KADANT INC
Form DEF 14A
March 28, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No.)
Filed by the Registrant x
Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement	
Definitive Additional Materials	
Soliciting Material Pursuant to Rule 14a-12	

Kadant Inc.
(Name of the Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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x No fee required.
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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

KADANT INC.
One Technology Park Drive
Westford, MA 01886 USA
Tel: +1 978-776-2000
www.kadant.com

March 28, 2019

Dear Stockholder:

I am pleased to invite you to attend the 2019 annual meeting of stockholders of Kadant Inc. The meeting will be held on Thursday, May 16, 2019 at 11:00 a.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886. Details regarding the business to be conducted at the meeting are described in the enclosed notice of the meeting and proxy statement.

We make our proxy materials available over the Internet and stockholders will receive a notice describing the Internet availability of our proxy materials. The notice contains instructions for accessing our proxy materials over the Internet or requesting a paper copy of the proxy materials by mail. Our proxy materials include this proxy statement and our 2018 annual report to stockholders, containing our audited financial statements and information about our business.

Your vote is very important. Whether or not you plan to attend the meeting in person, you can ensure your shares of our common stock are voted at the meeting by submitting your instructions by telephone, the Internet, or in writing by returning your proxy card or voting form.

Thank you for your support and continued interest in Kadant.

Sincerely,

WILLIAM A. RAINVILLE
Chairman of the Board

KADANT INC.
One Technology Park Drive
Westford, MA 01886 USA
Tel: +1 978-776-2000
www.kadant.com

March 28, 2019

To Stockholders of
KADANT INC.

NOTICE OF ANNUAL MEETING

The 2019 annual meeting of stockholders of Kadant Inc. will be held on Thursday, May 16, 2019, at 11:00 a.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886. The purpose of the meeting is to consider and take action upon the following matters:

1. to elect one director to be elected for a three-year term expiring in 2022;
2. to approve, by non-binding advisory vote, our executive compensation;
3. to approve restricted stock unit grants to certain of our non-employee directors;
4. to ratify the selection of KPMG LLP by the audit committee of our board of directors as our company’s independent registered public accounting firm for the 2019 fiscal year; and
5. to vote on such other business as may properly be brought before the meeting and any adjournment of the meeting.

The record date for the determination of the stockholders entitled to receive notice of and to vote at the meeting is March 18, 2019. Our stock transfer books will remain open.

Our bylaws require that the holders of a majority of the shares of our common stock, issued and outstanding and entitled to vote at the meeting, be present in person or represented by proxy at the meeting in order to constitute a quorum for the transaction of business. Accordingly, it is important that your shares be represented at the meeting regardless of the number of shares you may hold. Whether or not you plan to attend the meeting in person, please ensure that your shares of our common stock are present and voted at the meeting by submitting your instructions by telephone, the Internet, or in writing by completing, signing, dating and returning your proxy card or voting form. You may obtain directions to the location of the annual meeting of stockholders by contacting the company at (978) 776-2000.

This notice, the proxy and proxy statement are sent to you by order of our board of directors on behalf of the company.

STACY D. KRAUSE
Vice President, General Counsel and Secretary

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PROXY STATEMENT

We are furnishing this proxy statement in connection with the solicitation of proxies by the board of directors of Kadant Inc. for use at our 2019 annual meeting of stockholders to be held on Thursday, May 16, 2019, at 11:00 a.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886, and at any adjournment of that meeting. The mailing address of our executive office is One Technology Park Drive, Westford, Massachusetts 01886. The notice of annual meeting, this proxy statement and the enclosed proxy are being first furnished to our stockholders on or about March 28, 2019.

INTERNET AVAILABILITY OF PROXY MATERIALS

Our proxy materials are available over the Internet. You will receive a Notice of Internet Availability containing instructions on how to access our proxy materials, including our proxy statement and 2018 annual report to stockholders, and submit your proxy. The Notice of Internet Availability also provides information on how to request paper copies of our proxy materials if you prefer. If you have previously requested a paper copy of the proxy materials, you will receive a paper copy of our proxy materials by mail. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials electronically unless you elect otherwise.

VOTING PROCEDURES

Purpose of Annual Meeting

Stockholders entitled to vote at the 2019 annual meeting will consider and act upon the matters outlined in the notice of meeting accompanying this proxy statement, including the election of one individual to be elected for a three-year term expiring in 2022 (Proposal 1); approval, by non-binding advisory vote, of our executive compensation (Proposal 2); approval of restricted stock unit grants to certain of our non-employee directors (Proposal 3); and ratification of the selection of KPMG LLP as our independent registered public accounting firm for the 2019 fiscal year (Proposal 4).

Voting Securities and Record Date

Only stockholders of record at the close of business on March 18, 2019, are entitled to vote at the meeting or any adjournment of the meeting. Each share is entitled to one vote. Our outstanding capital stock entitled to vote at the meeting (which excludes shares held in our treasury) as of March 18, 2019, consisted of 11,174,431 shares of our common stock, $.01 par value per share.

Quorum

The holders of a majority of the shares of our common stock that are issued and outstanding and entitled to vote at the meeting constitute a quorum for the transaction of business at the meeting. If a quorum is not present, the meeting will be adjourned until a quorum is obtained. For purposes of determining the presence or absence of a quorum, abstentions, withhold votes or do not vote instructions, and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a proposal) will be counted as present.

Manner of Voting

Each share of common stock you hold is entitled to one vote for or against a proposal. Shares entitled to be voted at the meeting can only be voted if the stockholder of record of such shares is present at the meeting, returns a signed proxy card, or authorizes proxies to vote his or her shares by telephone or over the Internet. Shares represented by valid proxy will be voted in accordance with your instructions. If you choose to vote your shares by telephone or over the Internet, you may do so until 11:59 p.m. Eastern time on Wednesday, May 15, 2019, by following the instructions on the proxy card or the Notice of Internet Availability.

You may revoke your proxy at any time before the shares are voted at the meeting by entering new voting instructions by telephone or over the Internet before 11:59 p.m. Eastern time on Wednesday, May 15, 2019, by written notice received by our corporate secretary before the meeting, by executing and returning a new proxy bearing a later date or by voting by ballot at the meeting. Attendance at the meeting without voting by ballot will not revoke a previously submitted proxy.

You may specify your choices by marking the appropriate box on the proxy card. If your proxy card is signed and returned without specifying choices, your shares will be voted in accordance with the recommendations of our board of directors and as the individuals named as proxy holders on the proxy card deem advisable on all other matters that may properly come before the meeting. The board of directors recommends that you vote for the listed nominee for director; for approval of our executive compensation; for approval of restricted stock unit grants to certain of our

non-employee directors and for ratification of the selection of our independent registered public accounting firm.
If you hold your shares in "street name" through a broker, bank or other representative, generally the broker or other representative may only vote the shares that it holds for you in accordance with your instructions. However, if the broker or other representative has not timely received your instructions, it may vote on certain matters for which it has discretionary voting authority. The vote on election of directors, the advisory vote on executive compensation and the vote on the restricted stock unit grants to certain of our non-employee directors are non-discretionary voting matters and your broker will not be able to vote on these matters

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without receiving your instructions. The vote to ratify the selection of our independent registered public accounting firm is a discretionary matter and your broker has discretionary authority to vote on that proposal. Your broker or other representative will generally provide detailed voting instructions with your proxy materials. These instructions may include information on whether your shares can be voted by telephone or over the Internet and the manner in which you may revoke your votes.

Vote Required

Assuming a quorum is present at the meeting, the vote required to adopt each of the proposals is as follows:

- Election of Directors (Proposal 1). The election of directors is determined by a majority of the votes cast in person or by proxy by the stockholders entitled to vote on the election of directors in an uncontested election. Under our bylaws, a nominee will be elected to the board of directors if the votes cast “for” the nominee’s election exceed the votes cast “against” the nominee’s election. Abstentions and broker non-votes are not counted as votes “for” or “against” a nominee and will have no effect upon the outcome of the vote on the election of directors. If an uncontested incumbent nominee receives a majority of votes “against” his election, the director must tender his resignation to the board of directors. The board of directors will then decide whether to accept the resignation within 90 days following certification of the stockholder vote. We will publicly disclose the board of directors’ decision and its reasoning regarding the offered resignation.
- All Other Matters: Advisory Vote on Executive Compensation (Proposal 2), Approval of Restricted Stock Unit Grants to Certain of our Non-employee Directors (Proposal 3) and Ratification of the Selection of Our Independent Registered Public Accounting Firm (Proposal 4). The advisory vote on our executive compensation, the approval of restricted stock unit grants to certain of our non-employee directors and the ratification of the selection of our independent registered public accounting firm are determined by a majority of the votes cast by the holders of the shares present or represented by proxy at the meeting and voting on each matter. Under our bylaws, abstentions and broker non-votes will have no effect on the determination of whether stockholders have approved these proposals.

Multiple Stockholders per Household

When more than one stockholder share the same address, we will deliver only one notice describing the Internet availability of our proxy materials to that address, unless we have been instructed to the contrary by the stockholders. Similarly, beneficial owners with the same address who hold their shares in street name through a broker, bank or other representative may have elected to receive only one copy of the notice at that address. We will promptly send a separate copy of the notice, our annual report or proxy statement to you if you request one by writing or calling us at Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886 (telephone: 978-776-2000). If you are receiving multiple copies and would like to receive only one copy for your household in the future, you should contact your broker, bank or other representative if you hold shares in street name, or contact our transfer agent, American Stock Transfer & Trust Company, Shareholder Services Department, 6201 15th Avenue, Brooklyn, New York 11219 (telephone: 718-921-8124 or 800-937-5449) if you hold shares in your own name.

PROPOSAL 1

ELECTION OF DIRECTORS

Our board of directors is divided into three classes of directors serving staggered three-year terms, with each class being as nearly equal in number as possible. Directors for each class are elected at the annual meeting of stockholders held in the year in which the term for their class expires. We have two directors whose terms expire at the 2019 annual meeting. On February 13, 2019, one of those directors, William A. Rainville, notified us that he would not seek reelection as a director upon the expiration of his current term at the 2019 annual meeting. Mr. Rainville, who currently serves as chairman of the board, stated his decision to not seek reelection did not result from any disagreement with our company. Our board of directors consists of six directors, including Mr. Rainville. Mr. Rainville's decision not to seek reelection as a director will create a vacancy on our board following the 2019 annual meeting.

