

ALBANY INTERNATIONAL CORP /DE/
Form DEF 14A
April 14, 2009

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
SCHEDULE 14A

OMB APPROVAL
OMB Number: 3235-00595

Expires: February 28, 2006
Estimated average burden
hours per response.....
12.75

**Proxy Statement Pursuant to Section 14(a) of the Securities
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- O** Preliminary Proxy Statement
- O** **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- X** Definitive Proxy Statement
- O** Definitive Additional Materials
- O** Soliciting Material Pursuant to Rule §240.14a-12

Albany International Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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4. Date Filed:

April 8, 2009

To the Stockholders of Albany International Corp.:

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You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Albany International Corp., which will be held at Wolferts Roost Country Club, 120 Van Rensselaer Boulevard, Albany, New York, at 10:00 a.m. on Friday, May 29, 2009. Please join us prior to the Annual Meeting at 9:30 a.m. to meet the Directors in the meeting room.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, you are urged to promptly vote and submit your proxy by phone, via the Internet, or by signing, dating, and returning the enclosed proxy card in the enclosed envelope. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

If you plan to attend the meeting, and have requested and received physical copies of these meeting materials, please so indicate on the enclosed proxy card so that we can make the necessary arrangements. (An addressed, postage-prepaid envelope is enclosed for your return of the proxy.)

Information about the meeting, including a description of the various matters on which the stockholders will act, can be found in the accompanying Notice of Annual Meeting and Proxy Statement. The Annual Report for the fiscal year ended December 31, 2008 also accompanies these materials.

Sincerely yours,

ERLAND E. KAILBOURNE
Chairman of the Board

JOSEPH G. MORONE
President and Chief Executive Officer

ALBANY INTERNATIONAL CORP.
1373 Broadway, Albany, New York 12204
Mailing Address: P. O. Box 1907, Albany, New York 12201

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 29, 2009

The Annual Meeting of Stockholders of Albany International Corp. will be held at Wolferts Roost Country Club, 120 Van Rensselaer Boulevard, Albany, New York, on Friday, May 29, 2008, at 10:00 a.m. Eastern Time, for the following purposes:

1. To elect eight Directors to serve until the next Annual Meeting of Stockholders and until their successors have been elected and qualified;
2. to consider and take action on a proposal to approve a new Directors Annual Retainer Plan, increasing the stock portion of each Director's annual compensation to \$75,000 and extending the term of the Plan;
3. to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor; and
4. to transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on April 3, 2009, will be entitled to vote at the Annual Meeting of Stockholders or any adjournment or adjournments thereof.

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your shares at your earliest convenience by telephone, via the Internet, or by signing, dating, and returning the enclosed proxy card. An addressed envelope for which no postage is required if mailed in the United States is enclosed if you wish to vote by mail. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option.

CHARLES J. SILVA, JR.
Secretary

April 8, 2009

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Albany International Corp. (the Company), 1373 Broadway, Albany, New York 12204 (P.O. Box 1907, Albany, New York 12201), of proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on May 29, 2009, and at any adjournment or adjournments thereof.

Voting Procedures

Each properly executed proxy in the accompanying form received prior to the Annual Meeting will be voted with respect to all shares represented thereby and will be voted in accordance with the specifications, if any, made thereon. **If no specification is made, the shares will be voted in accordance with the recommendation of the Board of Directors. In addition, the shares will be voted in the discretion of the proxies with respect to (1) any matter of which we did not have notice prior to February 9, 2009, (2) the election of a person as a director in substitution for a nominee named in this proxy statement who, at the time of the meeting, is unable, or for good cause is unwilling, to serve, (3) any stockholder proposal properly excluded from this proxy statement, and (4) matters incident to the conduct of the meeting.** If a stockholder is a participant in our Dividend Reinvestment Plan or the Albany International Corp. ProsperityPlus Savings Plan, a properly executed proxy will also serve as voting instructions with respect to shares in the stockholder's account in such plans. A proxy may be revoked at any time prior to the voting thereof. This proxy statement and the accompanying form of proxy are first being made available to our stockholders on April 14, 2009.

The only persons entitled to vote at the Annual Meeting (including any adjournment or adjournments) are (1) holders of record at the close of business on April 3, 2009, of the Company's Class A Common Stock outstanding on such date and (2) holders of record at the close of business on April 3, 2009, of our Class B Common Stock outstanding on such date. As of March 26, 2009, there were 27,237,280 shares of the Company's Class A Common Stock outstanding and 3,236,098 shares of our Class B Common Stock outstanding. Each share of Class A Common Stock is entitled to one vote, and each share of Class B Common Stock is entitled to ten votes, on each matter to be voted upon.

