

KADANT INC
Form DEF 14A
April 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

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))

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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

One Acton Place, Suite 202

Acton, MA 01720

April 7, 2004

Dear Stockholder:

I am pleased to invite you to attend the 2004 annual meeting of stockholders of Kadant Inc. The meeting will be held on Tuesday, May 18, 2004, at 2:30 p.m. at the Boston Marriott Burlington located at One Mall Road in Burlington, Massachusetts. Details regarding the business to be conducted at the meeting are described in the enclosed notice of the meeting and proxy statement.

This mailing also includes our 2003 annual report to shareholders, which contains information about our businesses and our 2003 financial statements, a proxy card for you to record your vote and a return, postage-paid envelope for your proxy card.

Your vote is very important. Whether or not you plan to attend the meeting in person, I hope you will vote as soon as possible. Please register your vote by completing and signing the enclosed proxy card and returning it to our transfer agent, American Stock Transfer & Trust Company, in the addressed, postage-paid envelope we have provided.

Thank you for your support and continued interest in Kadant.

Sincerely,

WILLIAM A. RAINVILLE

Chairman and Chief Executive Officer

One Acton Place, Suite 202

Acton, MA 01720

April 7, 2004

To Stockholders of

KADANT INC.

NOTICE OF ANNUAL MEETING

The 2004 annual meeting of stockholders of Kadant Inc. will be held on Tuesday, May 18, 2004, at 2:30 p.m. at the Boston Marriott Burlington located at One Mall Road, Burlington, Massachusetts. The purpose of the meeting is to consider and take action upon the following matters:

1. Election of one director, constituting the class of directors to be elected for a three-year term expiring in the year 2007.
2. 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 April 2, 2004. Our stock transfer books will remain open.

Our by-laws 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 promptly sign and return the enclosed proxy in the accompanying envelope, which requires no postage if mailed in the United States.

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

SANDRA L. LAMBERT

Vice President, General Counsel and Secretary

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Kadant Inc. for use at our 2004 annual meeting of stockholders to be held on Tuesday, May 18, 2004, at 2:30 p.m. at the Boston Marriott Burlington, One Mall Road, Burlington, Massachusetts, and at any adjournment of that meeting. The mailing address of our executive office is One Acton Place, Suite 202, Acton, Massachusetts 01720. This notice, proxy statement and the enclosed proxy are being first furnished to our stockholders on or about April 12, 2004.

VOTING PROCEDURES

The board of directors intends to present to the meeting the election of one director for the class of directors whose three-year term will expire in 2007.

The holders of a majority of the shares of our common stock, \$.01 par value per share, that are issued and outstanding and entitled to vote at the meeting constitute a quorum for the transaction of business at the meeting. Shares present in person or represented by proxy (including broker non-votes and shares that abstain or do not vote on one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists at the meeting.

The election of directors is determined by a plurality of the votes cast by the stockholders entitled to vote on the election of directors. Each share of common stock you hold is entitled to one vote for or against a proposal. Shares represented by proxy will be voted in accordance with your instructions. You may specify your choice 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 for the nominees listed, and as the individuals named as proxy holders on the proxy deem advisable on all other matters that may properly come before the meeting. An instruction to withhold authority to vote for a nominee for director will have no effect upon the outcome of the vote on the election of directors.

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. If a broker or other representative cannot vote on a particular matter because it does not have discretionary voting authority, this is a broker non-vote on that matter. Brokers have discretionary voting authority on the election of directors. On matters other than the election of directors presented to the stockholders at a meeting, shares that abstain from voting on the particular matter and broker non-votes will not be counted as voting on the matter and will have no effect upon the outcome of the vote on such matter.

Once you have returned your proxy, you may revoke it at any time before the shares are voted at the meeting 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 in person at the meeting. Attendance at the meeting without voting will not revoke a previously submitted proxy.

When more than one stockholder share the same address, we may deliver only one annual report and one proxy statement to that address. 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 these documents at that address. We will promptly send a separate copy of either document to you if you request one by writing or calling us at Kadant Inc., One Acton Place, Suite 202, Acton, Massachusetts 01720 (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

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other representative if you hold shares in street name, or contact our transfer agent, American Stock Transfer & Trust Company, Shareholder Services Department, 59 Maiden Lane, New York, New York 10038 (telephone: 718-921-8200) if you hold shares in your own name.