On February 13, 2019, our board of directors adopted a succession plan (Succession Plan), pursuant to which Jeffrey L. Powell, our current executive vice president and co-chief operating officer was appointed president effective April 1, 2019 and chief executive officer effective July 1, 2019, succeeding Mr. Painter in each role. As part of the Succession Plan, assuming Mr. Painter is elected as a director by our stockholders at the 2019 annual meeting, Mr. Painter will become executive chairman of the board of directors effective July 1, 2019. There will be a vacancy in the role of chairman of our board of directors until Mr. Painter assumes this role. In addition, our board of directors appointed Mr. Powell to be a member of the board of directors effective as of July 1, 2019, filling the vacancy created by Mr. Rainville's decision not to seek re-election. Mr. Powell will serve in the class of directors whose term ends in 2022. For more information on the Succession Plan, see our Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 13, 2019.

Our board of directors has nominated Jonathan W. Painter for election as a director for the three-year term expiring at the 2022 annual meeting of stockholders. Mr. Painter is currently a member of our board of directors. If the nominee becomes unable to serve as a director, the proxy holders may vote the proxy for the election of a substitute nominee to be designated by our board of directors. We do not expect that the nominee will be unable to serve. Directors serve until the expiration of their terms and until their successors have been elected and qualified or until their earlier resignation, death or removal in accordance with our bylaws.

Our board of directors believes that the election of Mr. Painter as a director is in the best interests of our company and our stockholders and recommends a vote FOR his election.

Information regarding the names, ages, principal occupations and employment during the past five years of each of our directors, other than Mr. Rainville, who notified us that he would not seek reelection as a director at the 2019 annual meeting when his term expires, is provided below. We have also included information about each director's specific experience, qualifications, attributes or skills that led the board of directors to conclude that he or she should serve as a director. Unless we have specifically noted below, no corporation or organization referred to below is a subsidiary or affiliate of ours. There are no family relationships among any of our directors and executive officers. Information on the stock ownership of our directors is provided in this proxy statement under the heading "Stock Ownership." Information regarding the compensation of our directors is provided in this proxy statement under the heading "Director Compensation."

Nominee for Director for the Three-Year Term That Will Expire in 2022

Jonathan W. Painter	Mr. Painter, 60, has been our chief executive officer and a member of our board of directors since January 2010 and our president since September 2009. He also served as our chief operating officer from September 2009 to January 2010. Prior to becoming our president, Mr. Painter was our executive vice president from 1997 to September 2009, and from 2007 to September 2009 had supervisory responsibility for our stock-preparation and fiber-based products businesses. He also served as president of our composites building products business from 2001 until its sale in 2005. Mr. Painter was our treasurer and the treasurer of Thermo Electron Corporation (now named Thermo Fisher Scientific Inc., "Thermo"), a manufacturer of high-tech instrumentation, from 1994 to 1997. Prior to 1994, Mr. Painter held various managerial positions with our company and Thermo. Mr. Painter also serves as a director of Graham Corporation, a publicly-traded designer and manufacturer of vacuum and heat transfer equipment for energy markets and process industries worldwide. We believe Mr. Painter's qualifications to serve on our board of directors include his diverse experience in operations, finance, acquisitions and corporate strategy, as well as his role as our chief executive officer.

Our directors listed below are not up for election this year and each will continue in office for the remainder of his or her specified term of office or until his or her earlier resignation, death or removal in accordance with our bylaws.

John M. Albertine Term Expires May 2020

Dr. Albertine, 74, has been a member of our board of directors since June 2001 and is chairman of our compensation committee and one of the board's designated "audit committee financial experts." Dr. Albertine has been the chairman and chief executive officer of Albertine Enterprises, Inc., a Washington, D.C.-based public policy consulting and merchant-banking firm, since 1990. He also has served since 2005 as a principal of JJ&B, LLC, a Washington, D.C.-based investment bank he founded that provides finance, public policy and legal assistance to clients, and since 2004 as the executive chairman of Global Delta, LLC, a Washington, D.C.-based government contractor specializing in advanced sensor radio frequency and electro-optical technologies. From 2008 to 2018, Dr. Albertine served as a director of Intersections Inc., a publicly-traded global provider of consumer and corporate identity risk management services, and served as chairman of its risk committee. Dr. Albertine also served for 10 years ending in 2013 as a trustee and vice-chairman of the Virginia Retirement System, a public pension fund; and as a member of the Governor's Board of Economic Advisors for the State of Virginia for two terms ending in 2014. Dr. Albertine holds a Ph.D. in economics from the University of Virginia. We believe Dr. Albertine's qualifications to serve on our board of directors include his knowledge of the economy, capital markets and diverse businesses, his service as a director on several other public company boards and as chairman of the board of two of those public companies during his business career, and his education as an economist.

Thomas C. Leonard Term Expires May 2020

Mr. Leonard, 64, has been a member of our board of directors since June 2005, is the chairman of our audit committee and is one of the board's designated "audit committee financial experts." Mr. Leonard is a director of Dynasil Corporation of America, a publicly-traded company that develops and manufactures detection and analysis technology, precision instruments and optical components for homeland security, medical and industrial markets, and previously served as its chief financial officer and chief accounting officer from 2013 to 2016. From 2008 to 2012, Mr. Leonard was the senior vice president-finance, treasurer and chief financial officer of Pennichuck Corporation, a publicly-traded water utility holding company. From 2006 to 2008, he was a vice president of CRA International, a consulting firm, where he specialized in forensic accounting. He was previously a managing director specializing in forensic accounting and dispute resolution at Huron Consulting Group LLC, a publicly-traded management consulting firm, from 2002 to 2006. Previously, Mr. Leonard was a senior partner at Arthur Andersen LLP, an independent public accounting firm, from 1987 through 2002 and served as partner-in-charge of its New England assurance and business advisory practice. Mr. Leonard is a certified public accountant. We believe Mr. Leonard's qualifications to serve on our board of directors include his expertise in finance and accounting and experience as a public company CFO.

Erin L. Russell Term Expires May 2021
Ms. Russell, 45, has been a member of our board of directors since January 2019. She was a principal of Vestar Capital Partners, L.P., a private equity firm specializing in management buyouts, recapitalizations and growth equity investments, from August 2001 until April 2017. While at Vestar, Ms. Russell served on the boards of directors of a number of companies, including most recently as a director of DeVilbiss Healthcare from 2012 until 2015 and as a director and a member of the audit committee of 21st Century Oncology Inc. from 2008 until 2016, including as the chair of the audit committee until 2014, both private healthcare companies. She also served as a director of DynaVox Inc., a communications device manufacturer, from 2004 until 2014, including serving as the chair of its audit committee until its initial public offering in 2010. Ms. Russell is currently a member of the school advisory board of St. Thomas Aquinas Catholic School, where she has served since 2018, and has served on the advisory boards of McIntire School of Commerce and the Jefferson Scholars Foundation at the University of Virginia. We believe Ms. Russell's qualifications to serve on our board of directors include her financial, operating, mergers and acquisitions and management experience gained through working with a variety of private equity portfolio companies, her knowledge and experience gained through service on the boards of other companies, and her high level of financial literacy and experience with capital and credit markets gained through her investment experience.

William P. Tully Term Expires May 2021
Dr. Tully, 78, has been a member of our board of directors since December 2010 and is the chairman of our nominating and corporate governance and risk oversight committees. Dr. Tully has been emeritus provost, vice president and professor of the State University of New York, College of Environmental Science and Forestry (SUNY-CESF), at Syracuse, New York since 2005. He first joined SUNY-CESF in 1966 as a professor and served in several capacities during his tenure. He served as head of the Division of Engineering at SUNY-CESF for 25 years and as college-wide provost, vice president for 20 years, and in these roles had responsibility for undergraduate, graduate and continuing education and similar programs. From 2000 to 2008, Dr. Tully was also director of the Joachim Center for Forestry Industry, Economy and Environment located at SUNY-CESF, which focuses on improving the understanding and resolution of environmental problems facing the pulp and paper and related forestry industries. He was also the State University of New York Chancellor's appointee to the Board of Governors of the New York Sea Grant Institute of the National Oceanic and Atmospheric Administration from 1987 to 2016. We believe Dr. Tully's qualifications to serve on our board of directors include his academic background, extensive study and knowledge of the paper and forest products industries, including the environmental, corporate social responsibility and sustainability problems facing those industries, his experience providing private entrepreneurial consulting advice to companies in the paper industry and his expertise in understanding, assessing and developing new technologies and applications for the pulp and paper and forest products industries.

Additionally, our board of directors has appointed Jeffrey L. Powell to become a director effective July 1, 2019, in connection with his succession to the role of our chief executive officer. Mr. Powell is not up for election this year, and, as he will fill the vacancy created by the departure of Mr. Rainville when his term expires at the 2019 annual meeting, he will hold such office until the next election of his class in 2022, or until his earlier resignation, death or removal in accordance with our bylaws.
Mr. Powell, age 60, has served as our executive vice president, co-chief operating officer since March 2018, with supervisory responsibility for our material processing group, which is comprised of its stock-preparation, wood processing, and fiber-based products businesses. Prior to March 2018, he had served as an executive vice president

with responsibility for such businesses since March 2013. From September 2009 to March 2013, he served as our senior vice president. From January 2008 to September 2009, Mr. Powell was vice president, new ventures, with principal responsibility for acquisition-related activities. Prior to joining us Mr. Powell was the chairman and chief executive officer of Castion Corporation from April 2003 through December 2007. Prior to Castion, Mr. Powell held various management positions at Thermo Electron Corporation, including chief executive officer and president of one of its publicly traded subsidiaries. From 2007 to 2015, Mr. Powell served on the board of directors of TerraTherm, a private thermal technology solutions company, including on its compensation committee.

PROPOSAL 2
ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking that our stockholders cast an advisory vote on the executive compensation of our named executive officers, usually referred to as “say-on-pay.” This proposal is required by Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act). In 2017, our board of directors recommended, our stockholders agreed, and our board of directors thereafter concluded, that our stockholders cast an advisory vote once every year on the executive compensation of our named executive officers. Our next stockholder “say-on-frequency” vote is scheduled to occur at our 2023 annual meeting of stockholders. We believe it is appropriate to seek the views of our stockholders on the design and effectiveness of our executive compensation program, as described in this proxy statement.