Under our By Laws, a copy of which is available at the Corporate Governance section of our website (www.albint.com), the presence, in person or by proxy, of shares having a majority of the total number of votes entitled to be cast at the meeting is necessary to constitute a quorum. Under Delaware law, if a quorum is present, a plurality of the votes cast at the meeting by the shares present in person or by proxy and entitled to vote is required for the election of directors, and a majority of the votes entitled to be cast at the meeting by the shares present in person or by proxy is required for any other action. Shares present at the meeting in person or by proxy and entitled to vote that abstain or fail to vote on any matter will be counted as present and entitled to vote but such abstention or failure to vote will not be counted as an affirmative or negative vote.

Under New York Stock Exchange rules, brokerage firms are generally permitted to vote in their discretion on behalf of clients who have been requested to provide voting instructions, and have failed to do so, by a date specified in a statement from the brokerage firm accompanying proxy materials distributed to its clients. Brokerage firms generally do not have such discretion, however, as to any contested action, any authorization for a merger or consolidation, any equity-compensation plan, or any matter that may affect substantially the rights or privileges of stockholders. In such a case, broker nonvotes would be treated as shares that are present at the meeting but fail to vote. The Company anticipates that brokerage firms will be able to vote in their discretion on the proposals to elect directors and to ratify the selection of PricewaterhouseCoopers LLC as auditors.

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ELECTION OF DIRECTORS

All of the members of the Board of Directors are elected annually to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified. Pursuant to the By Laws, the Board of Directors may increase or decrease the number of directors from time to time, but not to fewer than three. The Board of Directors has determined that, until further action by the Board, the number of directors of the Company, from and after the time of the 2009 Annual Meeting of Stockholders, shall be eight. Accordingly, the number of directors to be elected at the 2009 Annual Meeting of Stockholders is eight. The Board of Directors has nominated *for* election the eight persons listed below, all of whom are currently serving as directors. Unless otherwise specified on the proxy, the shares represented by a proxy in the accompanying form will be voted for the election of the eight persons listed below. If, at the time of the meeting, any nominee is unable, or for good cause unwilling, to serve, which event is not anticipated, the shares will be voted for a substitute nominee proposed by the Board of Directors, unless the Board reduces the number of directors.

JOSEPH G. MORONE joined the Company as President on August 1, 2005. He has been a Director of the Company since 1996. He has served as President and Chief Executive Officer since January 1, 2006. From 1997 to July 2005, Dr. Morone served as President of Bentley College. Prior to joining Bentley, Dr. Morone served as Dean of the Lally School of Management and Technology at Rensselaer Polytechnic Institute and held the Andersen Consulting Professorship of Management. He is a director of Transworld Entertainment Corporation. Age 55.

CHRISTINE L. STANDISH has been a Director of the Company since 1997. From 1989 to 1991, she served the Company as a Corporate Marketing Associate, and was previously employed as a Graphic Designer for Skidmore, Owings & Merrill. She is a Director of the J. S. Standish Company, where she serves as President in charge of the Standish Family Foundation. She is a member of the Board of Trustees of the Albany Academies and Siena College. She is the sister of John C. Standish and the daughter of J. Spencer Standish. Age 43.

ERLAND E. KAILBOURNE has been a Director of the Company since 1999 and Chairman of the Board since May 9, 2008. He currently serves as Chairman of the Board of Financial Institutions, Inc., and its wholly owned subsidiary, Five Star Bank, which provides commercial banking services to customers in Western and Central New York State. From May 2002 until March 2003 he served as Chairman and interim Chief Executive Officer of Adelphia Communications Corp. He retired as Chairman and Chief Executive Officer (New York Region) of Fleet National Bank, a banking subsidiary of Fleet Financial Group, Inc., in 1998. He was Chairman and Chief Executive Officer of Fleet Bank, also a banking subsidiary of Fleet Financial Group, Inc., from 1993 until its merger into Fleet National Bank in 1997. He is a Director of the New York ISO, The John R. Oishei Foundation, Rand Capital Corporation, Allegany Co-op Insurance Company, USA Niagara Development Corp, Farash Corporation, and the Max and Marian Farash Charitable Foundation. Age 66.

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JOHN C. STANDISH has been a Director of the Company since 2001 and Vice Chairman of the Board since May 9, 2008. He previously served as Senior Vice President Manufacturing, Americas Business Corridor from March 2005 to January 2008, Director of North American Dryer Manufacturing from 2003 to March 2005, Director, PAC Pressing and Process Technology from 2000 to 2003, Manager of the Company's forming and engineered fabrics manufacturing facility in Portland, Tennessee from 1998 to 2000, Production Manager of Albany International B.V. in Europe from 1994 to 1998, a Department Manager for the Press Fabrics Division from 1991 to 1994, and Design Engineer for Albany International Canada from 1986 to 1991. He is Chairman of the J. S. Standish Company, and Director of the United Way of the Greater Capital Region. He is the brother of Christine L. Standish and the son of J. Spencer Standish. Age 45.