Our outstanding capital stock entitled to vote at the meeting (which excludes shares held in our treasury) as of April 2, 2004, consisted of 14,299,574 shares of our common stock. Only stockholders of record at the close of business on April 2, 2004, will be entitled to vote at the meeting. Each share is entitled to one vote.

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. One director, William A. Rainville, who is currently a member of our board of directors, is being nominated for reelection at this meeting. If the nominee becomes unavailable, the persons acting under the proxy may vote the proxy for the election of a substitute. Directors serve until the expiration of their terms, until their successors have been elected and qualified or until their earlier resignation, death or removal. The process followed for the nomination of candidates for director is described below under Corporate Governance Nomination of Directors.

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

Information regarding the business experience of each of our directors is provided below. Information on the stock ownership of our directors is provided in this proxy statement under the heading Stock Ownership.

Nominee for Director for the Three-Year Term That Will Expire in 2007

William A. Rainville

Mr. Rainville, 62, has been our president and chief executive officer since our incorporation in 1991, a member of our board of directors since 1992 and our chairman since August 2001. Mr. Rainville was chief operating officer, recycling and resource recovery, of Thermo Electron Corporation, a manufacturer of high-tech instrumentation, from 1998 until our spinoff from Thermo Electron in August 2001. He was also a senior vice president of Thermo Electron from 1993 to 1998. He joined Thermo Electron in 1972 and became a vice president in 1986. Prior to joining Thermo Electron, he held positions at Drott Manufacturing, Paper Industry Engineering and Sterling Pulp and Paper.

Our directors listed below are not up for election this year and continue in office for the remainder of their terms or earlier in accordance with our by-laws.

Directors Whose Term Will Expire in 2006

John K. Allen

Dr. Allen, 51, joined our board of directors in April 2002. Dr. Allen has been chairman, president and chief executive officer of Lawrence R. McCoy & Co., Inc., a privately held wholesale distributor of fencing, flooring, specialty building material and industrial wood components, since 2001. From 1998 to 2001, Dr. Allen was a principal of Allen Associates, a national management consulting practice assisting companies in strategic planning and executive development. From 1994 to 1998, he

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was an executive with WPI Group, Inc., a manufacturer of power conversion products, hand-held terminals and computers, and related software products. He served as the vice president, planning and development, of WPI Group, Inc. from 1994 to 1995, and as its group vice president, power solutions group, from 1995 to 1998. Dr. Allen is also a director of WICN, a non-profit public radio station.

Francis L. McKone

Mr. McKone, 69, has been a member of our board of directors since March 1998. Mr. McKone was chairman of the board of Albany International Corp., a worldwide supplier of paper machine fabrics, from 1998 until his retirement in June 2001. He also served as the chief executive officer of Albany International Corp. from 1993 to October 2000, as its co-chief executive officer from 1984 to 1993 and as its president from 1984 to 1998. Mr. McKone is currently a director of Albany International Corp. and is a trustee and member of the finance committee of the Rensselaer Polytechnic Institute.

Directors Whose Term Will Expire in 2005

John M. Albertine

Dr. Albertine, 60, has been a member of our board of directors since June 2001. Dr. Albertine has been the chief executive officer of Albertine Enterprises, Inc., a consulting and merchant-banking firm, since 1990. He has also been a managing partner and founder of High Street Capital Management, LLC, a private equity fund, since March 2001. Dr. Albertine served as president of the American Business Conference, founded by Arthur Levitt, Jr., from 1981 to 1986; executive director of the Congressional Joint Economic Committee under Chairman Senator Lloyd Bentsen from 1979 to 1980; and as head of a presidential committee on aviation safety under President Ronald Reagan from 1987 to 1988. Dr. Albertine is also a director of two public companies, Intermagnetics General Corp. and Semco Energy, Inc., and is a trustee of the Virginia Retirement System, a public pension fund.

Joaquim S. S. Ribeiro

Mr. Ribeiro, 67, joined our board of directors in March 2004. He has been a partner in the firm of Financial Engineering Group, which provides consulting services and interim management services to businesses, since 1993. He also served as the finance and administrative director for the Mt. Hermon School, a private boarding school in Massachusetts, from 1999 until his retirement in 2002. Mr. Ribeiro has held other finance positions during his business career, including with Worcester Polytechnic Institute, as vice president and treasurer from 1986 to 1989, and Jamesbury Corporation, as vice president and chief financial officer for 12 years until 1984. He has also served as a director and on the audit committees of businesses and non-profit entities, including MultiBank Financial Corp. (a public five-bank holding company now a part of FleetBank), R.H. White Construction Companies, Metrisa Inc., Central Mass Healthcare HMO and Memorial Hospital (now UMass Memorial Medical Center).

