

Confidentiality and Non-Compete Agreement

In consideration of my employment by the Company, or future employment with an affiliate to whom I am transferred (together the "Company"), the compensation and other benefits to be received by me from the Company, I agree that:

1. Definitions

The term "Confidential Information" as used in this Agreement includes all business information and records which relate to the Company or to parties working with the Company under a confidentiality agreement, and which are not known to the public generally, including, but not limited to, technical notebook records, technical reports, patent applications, machine equipment, computer software, models, process and product designs including any drawings and descriptions, unwritten knowledge and "know-how", operating instructions, training manuals, production and development processes, production or other schedules, customer lists, customer buying records, product sales records, sales requests, territory listings, market surveys, plans including marketing plans and long-range plans, salary information, contracts, supplier lists, product costs, policy statements, policy procedures, policy manuals, flowcharts, computer printouts, program listings, reproductions and correspondence.

The term "Invention" as used in this Agreement includes any discovery, improvement, design or idea, patentable, copywriteable or otherwise, which relates to any activity or business in which the Company is engaged or any process, equipment, material, product or method (including computer software) in which the Company has any direct or indirect interest.

2. Inventions

I will disclose promptly to the Company any Invention conceived, developed or perfected by me, either alone or jointly with another or others, while I am an employee, whether or not such conception, development or perfection occurs during the hours of my employment.

I grant to the Company without further compensation, all my right, title and interest in and to any such Invention for the sole use and benefit of the Company, together with all U.S. and foreign patents, trademarks or copyrights that may at any time be granted, and all reissues, renewals and extensions of such patents, trademarks or copyrights. At the request and expense of the Company, I will at any time do what the Company reasonably believes to be necessary to assist the Company to vest full right and title to each such Invention in the Company, enable the Company to obtain and maintain full right and title in any country, prosecute applications for and secure patents (including their reissue, renewal and extension), trademarks, copyrights and any other form of protection for each such Invention, and prosecute or defend any interference or opposition which may be declared involving any such application or patent and any litigation in which the Company may be involved concerning any such Invention. This will include preparing, executing and delivering any written document, drawings, flowcharts, or computer printouts. The provisions of this section will continue after I stop working for the Company and shall be binding on my executors, administrators and assigns, unless waived in writing by the Company.

3. Confidential Information

I have not disclosed and will not disclose to the Company, and I will not use, in the discharge of my duties as an employee of the Company, any trade secret or confidential information belonging to a former employer or other person and which has been classified by the former employer or other person as a trade secret or confidential information. The limitation set forth in this section shall not apply to matters which (a) are or become public knowledge, (b) were previously known to the Company, (c) are subsequently received by the Company from a third party, or (d) are independently derived by the Company.

I will not, directly or indirectly, during or at any time after the period of my employment by the Company, use for myself or others, or disclose to others, any Confidential Information, no matter how such information becomes known to me, unless I first obtain the Company's written consent.

When I leave the Company's employ, or at any other time upon request by the Company, I will promptly deliver to the Company all documents and records, including but not limited to those listed under the definition of Confidential Information, which are in my possession or under my control and which pertain to the Company, any of its activities or any of my activities while in the course of my employment and all copies thereof. I will not retain or deliver to any others copies of these documents or records.

4. Non-Competition

I acknowledge and agree that the Company's business competes upon a worldwide basis, and that the degree of competition in that business is high. I recognize that the Company may assign me to duties in a geographic area or specific market. I agree that, unless I first obtain the Company's written consent, I will not during my employment with the Company and for a period of two (2) years following the termination of my employment (*provided, however, that if I am employed by the Company for less than two (2) years, the post-employment period to which this section applies shall be the greater of six (6) months or the length of my employment in any capacity*), directly or indirectly or through others, individually, or as a member, officer, director, employee, agent, or investor of any partnership or entity (except ownership of not more than one percent (1%) of the outstanding publicly traded stock of any company):

(i) participate in the ownership, management, operation or control of, or work for (as an employee, consultant or independent contractor) or have any material financial interest in, any business competitive with the Company in (a) any market in which the company for which I have worked in the two (2) preceding years has sold or attempted to sell any of its product in the two (2) years preceding my termination or (b) if the Company has assigned me to duties in a geographic area, within two hundred fifty (250) miles of any such geographic area in which I have worked in the two (2) years preceding my termination.

(ii) induce or encourage any employee of the Company to terminate his or her employment with the Company, or

(iii) solicit, induce or encourage any person, business or entity which is a supplier of, a purchaser from, or a contracting party with, the Company to terminate any written or oral agreement, order or understanding with the Company or to conduct business in a way that results in an adverse impact to the Company.

I further understand and agree that the remedy at law for any breach or threatened breach of my agreement not to compete contained in this section would be inadequate and that any breach or attempted breach would result in irreparable damage to the Company, the monetary amount of which would be impossible to ascertain. Thus, I agree that in the event of any breach or threatened breach of my agreement not to compete, in addition to all other available legal or equitable remedies, the Company may obtain injunctive relief to remedy damage caused by such breach or threatened breach, and that the Company shall be entitled to recover from me its costs and expenses, including reasonable attorney fees, incurred in remedying such breach or threatened breach.

5. General Terms

I represent and agree that I have and will assume no obligations to others inconsistent with any of my obligations to the Company under this Agreement.

In consideration of my employment, I agree to conform to the policies of the Company. I understand that my employment is for an indefinite period and can be terminated at any time, with or without cause or prior notice by either the Company or me, and will remain so unless a written agreement for a specific term is entered into and executed by me and the Company's CEO or CFO. No other representations or agreements have been made regarding the term or termination of my employment. I understand that no employee of the Company other than its CEO or CFO has the authority to enter into any agreement, commitment or guarantees binding on the Company regarding my employment and then only by a signed, written document.

This Agreement, which is ancillary to any other agreement I may have with the Company, (a) is intended as the complete and exclusive statement of my agreement with the Company with respect to its subject matter, (b) shall be binding upon my heirs, executors and administrators, (c) shall be assignable by the Company to its successors; (d) shall not be modified unless in writing and signed by me and the Company, (e) shall be governed by and construed in accordance with the law of the State of Connecticut, the Company's home office state, and (f) if any part of this Agreement is found invalid by any court, the remainder shall be valid and enforceable in law and equity.

/s/ David Freeman

David Freeman

(Employee Signature) /s/ Rae Holmes

(Employee printed name) 7/2/03

(Witness to Signature)

(Date)

Lydall, Inc.

By: /s/ Roger M. Widmann
Name: Roger M. Widmann
Title: Chairman