JUHANI PAKKALA has been a Director of the Company since 2004. Mr. Pakkala previously served as President and Chief Executive Officer of Metso Paper Inc. (formerly Valmet Corporation), in Finland, from 1999 until his retirement in July 2003. Metso Paper, a subsidiary of Metso Corporation, is one of the world's largest suppliers of pulp and paper process machinery and equipment. Prior to that time, Mr. Pakkala served in a number of executive positions in companies in the Metso (formerly Valmet) Group in Finland, the United States, and Canada. Age 63.

PAULA H. J. CHOLMONDELEY has been a Director of the Company since February 2005. From 2000 to 2004, she was a Vice President and General Manager of Sappi Fine Papers, North America, responsible for the Specialty Products Division. She previously served in executive and financial positions in a number of corporations, including Owens Corning, the Faxon Company, Blue Cross of Greater Philadelphia, and the Westinghouse Elevator Company. She also served as a White House Fellow assisting the U.S. Trade Representative during the Reagan Administration. Ms. Cholmondeley is a former certified public accountant, and serves on the Board of Directors of four other publicly traded companies: Terex Corporation, Ultralife Batteries, Inc., Dentsply International, and Minerals Technologies Inc. She is also an independent trustee of Nationwide Mutual Funds. Age 62.

JOHN F. CASSIDY, JR. has been a Director of the Company since November 2005. From January 1989 to May 2005, he served as Senior Vice President, Science and Technology, at United Technologies Corp. He served at the General Electric Corporate Research and Development Laboratories from 1981 to 1988. Dr. Cassidy is a member of the Board of Trustees of Rensselaer at Hartford, a member of the Connecticut Academy of Science and Engineering and a senior member of the Institute for Electrical and Electronics Engineers and the Society of Automotive Engineers. He serves on the Board of Directors of the Connecticut Technology Council, the Detroit-based Convergence Electronics Transportation Association, and the Convergence Educational Foundation. Age 64.

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EDGAR G. HOTARD has been a Director of the Company since November 2006. Mr. Hotard has been an independent consultant/investor since his retirement as President and Chief Operating Officer of Praxair, Inc. in 1999. In 1992, he co-led the spin-off of Praxair from Union Carbide Corporation, where he served as Corporate Vice President. He has served as a Venture Partner of ARCH Venture Partners since September 2004, and as Managing General Partner of Hotard Holdings Ltd., an investment partnership, since September 2006. He also serves as an advisor to the Monitor Group, a global strategy consulting firm, and as the Chairman of the Monitor Group (China). Mr. Hotard is a member of the Board of Directors of Global Industries, Ltd., and privately held Shona Energy Company, Inc. He was a founding sponsor of the China Economic and Technology Alliance and of a joint MBA program between Renmin University, Beijing, and the School of Management, State University of Buffalo, New York. Age 65.

CORPORATE GOVERNANCE

Director Independence. The Corporate Governance Rules of the New York Stock Exchange (the NYSE Rules) provide that a company of which more than 50% of the voting power is held by an individual, a group, or another company will be considered to be a controlled company. As of April 3, 2009, J. Spencer Standish, related persons (including his children, Christine L. Standish and John C. Standish, directors of the Company; and J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors), and Thomas R. Beecher, Jr., as sole trustee of trusts for the benefit of descendants of J. Spencer Standish, held, in the aggregate, shares entitling them to cast approximately 54.28% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, we are a controlled company under the NYSE Rules. The Company has elected to avail itself of the provisions of the NYSE Rules exempting a controlled company from the requirements that the Board of Directors include a majority of independent directors (as defined by the NYSE Rules) and that the Compensation and Governance Committees be composed entirely of independent directors. As a result, not all of the members of the Compensation Committee or the Governance Committee are independent. The Board of Directors has determined, however, that all of the members of the Audit Committee are independent. The Board is not required to make this determination with respect to any other director, and it has not done so. A description of transactions, relationships, or arrangements (if any) considered by the Board in making these determinations is set forth in the Audit Committee discussion below.

Meeting Attendance. The Board of Directors met ten times in 2008. Each incumbent director attended (in person or by telephone) 75% or more of the aggregate number of meetings of the Board and of the committees of the Board on which he or she served. It is the policy of the Company that all persons who are candidates for election to the Board of Directors at an Annual Meeting of Stockholders should attend that meeting (either in person or, if necessary, by telephone). All of the candidates for election to the Board of Directors were present at the Annual Meeting of Stockholders in 2008.

Committees. The standing committees of the Board of Directors are a Governance Committee, an Audit Committee, and a Compensation Committee. During 2008, the Governance Committee met four times and the Audit Committee met seven times (including, in the second, third, and fourth quarters, a single meeting held in two parts to review the Company's quarterly operating results and earnings release (the first part) and the Quarterly Report on Form 10-Q (the second part)). The Compensation Committee met seven times during 2008.