Compensation of Directors

We revised our compensation structure for our non-management directors effective April 1, 2004. Under the new structure, each non-management director receives an annual retainer of \$12,000 and meeting fees of \$1,000 for attending regular meetings of the board of directors in person. There are no additional meeting fees paid for participating in meetings of committees of the board of directors or meetings held by telephone. Directors are also reimbursed for their out-of-pocket expenses incurred in attending meetings of the board of directors.

Each non-management director also receives 2,500 restricted shares of our common stock annually under our directors' restricted stock plan. The shares must be held for three years or until the director retires from the board of directors, whichever comes first. Restricted shares issued prior to April 2004 are required to be held for five years. Directors are permitted to sell enough shares to satisfy the federal and state income taxes incurred as a consequence of the issuance of shares. Only treasury shares may be issued under the plan, which has a five-year term. In the event of a change in control during the plan term and the failure of a director to be reelected within one year, the director will receive additional unrestricted shares equal to the number of shares he would have received if he had remained a director for the remainder of the plan term. Restrictions on the shares lapse upon death.

Our non-management directors may also be granted stock options periodically under our equity incentive plan. In 2002, each incumbent director was granted an option to purchase 25,000 shares of our common stock at the fair market value on the date of grant. These options vest in equal annual installments over three years, assuming the individual continues to serve as a director, and have a term of seven years. Upon his appointment as a director in March 2004, Mr. Ribeiro was granted an option to purchase 8,333 shares of our common stock at an exercise price of \$19.84, the fair market value on the date of grant. Mr. Ribeiro's options vest on the first anniversary of his appointment and expire in seven years.

Our non-management directors were compensated using a different system prior to April 2004. Under that compensation structure, directors elected to be paid for their services in either cash or restricted stock.

Corporate Governance

Our board of directors believes that good corporate governance is important to ensure that the company is managed for the long-term benefit of stockholders. We have continued to review our governance practices in light of the Sarbanes-Oxley Act of 2002, new rules and regulations issued by the U.S. Securities and Exchange Commission and the recently adopted corporate governance rules of the New York Stock Exchange, contained in its listing standards. Current copies of our corporate governance guidelines, committee charters and code of business conduct and ethics are available on our web site, www.kadant.com, in the Investors section under the caption Governance.

Committees of the Board of Directors and Meetings. Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance 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 web site, as described above. In addition, a copy of the current charter of the audit committee is attached as Appendix A to this proxy statement.

The board of directors has determined that the members of each committee meet the independence guidelines applicable to each committee set forth in the listing requirements of the New York Stock Exchange, on which our common stock is listed.

The audit committee assists the board of directors in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditor's performance, qualifications and independence and the performance of our internal audit function. The committee meets regularly with management and our independent auditor to discuss the annual audit of our financial statements, the quarterly reviews of our financial statements and our quarterly and annual earnings disclosures. During 2003, the members of the audit committee were Mr. McKone (chairman), Dr. Albertine and Dr. Allen, and their committee report is included in this proxy statement under the heading Audit Committee Report. Mr. Ribeiro was appointed to the audit committee as an additional member on March 9, 2004. The board of directors has determined that Mr. Ribeiro is an audit committee financial expert as defined in Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

The compensation committee reviews the performance and determines the compensation of the chief executive officer and other officers of the company, administers employee 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) and Mr. McKone.

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

In 2003, the board of directors met four times, the audit committee met seven times, the compensation committee met twice, and the nominating and corporate governance committee met three times. Each director attended at least 75% of all meetings of the board of directors and committees on which he served that were held during 2003.

Under the company's corporate governance guidelines, all directors are expected to attend the annual meeting of stockholders, to the extent practicable. All of our directors attended the 2003 annual meeting of stockholders.

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Nomination of Directors. The nominating and corporate governance committee identifies and evaluates director candidates and recommends to the board of directors qualified candidates for nomination as directors for election at the company's annual meeting of stockholders or to fill vacancies on the 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 the board of directors, which is attached to the company's corporate governance guidelines as an appendix. The committee assesses, in its judgment, the criteria possessed by the candidate, which include integrity; business acumen, experience and judgment; knowledge of the company's business and industry; ability to understand the interests of various constituencies of the company and to act in the interests of all stockholders; potential conflicts of interest; and contribution to diversity on the board of directors. The committee believes that the backgrounds and qualifications of the company's directors, considered as a group, should provide a significant breadth of experience, knowledge and abilities that assist the board of directors in fulfilling its responsibilities.

