

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

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FILER

LYDALL INC /DE/

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SIC: **3714** Motor vehicle parts & accessories

Business Address
*ONE COLONIAL RD
P O BOX 151
MANCHESTER CT
06045-0151
2036461233*

As filed with the Securities and Exchange Commission on October 29, 2019

Registration No. 333-

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

**FORM S-8
REGISTRATION STATEMENT**
*UNDER
THE SECURITIES ACT OF 1933*

Lydall, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-0865505
(I.R.S. Employer
Identification No.)

One Colonial Road
Manchester, Connecticut
(Address of Principal Executive Offices)

06042
(Zip Code)

Inducement Restricted Share Awards
(Full title of the plan)

Chad A. McDaniel

Executive Vice President, General Counsel and Chief Administrative Officer
Lydall, Inc.

One Colonial Road
Manchester, Connecticut 06042
(Name and address of agent for service)

(860) 646-1233

(Telephone number, including area code, of agent for service)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.



CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock, \$0.01 par value per share	\$250,500 (2)	
Common Stock, \$0.01 par value per share	\$1,050,000 (3)	
Common Stock, \$0.01 par value per share	\$1,425,000 (4)	
Total	\$2,725,500	\$354.00 (5)

- In accordance with Rule 416 under the Securities Act of 1933, as amended, this registration statement shall be deemed to cover
- (1) any additional securities that may from time to time be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.
 - (2) Represents the dollar value (at maximum attainment) of shares issuable pursuant to a performance-based inducement restricted share award to be granted on November 1, 2019 to Robert B. Junker.
 - (3) Represents the dollar value of shares issuable pursuant to a time-based inducement restricted share award agreement to be granted on November 20, 2019 to Sara A. Greenstein.
 - (4) Represents the dollar value (at maximum attainment) of shares issuable pursuant to a performance-based inducement restricted share award to be granted on November 20, 2019 to Sara A. Greenstein.
 - (5) Calculated pursuant to Rule 457(o) based on the total proposed maximum aggregate offering price.

EXPLANATORY NOTE

The undersigned registrant, Lydall, Inc. (the “Registrant”), hereby files this Registration Statement on Form S-8 (this “Registration Statement”) to register shares of common stock, par value \$0.01 per share (“Common Stock”), of the Registrant to be issued pursuant to separate inducement shares agreements between the Registrant and two individuals as a material inducement to their employment with the Company (the “Agreements”). These awards evidenced by the Agreements will be issued as “inducement grants” under NYSE Listing Rule 5635(c)(4) and, as such, not granted pursuant to any of the Registrant’s employee benefit plans.

PART I INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.

The information required by Item 1 is included in documents sent or given to the recipients of the inducement restricted share award agreements covered by this registration statement pursuant to Rule 428(b)(1) of the Securities Act of 1933, as amended (the “Securities Act”).

Item 2. Registrant Information and Employee Plan Annual Information.

The written statement required by Item 2 is included in documents sent or given to the recipients of the inducement restricted share award agreements covered by this registration statement pursuant to Rule 428(b)(1) of the Securities Act.

PART II INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The registrant is subject to the informational and reporting requirements of Sections 13(a), 14, and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). The following documents, which are on file with the Commission, are incorporated in this registration statement by reference:

- (a) The registrant’s latest annual report filed pursuant to Section 13(a) or 15(d) of the Exchange Act or the latest prospectus filed pursuant to Rule 424(b) under the Securities Act that contains audited financial statements for the registrant’s latest fiscal year for which such statements have been filed.
- (b) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the document referred to in (a) above.
- (c) The description of the securities contained in the registrant’s registration statement on Form 8-A filed under the Exchange Act, including any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be part hereof from the date of the filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this registration statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Wilmer Cutler Pickering Hale and Dorr LLP has opined as to the legality of the securities being offered by this registration statement.

Item 6. Indemnification of Directors and Officers.

Section 102 of the General Corporation Law of the State of Delaware permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. The registrant's certificate of incorporation provides that no director of the registrant shall be personally liable to it or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability, except (i) for any breach of a director's duty of loyalty to the registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which a director derived any improper personal benefit.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he was or is or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding by reason of such position, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

The registrant's certificate of incorporation provides that it will indemnify and hold harmless to the fullest extent authorized by the General Corporation Law of the State of Delaware any director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to as an "Indemnitee") who was or is made a party to any action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the registrant or, while a director or officer of the registrant, is or was serving at the request of the registrant as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan. Such indemnification shall continue as to an Indemnitee who has ceased to be a director or officer and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. The registrant's certificate of incorporation also provides that it will indemnify any such Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the registrant. This right includes the right to be paid by the registrant the expenses incurred in defending any such proceeding in advance of its final disposition. If the General Corporation Law of the State of Delaware requires, an advancement of expenses incurred by an Indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) will be made only upon delivery to the registrant of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it is ultimately determined by final judicial decision from which there is no further right to appeal that such Indemnitee is not entitled to be indemnified for such expenses under the registrant's certificate of incorporation or otherwise.

The registrant has entered into indemnification agreements with each of its directors. These indemnification agreements may require the registrant, among other things, to indemnify directors for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director in any action or proceeding arising out of his or her service as one of the registrant's directors, or any of the registrant's subsidiaries or any other company or enterprise to which the person provides services at the registrant's request.

The registrant maintains a general liability insurance policy which covers certain liabilities of the directors and officers of the registrant arising out of claims based on acts or omissions in their capacities as directors or officers.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The Exhibit Index immediately preceding the exhibits is incorporated herein by reference.

Item 9. Undertakings.

1. Item 512(a) of Regulation S-K. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

2. Item 512(b) of Regulation S-K. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

3. Item 512(h) of Regulation S-K. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent,

submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Manchester, State of Connecticut, on this 29th day of October, 2019.

LYDALL, INC.

By: /S/ Chad A. McDaniel

Name: Chad A. McDaniel

Title: Executive Vice President, General Counsel and Chief
Administrative Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Lydall, Inc., hereby severally constitute and appoint Dale G. Barnhart, Chad A. McDaniel and Randall B. Gonzales, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the registration statement on Form S-8 filed herewith and any and all subsequent amendments to said registration statement, and generally to do all such things in our names and on our behalf in our capacities as officers and directors to enable Lydall, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said registration statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/S/ Dale G. Barnhart.</u> Dale G. Barnhart	President, Chief Executive Officer and Director (Principal executive officer)	October 28, 2019
<u>/S/ Randall B. Gonzales</u> Randall B. Gonzales	Chief Financial Officer (Principal financial and accounting officer)	October 28, 2019
<u>/S/ Marc T. Giles</u> Marc T. Giles	Chairman of the Board	October 28, 2019
<u>/S/ David G. Bills</u> David G. Bills	Director	October 28, 2019
<u>/S/ Kathleen Burdett</u> Kathleen Burdett	Director	October 28, 2019
<u>/S/ James Cannon</u> James Cannon	Director	October 28, 2019
<u>/S/ Matthew T. Farrell</u> Matthew T. Farrell	Director	October 28, 2019
<u>/S/ William D. Gurley</u> William D. Gurley	Director	October 28, 2019
<u>/S/ Suzanne Hammett</u> Suzanne Hammett	Director	October 28, 2019
<u>/S/ S. Carl Soderstrom, Jr.</u> S. Carl Soderstrom, Jr.	Director	October 28, 2019

INDEX TO EXHIBITS

Number	Description
4.1(1)	Restated Certificate of Incorporation of the Registrant
4.2(2)	Amended and Restated By-Laws of the Registrant
5.1	Opinion of Wilmer Cutler Pickering Hale and Dorr LLP, counsel to the Registrant
23.1	Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.1)
23.2	Consent of PricewaterhouseCoopers LLP
24.1	Power of attorney (included on the signature pages of this registration statement)
99.1	Form of Inducement Performance-Based Restricted Share Award Agreement, to be dated November 1, 2019, between the Registrant and Robert B. Junker
99.2	Form of Inducement Time-Based Restricted Share Award Agreement, to be dated November 20, 2019, between the Registrant and Sara A. Greenstein
99.3	Form of Inducement Performance-Based Restricted Share Award Agreement, to be dated November 20, 2019, between the Registrant and Sara A. Greenstein
(1)	Previously filed with the Securities and Exchange Commission as Exhibit 3.1 to the Registrant's Current Report on Form 10-Q (File No. 001-07665) filed with the Securities and Exchange Commission on April 30, 2015 and incorporated herein by reference.
(2)	Previously filed with the Securities and Exchange Commission as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-07665) filed with the Securities and Exchange Commission on December 12, 2018 and incorporated herein by reference.

WILMERHALE

+1 212 230 8800 (t)
+1 212 230 8888 (f)
wilmerhale.com

October 29, 2019

Lydall, Inc.
One Colonial Road
Manchester, CT 06042

Re: Lydall, Inc. Inducement Restricted Share Awards (November 2019)

Ladies and Gentlemen:

We have assisted in the preparation of a Registration Statement on Form S-8 (the “Registration Statement”) to be filed with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”), relating to shares (the “Shares”) of common stock, \$0.01 par value per share (the “Common Stock”), of Lydall, Inc. a Delaware corporation (the “Company”), issuable pursuant to (i) the performance-based inducement restricted share award to be granted on November 1, 2019 to Robert B. Junker, (ii) the time-based inducement restricted share award agreement to be granted on November 20, 2019 to Sara A. Greenstein, and (iii) the performance-based inducement restricted share award to be granted on November 20, 2019 to Sara A. Greenstein, in each case providing for employee inducement grants between the Company and such employees, which were entered into in connection with the commencement of such employees’ employment with the Company (the “Inducement Award Agreements”).