Governance Committee. The Governance Committee reviews and recommends changes in the Company's Corporate Governance Guidelines and governance and management structure; evaluates the effectiveness of the Board of Directors, its committees, and the directors; recommends to the Board of Directors the persons to be nominated for election as directors; and reviews management succession planning. A copy of the Charter of the Governance Committee is available at the Corporate Governance section of our website (www.albint.com). The current members of the Governance Committee are John Standish (Chairman), John Cassidy, and Edgar Hotard.

Stockholders may send recommendations of persons to be considered by the Governance Committee for nomination for election as directors to: Chairman, Governance Committee, Albany International Corp., P.O. Box 1907, Albany, New York 12201. Our Corporate Governance Guidelines, a copy of which is available at the Corporate Governance section of our website (www.albint.com), set forth criteria to be employed by the Governance Committee and the Board of Directors in determining whether a person is qualified to serve as a director of the Company. Recommendations by stockholders should include information relevant to these criteria. The Governance Committee will give consideration to persons recommended by stockholders in the same manner that it employs when considering recommendations from other sources. The Governance Committee considers, on an ongoing basis, the skills, background, and experience that should be represented on the Board of Directors and its committees, the performance of incumbent directors, the appropriate size of the Board of Directors, potential vacancies on the Board, and other factors relating to the efficacy of the Board. Although the Governance Committee does not employ professional consultants for this purpose, members of the Committee communicate with knowledgeable persons on a continuing basis to identify potential candidates for Board membership. Any potential candidates so identified are then discussed by the Committee and the Board, and if the potential candidate

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appears likely to be a substantial addition to the Board, he or she is then interviewed by members of the Committee and the Board. The Governance Committee then considers the reports of the interviews and other information that has been gathered and determines whether to recommend to the Board of Directors that the person be elected as a director.

All of the nominees for election as directors at the 2009 Annual Meeting are standing for reelection by stockholders.

Audit Committee. The Audit Committee assists the Board of Directors in fulfilling its fiduciary responsibilities regarding the Company's accounting and financial reporting practices and internal controls with respect to accounting, finance, legal compliance, and ethics. It also provides a means of open communication among the independent auditors, management, the Company's internal auditors, and the Board of Directors. The Board has also designated the Audit Committee as the Company's Qualified Legal Compliance Committee pursuant to the rules of the Securities and Exchange Commission with respect to Section 307 of the Sarbanes-Oxley Act. Under the NYSE Rules, the Audit Committee has sole authority to hire and fire our auditors. A copy of the current Charter of the Audit Committee is available at the Corporate Governance section of our website (www.albint.com). The current members of the Audit Committee are Paula H. J. Cholmondeley (Chairman), Edgar G. Hotard, and Juhani Pakkala.

The Audit Committee has provided the following report:

The Audit Committee has reviewed and discussed with management and the independent auditors, PricewaterhouseCoopers LLP (PwC), the financial statements for 2008, including management's report with respect to internal control over financial reporting and PwC's attestation report with respect to management's report. The Audit Committee has discussed with PwC the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB), and has received from PwC the written disclosures and the communications relating to PwC's independence required by PCAOB rules. The Audit Committee has discussed with PwC its independence, and has considered whether the provision by PwC of the services referred to below under **RATIFICATION OF INDEPENDENT AUDITORS, All Other Fees** is compatible with maintaining the independence of PwC.

Based on the foregoing discussions and review, the Audit Committee recommended to the Board of Directors that the audited statements for 2008 be included in the Company's Annual Report on Form 10-K for 2008 filed with the Securities and Exchange Commission.

The financial reporting process of the Company, including the system of internal controls and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, is the responsibility of the Company's management. The Company's independent auditors (PwC) are responsible for auditing the financial statements. The Audit Committee monitors and reviews these processes. As required by the Corporate Governance Rules of the New York Stock Exchange, the Board of Directors has determined that, in their judgment, all of the members of the Audit Committee are financially literate and at least one member of the Committee has accounting or related financial management expertise. The Board has also determined that the Chairman of the Committee, Paula H. J. Cholmondeley, is a financial

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expert as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. The members of the Audit Committee are not employees of the Company and do not represent themselves as experts in the field of accounting or auditing.

The Charter of the Audit Committee provides that the members of the Committee are entitled to rely, and they do rely, on advice, information, and representations that they receive from the independent auditors, management, and the head of internal audit. Accordingly, the review, discussions, and communications conducted by the Audit Committee do not assure that the financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of the Company's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, or that the Company's independent auditors are, in fact, independent.

The Audit Committee:
Paula H. J. Cholmondeley, Chairman
Edgar G. Hotard
Juhani Pakkala

The Board of Directors has determined that none of the members of the Audit Committee has any relationship with the Company that may interfere with the exercise of his or her independence from management and the Company and, on that basis, has determined that each of them is independent within the meaning of the Sarbanes-Oxley Act and the NYSE Rules.