Our compensation philosophy is described in the Compensation Discussion and Analysis contained in this proxy statement. Our goal is to attract and retain a talented leadership group and we seek to accomplish this goal with a compensation program that rewards performance and is aligned with our stockholders’ long-term interests. Our program emphasizes compensation linked to objective performance measures, which we believe are linked in turn to the creation of stockholder value. Highlights of our compensation program include the following:

- Cash compensation in the form of base salary and an annual performance-based cash incentive opportunity (bonus). We use objective financial measures based on earnings per share growth and return on average stockholders’ equity to determine our executives’ annual performance-based bonus.
- Equity compensation to reward performance and retain key personnel. We annually award performance-based restricted stock units that use objective financial measures based on earnings before interest, taxes, depreciation and amortization (EBITDA). All performance-based awards are subject to additional time-based vesting periods once the performance goals have been met. We also may use equity compensation in other forms that are intended to promote retention of our key personnel, and for this purpose have used time-based restricted stock units and in past years stock options.
- All our named executive officers are employees-at-will. None of our current named executive officers have an employment agreement or severance agreement, other than an agreement that provides benefits upon termination of employment following a change in control, except for Mr. Painter and Ms. Sandra L. Lambert. In 2017, we entered into an executive transition agreement with Ms. Lambert, who served as our vice president, general counsel and secretary through July 1, 2018, in order to obtain certain post-employment commitments to continue to provide services to our company. This agreement is described in “Executive Compensation – Potential Payments Upon Termination or Change in Control – Executive Transition Agreement with Ms. Lambert.” On February 13, 2019, we entered into an executive transition agreement with Mr. Painter, who serves as our president and chief executive officer, in connection with the Succession Plan in order to secure his services in his current roles through June 30, 2019 and to thereafter become the executive chairman of our board, serving in such role through June 30, 2020. This agreement is described in “Executive Compensation - Potential Payments Upon Termination or Change in Control - Executive Chairman and Transition Agreement with Mr. Painter.”

We believe that our executive compensation program provides compensation opportunities that reflect our company’s performance and align the pay of our executives with the long-term interests of our stockholders. Our recent financial performance has yielded strong returns. For fiscal 2018, our corporate performance measures resulted in our named executive officers earning above target performance-based cash bonus awards at the maximum potential level and above target pay-outs under our performance-based equity award program.

Our board of directors is asking stockholders to approve a non-binding advisory vote on the following resolution:

RESOLVED, that the compensation paid to our named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

As an advisory vote, this proposal is not binding upon the board of directors. The outcome of this advisory vote will not overrule any decision by our company or our board of directors (or any of its committees), create or imply any change to the fiduciary duties of our company or our board of directors (or any of its committees), or create or imply any additional fiduciary duties for our company or our board of directors (or any of its committees). However, our

compensation committee, which is responsible for designing and administering our executive compensation program, and our board of directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.
Recommendation

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Our board of directors recommends a vote FOR Proposal 2. Proxies solicited by our board of directors will be voted FOR the proposal unless stockholders otherwise specify to the contrary on their proxy.

PROPOSAL 3

APPROVAL OF RESTRICTED STOCK UNIT GRANTS TO CERTAIN OF OUR NON-EMPLOYEE DIRECTORS

Our board of directors has approved a grant, subject to stockholder approval, of such number of restricted stock units (RSUs) as is determined by dividing $165,000 by the closing price of our common stock on the day of grant, which would be the date of our 2019 annual meeting, to certain of our non-employee directors (Dr. Albertine, Mr. Leonard, Ms. Russell and Dr. Tully). If approved, the grant would be made under our 2006 amended and restated equity incentive plan, as amended (2006 equity incentive plan). We are asking that our stockholders cast a vote on the equity grants to our non-employee directors. Although we are not required to seek stockholder approval of these specific RSUs or other RSU awards, our board of directors decided to provide our stockholders with the opportunity to approve the proposed grants for this year. If this proposal is not approved by our stockholders at the 2019 annual meeting, these specific RSU awards will not occur. Our compensation committee will then consider the award of an appropriate amount of RSUs to our non-employee directors taking into consideration the outcome of the stockholder vote.

Our compensation philosophy with respect to non-employee directors is to structure a compensation program that is reasonable as compared to the non-employee director compensation of our compensation peer group of companies, as described in "Compensation Discussion and Analysis—Determining Compensation—Compensation Peer Group," rewards performance and is aligned with our stockholders' long-term interests. Our compensation committee is responsible for reviewing non-employee director compensation and recommending our non-employee director compensation pay for approval by our board of directors. Our compensation philosophy has been to weight total compensation for non-employee directors more heavily toward equity compensation as opposed to cash compensation, which causes our director pay to exceed the median in years of strong stock performance. In 2017, in connection with the approval of the amendment and restatement of the 2006 equity incentive plan, we adopted a cap on total annual non-employee director compensation of $750,000 (based on the grant date fair value of equity awards for financial reporting purposes and cash payable to any non-employee director in any fiscal year), which was approved by our stockholders at our 2017 annual meeting. The total compensation of our non-employee directors for 2018 is reported under "Director Compensation", was approximately $305,000 (excluding committee and chairman retainers), based on a stock price of $94.36, and was the highest among our compensation peer group.

In the first quarter of 2019, our compensation committee engaged Willis Towers Watson to benchmark our director compensation against our compensation peer group (using the 2018 proxy data of our compensation peer group) for the purpose of reevaluating the equity award component of non-employee director compensation. Based on this review, our compensation committee concluded that the cash component of our non-employee director compensation approximated the 25th percentile of our compensation peer group, while the equity component would be the highest of our compensation peer group. Our committee also considered our recent financial performance (as described in "Compensation Discussion and Analysis—Executive Summary—2018 Financial Performance Highlights") and our one- and three-year total shareholder return (TSR) performance compared to the Russell 3000 Index and our compensation peer group. While our one-year TSR was down 18% in 2018, our three-year TSR was over 27% in 2018.

Given our strong financial and three-year TSR performance in the past year, but taking into consideration that one-year TSR in 2018 was down by 18%, our compensation committee believed that it would be reasonable to grant equity awards between the 50th percentile and the 75th percentile of our peer compensation data, with the cash compensation at the 25th percentile. Our compensation committee recommended that for 2019, the equity award for non-employee directors, other than Mr. Rainville, be changed from 2,700 RSUs to such number of RSUs determined by dividing $165,000 by the closing price of our common stock on the day of grant, which would be the date of our 2019 annual meeting. For purposes of illustration only, if the closing price of our common stock on the date of grant is $90, the award will consist of 1,833 RSUs to each non-employee director. By contrast, if the closing price is $95, the award will consist of 1,736 RSUs to each non-employee director, and if the closing price is $85, the award will be 1,941 RSUs to each non-employee director. Our board of directors approved the award of RSUs, with the underlying number of RSUs to be determined by dividing $165,000 by the closing price of our common stock on the date of

grant, which would be the date of our annual meeting, for each of our non-employee directors, other than Mr. Rainville, subject to stockholder approval. Our board of directors decided that stockholders should have an opportunity to vote on the awards at the 2019 annual meeting.
Mr. Rainville, a non-employee director and chairman of our board of directors who has notified us that he does not wish to seek reelection as a director upon the expiration of his current term at the 2019 annual meeting, was awarded 935 RSUs under the 2006 equity incentive plan on March 5, 2019, which represents approximately half of the number of RSUs that he would have received if he had continued with his director service, as determined using the approximate level of our stock price at the time of the grant. This award will vest on the date of the 2019 annual meeting and will not be subject to stockholder approval. Given that Mr. Rainville is not seeking reelection to our board of directors, the board did not think seeking stockholder approval of his award was appropriate.

Our compensation committee intends to continue to weight total compensation for non-employee directors more heavily toward equity compensation as opposed to cash compensation, consistent with its belief that such a compensation program aligns director pay with the long-term interests of our stockholders. Our compensation committee's philosophy is to target average cash compensation of our non-employee directors at the 25th percentile of our compensation peer group and to target equity compensation at the 75th percentile, based on the approximate value of the award in February of each year. In determining the appropriate size of the RSU awards to non-employee directors, our compensation committee will consider, among other factors, our financial performance and recent TSR performance relative to the Russell 3000 Index and our compensation peer group, and accordingly increase or decrease the award based on its assessment of the relevance of those factors.

If the stockholders approve this proposal, the non-employee director RSU awards will be granted on the date of the 2019 annual meeting. Fifty percent of the RSUs will vest on June 1, 2019 and the remainder of the RSUs will vest in two equal installments on the last day of each of our third and fourth quarters during the fiscal year. Each RSU entitles the director to one share of common stock. The proposed RSU awards will be made under our stockholder-approved 2006 equity incentive plan pursuant to the terms of the plan. The vesting of all RSU awards will accelerate in the event of a change in control of our company. Any RSU award, to the extent not previously vested, is forfeited if the individual is no longer a member of the board of directors on the applicable vesting date. Each of Dr. Albertine, Mr. Leonard, Ms. Russell and Dr. Tully will receive the RSUs upon stockholder approval of this proposal and has an interest in the approval of this proposal.

Recommendation

Our board of directors believes the grant of the RSU awards to our non-employee directors is in the best interests of our company and stockholders and recommends a vote FOR Proposal 3. Proxies solicited by our board of directors will be voted FOR the proposal unless stockholders otherwise specify to the contrary on their proxy.

PROPOSAL 4

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our board of directors has selected KPMG LLP as our company's independent registered public accounting firm for the 2019 fiscal year. KPMG LLP was appointed our company's independent registered public accounting firm in August 2012, and has audited our consolidated financial statements since our 2012 fiscal year. Although we are not required to seek stockholder ratification of this selection, our board of directors decided to provide our stockholders with the opportunity to do so. If this proposal is not approved by our stockholders at the 2019 annual meeting, our audit committee will reconsider the selection of KPMG LLP. Even if the selection of KPMG LLP is ratified, our audit committee in its discretion may select a different independent registered public accounting firm at any time during the year.

Representatives of KPMG LLP are expected to be present at the 2019 annual meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

Recommendation

Our board of directors believes that the ratification of the selection of KPMG LLP as our company's independent registered public accounting firm for the 2019 fiscal year is in the best interests of our company and stockholders and recommends you vote FOR ratification. Proxies solicited by our board of directors will be voted FOR the proposal unless stockholders otherwise specify to the contrary on their proxy.