We have examined the Certificate of Incorporation and Bylaws of the Company, each as amended and restated to date, and originals, or copies certified to our satisfaction, of all pertinent records of the meetings of the directors and stockholders of the Company, the Registration Statement, certificates of representatives of the Company and such other documents relating to the Company as we have deemed material for the purposes of this opinion.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, photostatic or other copies, the authenticity of the originals of any such documents and the legal competence of all signatories to such documents.

We assume that the appropriate action will be taken, prior to the offer and sale of the Shares in accordance with the Inducement Award Agreements, to register and qualify the Shares for sale under all applicable state securities or “blue sky” laws.

We express no opinion herein as to the laws of any state or jurisdiction other than the state laws of The Commonwealth of Massachusetts, the General Corporation Law of the State of Delaware and the federal laws of the United States of America.

Wilmer Cutler Pickering Hale and Dorr LLP, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007
Beijing Berlin Boston Brussels Denver Frankfurt London Los Angeles New York Oxford Palo Alto Washington

Lydall, Inc.
October 29, 2019
Page 2

It is understood that this opinion is to be used only in connection with the offer and sale of the Shares while the Registration Statement is in effect.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters.

Based on the foregoing, we are of the opinion that the Shares have been duly authorized for issuance and, when the Shares are issued and paid for in accordance with the terms and conditions of the Inducement Award Agreements, as applicable, the Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion with the Commission in connection with the Registration Statement in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

WILMER CUTLER PICKERING HALE AND DORR LLP

By: /S/ Jonathan Wolfman
Jonathan Wolfman, Partner

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of Lydall, Inc. of our report dated February, 26, 2019 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in Lydall, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018.

/s/ PricewaterhouseCoopers LLP
Hartford, Connecticut
October 29, 2019

LYDALL, INC.
FORM OF INDUCEMENT PERFORMANCE SHARE AWARD AGREEMENT
(Three-Year Period)

THIS PERFORMANCE SHARE AWARD AGREEMENT (this “Agreement”) is made between Lydall, Inc., a Delaware corporation (“Lydall”), and the recipient (the “Recipient”) pursuant to the award letter (the “Award Letter”), dated November 1, 2019, from Lydall to the Recipient. All capitalized terms used but not defined in this Agreement shall have the meanings that have been ascribed to them on Schedule A attached hereto.

1. Grant of Performance Shares. On the Date of Grant (as defined in the Award Letter), the Recipient has been granted the number of shares of restricted Common Stock as set forth in the Award Letter (the “Performance Shares”). The Performance Shares are subject to the terms and conditions set forth in the Award Letter and this Agreement. By accepting this Agreement, the Recipient understands that the Performance Shares shall vest (a) solely to the extent the Committee certifies the achievement of the Performance Objectives (as defined below) and (b) provided that the Recipient remains in employment by the Company through the date of the Certification (as defined below). Performance Shares that do not vest will be forfeited.

The Performance Shares evidenced by the Award Letter and governed by the terms of this Agreement were granted to the Recipient pursuant to the inducement grant exception under NYSE Listing Company Manual Rule 303A.08, and not pursuant to Lydall’s 2012 Stock Incentive Plan, as such plan may be amended from time to time, or under any other stock incentive plan of Lydall, as an inducement that is material to the Recipient’s employment with Lydall.

2. Acceptance of Award. The Recipient shall have no rights with respect to the Performance Shares unless the Recipient accepts this Agreement no later than the close of business on the date that is sixty (60) days after the Date of Grant. Such acceptance shall be effected by accessing the website of Lydall’s administrative agent (the “Administrative Agent”), referenced in the Award Letter and completing the required on-line grant acknowledgment process.

3. Ownership of Performance Shares; No Rights to Dividends on Performance Shares That Do Not Vest. As soon as practicable after the acceptance of the award by the Recipient, Lydall will cause the Performance Shares to be issued in book entry form in the name of the Recipient, whereupon they will be held for the benefit of the Recipient by the Administrative Agent until the Performance Shares vest or are forfeited in accordance with the terms and conditions of this Agreement. Upon such issuance, the Recipient shall be the holder of record of the Performance Shares granted hereunder and will have, subject to the terms and conditions of this Agreement, voting rights of a stockholder with respect to such Shares. Lydall shall retain custody of all dividends, whether paid in cash, stock or property (the “Unvested Dividends”) made or declared with respect to the Performance Shares, subject to the same restrictions, terms and conditions as are applicable to the Performance Shares, until such time, if ever, as the Performance Shares shall vest. No interest will be paid on Unvested Dividends.

4. Performance Condition.

(a) Period. The Performance Period for the Performance Shares is defined in the Award Letter.

(b) Performance Objectives. The actual number of Shares eligible for vesting will depend upon Lydall's Relative TSR Percentile Rank for the Performance Period as determined by the Committee in accordance with this Section 4. The number of Shares that shall vest shall be the total number of Performance Shares granted multiplied by the Vesting Percentage as set forth in the following table:

<u>Relative TSR Percentile Rank</u>	<u>"Vesting Percentage" of Performance Shares</u>
75 th or higher	150%
50 th	100%
25 th	50%
Lower than 25 th	0%

To determine the Relative TSR Percentile Rank for the Performance Period, the Committee will rank the TSR of the companies in the Peer Group including Lydall from highest to lowest, with the highest being ranked number 1, and apply the following formula, where N is the total number of companies in the Peer Group including Lydall and R is the ranking of Lydall's TSR within the Peer Group:

$$\frac{N - R}{N - 1}$$

The result will be rounded to the nearest whole percentile, rounding up for any value of 0.50 or higher.

If the Relative TSR Percentile Rank for the Performance Period falls between the 25th percentile rank and the 75th percentile rank, the Vesting Percentage shall be determined using straight line linear interpolation.

(c) Certain Definitions.

- i) "Beginning Stock Price" with respect to Lydall or any other company in the Peer Group, means the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades for the month immediately preceding the beginning of the Performance Period, as reported in the Wall Street Journal or such other source as the Committee deems reliable. If a member of the Peer Group has been publicly traded for less than the full month immediately preceding the beginning of the Performance Period, such company's Beginning Stock Price shall equal the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades over the period during which the company's common stock has been publicly traded.

- ii) “Ending Stock Price” with respect to Lydall or any other company in the Peer Group means the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades for the last month of the Performance Period, as reported in the Wall Street Journal or such other source as the Committee deems reliable.
- iii) “Peer Group” means those companies that are included in the S&P 600 Industrials index on both (i) the first day of the Performance Period and (ii) the last day of the Performance Period.
- iv) “Relative TSR Percentile Rank” means the percentile rank of Lydall’s TSR for the Performance Period relative to the TSR of the companies in the Peer Group.
- v) “Total Shareholder Return” or “TSR” means with respect to Lydall and each of the companies in the Peer Group, the difference of (A) the quotient of (i)(1) the applicable Ending Stock Price plus (2) dividends paid with respect to a record date occurring during the period over which the Beginning Stock Price is calculated and during the remainder of the Performance Period (assuming dividend reinvestment on the ex-dividend date), divided by (ii)(1) the applicable Beginning Stock Price plus (2) dividends paid with respect to a record date occurring during the period over which the Beginning Stock Price is calculated (assuming dividend reinvestment on the ex-dividend date); minus (B) 1.00. For purposes of this definition, any dividend paid in cash will be valued at its cash amount and any dividend paid in securities with a readily ascertainable fair market value shall be valued at the market value of the securities as of the dividend record date.

(d) Determination of Level of Performance Objectives Achieved. As soon as practicable (and no later than the 15th day of the third month) following the completion of the Performance Period, the Committee shall (a) determine the satisfaction of the Performance Objectives and (b) certify in writing, the extent to which the Performance Objectives have been achieved, if at all, and the Vesting Percentage as defined in 4(b) resulting therefrom (such certification being hereinafter referred to as the “Certification”).

(e) Delivery of Vested Shares. Following the Certification, the Recipient shall be entitled to receive that number of Shares calculated by multiplying the number of Performance Shares set forth in the Award Letter by the Vesting Percentage set forth in the Certification, together with any Unvested Dividends relating thereto, provided the Recipient has settled all applicable tax withholding obligations arising from the vesting of the Award, as set forth in Section 6 below. All such vested Shares to which the Recipient is entitled, together with any Unvested Dividends, if any, relating thereto and any additional Performance Shares, if any, to which the Recipient is entitled by virtue of the Vesting Percentage being in excess of 100%, shall be released or delivered, as applicable, to the Recipient as soon as reasonably practical after the date of the Certification. Delivery of Shares will be made electronically via book entry to an account in the name of the Recipient maintained with Lydall’s transfer agent or Administrative Agent. In connection therewith, the Recipient agrees to execute any documents reasonably requested by Lydall or the Administrative Agent.

5. Forfeiture; Transfer Restrictions.

(a) All Performance Shares that do not vest pursuant to Section 4, as well as any Unvested Dividends relating to the Performance Shares that do not vest, shall be forfeited, effective as of the date of the Certification.

(b) If the Recipient's employment with the Company terminates for any reason whatsoever prior to the date on which the Certification is made, then, effective upon the date of such termination, all of the Performance Shares, as well as any Unvested Dividends relating thereto, shall be forfeited.