Mr. Pakkala was initially elected to the Audit Committee in August 2004. At that time, the Board considered his prior employment at Metso Paper Inc., a manufacturer of papermaking equipment. The Company has supplied products and services to Metso from time to time, and has also pursued other contractual agreements with them from time to time, mostly related to development of new products. Mr. Pakkala retired from Metso Paper in 2003, and since that time has maintained no relationship with Metso, other than the ownership of an option to purchase some shares of Metso Corporation, the parent company of Metso Paper, and rights to receive amounts under Metso pension and deferred compensation plans, all of which he acquired while a Metso Paper employee. The Board at that time determined that these factors did not rise to the level of a material relationship with the Company within the meaning of the NYSE Rules, and did not constitute a relationship with the Company that may interfere with the exercise of his independence from management.

Mr. Hotard was elected to the Audit Committee in May 2007. Mr. Hotard has provided services as an independent contractor to Monitor, a management consulting firm. The Company engaged Monitor during 2007 and 2008 to provide consulting services related to its Albany Engineered Composites business. Fees paid to Monitor during 2007 and 2008 were approximately \$380,000 and \$249,000, respectively. The Company does not currently expect to obtain any more services from, or pay any additional amounts to, Monitor. Mr. Hotard is not, and has never been, a Monitor employee. He has provided consulting services to Monitor's affiliate, Monitor Consulting Hong Kong Ltd, for the past eight years, functioning as an advisor for Monitor's Asia consulting practice, and serving as the Chair of Monitor Group (China), representing Monitor before the Chinese government and industry associations involved with China (e.g., the U.S. China Business Council).

In exchange for these services, Mr. Hotard receives an annual lump-sum retainer and reimbursement of travel expenses. The annual retainer is not based on any revenue-generation goals, and is independent of any consulting fees Monitor collects anywhere in the world, including fees received from the Company. He is also entitled to receive performance-based incentives related to identifying investment opportunities for Monitor Capital and for developing Monitor's consulting practice in Asia. Incentives are not tied to revenue-generation goals. He receives no portion of the fees paid by the Company to Monitor in the U.S., nor any commission or other compensation, direct or indirect, related to the Company's engagement of Monitor.

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Based on these facts, the Company's Board has determined that the retention of Monitor in the U.S. to provide consulting services did not constitute a material relationship between the Company and Mr. Hotard, and did not compromise his independence.

After due inquiry, the Board is not aware of, and therefore did not consider, any other transactions, relationships, or arrangements with any of the other members of the Audit Committee when determining their independence.

The Board of Directors has determined that Ms. Cholmondeley possesses all of the attributes of an audit committee financial expert, as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. Ms. Cholmondeley also serves on the audit committees of Dentsply International, Ultralife Batteries, Inc. and Minerals Technologies Inc., each of which is a public company. The Audit Committee Charter does not permit any member of the Audit Committee to serve on the audit committees of more than two other public companies, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to serve effectively on our Audit Committee, and such determination is disclosed in our annual proxy statement. In the case of Ms. Cholmondeley, the Board of Directors has made such a determination. In making this determination, the Board took into account Ms. Cholmondeley's representation that she does not intend to accept any employment other than as a member of governing boards, and that she would consult with the Chairman of the Governance Committee before accepting any employment, undertaking any additional board or committee positions, or making any other new and material time commitments. Pursuant to the NYSE Rules, the Board of Directors has determined that all of the current members of the Audit Committee are financially literate and that at least one member of the Committee has accounting or related financial management expertise. The Board of Directors believes that all of the current members of the Audit Committee are well qualified to perform the functions for which the Committee is responsible.

Compensation Committee. The Compensation Committee is generally responsible for determining the compensation of our directors and executive officers. A copy of the Committee's Charter is available at the Corporate Governance section of our website (www.albint.com). The current members of the Compensation Committee are John F. Cassidy, Jr. (Chairman), Paula H. J. Cholmondeley, Christine L. Standish, and Juhani Pakkala.

As specified in its charter, the Compensation Committee is directly responsible for determining compensation of the Company's Chief Executive Officer as well as the other senior executive officers of the Company. The Committee also assists the Board of Directors in the creation and implementation of employee compensation, incentive, and benefit policies and plans; administers (or oversees the administration by management of) pension and other employee benefit plans; and approves grants and awards under our stock option and restricted stock unit plans, and our 2005 Incentive Plan (except for awards intended to preserve deductibility under Section 162(m) of the Internal Revenue Code, which awards are approved by a separate committee of independent directors designated for such purpose). These duties and responsibilities may be delegated to a subcommittee comprising one or more members of the Committee.

The Committee's Charter indicates that input from management is both expected and in some instances required in connection with the Committee's exercise of its responsibilities. See **The Role of Executive Officers in the Compensation Process** on page 20.