CORPORATE GOVERNANCE

Our board of directors believes that good corporate governance is important to ensure that our company is managed for the long-term benefit of stockholders. Current copies of our corporate governance guidelines, code of business conduct and ethics, and charters for our audit, compensation, nominating and corporate governance, and risk oversight committees are available on our website, www.kadant.com, in the Investors section under the caption "Corporate Governance." We may also use our website in the future to make certain disclosures required by the rules of The New York Stock Exchange (NYSE), on which our common stock is listed.

Director Independence

Our board of directors has determined that each of the following directors qualifies as an "independent director," as defined in the listing requirements of the NYSE: Dr. Albertine, Mr. Leonard, Mr. Rainville, Ms. Russell and

Dr. Tully. Its findings included an affirmative determination that none of our outside directors has a material relationship with our company. Mr. Painter, who serves as our current president and chief executive officer, and who will begin serving as our executive chairman on July 1, 2019, does not qualify as an “independent director” under the NYSE rules. When Mr. Powell is appointed to the board of directors on July 1, 2019 upon becoming our chief executive officer, he will also not qualify as an “independent director” under the NYSE rules. Our board of directors has established guidelines to assist it in determining whether a director has a material relationship with our company. Under these guidelines, a director is not considered to have a material relationship with our company if the director is independent and the director:

- receives, or has a family member that receives, less than $120,000 in direct compensation from our company for services rendered, excluding director and committee fees or deferred compensation for prior service;
- is an executive officer of another company that does business with our company, unless the annual sales to, or purchases from, our company account for more than the greater of $1 million or 2% of the annual consolidated gross revenues of the company of which the director is an executive officer;
- is an executive officer of another company that is indebted to our company, or to which our company is indebted, unless the total amount of either company's indebtedness to the other is more than 1% of the total consolidated assets of the company of which the director is an executive officer; or
- is an officer, director or trustee of a charitable organization, unless our company's discretionary charitable contributions to the organization are more than the greater of $1 million or 2% of the organization's total annual charitable receipts. For this purpose, the automatic matching of employee charitable contributions, if any, is not included in the amount of our company's contributions.

Ownership of a significant amount of our company's stock, by itself, does not constitute a material relationship.
For relationships not covered by these guidelines, the determination of whether a material relationship exists is made by the other members of our board of directors who are independent.

Committees of our Board of Directors

Our board of directors has established an audit committee, a compensation committee, a nominating and corporate governance committee, and a risk oversight committee. Each committee operates under a charter that has been approved by our board of directors. Current copies of the committee charters are posted on our website, www.kadant.com.

Our board of directors has determined that all of the members of each committee also meet the independence guidelines applicable to each committee set forth in the listing requirements of the NYSE, including the enhanced NYSE and SEC independence requirements for members of the audit and compensation committees.

The audit committee is responsible for the selection of our company's independent registered public accounting firm and assists our board of directors in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's performance, qualifications and independence, and the performance of our internal audit function. The audit committee meets regularly with management and our independent registered public accounting firm to discuss the annual audit of our financial statements, the quarterly reviews of our financial statements and our quarterly and annual earnings disclosures. The audit committee also reviews the experience and qualifications of the lead partner and other senior members of the independent auditor, including compliance with applicable rotation requirements, and considers whether there should be rotation of the firm itself. The current members of the audit committee are Mr. Leonard (chairman), Dr. Albertine and Dr. Tully and their committee report is included in this proxy statement under the heading "Audit Committee Report." Each of Dr. Albertine and Mr. Leonard has been designated by our board of directors as an "audit committee financial expert" (as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act).

The compensation committee reviews the performance and determines the compensation of the chief executive officer and other officers of our company, administers executive compensation, incentive compensation and incentive programs and policies, and reviews and assesses management succession planning. The current members of the compensation committee are Dr. Albertine (chairman), Mr. Leonard and Dr. Tully. See "Compensation Disclosure and Analysis" below for information regarding the compensation committee's processes and procedures for the consideration and determination of executive compensation.

The nominating and corporate governance committee identifies and recommends to our board of directors qualified candidates for nomination as directors, develops and monitors our company's corporate governance principles and evaluates the performance of our board and the individual directors. The current members of the nominating and corporate governance committee are Dr. Tully (chairman) and Dr. Albertine.

The risk oversight committee assists our board of directors in fulfilling its oversight responsibilities with respect to management's identification, evaluation, management and monitoring of our company's critical enterprise risks, including major strategic, operational and reputational risks inherent in our business. The current members of the risk committee are Dr. Tully (chairman), Dr. Albertine and Mr. Leonard.

Attendance at Meetings

In 2018, our board of directors met six times, the audit committee met eight times, the compensation committee met eight times, the nominating and corporate governance committee met three times, and the risk oversight committee met three times. Each director attended over 75% of all meetings of our board of directors and committees on which he served that were held during 2018. Our directors are encouraged to attend the annual meeting of stockholders, to the extent practicable. All of our directors attended our 2018 annual meeting of stockholders.

Board Self-Evaluation and Individual Director Evaluation

Our board of directors conducts an annual self-evaluation of the board's performance as a whole and a peer evaluation of each of the individual directors. As part of this process, directors are asked to assess the independence from management of each individual director, and each director was deemed independent taking his or her tenure on the board into consideration. Our board of directors believes such evaluations are valuable tools in assessing the board's effectiveness in performing its oversight of management and fulfilling its responsibilities. The results of the evaluations are collected by the chairman of the nominating and corporate governance committee and communicated to the board of directors.

Board Leadership Structure

Our board separated the roles of chief executive officer and chairman of the board in 2010, when Mr. Painter became chief executive officer and Mr. Rainville transitioned to a non-employee chairman role, and believes this leadership structure continues to be appropriate. In connection with the Succession Plan adopted by our board of directors, Mr. Painter will transition to the role of executive chairman of the board of directors effective July 1, 2019, at which time Mr. Powell will become chief executive officer and will become a member of our board of directors.

Our chief executive officer is responsible for setting our strategic direction and the day-to-day leadership and performance of our company. Our chairman of the board provides guidance to the chief executive officer and sets the agenda for board meetings and presides over meetings of the full board of directors.

In addition, because our chief executive officer is also a director and is not independent under the NYSE rules, we also schedule regular executive sessions of our non-employee and independent directors without management present. The presiding director at these sessions is rotated among the chairmen of the committees of our board of directors, all of whom are independent directors. Our board recognizes that different leadership structures may be appropriate in the future, depending on our company's circumstances, and will periodically review its leadership structure as situations change.

Board Role in Risk Oversight

Our board of directors administers its risk oversight function directly and through its audit and risk oversight committees. In general, management is responsible for the day-to-day management of the risks our company faces, while the board of directors, acting as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of directors has formed the risk oversight committee to assist it in fulfilling its oversight responsibilities with respect to management's identification, evaluation, management and monitoring of our company's critical enterprise risks, including major strategic, operational and reputational risks inherent in our business. The risk oversight committee meets regularly with our chief executive officer and senior management to discuss risk management-related and other matters, including cybersecurity.

The board of directors and the audit committee regularly discuss with management and our independent auditors our major risk exposures, their potential financial impact on our company, and the steps we take to manage these risks. The audit committee assists the board of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements. In addition, the audit committee discusses policies with respect to risk assessment and risk management with management, our internal auditors and the independent auditors.

Board Tenure

Our board of directors recognizes that its current members have served on the board of directors for various tenures, with the shortest tenure being less than one year, but with many other directors serving for 8.5 years or more. Our board of directors believes that the board represents a balance of experience in the industries served by our company and in the financial and business communities, which provides effective guidance and oversight to management. Our board of directors also recognizes the desire to keep our board of directors "refreshed" and has adopted a policy limiting director tenure to age 75 for members, other than certain grandfathered members of the board, which include Messrs. Albertine, Leonard, Rainville, Painter and Tully. Directors (other than certain grandfathered members) will not be nominated for election after reaching age 75. In addition, our nominating and corporate governance committee assesses the continuing independence of long-tenured directors from management as part of its determination on whether to nominate an incumbent director for re-election.

Nomination of Directors

The nominating and corporate governance committee of our board of directors identifies and evaluates director candidates and recommends to our board of directors qualified candidates for nomination as directors for election at our annual meeting of stockholders or to fill vacancies on our board of directors. The process followed by the committee in fulfilling its responsibilities includes requests to board members and others for recommendations, meetings to evaluate biographical information, experience and other background material relating to potential candidates, and interviews of selected candidates.

In considering candidates, the committee applies the criteria for selection of directors adopted by our board of directors, which is set forth as an appendix to our company's corporate governance guidelines. These criteria include the following assessments of the candidate's:

- integrity;
- business acumen, experience and judgment;
- knowledge of our company's business and industry;
- ability to understand the interests of various constituencies of our company and to act in the interests of all our stockholders;
- potential conflicts of interest; and
- contribution to diversity on our board of directors.

Our criteria specify that the value of diversity on the board of directors should be considered by the committee in the director identification and nomination process. While we do not have a formal policy on board diversity, we are proud of the diversity and talent of our management team, and our nominating and corporate governance committee and board of directors have affirmed their commitment to actively seeking women and minority candidates for the pool from which director candidates are selected. The committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The committee believes that the backgrounds and qualifications of our company's directors, considered as a group, should provide a significant breadth of experience, knowledge and abilities to assist our board of directors in fulfilling its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sex, sexual orientation, gender identity or expression, disability or any other basis prohibited by law.

After completing its evaluation of potential nominees, the nominating and corporate governance committee makes a recommendation to our board of directors as to the persons who should be nominated for election to our board of directors, and our board of directors determines the nominees after considering the recommendation and report of the committee.

The nominating and corporate governance committee will consider candidates recommended by individual stockholders, if their names and credentials are provided to the committee on a timely basis for consideration prior to the annual meeting. Stockholders who wish to recommend an individual to the nominating and corporate governance committee for consideration as a potential candidate for director should submit the individual's name, together with appropriate supporting documentation, to the committee at the following address: nominating and corporate governance committee, c/o corporate secretary, Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886. A submission will be considered timely if it is made during the timeframes disclosed in this proxy statement under "Stockholder Proposals." The submission must be accompanied by a statement as to whether the stockholder or group of stockholders making the recommendation has owned more than 5% of our common stock for at least a year prior to the date the recommendation is made. Submissions meeting these requirements will be considered by the nominating and corporate governance committee using the same process and applying substantially the same criteria it follows for candidates submitted by others. If our board of directors determines to nominate and recommend for election a stockholder-recommended candidate, then the candidate's name will be included in our company's proxy card for the next annual meeting of stockholders.