(c) Neither the Performance Shares, nor the Recipient's interest in any of the Performance Shares or Unvested Dividends, may be encumbered, sold, assigned, transferred, pledged or otherwise disposed of at any time prior to the date of the Certification. In the event any such action is taken, all of the Performance Shares evidenced by this Agreement, as well as any Unvested Dividends relating thereto, shall thereupon automatically be forfeited, effective as of the date of such event.

(d) All forfeited Performance Shares shall be delivered promptly to Lydall by the Administrative Agent, and Lydall shall direct the transfer agent and registrar of the Common Stock to make appropriate entries upon its or their records.

(e) The Award Administrator (as defined in Section 10 below) shall make all determinations as to whether an event has occurred resulting in the forfeiture of Performance Shares and any related Unvested Dividends, and all such determinations of the Award Administrator shall be final and conclusive.

(f) If the Award Administrator determines in good faith that the Recipient has engaged in fraudulent conduct relating to the Company, then (i) all of the non-vested Performance Shares, as well as any Unvested Dividends relating thereto, shall be forfeited and (ii) with respect to the year in which such fraudulent conduct occurred, if the Recipient realized any Economic Value from the Performance Shares that was based on or resulted from such fraudulent conduct, the Recipient shall promptly reimburse to the Company such Economic Value.

(g) This award of Performance Shares shall be subject to recoupment as required by the applicable provisions of any law (including without limitation Section 10D of the Exchange Act), government regulation or stock exchange listing requirement (and any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

6. Taxation.

(a) The Recipient recognizes and agrees that there may be certain tax issues that affect the Recipient arising from the grant and/or vesting of the Performance Shares and that the Recipient is solely responsible for payment of all federal, state and local taxes resulting therefrom. The Company expressly provides no tax advice to the Recipient and recommends that the Recipient seek personal tax advice. In general, the Recipient will have taxable income in any year during which Performance Shares vest, in an amount equal to the number of Shares that vest multiplied by the fair market value of the Common Stock on the vesting date. This amount will be included in the Recipient's taxable income reported on Form W-2 for that year.

(b) Any applicable income and employment tax withholding obligations associated with the vesting of the Performance Shares must be satisfied in accordance with sub-section (c) below, prior to the delivery of vested Shares to the Recipient.

(c) Unless otherwise determined by the Award Administrator, the Recipient's tax withholding liability will be satisfied through "net withholding" whereby the number of vested Shares actually delivered to the Recipient is reduced by a number of Shares with a Fair Market Value (determined, for purposes of this Section 6(c), as of the date the tax obligation arises) of the Common Stock on the vesting date equal, unless the Award Administrator determines otherwise, to the Company's minimum statutory withholding tax liability (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. Lydall or a Lydall Affiliate may elect to satisfy the withholding obligations through additional withholding on salary or wages, and except in those jurisdictions where such election is prohibited by applicable law, by accepting this award of Performance Shares, the Recipient acknowledges and agrees to the exercise by Lydall or any Lydall Affiliate of such election.

(d) Section 83(b) of the Code permits the Recipient to recognize income in the year in which the Performance Shares are granted, rather than in the subsequent year in which they vest. This election must be filed with the Internal Revenue Service within 30 days of the Date of Grant. The Recipient is encouraged to discuss this alternative with his or her own tax advisor. In the event that the Recipient desires to make an election under Section 83(b) of the Code, the Recipient first shall make appropriate arrangements with the Company for the payment of all applicable withholding taxes associated with such election.

7. No Employment Rights. Nothing in this Agreement shall be deemed to: (a) confer or be deemed to confer upon the Recipient any right to continue in the employ of the Company or in any way affect the right of the Company to dismiss or otherwise terminate the Recipient's employment at any time for any reason with or without cause or (b) impose upon the Company any liability for any forfeiture of Performance Shares which may result if the Recipient's employment is terminated.

8. Changes in Capitalization. Neither this Agreement nor the grant of the Performance Shares shall affect in any way the right or power of Lydall or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Lydall's capital structure or its business, or any merger or consolidation of Lydall or any Lydall Affiliate, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Lydall or any Lydall Affiliate, or any sale or transfer of all or any part of Lydall's assets or business, or any other corporate act or proceedings, whether of a similar character or otherwise. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of Shares, reclassification of Shares, spin-off or other similar change in capitalization or event, or any dividend or distributions to holders of Common Stock other than an ordinary cash dividend, the number of Performance Shares shall be equitably adjusted by Lydall in the manner determined by the Award Administrator.

9. Reorganization Event; Change in Control Event.

(a) Upon the occurrence of a Reorganization Event other than a dissolution or complete liquidation of Lydall, the rights of the Company with respect to non-vested Performance Shares shall inure to the benefit of Lydall (if Lydall is a surviving company) or the applicable successor and shall, unless the Award Administrator determines otherwise, apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Performance Shares, provided however that the Award Administrator may provide for termination or deemed satisfaction of such rights under any agreement between the Recipient and Lydall or a Lydall Affiliate, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the dissolution or complete liquidation of Lydall, except to the extent specifically provided to the contrary in any agreement between the Recipient and Lydall or a Lydall Affiliate, all restrictions and conditions on the Performance Shares then outstanding shall automatically be deemed terminated or satisfied. Notwithstanding the foregoing, the Award Administrator may provide that non-vested Performance Shares will be forfeited immediately prior to the consummation of such Reorganization Event.

(b) As a result of a Change in Control Event, the Performance Objectives shall no longer apply to the Performance Shares following the Change in Control Event and, upon the Change in Control Event, the Vesting Percentage will be deemed to be 100%. In order to vest in the number of Shares (or the cash, securities or other property which they were converted into or exchanged for) determined to be earned pursuant to the immediately preceding sentence, the Recipient must remain in employment with an entity that is part of the Company or the acquiring or succeeding corporation through the end of the Performance Period, provided however that the Shares (or the cash, securities or other property which they were converted into or exchanged for and which continue to be subject to vesting) shall immediately become free from all conditions or restrictions if, on or prior to the 18-month anniversary of the date of the consummation of the Change in Control Event, the Recipient's employment with all entities that are part of the Company or the acquiring or succeeding corporation is terminated is terminated without Cause by all entities that are part of the Company or the acquiring or succeeding corporation.

10. Award Administrator; Limitations on Liability. The Board will administer this Agreement. To the extent permitted by applicable law, the Board may delegate any or all of its powers hereunder to a Committee. The Board and, to the extent such authority has been delegated to it, the Committee, may construe and interpret the terms hereof and may correct any defect, supply any omission or reconcile any inconsistency in this Agreement. The term "Award Administrator" means, as applicable, the Board or a Committee. All actions and decisions by the Award Administrator with respect to this award will be made in its sole discretion and, by accepting this award, the Recipient acknowledges and agrees that all actions and decisions of the Award Administrator are final and binding. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under this Agreement made in good faith.

11. Miscellaneous

(a) Amendment; Modification; Waiver. No provision of this Agreement may be amended, modified or waived unless authorized by the Award Administrator, and no amendment or modification of this Agreement may be made without the Recipient's consent unless the Award Administrator determines that the action, taking into account any related action, does not materially and adversely affect the Recipient's rights under the Agreement or the change is permitted under Sections 8 and 9 hereof. The Award Administrator may at any time provide that the award shall become immediately free of some or all restrictions or conditions, or otherwise realizable in whole or in part.

(b) Notices. Except as otherwise provided herein, every notice or other communication relating to this Agreement shall be in writing, and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; provided, that, unless and until some other address be so designated, all notices or communications to the Company shall be mailed to or delivered to Lydall's Vice President, General Counsel and Secretary, with a copy to its Vice President of Human Resources, both at Lydall, Inc., One Colonial Road, P. O. Box 151, Manchester, Connecticut, 06045-0151, and all notices by the Company to the Recipient may be given to the Recipient personally or may be mailed to him or her at the last address designated for the Recipient on the employment records of the Company. For purposes of this section, the term "mailed" includes electronic delivery methods.

(c) Appointment of Agent. By accepting the Performance Shares evidenced by this Agreement, the Recipient hereby irrevocably nominates, constitutes and appoints each of Lydall's Vice President of Human Resources and the Administrative Agent as his or her agent and attorney-in-fact to take any and all actions and to execute any and all documents, in the name and on behalf of the Recipient, for any purpose necessary or convenient for the administration of this Agreement. This power is intended as a power coupled with an interest and shall survive the Recipient's death. In addition, it is intended as a durable power and shall survive the Recipient's incapacity. Lydall has the right to change the appointed transfer agent or Administrative Agent from time to time.

(d) Governing Law; Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware, and the Recipient agrees to the exclusive jurisdiction of Connecticut courts.

(e) Compliance with Laws. The issuance or delivery of Shares and the removal of restrictions from Shares previously issued or delivered pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act and the Exchange Act, and any rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. Neither Lydall nor a Lydall Affiliate will be obligated to deliver any Shares pursuant to the Agreement or to remove restrictions from Shares previously issued or delivered under the Agreement until (i) all conditions of the award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Recipient has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(f) Section 409A. The Performance Shares are intended to be exempt from or comply with the requirements of Section 409A of the Code or any successor provision thereto, and the regulations thereunder ("Section 409A"). If and to the extent (i) any portion of any payment, compensation or other benefit provided to the Recipient pursuant to this Agreement in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Recipient is a "specified employee" as defined in Section 409A(a)(2)(B)(i), in each case as determined by Lydall in accordance with its procedures, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "New Payment Date"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Recipient during the period between the date of separation from service and the New Payment Date shall be paid to the Recipient in a lump sum (without interest) on such New Payment Date, and any remaining payments will be paid on their original schedule. By accepting this award, the Recipient agrees that he or she is bound by the foregoing determinations and procedures.