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 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 Acton Place, Suite 202, Acton, Massachusetts 01720. 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 the company's common stock for at least a year prior to the date the recommendation is made. Submissions meeting these requirements will be considered by the committee using the same process and applying substantially the same criteria as followed for candidates submitted by others. If the board of directors determines to nominate and recommend for election a stockholder-recommended candidate, then the candidate's name will be included in the company's proxy card for the next annual meeting of stockholders.

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

Communications with Independent Directors. Stockholders and other interested parties who wish to send written communications on any topic to the board of directors may do so by addressing such communications to the Board of Directors, c/o Corporate Secretary, Kadant Inc., One Acton Place, Suite 202, Acton, Massachusetts 01720. The board of directors has directed the corporate secretary to monitor communications and to forward communications on important substantive matters, such as long-term strategy or corporate performance. Matters that relate to ordinary business affairs, personal grievances and repetitive and duplicative communications are to be directed to appropriate members of management for response, if any.

Code of Business Conduct and Ethics. The company has maintained a code of business conduct and ethics, applicable to all its employees, for many years. A current copy of the company's code of business conduct and ethics is posted on our web site, www.kadant.com, in the Investors section under the caption Governance. We intend to disclose any amendments to, or waivers from, our code of business conduct and ethics on our web site at that location.

STOCK OWNERSHIP

The following table sets forth the beneficial ownership of shares of our common stock as of March 1, 2004, with respect to (i) those persons we know to beneficially own more than 5% of our outstanding shares based on our review of filings made with the U.S. Securities and Exchange

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Commission, (ii) each of our directors, (iii) each of our executive officers named in the summary compensation table under the heading Executive Compensation and (iv) all of our directors and current executive officers as a group. Unless otherwise indicated, the address of any person or entity listed is c/o Kadant Inc., One Acton Place, Suite 202, Acton, Massachusetts 01720.

Name of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned	
	Number (2)	% of Class
State Street Research & Management Company (3)	1,582,300	11.1%
Wachovia Corporation (4)	842,481	5.9%
Dimensional Fund Advisors Inc. (5)	719,931	5.0%
Wellington Management Company, LLP (6)	710,400	5.0%
John M. Albertine	11,333	*
John K. Allen	13,218	*
Edwin D. Healy	1,558	*
Francis L. McKone	24,695	*
Thomas M. O'Brien	130,150	*
Jonathan W. Painter	70,190	*
William A. Rainville	515,258	3.5%
Joaquim S.S. Ribeiro	0	*
Edward J. Sindoni	115,108	*
All directors and current executive officers as a group (11 persons)	1,011,394	6.7%

* Less than 1%

- (1) Except as reflected in the footnotes to this table, shares beneficially owned consist of shares owned by the person and by that person for the benefit of minor children, and all share ownership includes sole voting and investment power.
- (2) Shares beneficially owned by Dr. Albertine, Dr. Allen, Mr. McKone, Mr. O'Brien, Mr. Painter, Mr. Rainville, Mr. Sindoni and all directors and current executive officers as a group include 8,333, 8,333, 16,866, 119,699, 59,567, 451,825, 101,999 and 889,114 shares that the person or group had the right to acquire within 60 days of March 1, 2004, through the exercise of stock options. Shares beneficially owned by Mr. McKone and all directors and current executive officers as a group include 2,568 shares allocated to Mr. McKone's account maintained under our deferred compensation plan for directors, which was discontinued in 2002. Shares beneficially owned by Mr. Painter include three shares held in a custodial account for the benefit of a minor child.
- (3) The address of State Street Research & Management Company is One Financial Center, 30th Floor, Boston, Massachusetts 02111-2690. State Street Research & Management Company is an investment advisor to mutual funds and other institutional accounts, which are the record owners of our shares. The address and number of shares of our common stock beneficially owned by State Street Research & Management Company is based on the amendment to its Schedule 13G filed with the U.S. Securities and Exchange Commission on February 17, 2004, and is as of December 31, 2003.
- (4) The address of Wachovia Corporation is One Wachovia Center, Charlotte, North Carolina 28288-0137. Wachovia Corporation has filed as the parent holding company of Wachovia Securities, LLC, Evergreen Investment Management Company, Wachovia Trust Company, N.A. and Wachovia Bank, N.A. Wachovia Securities, LLC and Evergreen Investment Management Company are investment advisors for mutual funds and/or other clients, which beneficially own the securities reported by these entities. The other Wachovia entities hold our shares in a fiduciary capacity for their customers. The address and number of shares of our common stock beneficially owned by Wachovia Corporation is based on the Schedule 13G it filed with the U.S. Securities and Exchange Commission on February 11, 2004, and is as of December 31, 2003.
- (5) The address of Dimensional Fund Advisors Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401. Dimensional Fund Advisors Inc. is a registered investment advisor that furnishes investment advice to four registered investment companies and serves as investment manager to certain other commingled group trusts and separate accounts. Dimensional Fund Advisors Inc. disclaims beneficial ownership of our shares held by these companies, trusts and other accounts. The address and number of shares of our common stock beneficially owned by Dimensional Fund Advisors Inc. is based on the Schedule 13G it filed with the U.S. Securities and Exchange Commission on February 6, 2004, and is as of December 31, 2003.