Stockholders also have the right under our company's bylaws to directly nominate candidates for director, without any action or recommendation on the part of the nominating and corporate governance committee or our board of directors, by following the procedures described in this proxy statement under "Stockholder Proposals." Except as otherwise required by law, candidates nominated by stockholders in accordance with these bylaw procedures will not be included in our company's proxy card for the next annual meeting of stockholders.

Communications with Directors

Stockholders and other interested parties who wish to send written communications on any topic to our board of directors, or the presiding director of executive sessions of the non-employee and independent directors, may do so by addressing such communications to our board of directors, c/o corporate secretary, Kadant Inc., One Technology Park

Drive, Westford, Massachusetts 01886. The independent members of our board of directors have approved a process directing the corporate secretary to monitor communications and to forward communications, such as those relating to corporate governance, long-term strategy and their oversight responsibilities, to our board of directors and to forward communications that relate to ordinary business affairs, personal grievances or other similar matters to management for response, if any.

Code of Business Conduct and Ethics

Our company's code of business conduct and ethics is applicable to all our employees, officers and directors. A current copy of our code of business conduct and ethics is posted on our website, www.kadant.com. We intend to satisfy disclosure requirements of the SEC and NYSE regarding amendments to, or waivers of, our code of business conduct and ethics by providing information on our website.

Compensation Committee Interlocks and Insider Participation

During fiscal 2018, our compensation committee was comprised solely of the following independent directors: Dr. Albertine, Mr. Leonard and Dr. Tully. None of our officers, former officers or employees serves on our compensation committee. During fiscal 2018, none of our executive officers served on the board of directors or compensation committee of another company in which any of our directors also served as a director or executive officer.

Certain Relationships and Related Party Transactions

We review relationships and transactions between our company and our directors, nominees for director, executive officers or their immediate family members to determine whether these individuals have a direct or indirect material interest in a transaction, based on the facts and circumstances. Such transactions are referred to the disinterested members of the audit committee of our board of directors to review and approve or ratify the transaction. Directors and executive officers are canvassed in writing to determine whether such related party transactions exist or are under consideration, and are required under our code of business conduct and ethics to disclose to us potential conflicts of interest with our company.

SEC rules require us to disclose certain relationships and related party transactions our company enters into with our directors, nominees for director, executive officers, owners of more than 5% of the outstanding shares of our common stock, or members of their immediate families. Our company has not entered into any such disclosable relationships or transactions since the beginning of our 2018 fiscal year and no such disclosable relationships or transactions are currently proposed.

STOCK OWNERSHIP

The following table sets forth the beneficial ownership of shares of our common stock as of March 4, 2019, with respect to:

- those persons we know to beneficially own more than 5% of the outstanding shares of our common stock based on our review of filings made with the SEC;
- each of our directors;
- each of our executive officers named in the Summary Compensation Table under the heading "Executive Compensation;" and
- all of our directors and executive officers as a group.

Unless otherwise indicated, the address of any person or entity listed is c/o Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886. The applicable percentage of beneficial ownership is based on 11,121,503 shares of our common stock outstanding as of March 4, 2019.

	Shares of Common Stock Beneficially Owned (1)	
Name of Beneficial Owner	Number (2)	% of Class
Wasatch Advisors, Inc. (3)	1,124,113	10.1 %
BlackRock, Inc. (4)	789,224	7.1 %
Macquarie (5)	704,600	6.3 %
Handelsbanken Fonder AB (6)	604,822	5.4 %
Royce & Associates, L.P. (7)	573,285	5.2 %
Dimensional Fund Advisors LP (8)	550,899	5.0 %
John M. Albertine	12,090	*
Stacy D. Krause	1,333	*
Sandra L. Lambert (9)	17,148	*
Eric T. Langevin	96,334	*
Thomas C. Leonard	23,450	*
Michael J. McKenney	31,810	*
Jonathan W. Painter	295,724	2.6 %
Jeffrey L. Powell	56,479	*
William A. Rainville	78,850	*
Erin L. Russell	—	*
William P. Tully	6,700	*
All directors and executive officers as a group (11 persons)	634,125	5.5 %

* Less than 1%

(1) The number of shares beneficially owned by each stockholder is determined under the rules of the SEC, and the information provided is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated, as determined under such rules, each stockholder has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares reported in this table. The inclusion of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares.

(2) Shares beneficially owned by the following individuals or group include the following shares underlying restricted stock units (RSUs) that will vest or become distributable within 60 days after March 4, 2019: Ms. Krause (1,007), Mr. Langevin (8,025), Mr. McKenney (4,516), Mr. Painter (29,186) Mr. Powell (9,617), and all directors and current executive officers as a group (53,856). Shares beneficially owned by the following individuals or group include the following shares underlying employee stock options that are vested and unexercised as of March 4, 2019 or will vest within 60 days after March 4, 2019: Mr. Langevin (53,722), Mr. McKenney (15,421), Mr. Painter (189,443), Mr. Powell (40,612), and all directors and current executive officers as a group (299,198). Shares beneficially owned by Mr. Painter include three shares held in a custodial account for the benefit of his son.

(3)

The address of Wasatch Advisors, Inc. is 505 Wakara Way, Salt Lake City, Utah 84108. The information about Wasatch Advisors, Inc. is based on its Schedule 13G/A filed with the SEC on March 4, 2019, and is as of February 28, 2019.

(4) The address of BlackRock, Inc. is 55 East 52nd Street New York, NY 10055. BlackRock, Inc. filed as the parent holding company of BlackRock Advisors, LLC, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock (Netherlands) B.V., BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, National Association,

BlackRock Financial Management, Inc., BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC. The information about BlackRock, Inc. is based on an amendment to its Schedule 13G/A filed with the SEC on February 6, 2019, and is as of December 31, 2018.

(5) This information is based on a Schedule 13G filed jointly by Macquarie Group Limited, Macquarie Bank Limited, Macquarie Investment Management Holdings Inc., Macquarie Investment Management Business Trust, and Macquarie Funds Management Hong Kong Limited (collectively, Macquarie). The principal business address of Macquarie Group Limited and Macquarie Bank Limited is 50 Martin Place Sydney, New South Wales, Australia. The principal business address of Macquarie Investment Management Holdings Inc. and Macquarie Investment Management Business Trust is 2005 Market Street, Philadelphia, PA 19103. The principal business address of Macquarie Funds Management Hong Kong Limited is Level 18, Once International Finance Centre, 1 Harbour View Street, Hong Kong. The information about Macquarie is based on its Schedule 13G filed with the SEC on February 14, 2019, and is as of December 31, 2018.

(6) The address of Handelsbanken Fonder AB is Blasieholmstorg 12, Stockholm, Sweden V7 10670. The information about Handelsbanken Fonder AB is based on its Schedule 13G filed with the SEC on February 13, 2019 and is as of December 31, 2018.

(7) The address of Royce & Associates, LP is 745 Fifth Avenue, New York, NY 10151. The information about Royce & Associates, LP is based on its Schedule 13G/A filed with the SEC on January 15, 2019, and is as of December 31, 2018.

(8) The address of Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas 78746. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-advisor to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an advisor or sub-advisor to certain Funds. In its role as investment advisor, sub-advisor and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, Dimensional) may possess voting and/or investment power over the securities of our company that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of our company held by the Funds. However, the number of securities reported in the table above are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. The information about Dimensional Fund Advisors LP is based on its Schedule 13G/A filed with the SEC on February 8, 2019, and is as of December 31, 2018.

(9) Ms. Lambert retired as our vice president, general counsel and secretary effective July 1, 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our securities. Based solely upon a review of these filings, all Section 16(a) filing requirements applicable to such persons were complied with during 2018 on a timely basis.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Objectives

Our compensation policies are designed to reward and motivate executives to achieve long-term value for our stockholders by meeting our business objectives, and to attract, engage and retain dedicated, talented individuals. We believe that an executive compensation program, designed and administered with a clear and strong link to our business strategy, long-term goals, and value creation for our stockholders, will accomplish these objectives.

Executive Summary

Our executive compensation program emphasizes compensation linked to objective performance measures, which we believe are related to the creation of stockholder value. Highlights of our compensation program include the following:

- Cash compensation in the form of base salary and an annual performance-based cash incentive opportunity (bonus). We use objective financial measures based on earnings per share growth and return on average stockholders' equity to determine our executives' annual performance-based bonuses.

- Equity compensation to reward performance and retain key personnel. We annually award performance-based restricted stock units that use objective financial measures based on EBITDA. All performance-based awards are subject to additional time-based vesting periods once the performance goals have been met. We also use equity compensation in other forms that are intended to promote retention of our key personnel, and for this purpose have used time-based restricted stock units and in past years stock options.
- All our current named executive officers are employees-at-will. None of our named executive officers have an employment agreement or severance agreement, other than an agreement that provides benefits upon termination

following a change in control, except for Ms. Lambert and Mr. Painter. In 2017, we entered into an executive transition agreement with Ms. Lambert, who served as our vice president, general counsel and secretary through July 1, 2018, and agreed to provide certain post-employment commitments, as described in "Executive Compensation – Potential Payments Upon Termination or Change in Control – Executive Transition Agreement with Ms. Lambert." In February 2019, we entered into an executive transition agreement with Mr. Painter, who serves as our president and chief executive officer, in connection with the Succession Plan, in order to secure his services in his current roles through June 30, 2019 and to thereafter become the executive chairman of our board through June 30, 2020, as described in "Executive Compensation – Potential Payments Upon Termination or Change in Control – Transition and Executive Chairman Agreement with Mr. Painter."

We believe that our executive compensation program provides compensation opportunities that reflect our company's performance and align the pay of our executives to the long-term interests of our stockholders. Our recent financial performance has yielded strong returns. For fiscal 2018, our corporate performance measures used in our incentive plans resulted in our named executive officers earning above target performance-based cash bonus awards at the maximum potential levels and above target pay-outs under our performance-based equity award program.