(g) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of the remainder of this Agreement, it being intended that all rights and obligations of the Company and the Recipient shall be enforceable to the fullest extent permitted by law.

12. Statute of Limitations. The Recipient hereby agrees that there shall be a one-year statute of limitations for the filing of any claim relating to this Agreement or the terms or conditions of the Performance Shares. If such a claim is filed more than one year subsequent to the earlier of the date on which the vesting of the Performance Shares is scheduled to occur or termination of the Recipient's employment, it shall be precluded by this provision, whether or not the claim has accrued at that time.

IN WITNESS WHEREOF, the undersigned officer of Lydall has executed this Agreement.

LYDALL, INC.

BY: /s/ Dale G. Barnhart

Name: Dale G. Barnhart

Title: President and Chief Executive Officer

Schedule A

Definitions

- (a) “Board” means the Board of Directors of Lydall, Inc.
- (b) “Cause” shall have the meaning set forth in that certain employment agreement between the Recipient and the Company dated as of October 14, 2019.
- (c) “Change in Control Event” shall mean the occurrence, after the Effective Date, of any of the following events:
- a report on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) shall be filed with the Commission pursuant to the Exchange Act and that report discloses that any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act), other than
 - (1) Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or 14(d)(2) of the Exchange Act), other than Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), shall purchase securities pursuant to a tender offer or exchange offer to acquire
 - (2) any voting stock of Lydall (or any securities convertible into voting stock of Lydall) and, immediately after consummation of that purchase, that person is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - the consummation of: (i) a merger, consolidation or reorganization of Lydall with or into any other person if, as a result of such merger, consolidation or reorganization, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such merger, consolidation or reorganization is held in the aggregate by the holders of voting stock of Lydall immediately prior to such merger, consolidation or reorganization; (ii) any sale, lease, exchange or other transfer of all or substantially all of the assets of Lydall and its consolidated subsidiaries to any other person if, as a result of such sale, lease, exchange or other transfer, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such sale, lease, exchange or transfer is held in the aggregate by the holders of voting stock of Lydall immediately prior to such sale, lease, exchange or transfer; or (iii) a transaction immediately after the consummation of which any person (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act) would be the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of more than 50% of the outstanding voting stock of Lydall;
 - (3) the dissolution or complete liquidation of Lydall; or
 - during any period of twelve consecutive months, the individuals who at the beginning of that period constituted the Board shall cease for any reason to constitute a majority of the Board, unless the election, or the nomination for
 - (5) election by Lydall’s stockholders, of each director of Lydall first elected during such period was approved by a vote of at least a majority of the directors of Lydall then still in office who were directors of Lydall at the beginning of such period.

- (d) “Code” means the Internal Revenue Code of 1986 and any regulations thereunder, each as amended from time to time.
- (e) “Commission” means the U.S. Securities and Exchange Commission.
- “Committee” means (i) the Compensation Committee of the Board or (ii) any other committee or subcommittee of the Board to
- (f) the extent that the Board’s powers or authority under this Agreement have been delegated to such committee or subcommittee by the Board or by the Compensation Committee of the Board.
- (g) “Common Stock” means shares of common stock, \$0.10 par value per share, of Lydall.
- (h) “Company” means collectively Lydall and each Lydall Affiliate at the relevant applicable time.
- (i) “Economic Value” means the amount reportable by the Recipient as taxable compensation for federal income tax purposes with respect to the Performance Shares.
- (j) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.
- (k) “Fair Market Value” means the fair market value per share of Common Stock, determined as follows:
 - (1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of determination; or
 - (2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) (or another similar system then in use as determined by the Award Administrator) on the date of determination; or
 - (3) if the Common Stock is not publicly traded, the Award Administrator will determine the Fair Market Value for purposes of this Agreement using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Section 409A of the Code, except as the Award Administrator may expressly determine otherwise.

For any date of determination that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day. The Award Administrator can substitute a particular time of day or other measure of “closing sale price” or “bid and asked prices” if appropriate because of exchange or market procedures or can use weighted averages either on a daily basis or such longer period as complies with Section 409A of the Code.

- “Lydall Affiliate” means (i) any of Lydall’s present or future parent or subsidiary corporations (as defined in Sections 424(e) or (f) of the Code) during the time that such parent or subsidiary corporation satisfies such definition and (ii) any other business venture (including, without limitation, joint venture or limited liability company) in which Lydall has a direct or indirect controlling interest, as determined from time to time by the Award Administrator.
- (m) “Lydall Affiliates” means collectively each Lydall Affiliate at the relevant applicable time.
- (n) “NYSE” means the New York Stock Exchange.
- (o) “NYSE Listed Company Manual” means the NYSE Listed Company Manual, as amended from time to time, and any successor rule or regulation.
- “Reorganization Event” means: (a) any merger or consolidation as a result of which the Common Stock is converted into or exchanged for the right to receive cash, securities or other property or are cancelled, (b) any transfer or disposition of all or substantially all of the outstanding Common Stock for cash, securities or other property pursuant to a share exchange or other transaction, (c) any dissolution or complete liquidation of Lydall, or (d) a Change in Control Event.
- (p)
- (q) “Securities Act” means the Securities Act of 1933, as amended from time to time.
- (r) “Share” means a share of Common Stock.

LYDALL, INC.
FORM OF INDUCEMENT RESTRICTED SHARE AWARD AGREEMENT

THIS RESTRICTED SHARE AWARD AGREEMENT (this “Agreement”) is made between Lydall, Inc., a Delaware corporation (“Lydall”), and the recipient (the “Recipient”) pursuant to the award letter (the “Award Letter”), dated November 20, 2019, from Lydall to the Recipient. All capitalized terms used but not defined in this Agreement shall have the meanings that have been ascribed to them on Schedule A attached hereto.

1. **Grant of Restricted Shares.** On the Date of Grant (as defined in the Award Letter), the Recipient has been granted the number of shares of restricted Common Stock as set forth in the Award Letter (the “Restricted Shares”). The Restricted Shares are subject to the terms and conditions set forth in the Award Letter and this Agreement. Unless otherwise provided in this Agreement or the Award Letter, all Restricted Shares covered by the award shall be subject to the restrictions and conditions set forth in Section 5 below until such restrictions and conditions lapse and such Restricted Shares vest as set forth in the Award Letter. The period during which the Restricted Shares are subject to the restrictions and conditions of Section 5, as set forth in the Award Letter, is hereinafter referred to as the “Restriction Period.” By accepting this Agreement, the Recipient understands that the Restricted Shares are subject to forfeiture unless the Recipient remains in employment by the Company until the end of the applicable Restriction Period.

The Restricted Shares evidenced by the Award Letter and governed by the terms of this Agreement were granted to the Recipient pursuant to the inducement grant exception under NYSE Listing Company Manual Rule 303A.08, and not pursuant to Lydall’s 2012 Stock Incentive Plan, as such plan may be amended from time to time, or under any other stock incentive plan of Lydall, as an inducement that is material to the Recipient’s employment with Lydall.

2. **Acceptance of Award.** The Recipient shall have no rights with respect to the Restricted Shares unless the Recipient accepts this Agreement no later than the close of business on the date that is sixty (60) days after the Date of Grant. Such acceptance shall be effected by accessing the website of Lydall’s administrative agent (the “Administrative Agent”), referenced in the Award Letter and completing the required on-line grant acknowledgment process.

3. **Ownership of Restricted Shares; No Rights to Dividends on Restricted Shares That Do Not Vest.** As soon as practicable after the acceptance of the award by the Recipient, Lydall will cause the Restricted Shares to be issued in book entry form in the name of the Recipient, whereupon they will be held for the benefit of the Recipient by the Administrative Agent until the Restricted Shares vest or are forfeited in accordance with the terms and conditions of this Agreement. Upon such issue, the Recipient shall be the holder of record of the Restricted Shares granted hereunder and will have, subject to the terms and conditions of this Agreement, voting rights of a stockholder with respect to such Shares. Lydall shall retain custody of all dividends, whether paid in cash, stock or property (the “Unvested Dividends”) made or declared with respect to the Restricted Shares, subject to the same restrictions, terms and conditions as are applicable to the Restricted Shares, until such time, if ever, as the Restricted Shares shall vest. No interest will be paid on Unvested Dividends.

4. Delivery of Vested Shares. Following the end of the Restriction Period, the Recipient shall be entitled to receive the applicable number of vested Shares according to the Award Letter, together with any Unvested Dividends relating thereto, provided the Recipient has settled all applicable tax withholding obligations arising from the vesting of the award, as set forth in Section 6 below. All such vested Shares to which the Recipient is entitled, together with any Unvested Dividends, if any, relating thereto, shall be released or delivered, as applicable, to the Recipient as soon as reasonably practical after the end of the applicable Restriction Period and, in all events, no later than the 15th day of the third month following the end of the applicable Restriction Period. No interest will be paid on Unvested Dividends. Delivery of Shares will be made electronically via book entry to an account in the name of the Recipient maintained with Lydall's transfer agent. In connection therewith, the Recipient agrees to execute any documents reasonably requested by Lydall or the Administrative Agent.

5. Forfeiture; Transfer Restrictions.

(a) If the Recipient's employment with the Company terminates for any reason whatsoever during the Restriction Period, then, effective upon the date of such termination, all of the non-vested Restricted Shares, as well as any Unvested Dividends relating thereto, shall be forfeited.

