corporate Secretary.