2018 Financial Performance Highlights

Our compensation committee typically makes its determinations on executive compensation for our named executive officers, including our chief executive officer, in February and March of each year, after our company's financial results for the prior year have been determined. We reported the following financial highlights in 2018:

- Record revenues of $634 million in 2018, compared to $515 million in 2017, an increase of 23%;
- Record GAAP diluted earnings per share (EPS) of $5.30 in 2018, compared to $2.75 in 2017, an increase of 93%;
- Record adjusted diluted EPS of $5.34 in 2018, compared to $4.49 in 2017, an increase of 19%;
- Net income attributable to Kadant of $60 million in 2018, compared to $31 million in 2017, an increase of 94%; and
- Record adjusted EBITDA of $115 million in 2018, compared to $92 million in 2017, an increase of 26%.

We were pleased with our company's financial performance in 2018, which set records in revenues, adjusted EBITDA and GAAP and adjusted diluted EPS, and compared favorably with our strong financial performance in 2017. Our stock price closed at $81.12 at the end of our fiscal year, compared to $100.40 at the end of our 2017 fiscal year. Our one-year TSR in 2018 was down 18%, but our three-year TSR was over 27%.

Our compensation committee uses certain financial measures that are derived from generally accepted accounting principles (GAAP) to measure the performance of our named executive officers that are based upon adjusted diluted EPS and adjusted EBITDA. The non-GAAP financial measures used by our compensation committee and those presented above are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. We believe these measures allow us to compare results consistently between periods and to exclude certain items that may not be indicative of our core business, operating results or future outlook. Our compensation committee uses certain non-GAAP measures as a basis for compensation decisions relating to our performance-based compensation as described below. A reconciliation of the non-GAAP financial measures presented above to the most comparable GAAP measures is included in Annex A to this proxy statement.

2018 Say-on-Pay Vote

Our stockholders cast an advisory vote ("say on pay") annually on the executive compensation of our named executive officers. At our company's 2018 annual meeting of stockholders, stockholders had the opportunity to approve our executive compensation program by casting a non-binding, advisory vote. A substantial majority of our stockholders approved our program (approximately 91% of the shares voted were cast in favor), indicating to our compensation committee that no major changes to our executive compensation program were necessary. Our compensation committee considered the stockholder vote in making its determinations regarding the structure of our compensation program in 2019.

Determining Compensation

The compensation committee of our board of directors has primary responsibility for developing and evaluating the executive compensation for the named executive officers of our company included in the Summary Compensation Table below under "Executive Compensation." In making compensation decisions, our compensation committee reviews our company's performance and evaluates each executive's performance during the year, taking into consideration performance goals, leadership qualities, scope of responsibilities, career experience, long-term potential as well as data on market compensation opportunities for comparable positions. Our compensation committee also uses its judgment in making compensation decisions.

Our compensation committee is directly responsible for evaluating the performance of our chief executive officer and determining his compensation in light of the goals and objectives of our compensation program. It also oversees the design, development and implementation of the executive compensation program for all executive officers. Our compensation committee assesses the performance of our other named executive officers and determines their compensation, based on initial recommendations from the chief executive officer. The other named executive officers do not play a role in their own compensation determinations, and our compensation committee delegates to the chief executive officer the responsibility to communicate its compensation decisions and assessment of performance to the other named executive officers.

Role of Compensation Committee Consultant. Our compensation committee retains a nationally-recognized firm, Willis Towers Watson, as its independent compensation consultant to assess the competitiveness and design of our executive compensation program and to advise the committee on the amount and form of executive compensation and succession planning. Our compensation committee has assessed the independence of Willis Towers Watson pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent the independent representation of our compensation committee.

Our compensation committee generally relies on Willis Towers Watson to provide it with comparison group benchmarking data and information as to market practices and trends, to inform it of evolving and best practices in executive compensation, and to summarize alternative proposals in structuring executive compensation arrangements. Willis Towers Watson meets regularly with our compensation committee and attends executive sessions without management as requested by our compensation committee.

Compensation Peer Group. As noted above, Willis Towers Watson provides annual market data and other specific information on executive compensation and regularly meets with our compensation committee and management to discuss specific compensation data and compensation trends. To ensure that compensation levels are aligned with competitive market rates, our compensation consultant conducts an annual competitive compensation review or a “benchmarking study” in our fourth quarter which is used to review and help determine competitive cash and equity-based compensation for our executives for the following fiscal year. For the compensation review, market compensation data is extracted from published executive compensation surveys from Willis Towers Watson’s own and other proprietary databases and annual proxy filings from peer group companies. The companies whose compensation we benchmark include paper and forest product companies and certain diversified manufacturing companies, some of which are principally based in New England, with whom we could potentially compete for executive talent. Because the size of the organizations in our compensation peer group varies, our compensation consultant adjusts the market data from our compensation peer group based on our revenue level to develop more comparable comparisons of executive compensation. While we use substantially the same compensation peer group in our competitive compensation review from year to year, we make changes in the composition of our compensation peer group to reflect mergers or other extraordinary corporate events (such as bankruptcy filings) and annually review and confirm the appropriate composition of our compensation peer group. The following compensation peer group, which was unchanged from the prior year, was used in the executive and director compensation surveys prepared by our compensation consultant to benchmark our executive compensation and non-employee director compensation programs for 2018 compensation:

Albany International Corporation	Dover Corporation	Potlatch Corporation
Altra Industrial Motion Corp.	ESCO Corporation	PTC Inc.
Avid Technology Inc.	Louisiana-Pacific Corporation	RBC Bearings Inc.
Charles River Laboratories International Inc.	Lydall, Inc.	Thermo Fisher Scientific Inc.
CIRCOR International Inc.	Neenah Paper Inc.	Watts Water Technologies Inc.
Columbus McKinnon Corporation	Packaging Corporation of America	Xerium Technologies Inc.

Components of Executive Compensation

Our compensation program meets our executive compensation objectives by using the following pay and benefit elements:

- annual cash compensation, consisting of base salary and cash incentive compensation opportunities;
- long-term (equity) incentive compensation, consisting of a performance-based element and a retention element; and
-

other elements of compensation, including retirement and 401(k) plans, health and welfare benefits and change in control agreements.

Our compensation committee believes that the combination of these elements rewards performance, through an assessment of individual performance and company financial measures, aligns the interests of management with our stockholders, and assists in the retention of our executives. We target total direct compensation (the combination of base salary and annual and long-term incentives) for our named executive officers at approximately the 50th percentile (median) of our compensation peer group adjusted based on our revenue level for executives in similar roles, with similar responsibilities and experience. The majority of target direct compensation for our named executive officers is in the form of performance-based pay, consisting of the annual cash incentive opportunity and equity incentive compensation elements of our compensation program, with the intent of rewarding above-average performance, if achieved. In addition, our compensation committee may grant special bonuses on an individual or group basis in recognition of extraordinary achievements or to address other special situations.

As shown below, target total direct compensation consists of base salary, target annual cash incentive compensation opportunity and target long-term incentive compensation opportunity. For an individual named executive officer total target direct compensation may be higher or lower than the median of our compensation peer group, and each element of compensation may be above or below the median for that element, based on a number of factors, including assessments of the executive's job responsibilities, length of service, experience and skills.

Total Target Direct Compensation	=	Base Salary	+	Target Annual Cash Incentive Compensation Opportunity (or Target Bonus)	+	Target Long-Term Incentive Compensation Opportunity

Our components of total target direct compensation granted during fiscal year 2018 were:

Compensation Element	Form of Compensation	Purpose	Performance Criteria
Base Salary	Cash	Provides compensation that is not "at risk" to our named executive officers to reward them for their skill sets and service	Not performance-based
Annual Cash Incentive Compensation	Cash	Motivates our named executive officers to achieve company performance objectives	Performance-based: Objectively measured using adjusted EPS and return on shareholder investment metrics
Long-term Incentive Compensation	Performance-based Restricted Stock Unit Awards (typically represents approximately 80% of value of annual long-term incentive compensation award)	Provides incentive for our named executive officers to focus on company income growth and align with interests of our stockholders; once earned, encourages retention over a three-year vesting period from the date of grant	Performance-based: objectively measured using an adjusted EBITDA target
	Time-based Restricted Stock Unit Awards (typically represents approximately 20% of value of annual long-term incentive compensation award)	Encourages retention of our named executive officers over a three-year vesting period	Not specifically performance-based, but at risk and aligned with shareholder value creation (based on stock price performance)

In furtherance of our pay-for-performance philosophy, our executive compensation program links a significant proportion of our executives' total target direct compensation opportunity directly to company performance. As illustrated in the charts below, our compensation committee structured our chief executive officer's total target direct compensation opportunity for 2018 so that approximately 79% of his pay was "at risk" and 69% of his pay was explicitly "performance-based." For our other named executive officers, on average, approximately 62% of their total direct compensation opportunity was "at risk" and approximately 53% was explicitly "performance-based," with our named executive officers responsible for operations having a greater percentage of their total target direct compensation at risk as compared to financial and other corporate executive officers. For this purpose, we categorize our executives' target bonus opportunity and the grant date fair value of performance-based and time-based RSUs in the calculation of "at risk" compensation and then exclude the grant date fair value of time-based RSUs to calculate "performance-based" compensation.

Our compensation committee regularly assesses the design and effectiveness of our executive compensation program. In March 2018, our compensation committee determined that, based on the performance achieved in recent years and consistent with its compensation philosophy, modest increases in target total direct compensation for our named executive officers were appropriate, except for the total direct compensation of our chief financial officer, which fell below the 50th percentile of the peer group and is being increased over a multi-year period, to better align with the market 50% percentile.

Annual Cash Compensation

Base Salary. Base salaries are determined by considering the executive's job responsibilities and competitive compensation rates for executives with similar roles at comparable organizations in the marketplace. Base salaries are reviewed and adjusted annually at our compensation committee's discretion based on a variety of factors, including general or regional economic conditions, cost of living changes, executive performance and changes in market rates of pay for comparable executives. In March 2018, our compensation committee approved salary increases for 2018 of 8% for our chief financial officer and 9% for our executive vice president and new co-chief operating officer (to better align their compensation to the 50th percentile as discussed above) and 3.7% on average for our other named executive officers, other than Ms. Krause, whose salary increase in 2018 upon becoming our vice president, general counsel and secretary had been set forth in the terms of her offer letter.