(b) Neither the Restricted Shares, nor the Recipient's interest in any of the Restricted Shares or Unvested Dividends, may be encumbered, sold, assigned, transferred, pledged or otherwise disposed of at any time prior to the end of the Restriction Period. In the event any such action is taken, all of the Restricted Shares evidenced by this Agreement, as well as any Unvested Dividends relating thereto, shall thereupon automatically be forfeited, effective as of the date of such event.

(c) All forfeited Shares shall be delivered promptly to Lydall by the Administrative Agent, and Lydall shall direct the transfer agent and registrar of the Common Stock to make appropriate entries upon its or their records.

(d) The Award Administrator (as defined in Section 10 below) shall make all determinations as to whether an event has occurred resulting in the forfeiture of Restricted Shares and any related Unvested Dividends, and all such determinations of the Award Administrator shall be final and conclusive.

(e) If the Award Administrator determines in good faith that the Recipient has engaged in fraudulent conduct relating to the Company, then (i) all of the non-vested Restricted Shares, as well as any Unvested Dividends relating thereto, shall be forfeited and (ii) with respect to the year in which such fraudulent conduct occurred, if the Recipient realized any Economic Value from the Restricted Shares that was based on or resulted from such fraudulent conduct, the Recipient shall promptly reimburse to the Company such Economic Value.

(f) This award of Restricted Shares shall be subject to recoupment as required by the applicable provisions of any law (including without limitation Section 10D of the Exchange Act), government regulation or stock exchange listing requirement (and any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

6. Taxation.

(a) The Recipient recognizes and agrees that there may be certain tax issues that affect the Recipient arising from the grant and/or vesting of the Restricted Shares and that the Recipient is solely responsible for payment of all federal, state and local taxes resulting therefrom. The Company expressly provides no tax advice to the Recipient and recommends that the Recipient seek personal tax advice. In general, the Recipient will have taxable income in any year during which Restricted Shares vest, in an amount equal to the number of Shares that vest multiplied by the fair market value of the Common Stock on the vesting date. This amount will be included in the Recipient's taxable income reported on Form W-2 for that year.

(b) Any applicable income and employment tax withholding obligations associated with the vesting of the Restricted Shares must be satisfied in accordance with sub-section (c) below, prior to the delivery of vested Shares to the Recipient.

(c) Unless otherwise determined by the Award Administrator, the Recipient's tax withholding liability will be satisfied through "net withholding" whereby the number of vested Shares actually delivered to the Recipient is reduced by a number of Shares with a Fair Market Value (determined, for purposes of this Section 6(c), as of the date the tax obligation arises) of the Common Stock on the vesting date equal, unless the Award Administrator determines otherwise, to the Company's minimum statutory withholding tax liability (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. Lydall or a Lydall Affiliate may elect to satisfy the withholding obligations through additional withholding on salary or wages, and except in those jurisdictions where such election is prohibited by applicable law, by accepting this award of Restricted Shares, the Recipient acknowledges and agrees to the exercise by Lydall or any Lydall Affiliate of such election.

(d) Section 83(b) of the Code permits the Recipient to recognize income in the year in which the Restricted Shares are granted, rather than in the subsequent year in which they vest. This election must be filed with the Internal Revenue Service within 30 days of the Date of Grant. The Recipient is encouraged to discuss this alternative with his or her own tax advisor. In the event that the Recipient desires to make an election under Section 83(b) of the Code, the Recipient first shall make appropriate arrangements with the Company for the payment of all applicable withholding taxes associated with such election.

7. No Employment Rights. Nothing in this Agreement shall be deemed to: (a) confer or be deemed to confer upon the Recipient any right to continue in the employ of the Company or in any way affect the right of the Company to dismiss or otherwise terminate the Recipient's employment at any time for any reason with or without cause or (b) impose upon the Company any liability for any forfeiture of Restricted Shares which may result if the Recipient's employment is terminated.

8. Changes in Capitalization. Neither this Agreement nor the grant of the Restricted Shares shall affect in any way the right or power of Lydall or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Lydall's capital structure or its business, or any merger or consolidation of Lydall or any Lydall Affiliate, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Lydall or any Lydall Affiliate, or any sale or transfer of all or any part of Lydall's assets or business, or any other corporate act or proceedings, whether of a similar character or otherwise. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of Shares, reclassification of Shares, spin-off or other similar change in capitalization or event, or any dividend or distributions to holders of Common Stock other than an ordinary cash dividend, the number of Restricted Shares shall be equitably adjusted by Lydall in the manner determined by the Award Administrator.

9. Reorganization Event; Change in Control Event.

(a) Upon the occurrence of a Reorganization Event other than a dissolution or complete liquidation of Lydall, the rights of the Company with respect to non-vested Restricted Shares shall inure to the benefit of Lydall (if Lydall is a surviving company) or the applicable successor and shall, unless the Award Administrator determines otherwise, apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Shares, provided however that the Award Administrator may provide for termination or deemed satisfaction of such rights under any agreement between the Recipient and Lydall or a Lydall Affiliate, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the dissolution or complete liquidation of Lydall, except to the extent specifically provided to the contrary in any agreement between the Recipient and Lydall or a Lydall Affiliate, all restrictions and conditions on the Restricted Shares then outstanding shall automatically be deemed terminated or satisfied. Notwithstanding the foregoing, the Award Administrator may provide that non-vested Restricted Shares will be forfeited immediately prior to the consummation of such Reorganization Event.

(b) Following a Change in Control Event, the Restricted Shares (or the cash, securities or other property which they were converted into or exchanged for and which continue to be subject to vesting) shall immediately become free from all conditions or restrictions if, on or prior to the 18-month anniversary of the date of the consummation of the Change in Control Event, the Recipient's employment with all entities that are part of the Company or the acquiring or succeeding corporation is terminated for Good Reason by the Recipient or is terminated without Cause by all entities that are part of the Company or the acquiring or succeeding corporation.

10. Award Administrator; Limitations on Liability. The Board will administer this Agreement. To the extent permitted by applicable law, the Board may delegate any or all of its powers hereunder to a Committee. The Board and, to the extent such authority has been delegated to it, the Committee, may construe and interpret the terms hereof and may correct any defect, supply any omission or reconcile any inconsistency in this Agreement. The term “Award Administrator” means, as applicable, the Board or a Committee. All actions and decisions by the Award Administrator with respect to this award will be made in its sole discretion and, by accepting this award, the Recipient acknowledges and agrees that all actions and decisions of the Award Administrator are final and binding. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under this Agreement made in good faith.

11. Miscellaneous

(a) Amendment; Modification; Waiver. No provision of this Agreement may be amended, modified or waived unless authorized by the Award Administrator, and no amendment or modification of this Agreement may be made without the Recipient’s consent unless the Award Administrator determines that the action, taking into account any related action, does not materially and adversely affect the Recipient’s rights under the Agreement or the change is permitted under Sections 8 and 9 hereof. The Award Administrator may at any time provide that the award shall become immediately free of some or all restrictions or conditions, or otherwise realizable in whole or in part.

(b) Notices. Except as otherwise provided herein, every notice or other communication relating to this Agreement shall be in writing, and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; provided, that, unless and until some other address be so designated, all notices or communications to the Company shall be mailed to or delivered to Lydall’s General Counsel, with a copy to its Vice President of Human Resources, both at Lydall, Inc., One Colonial Road, P. O. Box 151, Manchester, Connecticut, 06045-0151, and all notices by the Company to the Recipient may be given to the Recipient personally or may be mailed to him or her at the last address designated for the Recipient on the employment records of the Company. For purposes of this section, the term “mailed” includes electronic delivery methods.

(c) Appointment of Agent. By accepting the Restricted Shares evidenced by this Agreement, the Recipient hereby irrevocably nominates, constitutes and appoints each of Lydall’s Vice President of Human Resources and the Administrative Agent as his or her agent and attorney-in-fact to take any and all actions and to execute any and all documents, in the name and on behalf of the Recipient, for any purpose necessary or convenient for the administration of this Agreement. This power is intended as a power coupled with an interest and shall survive the Recipient’s death. In addition, it is intended as a durable power and shall survive the Recipient’s incapacity. Lydall has the right to change the appointed transfer agent or Administrative Agent from time to time.

(d) Governing Law; Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware, and the Recipient agrees to the exclusive jurisdiction of Connecticut courts.

(e) Compliance with Laws. The issuance or delivery of Shares and the removal of restrictions from Shares previously issued or delivered pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act and the Exchange Act, and any rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. Neither Lydall nor a Lydall Affiliate will be obligated to deliver any Shares pursuant to the Agreement or to remove restrictions from Shares previously issued or delivered under the Agreement until (i) all conditions of the award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Recipient has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(f) Section 409A. The Restricted Shares are intended to be exempt from or comply with the requirements of Section 409A of the Code or any successor provision thereto, and the regulations thereunder ("Section 409A"). If and to the extent (i) any portion of any payment, compensation or other benefit provided to the Recipient pursuant to this Agreement in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Recipient is a "specified employee" as defined in Section 409A(a)(2)(B)(i), in each case as determined by Lydall in accordance with its procedures, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "New Payment Date"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Recipient during the period between the date of separation from service and the New Payment Date shall be paid to the Recipient in a lump sum (without interest) on such New Payment Date, and any remaining payments will be paid on their original schedule. By accepting this award, the Recipient agrees that he or she is bound by the foregoing determinations and procedures.