In addition, the Committee's charter charges the Committee with the responsibility to obtain advice and assistance from outside legal or other advisors or consultants as the Committee may from time to time deem appropriate, and to determine the compensation and other terms of service of such advisors and consultants. The Committee has exclusive power to select, retain, and terminate the services of any such advisors or consultants to assist in evaluating the compensation of the Chief Executive Officer or senior executives, and sole power to determine the compensation and other terms of service of such consultants. The Charter provides that we shall provide such funding as is necessary for the payment of fees and compensation to any advisors or consultants so employed by the Committee. During 2008, as in prior years, the Committee directly retained the services of Watson Wyatt Worldwide (Watson Wyatt) to perform a comparative competitive analysis of cash (salary and cash incentives) compensation paid to the Company's Chief Executive Officer, as well as to provide a similar analysis of the share-based performance awards proposed to be paid to the Chief Executive Officer and the other members of the senior management team. In each case, Watson Wyatt was asked to perform a competitive assessment of such cash or performance

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compensation, as well as an overview of peer executive compensation trends. Watson Wyatt's competitive frame of reference consisted of a peer group of manufacturing companies with comparable revenues, aggregate number of employees, and similar international complexity, as well as their own database of broader market data. For providing these services, the Company paid approximately \$12,000 to Watson Wyatt during 2008.

Compensation Committee Interlocks and Insider Participation. Directors Cholmondeley and Cassidy served on the Compensation Committee during all of 2008. Directors Pakkala and Christine Standish were appointed to the Committee in May 2008. Director Kailbourne served on the Committee until May 2008, as did former director Thomas R. Beecher, Jr.

No member of the Committee was an employee during 2008. Mr. Beecher is the Secretary, and is also a director, of J. S. Standish Co. (See **SHARE OWNERSHIP** on page 10.)

Non-management directors. Meetings of the non-management directors, as defined by the NYSE Rules, are regularly held at the conclusion of each meeting of the Board. The current non-management directors include all of the directors other than Dr. Morone. (John C. Standish was employed by the Company as an executive officer until January 31, 2008.) Meetings of the non-management directors during 2008 were chaired by the Chairman. The Chairman also acted as a liaison between the directors and the Chief Executive Officer and facilitates communication among the directors. Interested persons may communicate with the Chairman and the non-management directors by writing to: Chairman, Albany International Corp., P.O. Box 1907, Albany, New York 12201.

Shareholder communications. It is our policy to forward to each member of the Board of Directors any communications addressed to the Board of Directors as a group and to forward to each director any communication addressed specifically to such director. Such communications may be sent to: Albany International Corp., P.O. Box 1907, Albany, New York 12201.

Available Information. The Company's Corporate Governance Guidelines, Business Ethics Policy, and Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Controller, and the charters of the Audit, Compensation, and Governance Committees of the Board of Directors are all available at the Corporate Governance section of the Company's website (www.albint.com). Stockholders may obtain a copy of any of these documents, without charge, from the friendly people who work in our Investor Relations Department. They may be contacted at:

Investor Relations Department
Albany International Corp.
Post Office Box 1907
Albany, New York 12201-1907
Telephone: (518) 445-2242
Fax: (518) 445-2250
E-mail: investor.relations@albint.com

Certain Business Relationships and Related Person Transactions

Christine L. Standish and John C. Standish are directors of the Company. Christopher Wilk, Ms. Standish's husband, and John C. Standish were each Company employees during 2008.

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As an employee, Mr. Wilk received salary and other compensation (not including annual cash incentive bonus) of \$106,316 during 2008. As a participant in the Company's 401(k) plan, he also received Company-matching and profit-sharing contributions for 2008 of \$6,919. During 2008, Mr. Wilk received \$6,499 as a result of vesting of restricted stock units granted to him in 2004, 2005, 2006, and 2007. He has also accumulated a retirement benefit under the Company's U.S. defined benefit plan with an actuarial present value of approximately \$45,000 as of the pension valuation date of December 31, 2008 – an increase of approximately \$13,000 since December 31, 2007.

Mr. Wilk's employment with the Company terminated on January 1, 2009. The Company entered into separation and consulting agreements with Mr. Wilk in connection with his departure from the Company as an active employee. Under these agreements, Mr. Wilk will receive a gross sum of \$45,106 paid over a period of approximately 25 weeks, beginning January 1, 2009, as well as other benefits customarily provided by the Company to terminated employees. In addition, the Company agreed to pay Mr. Wilk at the rate of \$100 per hour for providing

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from 40 to 80 hours of consulting services per month through March 2009 (which date may be extended if both parties agree), assisting in the development of the Company's supervisor training program.

John C. Standish was paid salary and other compensation (not including annual cash incentive bonus) of \$18,158 during 2008. As a participant in the Company's 401(k) plan, he also received Company-matching and profit-sharing contributions for 2008 of \$4,176. He has also accumulated a retirement benefit under the Company's U.S. defined benefit plan with an actuarial present value of approximately \$130,000 as of the pension valuation date of December 31, 2008 – an increase of approximately \$42,000 since December 31, 2007.

