

Compensation and Stock Option Committee Charter

Purpose

The Compensation and Stock Option Committee ("Committee") of the Lydall, Inc. Board of Directors ("the Board") has been appointed by the Board to oversee matters relating to the compensation of the Chief Executive Officer, other senior level officers of the Company and the Company's Directors. Reporting to the Board, the Committee shall have overall responsibility for the Company's compensation and incentive plans and programs.

Committee Structure and Operations

The Committee shall be composed entirely of "independent" Directors, as defined in the Corporate Governance Listing Standards of the New York Stock Exchange ("New York Stock Exchange Standards"), with a minimum of three members. Each Committee member shall also meet the definition of "Non-employee Director" for purposes of Rule 16b-3 of the Securities and Exchange Act of 1934 and of "outside director" under section 162 (m) of the Internal Revenue Code.

The members of the Committee shall be subject to removal by the Board. If a vacancy shall occur on the Committee, the Board of Directors will fill that vacancy by appointing another director to the Committee, so long as the new appointee satisfies the independence requirements of the New York Stock Exchange Standards. If any member of the Committee ceases to meet those requirements, the Committee member shall resign from the Committee and may be removed from the Committee by action of the Committee or the Board.

The Committee may form, and delegate authority to, subcommittees when appropriate. If the Committee delegates any function to its chairperson or one or more members of the Committee for any purpose, those members shall report any action taken to the full Committee at its next meeting. The Committee shall meet as frequently as circumstances dictate. A majority of the Committee members present at any Committee meeting at which a quorum¹ is present in person or by conference call may act on behalf of the Committee. The Committee may also act by unanimous written consent. If a chairperson is not designated by the Board, the Committee may designate a chairperson by majority vote of the full Committee membership. The Chairperson shall designate a secretary, who need not be a member, to record minutes and prepare agendas for meetings.

Duties and Responsibilities

1. The Committee shall make regular reports to the Board following Committee meetings. The Committee shall make recommendations to the Board regarding the Company's incentive and equity-based compensation plans and non-CEO compensation policy.
2. The Committee shall review and approve the Company's goals and objectives relevant to compensation (including CEO compensation), such as the goal of attracting and retaining highly qualified individuals and motivating individual performance leading to increased stockholder value.
3. The Committee shall evaluate the Chief Executive Officer's performance annually, in light of the Company's goals and objectives relevant to compensation. The Committee shall consider the Company's performance relative to prior years' financial results, economic and business conditions, relative stockholder return, annual and longterm goals, value of compensation paid at comparable corporations, past awards and applicable tax implications in determining the Chief Executive Officer's compensation. Based upon its evaluation, the Committee (together with the other independent Directors, if directed by the Board) shall determine and approve the Chief Executive Officer's annual compensation, including incentive awards.
4. The Committee shall develop a succession plan for the Chief Executive Officer in consultation with the Corporate Governance Committee.
5. The Committee shall report on executive compensation to the stockholders in the proxy statement, in accordance with applicable rules and regulations.
6. The Committee shall approve all grants of stock awards pursuant to the Company's stock incentive compensation plans.
7. The Committee shall approve all executive employment agreements, executive compensation arrangements, officer indemnification and insurance arrangements.
8. From time to time, the Committee shall (formally and informally) survey the compensation offered to non-management Directors at similar corporations and report its findings to the Board. The Committee shall annually review the form and amount of compensation offered to non-management Directors, receive recommendations for changes in such compensation from the Corporate Governance Committee and recommend changes in those compensation levels to the Board, consistent with the goal of equity ownership by the Board.
9. The Committee shall review and approve all Director indemnification and insurance arrangements.
10. The Committee shall perform an annual self-evaluation of its performance and evaluation of the adequacy of this Charter, and report its findings to the Board.
11. The Committee shall have the sole authority to retain and terminate compensation consultants and other advisors which the Committee deems appropriate, including approval of their fees and retention terms.

¹ A quorum shall be constituted by a majority of the full Committee, but must not be less than two members.