(g) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of the remainder of this Agreement, it being intended that all rights and obligations of the Company and the Recipient shall be enforceable to the fullest extent permitted by law.

12. Statute of Limitations. The Recipient hereby agrees that there shall be a one-year statute of limitations for the filing of any claim relating to this Agreement or the terms or conditions of the Restricted Shares. If such a claim is filed more than one year subsequent to the earlier of the date on which the vesting of the Restricted Shares is scheduled to occur or termination of the Recipient's employment, it shall be precluded by this provision, whether or not the claim has accrued at that time.

IN WITNESS WHEREOF, the undersigned officer of Lydall has executed this Agreement.

LYDALL, INC.

By: /s/ Dale G. Barnhart

Name: Dale G. Barnhart

Title: President and Chief Executive Officer

Schedule A

Definitions

- (a) “Board” means the Board of Directors of Lydall, Inc.
- (b) “Cause” shall have the meaning set forth in that certain employment agreement between the Recipient and the Company dated as of October 11, 2019 (the “Employment Agreement”).
- (c) “Change in Control Event” shall mean the occurrence, after the Effective Date, of any of the following events:
- a report on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) shall be filed with the Commission pursuant to the Exchange Act and that report discloses that any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act), other than
 - (1) Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or 14(d)(2) of the Exchange Act), other than Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), shall purchase securities pursuant to a tender offer or exchange offer to acquire
 - (2) any voting stock of Lydall (or any securities convertible into voting stock of Lydall) and, immediately after consummation of that purchase, that person is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - the consummation of: (i) a merger, consolidation or reorganization of Lydall with or into any other person if, as a result of such merger, consolidation or reorganization, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such merger, consolidation or reorganization is held in the aggregate by the holders of voting stock of Lydall immediately prior to such merger, consolidation or reorganization; (ii) any sale, lease, exchange or other transfer of all or substantially all of the assets of Lydall and its consolidated subsidiaries to any other person if, as a result of such sale, lease, exchange or other transfer, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such sale, lease, exchange or transfer is held in the aggregate by the holders of voting stock of Lydall immediately prior to such sale, lease, exchange or transfer; or (iii) a transaction immediately after the consummation of which any person (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act) would be the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of more than 50% of the outstanding voting stock of Lydall;
 - (3) the dissolution or complete liquidation of Lydall; or
 - during any period of twelve consecutive months, the individuals who at the beginning of that period constituted the Board shall cease for any reason to constitute a majority of the Board, unless the election, or the nomination for
 - (5) election by Lydall’s stockholders, of each director of Lydall first elected during such period was approved by a vote of at least a majority of the directors of Lydall then still in office who were directors of Lydall at the beginning of such period.

- (d) “Code” means the Internal Revenue Code of 1986 and any regulations thereunder, each as amended from time to time.
- (e) “Commission” means the U.S. Securities and Exchange Commission.
- “Committee” means (i) the Compensation Committee of the Board or (ii) any other committee or subcommittee of the Board to
- (f) the extent that the Board’s powers or authority under this Agreement have been delegated to such committee or subcommittee by the Board or by the Compensation Committee of the Board.
- (g) “Common Stock” means shares of common stock, \$0.10 par value per share, of Lydall.
- (h) “Company” means collectively Lydall and each Lydall Affiliate at the relevant applicable time.
- (i) “Economic Value” means the amount reportable by the Recipient as taxable compensation for federal income tax purposes with respect to the Restricted Shares.
- (j) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.
- (k) “Fair Market Value” means the fair market value per share of Common Stock, determined as follows:
- (1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of determination; or
 - (2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) (or another similar system then in use as determined by the Award Administrator) on the date of determination; or
 - (3) if the Common Stock is not publicly traded, the Award Administrator will determine the Fair Market Value for purposes of this Agreement using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Section 409A of the Code, except as the Award Administrator may expressly determine otherwise.

For any date of determination that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day. The Award Administrator can substitute a particular time of day or other measure of “closing sale price” or “bid and asked prices” if appropriate because of exchange or market procedures or can use weighted averages either on a daily basis or such longer period as complies with Section 409A of the Code.

(l) “Good Reason” shall have the meaning set forth in the Employment Agreement.

“Lydall Affiliate” means (i) any of Lydall’s present or future parent or subsidiary corporations (as defined in Sections 424(e) or (f) of the Code) during the time that such parent or subsidiary corporation satisfies such definition and (ii) any other business venture (including, without limitation, joint venture or limited liability company) in which Lydall has a direct or indirect controlling interest, as determined from time to time by the Award Administrator.

(n) “Lydall Affiliates” means collectively each Lydall Affiliate at the relevant applicable time.

(o) “NYSE” means the New York Stock Exchange.

(p) “NYSE Listed Company Manual” means the NYSE Listed Company Manual, as amended from time to time, and any successor rule or regulation.

“Reorganization Event” means: (a) any merger or consolidation as a result of which the Common Stock is converted into or exchanged for the right to receive cash, securities or other property or are cancelled, (b) any transfer or disposition of all or substantially all of the outstanding Common Stock for cash, securities or other property pursuant to a share exchange or other transaction, (c) any dissolution or complete liquidation of Lydall, or (d) a Change in Control Event.

(r) “Securities Act” means the Securities act of 1933, as amended from time to time.

(s) “Share” means a share of Common Stock.

LYDALL, INC.
FORM OF INDUCEMENT PERFORMANCE SHARE AWARD AGREEMENT
(Three-Year Period)

THIS PERFORMANCE SHARE AWARD AGREEMENT (this “Agreement”) is made between Lydall, Inc., a Delaware corporation (“Lydall”), and the recipient (the “Recipient”) pursuant to the award letter (the “Award Letter”), dated November 20, 2019, from Lydall to the Recipient. All capitalized terms used but not defined in this Agreement shall have the meanings that have been ascribed to them on Schedule A attached hereto.

1. Grant of Performance Shares. On the Date of Grant (as defined in the Award Letter), the Recipient has been granted the number of shares of restricted Common Stock as set forth in the Award Letter (the “Performance Shares”). The Performance Shares are subject to the terms and conditions set forth in the Award Letter and this Agreement. By accepting this Agreement, the Recipient understands that the Performance Shares shall vest (a) solely to the extent the Committee certifies the achievement of the Performance Objectives (as defined below) and (b) provided that the Recipient remains in employment by the Company through the date of the Certification (as defined below). Performance Shares that do not vest will be forfeited.

The Performance Shares evidenced by the Award Letter and governed by the terms of this Agreement were granted to the Recipient pursuant to the inducement grant exception under NYSE Listing Company Manual Rule 303A.08, and not pursuant to Lydall’s 2012 Stock Incentive Plan, as such plan may be amended from time to time, or under any other stock incentive plan of Lydall, as an inducement that is material to the Recipient’s employment with Lydall.

2. Acceptance of Award. The Recipient shall have no rights with respect to the Performance Shares unless the Recipient accepts this Agreement no later than the close of business on the date that is sixty (60) days after the Date of Grant. Such acceptance shall be effected by accessing the website of Lydall’s administrative agent (the “Administrative Agent”), referenced in the Award Letter and completing the required on-line grant acknowledgment process.

3. Ownership of Performance Shares; No Rights to Dividends on Performance Shares That Do Not Vest. As soon as practicable after the acceptance of the award by the Recipient, Lydall will cause the Performance Shares to be issued in book entry form in the name of the Recipient, whereupon they will be held for the benefit of the Recipient by the Administrative Agent until the Performance Shares vest or are forfeited in accordance with the terms and conditions of this Agreement. Upon such issuance, the Recipient shall be the holder of record of the Performance Shares granted hereunder and will have, subject to the terms and conditions of this Agreement, voting rights of a stockholder with respect to such Shares. Lydall shall retain custody of all dividends, whether paid in cash, stock or property (the “Unvested Dividends”) made or declared with respect to the Performance Shares, subject to the same restrictions, terms and conditions as are applicable to the Performance Shares, until such time, if ever, as the Performance Shares shall vest. No interest will be paid on Unvested Dividends.

4. Performance Condition.

(a) Period. The Performance Period for the Performance Shares is defined in the Award Letter.

(b) Performance Objectives. The actual number of Shares eligible for vesting will depend upon Lydall's Relative TSR Percentile Rank for the Performance Period as determined by the Committee in accordance with this Section 4. The number of Shares that shall vest shall be the total number of Performance Shares granted multiplied by the Vesting Percentage as set forth in the following table:

<u>Relative TSR Percentile Rank</u>	<u>"Vesting Percentage" of Performance Shares</u>
75 th or higher	150%
50 th	100%
25 th	50%
Lower than 25 th	0%

To determine the Relative TSR Percentile Rank for the Performance Period, the Committee will rank the TSR of the companies in the Peer Group including Lydall from highest to lowest, with the highest being ranked number 1, and apply the following formula, where N is the total number of companies in the Peer Group including Lydall and R is the ranking of Lydall's TSR within the Peer Group:

$$\frac{N - R}{N - 1}$$

The result will be rounded to the nearest whole percentile, rounding up for any value of 0.50 or higher.

If the Relative TSR Percentile Rank for the Performance Period falls between the 25th percentile rank and the 75th percentile rank, the Vesting Percentage shall be determined using straight line linear interpolation.

(c) Certain Definitions.

- i) "Beginning Stock Price" with respect to Lydall or any other company in the Peer Group, means the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades for the month immediately preceding the beginning of the Performance Period, as reported in the Wall Street Journal or such other source as the Committee deems reliable. If a member of the Peer Group has been publicly traded for less than the full month immediately preceding the beginning of the Performance Period, such company's Beginning Stock Price shall equal the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades over the period during which the company's common stock has been publicly traded.