Each of these individuals was also entitled to receive, during his period of employment, benefits under the Company's insurance, disability, and other employee benefit plans, in accordance with the terms of such plans.

Former Chairman Frank R. Schmeler served as Board Chairman until May 9, 2008. Previously, he served as Chief Executive Officer until December 31, 2005. He remained an employee of the Company until January 31, 2006. Upon his retirement on that date, he became entitled to receive (and began receiving) payments (calculated on the basis of a single life annuity) under the Company's U.S. defined contribution plan and unfunded U.S. supplemental retirement plan. These payments totaled \$316,000 during 2008, and the present value of his accumulated benefit as of the pension valuation date of December 31, 2008 was approximately \$3.3 million. (See the PENSION BENEFITS table on page 33 as well as the narrative discussion following the table for a description of these plans.)

In early 2008, the Company adopted a written policy requiring review of relationships and transactions in which directors or executive officers, or members of their immediate families, are participants in order to determine whether such persons have a direct or indirect material interest. The Company's Legal Department is responsible for developing and implementing processes and controls designed to obtain information relating to any such relationship or transaction, and for determining whether disclosure of such relationships or transactions is required. The Audit Committee of the Board of Directors is responsible for reviewing such information, and making recommendations to the disinterested members of the Board regarding the ratification or approval of such relationships or transactions. As set forth in the policy, the Audit Committee considers each transaction in light of relevant factors, including any benefits to the Company, whether the terms are arm's-length and in the ordinary course, the direct or indirect nature of the related person's interest in the transaction, the size and expected term of the transaction, and such other facts and circumstances as may bear on the materiality of the transaction or relationship. No director may participate in the review, ratification or approval of any transaction in which such director has an interest.

Chairman Emeritus

As Chairman Emeritus of the Board of Directors, J. Spencer Standish is invited to all meetings of the Board and Compensation Committee of the Board and normally attends such meetings. He receives limited but regular assistance from Company administrative personnel in managing his correspondence and travel arrangements. He visits Company facilities in the United States and abroad from time to time, and consults with senior management from time to time on Company matters. Mr. Standish was reimbursed a total of \$18,359 for Company-related expenses incurred during 2008 in connection with such visits, his attendance at meetings, and such consultations. Other than his pension under the Company's retirement plans, and reimbursement of these expenses, Mr. Standish receives no fees or compensation for his activities with respect to the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers, and any persons holding more than 10% of our Class A Common Stock, to file with the Securities and Exchange Commission reports disclosing their initial ownership of the Company's equity securities, as well as

subsequent reports disclosing changes in such ownership. To the Company's knowledge, based solely on a review of such reports furnished to us and written representations by such persons that no other reports were required, all persons who were subject to the reporting requirements of Section 16(a) complied with such requirements during the year ended December 31, 2008.

SHARE OWNERSHIP

As of the close of business on March 26, 2009, each of the directors and the Named Executive Officers, and all current directors and officers as a group, beneficially owned shares of our capital stock as follows:

	Shares of Class A Common Stock Beneficially Owned (a)	Percent of Outstanding Class A Common Stock	Shares of Class B Common Stock Beneficially Owned	Percent of Outstanding Class B Common Stock
Joseph G. Morone	65,045 ^(b)	(c)		
Christine L. Standish	161,038 ^(d)	(c)	153,022 ^(e)	4.73%
Erland E. Kailbourne	8,111	(c)		
John C. Standish	161,157 ^(f)	(c)	153,022 ^(g)	4.73%
Juhani Pakkala	4,741	(c)		
Paula H. J. Cholmondeley	4,836 ^(h)	(c)		
John F. Cassidy, Jr.	4,223	(c)		
Edgar G. Hotard	3,143	(c)		
Michael C. Nahl	181,275 ⁽ⁱ⁾	(c)	1,050 ^(e)	
Daniel Halftermeyer	40,383 ^(j)	(c)		
David Madden	16,079 ^(k)	(c)		
Michael Joyce	13,374 ^(l)	(c)		
All officers and directors as a group (18 persons)	561,604	2.06%	155,776	4.81%