- (6) The address of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109. Wellington Management Company, LLP serves as an investment advisor to its clients, which are the record owners of our shares. The address and number of shares of our common stock beneficially owned by Wellington Management Company, LLP is based on the Schedule 13G it filed with the U.S. Securities and Exchange Commission on February 12, 2004, and is as of December 31, 2003.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and beneficial owners of more than 10% of our common stock, to file with the U.S. Securities and Exchange Commission initial reports of ownership and periodic reports of changes in ownership of our securities. Based upon a review of these filings, all Section 16(a) filing requirements applicable to such persons were complied with during 2003 on a timely basis.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes compensation information for our chief executive officer and our four other most highly compensated executive officers who received salary and bonus compensation in excess of \$100,000 in the fiscal year ended January 3, 2004. These executive officers are collectively referred to as the named executive officers.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term	All Other Compensation (1)
		Salary	Bonus	Compensation	
				Securities Underlying Options	
William A. Rainville	2003	\$ 425,000	\$ 407,500		\$ 9,608
Chief Executive Officer	2002	\$ 400,000	\$ 225,000	400,000	\$ 100,907(2)
	2001	\$ 291,000	\$ 200,000	100,000	\$ 17,859(2)
Thomas M. O'Brien	2003	\$ 230,000	\$ 180,000		\$ 9,581
Executive Vice President and	2002	\$ 215,000	\$ 100,000	50,000	\$ 12,831
Chief Financial Officer	2001	\$ 195,000	\$ 100,000	100,000	\$ 16,600
Edward J. Sindoni	2003	\$ 218,000	\$ 140,000		\$ 9,708
Senior Vice President	2002	\$ 205,000	\$ 95,000	50,000	\$ 12,987
	2001	\$ 187,000	\$ 100,000	100,000	\$ 16,418
Jonathan W. Painter	2003	\$ 200,000	\$ 130,000		\$ 9,898

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Executive Vice President	2002	\$ 190,000	\$ 95,000		\$ 217,813(3)
	2001	\$ 183,000	\$ 85,000	75,000	\$ 12,601(3)
Edwin D. Healy	2003	\$ 230,000	\$ 190,000		\$ 9,581
Vice President (4)	2002	\$ 230,000	\$ 55,000		\$ 12,598

- (1) The amounts disclosed in this column represent employer contributions under our company's and subsidiaries' 401(k) savings or profit sharing plans made on behalf of the executive officer, unless otherwise noted below.
- (2) In addition to the employer contributions referred to in footnote (1), this column includes the following amounts. In 1996, the company extended an interest-free loan to Mr. Rainville to purchase 2,000 shares of our common stock in order to comply with a stock holding policy for executive officers adopted in 1996.

The stock holding policy was terminated and the outstanding balances of the loans that had not already been repaid by our officers were forgiven effective January 2, 2002. The amount disclosed in this column for 2002 includes the \$49,121 outstanding balance of the original \$118,104 loan that was forgiven in January 2002, and \$40,762 that was paid to Mr. Rainville as a tax reimbursement to cover the additional federal and state income taxes due in connection with the forgiveness of the loan. The amount disclosed in this column for 2001 includes \$2,193 of interest imputed on this loan.