- ii) “Ending Stock Price” with respect to Lydall or any other company in the Peer Group means the average of the closing sales prices for a share of common stock of the applicable company on the U.S. national securities exchange on which such stock principally trades for the last month of the Performance Period, as reported in the Wall Street Journal or such other source as the Committee deems reliable.
- iii) “Peer Group” means those companies that are included in the S&P 600 Industrials index on both (i) the first day of the Performance Period and (ii) the last day of the Performance Period.
- iv) “Relative TSR Percentile Rank” means the percentile rank of Lydall’s TSR for the Performance Period relative to the TSR of the companies in the Peer Group.

- v) “Total Shareholder Return” or “TSR” means with respect to Lydall and each of the companies in the Peer Group, the difference of (A) the quotient of (i)(1) the applicable Ending Stock Price plus (2) dividends paid with respect to a record date occurring during the period over which the Beginning Stock Price is calculated and during the remainder of the Performance Period (assuming dividend reinvestment on the ex-dividend date), divided by (ii)(1) the applicable Beginning Stock Price plus (2) dividends paid with respect to a record date occurring during the period over which the Beginning Stock Price is calculated (assuming dividend reinvestment on the ex-dividend date); minus (B) 1.00. For purposes of this definition, any dividend paid in cash will be valued at its cash amount and any dividend paid in securities with a readily ascertainable fair market value shall be valued at the market value of the securities as of the dividend record date.

(d) Determination of Level of Performance Objectives Achieved. As soon as practicable (and no later than the 15th day of the third month) following the completion of the Performance Period, the Committee shall (a) determine the satisfaction of the Performance Objectives and (b) certify in writing, the extent to which the Performance Objectives have been achieved, if at all, and the Vesting Percentage as defined in 4(b) resulting therefrom (such certification being hereinafter referred to as the “Certification”).

(e) Delivery of Vested Shares. Following the Certification, the Recipient shall be entitled to receive that number of Shares calculated by multiplying the number of Performance Shares set forth in the Award Letter by the Vesting Percentage set forth in the Certification, together with any Unvested Dividends relating thereto, provided the Recipient has settled all applicable tax withholding obligations arising from the vesting of the Award, as set forth in Section 6 below. All such vested Shares to which the Recipient is entitled, together with any Unvested Dividends, if any, relating thereto and any additional Performance Shares, if any, to which the Recipient is entitled by virtue of the Vesting Percentage being in excess of 100%, shall be released or delivered, as applicable, to the Recipient as soon as reasonably practical after the date of the Certification. Delivery of Shares will be made electronically via book entry to an account in the name of the Recipient maintained with Lydall’s transfer agent or Administrative Agent. In connection therewith, the Recipient agrees to execute any documents reasonably requested by Lydall or the Administrative Agent.

5. Forfeiture; Transfer Restrictions.

(a) All Performance Shares that do not vest pursuant to Section 4, as well as any Unvested Dividends relating to the Performance Shares that do not vest, shall be forfeited, effective as of the date of the Certification.

(b) If the Recipient's employment with the Company terminates for any reason whatsoever prior to the date on which the Certification is made, then, effective upon the date of such termination, all of the Performance Shares, as well as any Unvested Dividends relating thereto, shall be forfeited.

(c) Neither the Performance Shares, nor the Recipient's interest in any of the Performance Shares or Unvested Dividends, may be encumbered, sold, assigned, transferred, pledged or otherwise disposed of at any time prior to the date of the Certification. In the event any such action is taken, all of the Performance Shares evidenced by this Agreement, as well as any Unvested Dividends relating thereto, shall thereupon automatically be forfeited, effective as of the date of such event.

(d) All forfeited Performance Shares shall be delivered promptly to Lydall by the Administrative Agent, and Lydall shall direct the transfer agent and registrar of the Common Stock to make appropriate entries upon its or their records.

(e) The Award Administrator (as defined in Section 10 below) shall make all determinations as to whether an event has occurred resulting in the forfeiture of Performance Shares and any related Unvested Dividends, and all such determinations of the Award Administrator shall be final and conclusive.

(f) If the Award Administrator determines in good faith that the Recipient has engaged in fraudulent conduct relating to the Company, then (i) all of the non-vested Performance Shares, as well as any Unvested Dividends relating thereto, shall be forfeited and (ii) with respect to the year in which such fraudulent conduct occurred, if the Recipient realized any Economic Value from the Performance Shares that was based on or resulted from such fraudulent conduct, the Recipient shall promptly reimburse to the Company such Economic Value.

(g) This award of Performance Shares shall be subject to recoupment as required by the applicable provisions of any law (including without limitation Section 10D of the Exchange Act), government regulation or stock exchange listing requirement (and any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

6. Taxation.

(a) The Recipient recognizes and agrees that there may be certain tax issues that affect the Recipient arising from the grant and/or vesting of the Performance Shares and that the Recipient is solely responsible for payment of all federal, state and local taxes resulting therefrom. The Company expressly provides no tax advice to the Recipient and recommends that the Recipient seek personal tax advice. In general, the Recipient will have taxable income in any year during which Performance Shares vest, in an amount equal to the number of Shares that vest multiplied by the fair market value of the Common Stock on the vesting date. This amount will be included in the Recipient's taxable income reported on Form W-2 for that year.

(b) Any applicable income and employment tax withholding obligations associated with the vesting of the Performance Shares must be satisfied in accordance with sub-section (c) below, prior to the delivery of vested Shares to the Recipient.

(c) Unless otherwise determined by the Award Administrator, the Recipient's tax withholding liability will be satisfied through "net withholding" whereby the number of vested Shares actually delivered to the Recipient is reduced by a number of Shares with a Fair Market Value (determined, for purposes of this Section 6(c), as of the date the tax obligation arises) of the Common Stock on the vesting date equal, unless the Award Administrator determines otherwise, to the Company's minimum statutory withholding tax liability (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. Lydall or a Lydall Affiliate may elect to satisfy the withholding obligations through additional withholding on salary or wages, and except in those jurisdictions where such election is prohibited by applicable law, by accepting this award of Performance Shares, the Recipient acknowledges and agrees to the exercise by Lydall or any Lydall Affiliate of such election.

(d) Section 83(b) of the Code permits the Recipient to recognize income in the year in which the Performance Shares are granted, rather than in the subsequent year in which they vest. This election must be filed with the Internal Revenue Service within 30 days of the Date of Grant. The Recipient is encouraged to discuss this alternative with his or her own tax advisor. In the event that the Recipient desires to make an election under Section 83(b) of the Code, the Recipient first shall make appropriate arrangements with the Company for the payment of all applicable withholding taxes associated with such election.

7. No Employment Rights. Nothing in this Agreement shall be deemed to: (a) confer or be deemed to confer upon the Recipient any right to continue in the employ of the Company or in any way affect the right of the Company to dismiss or otherwise terminate the Recipient's employment at any time for any reason with or without cause or (b) impose upon the Company any liability for any forfeiture of Performance Shares which may result if the Recipient's employment is terminated.

8. Changes in Capitalization. Neither this Agreement nor the grant of the Performance Shares shall affect in any way the right or power of Lydall or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Lydall's capital structure or its business, or any merger or consolidation of Lydall or any Lydall Affiliate, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of Lydall or any Lydall Affiliate, or any sale or transfer of all or any part of Lydall's assets or business, or any other corporate act or proceedings, whether of a similar character or otherwise. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of Shares, reclassification of Shares, spin-off or other similar change in capitalization or event, or any dividend or distributions to holders of Common Stock other than an ordinary cash dividend, the number of Performance Shares shall be equitably adjusted by Lydall in the manner determined by the Award Administrator.

9. Reorganization Event; Change in Control Event.

(a) Upon the occurrence of a Reorganization Event other than a dissolution or complete liquidation of Lydall, the rights of the Company with respect to non-vested Performance Shares shall inure to the benefit of Lydall (if Lydall is a surviving company) or the applicable successor and shall, unless the Award Administrator determines otherwise, apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Performance Shares, provided however that the Award Administrator may provide for termination or deemed satisfaction of such rights under any agreement between the Recipient and Lydall or a Lydall Affiliate, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the dissolution or complete liquidation of Lydall, except to the extent specifically provided to the contrary in any agreement between the Recipient and Lydall or a Lydall Affiliate, all restrictions and conditions on the Performance Shares then outstanding shall automatically be deemed terminated or satisfied. Notwithstanding the foregoing, the Award Administrator may provide that non-vested Performance Shares will be forfeited immediately prior to the consummation of such Reorganization Event.

(b) As a result of a Change in Control Event, the Performance Objectives shall no longer apply to the Performance Shares following the Change in Control Event and, upon the Change in Control Event, the Vesting Percentage will be deemed to be the greater of 100% and the Vesting Percentage reasonably determined to be applicable under the terms of this Agreement based on the performance achievement at the Change in Control Event. In order to vest in the number of Shares (or the cash, securities or other property which they were converted into or exchanged for) determined to be earned pursuant to the immediately preceding sentence, the Recipient must remain in employment with an entity that is part of the Company or the acquiring or succeeding corporation through the end of the Performance Period, provided however that the Shares (or the cash, securities or other property which they were converted into or exchanged for and which continue to be subject to vesting) shall immediately become free from all conditions or restrictions if, on or prior to the 18-month anniversary of the date of the consummation of the Change in Control Event, the Recipient's employment with all entities that are part of the Company or the acquiring or succeeding corporation is terminated for Good Reason by the Recipient or is terminated without Cause by all entities that are part of the Company or the acquiring or succeeding corporation.