- (a) Because shares of Class B Common Stock are convertible at any time into shares of Class A Common Stock on a one-for-one basis, they are reflected in the above table both as Class B shares beneficially owned and as Class A shares beneficially owned. Beneficial ownership has the meaning specified under Rule 13d-3 of the Securities Exchange Act.
- (b) Includes (i) 62,099 shares owned outright and (ii) 2,946 shares held in the Company's employee stock ownership plan.
- (c) Ownership is less than 1%.
- (d) Includes (i) 6,595 shares owned outright, (ii) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, and (iii) 1,421 shares held by Ms. Standish or her husband, a former employee of the Company, in their respective accounts in the Company's 401(k) retirement savings and employee stock ownership plans. The nature of Ms. Standish's beneficial ownership of the Class B shares is described in note (e) below.
- (e) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,153 shares held by a trust for her sole benefit, as to which she has no voting or investing power, (ii) 868,013 shares held by J. S. Standish Company, of which she is a director, (iii) 10,700 shares held by the Christine L. Standish Gift Trust, a trust for the benefit of her descendants as to which she has no voting or investment power, or (iv) 120,000 shares held by The Christine L. Standish Delta Trust, a trust for the benefit of her descendants as to which she has no voting or investment power.
- (f) Includes (i) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, (ii) 515 shares held by Mr. Standish in his account in the Company's 401(k) retirement savings and employee stock ownership plans, and (iii) 7,620 shares issuable upon exercise of options currently exercisable. The nature of Mr. Standish's beneficial ownership of the Class B shares is described in note (g) below. Does not include 11 shares owned by his spouse, as to which shares he disclaims beneficial ownership.

- (g) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,154 shares held by a trust for his sole benefit, as to which he has no voting or investment power, (ii) 868,013 shares held by J. S. Standish Company, of which he is a director, (iii) 10,700 shares held by the John C. Standish Gift Trust, a trust for the benefit of his descendants as to which he has no voting or investment power, or (iv) 120,000 shares held by the John C. Standish Delta Trust, a trust for the benefit of his descendants as to which he has no voting or investment power.
- (h) Includes (i) 3,393 shares owned outright, and (ii) 1,443 shares in a retirement plan.
- (i) Includes (i) 26,276 shares owned outright, (ii) 3,949 shares held in the Company's employee stock ownership plan, (iii) 150,000 shares issuable upon exercise of options exercisable currently or within 60 days, and (iv) 1,050 shares issuable upon conversion of an equal number of shares of Class B Common Stock.
- (j) Includes (i) 14,583 shares owned outright and (ii) 25,800 shares issuable upon exercise of options exercisable currently or within 60 days.
- (k) Includes (i) 12,443 shares owned outright, (ii) 3,636 shares held in the Company's employee stock ownership plan, and (iii) 6,700 shares issuable upon exercise of options exercisable currently or within 60 days.
- (l) Includes (i) 11,543 shares owned outright and (ii) 1,831 shares held in the Company's employee stock ownership plan.

Each of the individuals named in the preceding table has sole voting and investment power over shares listed as beneficially owned, except as indicated. Each of the directors and officers whose share ownership is reported above has indicated that no such shares are pledged as security.

The following persons have informed us that they were the beneficial owners of more than five percent of our outstanding shares of Class A Common Stock:

Name(s) ^(a)	Reported Shares of Company's Class A Common Stock Beneficially Owned*	Percent of Outstanding Class A Common Stock
J. Spencer Standish	2,583,707 ^(b)	8.66%
Tradewinds Global Investors, LLC	2,153,782 ^(c)	7.45%
Barclays Global Investors, NA	1,818,939 ^(d)	6.80%
FMR LLC,	1,722,975 ^(e)	6.44%
Wellington Management Company, LLP	1,464,826 ^(f)	5.47%
NFJ Investment Group LLC	1,466,600 ^(g)	5.48%
Keeley Asset Management Corp	1,430,000 ^(h)	5.34%
Reich & Tang Asset Management LLC	1,347,000 ⁽ⁱ⁾	5.03%

* As of December 31, 2008, except for J. Spencer Standish, whose holdings are shown as of April 3, 2009.

- (a) Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, 395 Llywd's Lane, Vero Beach, Florida 32963; Tradewinds Global Investors, LLC, 2049 Century Park East, 20th floor, Los Angeles, CA 90067; Barclays Global Investors, NA, 400 Howard Street, San Francisco, California 94105; FMR LLC, 82 Devonshire Street, Boston, MA 02109; Wellington Management Company, LLP, 75 State Street, Boston, MA 02109; NFJ Investment Group LLC, 2100 Ross Avenue, Suite 700, Dallas, Texas 75201; Keeley Asset Management Corp., 401 South LaSalle Street, Chicago, IL 60605; and Reich & Tang Asset Management LLC, 600 Fifth Avenue, New York, NY 10020.
- (b) Includes 2,583,707 shares issuable upon conversion of an equal number of shares of Class B Common Stock. 1,715,694 shares of Class B Common Stock are held by trusts as to which he has sole voting and investment power; the remaining 868,013 shares are held by J. S. Standish Company. (J. S. Standish Company is a corporation as to which J. Spencer Standish holds the power to elect all of the directors.) Current directors of J. S. Standish Company include J. Spencer Standish, John C. Standish (son of J. Spencer Standish),

Christine L. Standish (daughter of J. Spencer Standish), and Thomas R. Beecher, Jr. Does not include (x) 8,016 shares