Cash Incentive Compensation. Cash incentive compensation opportunities are provided annually and objectively determined based on the achievement of pre-determined quantitative performance measures under our stockholder-approved annual cash incentive plan. Each year, our compensation committee selects the executives who will receive an incentive opportunity under the plan, establishes a reference (i.e., target) bonus for each executive based on competitive market compensation data, determines the performance period applicable to the award and establishes the performance goals and ranges applicable to the awards.

Our annual cash incentive program is designed to measure performance objectively and our compensation committee believes that the design of our annual incentive program is highly effective in delivering incentives correlated to the financial performance of our company and uses effective benchmarks of performance.

We use two performance metrics: (i) growth in adjusted diluted EPS as compared to the average adjusted diluted EPS for the prior two fiscal years and (ii) adjusted return on average stockholders' equity (the average of stockholders' equity at the beginning and end of the fiscal year). Our compensation committee adjusts the performance measures for certain non-recurring items, restructuring charges, gains or losses on dispositions of assets, results of discontinued operations, effects or changes in or adoption of accounting principles, and write-downs of assets or asset impairment, to reflect the performance of our continuing operations. At the end of the performance period, actual performance is then measured against a linear scale of performance that assigns a bonus factor to a level of actual performance for each measure. Our performance metrics consist of the following:

- The adjusted EPS metric measures performance from -30% to 40% growth compared to the average of the prior two fiscal years, with a target established at 10% growth (at which an incentive equal to 100% of the reference bonus for that metric would be earned) and a bonus factor assigned using a scale of zero to 2.5;
- The adjusted return on average stockholders' equity metric measures performance from 4% to 12%, with a target established at an 8% return on average stockholders' equity (at which an incentive equal to 100% of the reference bonus for that metric would be earned) and a bonus factor assigned using a scale of zero to 2.5;

- The two metrics (growth in adjusted diluted EPS and adjusted return on average stockholders' equity) are weighted equally; and
- Each performance metric is translated into a bonus factor ranging from zero to 2.5 using the following linear scales:
- The linear scale used for the adjusted EPS growth metric has two slopes: from -30% to 10%, the bonus factor is calculated on a linear progression from zero to one; and from 10% to 40%, the bonus factor is calculated on a linear progression from one to 2.5. In addition, for purposes of the comparison to prior years, the performance metric used cannot be lower than -30% or higher than 40% and the maximum bonus factor that can be earned is 2.5.
- The linear scale used for the adjusted return on average stockholders' equity metric has two slopes: from 4% to 8%, the bonus factor is calculated on a linear progression from zero to one; and from 8% to 12%, the bonus factor is calculated on a linear progression from one to 2.5 and the maximum bonus factor that can be earned is 2.5.

In March 2018, our compensation committee approved the eligible participants under our annual cash incentive plan, determined the performance measures and targets and established the 2018 fiscal year as the applicable performance period. In February 2019, our compensation committee determined the extent to which the performance measures for fiscal 2018 had been met or exceeded. Specifically, our adjusted EPS metric for 2018 exceeded the prior two-year average adjusted earnings per share by 47.14%, and resulted in the maximum bonus factor of 2.5. The adjusted return on average stockholders' equity was 17.64% for 2018, and resulted in the maximum bonus factor of 2.5. In 2018, these performance measures were weighted equally for all the named executive officers, and resulted in a weighted bonus factor of 2.5. In February 2019, our compensation committee determined to pay cash incentives for 2018 by applying the weighted objective bonus factor to the target bonus opportunity for each executive, resulting in the non-equity incentive plan compensation reported in the Summary Compensation Table set forth below.

The charts below illustrate the linear scales for our performance metrics and our level of achievement in fiscal 2018.

ADJUSTED EPS METRIC ADJUSTED AVERAGE RETURN ON SHAREHOLDERS' EQUITY

In March 2019, our compensation committee selected the executives who are eligible to receive incentive opportunities under our annual cash incentive plan for 2019, including all our named executive officers, determined the performance measures and targets and established the 2019 fiscal year as the applicable performance period. Our compensation committee also approved increases in the target bonus opportunities of our named executive officers for 2019 of 4% on average for our named executive officers other than Mr. McKenney and Ms. Krause, who each received an increase of approximately 40% to better align their respective compensation with the 50th percentile of our peer group, and Ms. Lambert who retired from our company on July 1, 2018.

Long-term Incentive Compensation

Our compensation committee considers the award of equity-based incentives to the named executive officers each year the most essential part of our executive compensation program. Our compensation committee annually evaluates our equity compensation program against market practice using surveys conducted by its independent compensation consultant, and generally targets the total estimated value of the long-term equity awards to be delivered to executive officers to the 50th percentile of market compensation for long-term equity awards for executives in comparable positions based on our survey data. Our committee also adjusts the estimated value to be delivered to reflect the committee's assessment of individual performance, value to the organization, and similar factors. Specific target equity incentive opportunities may be higher or lower than the 50th percentile. Our compensation committee believes that a portfolio of performance-focused equity incentive vehicles and retention-focused, shareholder-aligned equity incentive vehicles allows executives to be compensated for both shorter-term performance and incorporates a longer-term retention element. Our compensation committee currently uses performance-based RSUs as the performance-focused element of its equity incentive program and substantially fewer time-based RSUs as the retention element of its equity incentive program. For the past three years, approximately 80% of the value of the annual equity incentive awards to the named executive officers has been in the form of performance-based RSUs.

Performance-based RSUs have a one-year performance measurement period linked to the fiscal year in which they are granted. Our compensation committee uses as the performance measure EBITDA generated from our continuing operations for the fiscal year in which the award is made and adjusted to exclude the effects of restructuring costs and other non-recurring items, results from acquisitions made during the year, depreciation and amortization expenses, and non-cash compensation expenses (adjusted EBITDA). At the end of the fiscal year, our compensation committee determines the actual adjusted EBITDA and compares it to the target adjusted EBITDA, to determine whether and to what extent the performance measure has been achieved, or "earned." Performance is measured against a linear progression that has two slopes, which is intended to reward performance falling within a performance range of between 50% and 115% of the target performance measure. If actual adjusted EBITDA is between 50% and 100% of the target adjusted EBITDA, the number of shares deliverable pursuant to the RSU is determined using a straight-line linear scale between 50% and 100% of the target RSU amount. If actual adjusted EBITDA is between 100% and 115% of the target adjusted EBITDA, the number of shares deliverable pursuant to the RSU is determined using a straight-line linear scale between 100% and 150% of the target RSU amount. If actual adjusted EBITDA is below 50% of the target adjusted EBITDA, no shares are earned and the RSU is forfeited. To the extent an RSU award is earned, it is then subject to additional time-based vesting in three equal annual installments from the date of grant, provided that the executive remains employed with our company on the applicable vesting date. Our compensation committee seeks to establish an aggressive, but achievable, adjusted EBITDA target based on our company's expectations for each fiscal year.

In March 2018, our compensation committee awarded performance-based RSUs and time-based RSUs to our named executive officers. The estimated value of the March 2018 awards granted to our named executive officers, including our chief executive officer, was split approximately 80/20 between performance-based RSUs and time-based RSUs. The grant date fair value of the time-based RSUs and performance-based RSUs was $97.58 per share. The target adjusted EBITDA established by our compensation committee for the 2018 fiscal year for the performance-based RSUs was $115.5 million. In February 2019, our compensation committee determined that the actual adjusted EBITDA for fiscal year 2018 used for this purpose was $122.2 million, which represented 105.8% of the target adjusted EBITDA, resulting in an adjustment increasing the number of performance-based RSUs earned for the 2018 fiscal year equal to 119.4% of the target RSU amount for each executive. The earned time-based RSUs and performance-based RSUs awarded in 2018 to our named executive officers are reported below in the table "Executive Compensation – Grants of Plan-Based Awards in Fiscal 2018."

The chart below illustrates the linear scale used for measuring performance under our performance-based RSUs and our level of achievement in fiscal 2018.

In March 2019, our compensation committee awarded performance-based RSUs and time-based RSUs to our current named executive officers. The estimated value of the March 2019 awards granted to the named executive officers, was split approximately 80/20 between performance-based RSUs and time-based RSUs, other than awards granted to our chief executive officer, who received all time-based RSUs. The award to our chief executive officer represents approximately a third of the value of the total RSU award that he would have received for fiscal 2019, in accordance with past practice and as a result of the Succession Plan and entering into his Transition and Executive Chairman Agreement. The grant date fair value of the time-based RSUs and performance-based RSUs granted to the named executive officers in March 2019 was $86.19 per share.

Other Elements of Compensation and Compensation Policies

Perquisites. Our named executive officers generally do not receive perquisites, other than the use of a leased automobile or an automobile allowance (the Automobile Program). However, in March 2019, our compensation committee decided to eliminate the Automobile Program.

Retirement and 401(k) Plans. We offer a 401(k) plan to our employees based in the United States, including our named executive officers. The 401(k) plan provides for a company matching contribution based on the amount the employee voluntarily contributes, up to a maximum amount. In addition, all our named executive officers, except Mr. Powell and Ms. Krause, are participants in a noncontributory defined benefit retirement plan (Retirement Plan) and unfunded restoration plan (Restoration Plan), which are described in "Executive Compensation – Pension Benefits in Fiscal 2018." In October 2018, our board of directors and our compensation committee approved amendments to freeze and terminate the Retirement Plan and Restoration Plan as of December 29, 2018 (Plan Termination Date).
Our compensation committee adopted the Restoration Plan for the benefit of executive officers participating in our Retirement Plan whose benefits are reduced as a consequence of (i) applicable Internal Revenue Service (IRS) limits on the level of contributions and benefits and (ii) years of service limitations in our Retirement Plan. The Restoration Plan was designed to provide participants a comparable level of retirement benefits to those provided to other participants in our Retirement Plan, relative to their compensation as defined in our Retirement Plan. The Retirement Plan provided a monthly retirement benefit (beginning at normal retirement age 65) to participants calculated using a formula that was a percentage of average monthly compensation before retirement multiplied by years of service. Full credit was given under our Retirement Plan for the first 25 years of service and half credit was given for over 25 and up to 30 years of service. Under our Restoration Plan, full credit was given for years of service until the later of the participant's normal retirement date (the month after the participant reaches age 65) or 30 years of service.