- (3) In addition to the employer contributions referred to in footnote (1), this column includes the following amounts. In 1997, the company extended an interest-free loan to Mr. Painter to purchase 2,600 shares of our common stock in order to comply with a stock holding policy for executive officers adopted in 1996. The stock holding policy was terminated and the outstanding balances of the loans that had not already been repaid by our officers were forgiven effective January 2, 2002. The amount disclosed in this column for 2002 includes the \$114,078 outstanding balance of the original \$157,303 loan that was forgiven in January 2002, and \$94,665 that was paid to Mr. Painter as a tax reimbursement to cover the additional federal and state income taxes due in connection with the forgiveness of the loan. The amount disclosed in this column for 2001 include \$4,725 of interest imputed on this loan.
- (4) Mr. Healy was named an executive officer in October 2002.

Stock Options Granted During Fiscal Year 2003

No individual grants of stock options were made during fiscal 2003 to our named executive officers. It has not been our policy in the past to grant stock appreciation rights, and no such rights were granted during fiscal 2003.

Stock Options Exercised During Fiscal 2003 and Fiscal Year-End Option Values

The following table reports certain information regarding stock option exercises during fiscal 2003 and outstanding stock options held at the end of fiscal 2003 by our named executive officers. No stock appreciation rights were exercised or were outstanding during fiscal 2003.

Name	Shares Acquired on Exercise	Values Realized (1)	Number of Securities Underlying Unexercised Options at Fiscal Year- End (Exercisable/ Unexercisable) (2)	Value of Unexercised In-the- Money Options at Fiscal Year-End (Exercisable/ Unexercisable) (3)
William A. Rainville	75,053	\$ 629,759	529,044/233,332	\$ 3,292,321/\$1,441,676
Thomas M. O'Brien	51,100	\$ 336,145	119,699/ 50,001	\$ 731,659/\$ 365,841
Edward J. Sindoni	43,100	\$ 213,606	121,999/ 50,001	\$ 575,659/\$ 365,841
Jonathan W. Painter	52,634	\$ 371,124	82,994/ 25,000	\$ 597,936/\$ 195,000
Edwin D. Healy	72,866	\$ 477,224	0/ 13,334	/\$ 104,005

- (1) The amounts shown in this table represent the difference between the option exercise price and the market price on the date of exercise multiplied by the number of option shares exercised, which is the amount that would have been realized if the shares had been sold immediately upon exercise.

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- (2) The vesting and exercise schedule for options granted in 2001 and after is 1/3 after the first year, 2/3 after the second year and 100% after the third year. Options granted prior to 2001 are immediately exercisable, but can be repurchased by us at the exercise price if the executive ceases to be an employee. The repurchase rights lapse over varying periods ranging from one to ten years, depending on the option term, which may vary from two to twelve years, provided that the executive continues to be employed during the period. The exercise price may be paid in cash or by delivery of already-owned shares, and tax-withholding obligations arising from the exercise may be paid by surrendering shares, subject to certain conditions.
- (3) The value of unexercised stock options is based on the difference between the exercise price and \$20.85, the closing price of our common stock on the New York Stock Exchange on January 2, 2004.

Defined Benefit Retirement Plan

One of our subsidiaries maintains a defined benefit retirement plan for eligible U.S. employees in which all our named executive officers participate.

The following table states the estimated annual benefits payable upon retirement to eligible employees in specified compensation and years-of-service classifications under the retirement plan. The estimated benefits at certain compensation levels reflect the statutory limits on compensation that can be recognized for plan purposes. The limit in 2003 was \$200,000 per year.

Average Annual Compensation	Years of Service				
	15	20	25	30	35
\$100,000	\$ 26,250	\$ 35,000	\$ 43,750	\$ 48,125	\$ 48,125
\$125,000	\$ 32,813	\$ 43,750	\$ 54,688	\$ 60,156	\$ 60,156
\$150,000	\$ 39,375	\$ 52,500	\$ 65,625	\$ 72,188	\$ 72,188
\$175,000	\$ 45,938	\$ 61,250	\$ 76,563	\$ 84,219	\$ 84,219
\$200,000	\$ 52,500	\$ 70,000	\$ 87,500	\$ 96,250	\$ 96,250

Each eligible employee receives a monthly retirement benefit, beginning at normal retirement age (65), based on a percentage (1.75%) of his average monthly compensation before retirement, multiplied by his years of service (up to a maximum of 30 years). Full credit is given for the first 25 years of service, and half credit is given for years over 25 and less than 30. Benefits are reduced for retirement before normal retirement age. Average monthly compensation is generally defined as average monthly base salary over the five consecutive years of highest compensation in the ten-year period preceding retirement.