

**LYDALL, INC.**  
**STOCK OWNERSHIP GUIDELINES FOR**  
**SENIOR EXECUTIVE OFFICERS**

Adopted, effective January 1, 2010  
Amended and restated, effective January 1, 2014

Lydall, Inc.'s ("Lydall" or "the Company") Board of Directors ("Board") and management believe that linking the personal financial interests of senior executive officers to the Company's success gives them a greater stake in the Company and enhances the alignment of the interests of those executives with the interests of our stockholders. The Board believes that this alignment will benefit our stockholders. Accordingly, the Board adopted stock ownership guidelines effective January 1, 2010, and amended them effective January 1, 2014 ("Guidelines").

**I. Application**

The Board expects the following senior executive officers of the Company ("Covered Individuals") to acquire and hold shares of Lydall common stock having a fair market value (determined as set forth below) equal to the amounts specified below (the "Targeted Stock Ownership Amount"):

- Chief Executive Officer - Four times (4x) annual base salary
- Chief Financial Officer - Two times (2x) annual base salary
- All other "Section 16" Officers - One times (1x) annual base salary

The following ownership interests will be considered in determining compliance with these Guidelines:

- Shares owned outright by the Covered Individual, or by members of his or her immediate family residing in the same household, whether held individually or jointly, including shares held in any qualified retirement accounts;
- Shares held in trust for the benefit of the Covered Individual or his or her immediate family residing in the same household, or by a family limited partnership or other similar arrangement;
- Shares of time-based restricted stock awarded pursuant to the Company's stock incentive compensation plans, whether or not vested; and
- Performance shares awarded pursuant to the Company's stock incentive compensation plans, but only to the extent that such shares are determined based upon certification by the Compensation Committee that the relevant performance objective has been satisfied, whether or not vested.

## **II. Determination**

The Targeted Stock Ownership Amount for each Covered Individual was initially determined as of the later of January 1, 2010 or the date such individual first became subject to these Guidelines (the “Date of Determination”) and was based on the individual’s annual base salary in effect as of such date. For purposes of determining whether a Covered Individual’s stock ownership amount satisfies the applicable Targeted Stock Ownership Amount for such individual, the fair market value of the Company’s common stock was calculated as the closing price of the Company’s common stock on the trading day immediately preceding the Date of Determination as reported by the New York Stock Exchange. This method of determining compliance with the Guidelines shall continue until December 31, 2013.

Effective January 1, 2014, the Targeted Stock Ownership Amount for each Covered Individual will be determined as of the later of January 1, 2014 or the date such individual first becomes subject to these Guidelines (the “New Date of Determination”) and will be based on the Covered Individual’s annual base salary in effect as of such date. For purposes of determining whether a Covered Individual’s stock ownership amount satisfies the applicable Targeted Stock Ownership Amount for such individual, the fair market value of the Company’s common stock shall be the average closing price of the Company’s common stock over the 365-day period immediately preceding the New Date of Determination, as reported by the New York Stock Exchange.

Each Covered Individual is expected to achieve compliance with his or her applicable Targeted Stock Ownership Amount on or before the later of December 31, 2014 or the date that is five (5) years after the date such individual is appointed to the position giving rise to the applicability of these Guidelines. If a Covered Individual’s Targeted Stock Ownership Amount increases after January 1, 2014 because of a change in title, a five-year period to achieve the incremental Targeted Stock Ownership Amount begins in January following the year of the title change.

The Targeted Stock Ownership Amount will be recalibrated every three (3) years after January 1, 2014, based on the then current base salaries of the Covered Individuals and the average closing stock price of Lydall common stock over the preceding 365-day period.

Once achieved, ownership of the applicable Targeted Stock Ownership Amount should be maintained for as long as a Covered Individual is subject to these Guidelines. The Covered Individuals are strongly discouraged from dispositions of shares of Company stock until they have achieved their Targeted Stock Ownership Amount. The term “dispositions” in the preceding sentence shall not include: (a) sales of Company stock to the Company which may be required to settle tax withholding obligations arising in connection with the vesting of restricted or performance share awards; (b) sales of Company stock solely to pay the exercise price, associated trading fees/commissions and settle tax withholding obligations arising in connection with the exercise of stock options (i.e., a “cashless” exercise), or (c) sales of Company stock held by members of the immediate family of the Covered Individual.

### **III. Administration**

(a) *Authority.* The Compensation Committee shall have full authority to oversee the administration, implementation, interpretation and modification of these Guidelines. The Company's Human Resources Department ("HR") shall be responsible for administering these Guidelines, subject to the oversight of the Compensation Committee, and for communicating these Guidelines (and the number of shares comprising each individual's Targeted Stock Ownership Amount) to the Covered Individuals.

(b) *Liability.* No member of the Board, the Compensation Committee, or HR shall be personally liable for any action or determination made in good faith with respect to the Guidelines or to any settlement of any dispute between a Covered Individual and the Company. The Compensation Committee shall be entitled to rely upon the advice, opinions or valuations of any attorneys, consultants, accountants, appraisers, brokers or other persons.

### **IV. Enforcement**

The Compensation Committee shall review the Covered Individuals' progress toward compliance with the Guidelines at least annually. In the event that a Covered Individual has not achieved his or her applicable Targeted Stock Ownership Amount by the effective date specified above, or the individual disposes of shares other than as permitted per above, then the Compensation Committee may consider the level of stock ownership held by such individual and the disposition of shares as factors in making subsequent compensation and/or award decisions for the individual.

### **V. Exceptions, Amendments, Modifications and Termination**

(a) *Exceptions.* The Board recognizes that exceptions to these Guidelines may be necessary, appropriate or advisable, in individual cases. The Compensation Committee may approve such exceptions from time to time, as the Compensation Committee deems appropriate.

(b) *Amendments, Modifications or Termination.* These Guidelines may, at any time or from time to time, be amended, modified or terminated by the Board.