In connection with the freeze and termination of the Retirement Plan, the amendment to such plan further provides for a benefit enhancement to eligible Retirement Plan participants as of October 29, 2018, such that each participant is provided with whichever of the following benefits produces the greater benefit to such participant: (i) credit of up to two additional years of service (up to a maximum of 30 years); or (ii) the calculation of the participant's average monthly earnings (for purposes of determining such participant's benefits under the Retirement Plan) using up to two additional years of compensation for 2018 (which shall be pro-rated if the participant is retiring prior to the Plan Termination Date). For any participant enjoying a benefit enhancement under the Retirement Plan, the benefits under the Restoration Plan will be computed taking into account such additional benefits as provided in the amendment to the Retirement Plan. Participant distributions in connection with the termination of the Retirement Plan and the Restoration Plan are expected to occur in late 2019 or early 2020.
All our named executive officers are employees-at-will and can retire at any time. Executives who meet the eligibility requirements may retire early (before the normal retirement age of 65 under our retirement plans) but will receive reduced benefits compared to the benefits received at normal retirement age under our retirement plans. We do not offer extra years of credited service to participants in retirement plans, except under our change in control agreements with our named executive officers and the 2018 amendments to the Retirement Plan and Restoration Plan described above.
Health and Welfare Benefits. We offer health and welfare benefits to all salaried employees. These benefits include medical benefits, dental benefits, life insurance, short- and long-term disability plans, accidental death and dismemberment insurance, travel insurance, dependent care and flexible spending accounts and other similar benefits. The cost of these programs is not included in our Summary Compensation Table below for the named executive officers (except as noted) because they are offered to employees generally. We do not provide post-retirement health coverage to our named executive officers, unless otherwise set forth in an executive transition agreement.
Employment and Severance Agreements. In general, we do not enter into employment or severance agreements with our named executive officers, other than the change in control agreements described below. In September 2017, our board approved an executive transition agreement with our former vice president, general counsel and secretary, Ms. Lambert through July 1, 2018, in order to obtain certain post-employment commitments, as described in "Executive Compensation – Potential Payments Upon Termination or Change in Control – Executive Transition Agreement with Ms. Lambert." In February 2019, our board approved a transition and executive chairman agreement with our current president and chief executive officer, Mr. Painter, in connection with the Succession Plan, in order to secure his services in his current roles through June 30, 2019 and to thereafter become the executive chairman of the board, to serve in such role through June 30, 2020. This agreement is described in "Executive Compensation – Potential

Payments Upon Termination or Change in Control – Transition and Executive Chairman Agreement."
Change in Control Agreements. We have had executive retention agreements in effect with our named executive officers since 2001 (except for Mr. Powell, whose agreement was entered into in 2008, when he joined our company, and Ms. Krause, whose agreement is described below). These agreements provide severance benefits to our named executive officers if their employment is terminated under specified circumstances within 24 months after a change in control (known as a "double trigger"). We believe that such agreements help retain key management in times of transition and enable them to focus on the business and the best interests of stockholders without undue concern for the security of their jobs. These agreements are described below under "Executive Compensation – Potential Payments Upon Termination or Change in Control – Executive Retention Agreements."
In 2015, our board of directors determined that no tax gross-ups for purposes of excess parachute payments under Section 280G of the Internal Revenue Code would be included in future executive retention agreements entered into with any of our employees. In November 2016, our board of directors adopted a new form of executive retention agreement to be entered into with our officers appointed after 2015 who previously did not have executive retention agreements. Ms. Krause entered into this form of

agreement in 2018 upon her promotion to vice president, general counsel and secretary. This form of agreement provides severance benefits to our officers if their employment is terminated under specified circumstances within 24 months after a change in control. However, this form of agreement does not provide any tax gross-ups and instead provides that the benefits will be cut back if the application of the parachute payment tax under Section 4999 of the Internal Revenue Code on the full amount would leave the executive with a lower net amount than having the benefit cut back to the point at which the parachute payment tax does not apply.

Executive Succession Planning

Our compensation committee has a formal process for evaluating succession plans for the chief executive officer and key executive positions within the company. Each year, our compensation committee reviews the succession plans prepared for these positions by management and considers the leadership qualities and long-term potential of our executive team. As described above, our board of directors adopted the Succession Plan in February 2019.

Clawback Policy

In 2016, our board of directors adopted a "clawback policy" regarding incentive compensation awarded to our executive officers in the event of a material misstatement of our financial statements. In the event we were required to prepare an accounting restatement to correct one or more material errors, we will make reasonable attempts to recover from our current and former executive officers who received incentive-based compensation (including performance-based RSUs and stock option awards) during the preceding three-year period, the amount in excess of what should have been paid to the executive officer based on the corrected data. Incentive-based compensation includes any compensation granted, earned or vested wholly or in part upon the attainment of any financial measures, such as cash incentive compensation and performance-based RSUs.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to each of the company's chief executive officer and the three most highly compensated executive officers (other than the chief executive officer and chief financial officer). Pursuant to tax legislation signed into law on December 22, 2017 (the Tax Act), for taxable years beginning after December 31, 2017, the Section 162(m) deduction limitation is expanded so that it also applies to compensation in excess of $1 million paid to a public company's chief financial officer. In addition, any person who was a covered employee as defined under Section 162(m)(3) as of January 1, 2017 or becomes a covered employee thereafter will remain a covered employee in perpetuity. Historically, compensation that qualified under Section 162(m) as performance-based compensation was exempt from the deduction limitation. However, subject to certain transition rules, the Tax Act eliminated the qualified performance-based compensation exception. As a result, for taxable years beginning after December 31, 2017, all compensation in excess of $1 million paid to each of the executives described above (other than certain grandfathered compensation) will not be deductible by us.

We consider potential tax deductibility in making compensation decisions, to the extent deductibility is reasonably practicable and consistent with our other compensation objectives. We continue to believe that stockholder interests are best served by not restricting our discretion and flexibility in structuring compensation programs, even though such programs will result in non-deductible compensation expenses.

Policy on Pledging and Hedging of Company Stock

We believe that our directors and officers should not use financial vehicles such as hedges to protect themselves from declines in our stock price or to pledge our stock as collateral in margin accounts or other loans. We maintain a robust policy prohibiting our directors and officers from pledging our stock as collateral for any loan or margin account. In addition, we prohibit our directors and officers from hedging their ownership of our stock, whether in the form of prepaid variable forwards, equity swaps, collars and exchange funds, or other vehicles designed to allow an individual to hold our stock without the full risks and rewards of ownership. These prohibitions are contained in our Insider Trading Policy and Procedures and are communicated regularly to our directors and officers.

Stock Ownership Guidelines

We believe that executive stock ownership is important in aligning the interests of our executives with those of our stockholders. In March 2011, our board adopted stock ownership guidelines for our executive officers that require our chief executive officer to hold shares equivalent in value to three times his annual base salary and our other executive officers to hold shares equivalent in value to one time their annual base salary. For purposes of calculating stock ownership, we include shares beneficially held by each executive officer and time-based and performance-based RSUs to the extent the performance measure has been met or earned, even if the RSU is unvested. We do not include vested or unvested stock options. Compliance with the guidelines is measured annually following the close of the fiscal year, and our executive officers have five years from the later of the adoption of our stock ownership guidelines or their appointment as an executive officer to attain compliance.

In 2015, we enhanced our stock ownership guidelines to require our executive officers to hold 50% of shares issued upon the vesting of RSUs and shares acquired upon exercise of stock options until our stock ownership guidelines are met.

As of March 2019, all our executive officers were in compliance with our stock ownership guidelines. Our director stock ownership guidelines are described under “Director Compensation.”

Risk Assessment of Our Compensation Policies

Our compensation committee has reviewed our compensation program with its compensation committee consultant, and based on that review, has concluded that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our company. We believe that our policies are applied consistently across our businesses, and that our focus on corporate profitability, as opposed to other measures such as revenue growth, encourages consistent behavior across our organization.

COMPENSATION COMMITTEE REPORT

The compensation committee of our board of directors has reviewed and discussed the preceding Compensation Discussion and Analysis with management. Based on such review and discussions, the compensation committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the compensation committee of the board of directors,
John M. Albertine (chairman)
Thomas C. Leonard
William P. Tully

EXECUTIVE COMPENSATION

2018 Summary Compensation Table

The following table summarizes compensation information for the last three completed fiscal years for our chief executive officer (our principal executive officer), our chief financial officer (our principal financial officer), and our three other most highly compensated current executive officers in fiscal 2018. Under SEC rules, Ms. Lambert is also one of our named executive officers, as she was one of the most highly compensated executive officers in 2018, but was not serving as a current executive officer as of the end of fiscal year 2018. These executive officers (including Ms. Lambert) are collectively referred to as the “named executive officers.”

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compen-sation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compen-sation ($)(4)	Total ($)
Jonathan W. Painter	2018	$675,000	—	$1,890,612	$1,687,500	$ 345,006	$39,285	$4,637,403
President and Chief	2017	$635,500	—	$1,890,920	$1,588,800	$ 383,948	$39,060	$4,538,228
Executive Officer	2016	$620,000	—	$1,411,941	$1,041,600	$ 242,890	$38,835	$3,355,266
Michael J. McKenney	2018	$370,000	—	$413,642	$375,000	$ 262,634	$27,961	$1,449,237
Executive Vice President and	2017	$342,000	$50,000(5)	$272,059	$324,800	$ 212,921	$25,085	$1,226,865
Chief Financial Officer	2016	$305,000	—	$182,795	$194,900	$ 115,951	$29,178	$827,824
Eric T. Langevin	2018	$415,000	—	$472,678	$625,000	$ 149,942	$34,171	$1,696,791
Executive Vice President and	2017	$402,000	—	$533,414	$618,000	$ 357,144	$33,904	$1,944,462
Co-Chief Operating Officer	2016	$390,000	—	$398,331	$403,200	$ 203,771	$33,642	$1,428,944
Jeffrey L. Powell	2018	$425,000	—	$708,821	$637,500	—	$34,203	$1,805,524
Executive Vice President	2017	$390,000	—	$627,706	$598,000	—	$33,867	$1,649,573

and Co-Chief Operating Officer	2016	$375,000	—	$426,469	$386,400	—	$33,595	$1,221,464
Sandra L. Lambert	2018	$161,000	—	$92,819 (7)	$370,000	$ 27,329	$277,008	$928,156
Former Vice President, General	2017	$309,000	—	$341,831 (8)	$355,400	$ 194,239		