10. Award Administrator; Limitations on Liability. The Board will administer this Agreement. To the extent permitted by applicable law, the Board may delegate any or all of its powers hereunder to a Committee. The Board and, to the extent such authority has been delegated to it, the Committee, may construe and interpret the terms hereof and may correct any defect, supply any omission or reconcile any inconsistency in this Agreement. The term “Award Administrator” means, as applicable, the Board or a Committee. All actions and decisions by the Award Administrator with respect to this award will be made in its sole discretion and, by accepting this award, the Recipient acknowledges and agrees that all actions and decisions of the Award Administrator are final and binding. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under this Agreement made in good faith.

11. Miscellaneous

(a) Amendment; Modification; Waiver. No provision of this Agreement may be amended, modified or waived unless authorized by the Award Administrator, and no amendment or modification of this Agreement may be made without the Recipient’s consent unless the Award Administrator determines that the action, taking into account any related action, does not materially and adversely affect the Recipient’s rights under the Agreement or the change is permitted under Sections 8 and 9 hereof. The Award Administrator may at any time provide that the award shall become immediately free of some or all restrictions or conditions, or otherwise realizable in whole or in part.

(b) Notices. Except as otherwise provided herein, every notice or other communication relating to this Agreement shall be in writing, and shall be mailed or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; provided, that, unless and until some other address be so designated, all notices or communications to the Company shall be mailed to or delivered to Lydall’s Vice President, General Counsel and Secretary, with a copy to its Vice President of Human Resources, both at Lydall, Inc., One Colonial Road, P. O. Box 151, Manchester, Connecticut, 06045-0151, and all notices by the Company to the Recipient may be given to the Recipient personally or may be mailed to him or her at the last address designated for the Recipient on the employment records of the Company. For purposes of this section, the term “mailed” includes electronic delivery methods.

(c) Appointment of Agent. By accepting the Performance Shares evidenced by this Agreement, the Recipient hereby irrevocably nominates, constitutes and appoints each of Lydall’s Vice President of Human Resources and the Administrative Agent as his or her agent and attorney-in-fact to take any and all actions and to execute any and all documents, in the name and on behalf of the Recipient, for any purpose necessary or convenient for the administration of this Agreement. This power is intended as a power coupled with an interest and shall survive the Recipient’s death. In addition, it is intended as a durable power and shall survive the Recipient’s incapacity. Lydall has the right to change the appointed transfer agent or Administrative Agent from time to time.

(d) Governing Law; Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware, and the Recipient agrees to the exclusive jurisdiction of Connecticut courts.

(e) Compliance with Laws. The issuance or delivery of Shares and the removal of restrictions from Shares previously issued or delivered pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act and the Exchange Act, and any rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. Neither Lydall nor a Lydall Affiliate will be obligated to deliver any Shares pursuant to the Agreement or to remove restrictions from Shares previously issued or delivered under the Agreement until (i) all conditions of the award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Recipient has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(f) Section 409A. The Performance Shares are intended to be exempt from or comply with the requirements of Section 409A of the Code or any successor provision thereto, and the regulations thereunder ("Section 409A"). If and to the extent (i) any portion of any payment, compensation or other benefit provided to the Recipient pursuant to this Agreement in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Recipient is a "specified employee" as defined in Section 409A(a)(2)(B)(i), in each case as determined by Lydall in accordance with its procedures, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "New Payment Date"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Recipient during the period between the date of separation from service and the New Payment Date shall be paid to the Recipient in a lump sum (without interest) on such New Payment Date, and any remaining payments will be paid on their original schedule. By accepting this award, the Recipient agrees that he or she is bound by the foregoing determinations and procedures.

(g) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of the remainder of this Agreement, it being intended that all rights and obligations of the Company and the Recipient shall be enforceable to the fullest extent permitted by law.

12. Statute of Limitations. The Recipient hereby agrees that there shall be a one-year statute of limitations for the filing of any claim relating to this Agreement or the terms or conditions of the Performance Shares. If such a claim is filed more than one year subsequent to the earlier of the date on which the vesting of the Performance Shares is scheduled to occur or termination of the Recipient's employment, it shall be precluded by this provision, whether or not the claim has accrued at that time.

IN WITNESS WHEREOF, the undersigned officer of Lydall has executed this Agreement.

LYDALL, INC.

BY: /s/ Dale G. Barnhart

Name: Dale G. Barnhart

Title: President and Chief Executive Officer

Schedule A

Definitions

- (a) “Board” means the Board of Directors of Lydall, Inc.
- (b) “Cause” shall have the meaning set forth in that certain employment agreement between the Recipient and the Company dated as of October 11, 2019 (the “Employment Agreement”).
- (c) “Change in Control Event” shall mean the occurrence, after the Effective Date, of any of the following events:
 - a report on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) shall be filed with the Commission pursuant to the Exchange Act and that report discloses that any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act), other than Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - (1) any person or persons acting together which would constitute a group (within the meaning of Section 13(d) or 14(d)(2) of the Exchange Act), other than Lydall (or one of its subsidiaries) or any employee benefit plan sponsored by Lydall (or one of its subsidiaries), shall purchase securities pursuant to a tender offer or exchange offer to acquire
 - (2) any voting stock of Lydall (or any securities convertible into voting stock of Lydall) and, immediately after consummation of that purchase, that person is the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of 50% or more of the outstanding voting stock of Lydall;
 - the consummation of: (i) a merger, consolidation or reorganization of Lydall with or into any other person if, as a result of such merger, consolidation or reorganization, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such merger, consolidation or reorganization is held in the aggregate by the holders of voting stock of Lydall immediately prior to such merger, consolidation or reorganization; (ii) any sale, lease, exchange or other transfer of all or substantially all of the assets of Lydall and its consolidated subsidiaries to any other person if, as a result of such sale, lease, exchange or other transfer, 50% or less of the combined voting power of the then outstanding securities of such other person immediately after such sale, lease, exchange or transfer is held in the aggregate by the holders of voting stock of Lydall immediately prior to such sale, lease, exchange or transfer; or (iii) a transaction immediately after the consummation of which any person (within the meaning of Section 13(d) or Section 14(d)(2) of the Exchange Act) would be the beneficial owner (as that term is defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of more than 50% of the outstanding voting stock of Lydall;
 - (3) the dissolution or complete liquidation of Lydall; or
 - (4) during any period of twelve consecutive months, the individuals who at the beginning of that period constituted the Board shall cease for any reason to constitute a majority of the Board, unless the election, or the nomination for
 - (5) election by Lydall’s stockholders, of each director of Lydall first elected during such period was approved by a vote of at least a majority of the directors of Lydall then still in office who were directors of Lydall at the beginning of such period.

- (d) “Code” means the Internal Revenue Code of 1986 and any regulations thereunder, each as amended from time to time.
- (e) “Commission” means the U.S. Securities and Exchange Commission.
- “Committee” means (i) the Compensation Committee of the Board or (ii) any other committee or subcommittee of the Board to
- (f) the extent that the Board’s powers or authority under this Agreement have been delegated to such committee or subcommittee by the Board or by the Compensation Committee of the Board.
- (g) “Common Stock” means shares of common stock, \$0.10 par value per share, of Lydall.
- (h) “Company” means collectively Lydall and each Lydall Affiliate at the relevant applicable time.
- (i) “Economic Value” means the amount reportable by the Recipient as taxable compensation for federal income tax purposes with respect to the Performance Shares.
- (j) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.
- (k) “Fair Market Value” means the fair market value per share of Common Stock, determined as follows:
 - (1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of determination; or
 - (2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) (or another similar system then in use as determined by the Award Administrator) on the date of determination; or
 - (3) if the Common Stock is not publicly traded, the Award Administrator will determine the Fair Market Value for purposes of this Agreement using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Section 409A of the Code, except as the Award Administrator may expressly determine otherwise.

For any date of determination that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day. The Award Administrator can substitute a particular time of day or other measure of “closing sale price” or “bid and asked prices” if appropriate because of exchange or market procedures or can use weighted averages either on a daily basis or such longer period as complies with Section 409A of the Code.

(l) “Good Reason” shall have the meaning set forth in the Employment Agreement.

“Lydall Affiliate” means (i) any of Lydall’s present or future parent or subsidiary corporations (as defined in Sections 424(e) or (f) of the Code) during the time that such parent or subsidiary corporation satisfies such definition and (ii) any other business venture (including, without limitation, joint venture or limited liability company) in which Lydall has a direct or indirect controlling interest, as determined from time to time by the Award Administrator.

(n) “Lydall Affiliates” means collectively each Lydall Affiliate at the relevant applicable time.

(o) “NYSE” means the New York Stock Exchange.

(p) “NYSE Listed Company Manual” means the NYSE Listed Company Manual, as amended from time to time, and any successor rule or regulation.

“Reorganization Event” means: (a) any merger or consolidation as a result of which the Common Stock is converted into or exchanged for the right to receive cash, securities or other property or are cancelled, (b) any transfer or disposition of all or substantially all of the outstanding Common Stock for cash, securities or other property pursuant to a share exchange or other transaction, (c) any dissolution or complete liquidation of Lydall, or (d) a Change in Control Event.

(r) “Securities Act” means the Securities Act of 1933, as amended from time to time.

(s) “Share” means a share of Common Stock.