LogMeIn, Inc.
Form DEF 14A
April 08, 2016
Table of Contents

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 þ 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))**
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

LOGMEIN, INC.

(Name of the Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

Notice of 2016 Annual Meeting of Stockholders and Proxy Statement

Thursday, May 26, 2016 at 9:00 a.m., Eastern Time

Offices of Latham & Watkins LLP,

John Hancock Tower, 27th Floor, 200 Clarendon Street

Boston, MA 02116

April 8, 2016

Dear Fellow Stockholders:

We are pleased to invite you to our 2016 Annual Meeting of Stockholders, which will take place on Thursday, May 26, 2016 at 9:00 AM, Eastern Time, at the offices of Latham & Watkins LLP, John Hancock Tower, 27th Floor, 200 Clarendon Street, Boston MA 02116. Annual Meetings play an important role in maintaining communications and understanding among our management, board of directors and stockholders, and we hope you will join us.

On the pages following this letter you will find the notice of our 2016 Annual Meeting of Stockholders, which lists the items of business to be considered at the Annual Meeting, and our proxy materials, which describe the items of business listed in the notice and provide other information you may find useful in deciding how to vote. We have elected to provide our proxy materials over the Internet under the Securities and Exchange Commission s notice and access rules. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send to these stockholders a Notice Regarding the Availability of Proxy Materials (the Notice) with instructions for accessing the proxy materials, including our proxy statement and Annual Report to Stockholders, and for voting via the Internet. Providing our proxy materials to stockholders electronically allows us to conserve natural resources and reduce our printing and mailing costs related to the distribution of our proxy materials. If you wish to receive paper copies of our proxy materials you may do so by following the instructions contained in the Notice.

The ability to have your vote counted at the Annual Meeting is an important stockholder right. Regardless of the number of shares you hold or whether you plan to attend the meeting, we hope that you will promptly cast your vote. You may vote over the Internet, or, if you received printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in our proxy statement, as well as in the Notice.

Thank you for your ongoing support and continued interest in LogMeIn.

Sincerely,

William R. Wagner

President & Chief Executive Officer

Notice of Annual Meeting of Stockholders

To Be Held on Thursday, May 26, 2016

Notice is hereby given that the 2016 Annual Meeting of Stockholders will be held at the offices of Latham & Watkins LLP, John Hancock Tower, 27th Floor, 200 Clarendon Street, Boston MA 02116, on Thursday, May 26, 2016, at 9:00 AM, Eastern Time, for the following purposes:

1. To elect the two nominees identified in the attached proxy statement as members of our board of directors to serve as class I directors for a term of three years;

2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

3. To approve an amendment and restatement of our 2009 Stock Incentive Plan that will increase the number of shares of common stock that may be issued under the plan by an additional 1,600,000 shares;

4. To approve the Company s proposed Cash Incentive Bonus Plan so that the Company may qualify performance-based cash incentives paid as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder;

5. To approve, on an advisory basis, the compensation of our named executive officers; and

6. To transact other business, if any, that may properly come before the Annual Meeting of Stockholders or any adjournment of the Annual Meeting of Stockholders.

For this year s Annual Meeting, we are taking advantage of the Securities and Exchange Commission rules that allow us to furnish proxy materials to you via the Internet. We believe this will allow us to provide you with the information you need in a manner that is convenient and familiar to you, while also helping us lower our costs to deliver these materials and reduce the environmental impact of our Annual Meeting.

On or about April 8, 2016, we will mail to our stockholders a Notice Regarding the Availability of Proxy Materials (the Notice) containing instructions on how to access our proxy statement for our Annual Meeting and our Annual Report to Stockholders for the year ending December 31, 2015, which contains our audited consolidated financial statements and other information of interest to our stockholders. The Notice will also provide instructions on how to vote online and includes instructions on how to request a paper copy of the proxy materials by mail. Stockholders of record at the close of business on our record date, Friday, April 1, 2016, are entitled to receive this Notice and to vote at the Annual Meeting of Stockholders and at any adjournments of such meeting. The stock transfer books of LogMeIn will remain open between the record date and the date of the Annual Meeting for any stockholder to examine for any purpose germane to the Annual Meeting. These books will also be available to stockholders for any such purpose at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to cast your vote and submit your proxy as soon as possible by one of the methods below:

1. Vote over the Internet. You may vote your shares by following the Internet voting instructions provided in the Notice you received. Please see the section of this proxy statement entitled INFORMATION ABOUT THE ANNUAL MEETING AND VOTING How do I vote? for additional information.

2. Vote by mail. If you received your proxy materials by mail, you may vote by completing and signing the proxy card delivered with those materials and returning it in the postage pre-paid envelope we provided.

3. Vote in person. If you are attending the 2016 Annual Meeting of Stockholders, you may vote by delivering a completed proxy card in person or by completing and submitting a ballot, which will be provided at the 2016 Annual Meeting of Stockholders.

If you are a registered stockholder (that is, you hold your shares in your name), you must present valid identification to vote at the Annual Meeting. If you are a beneficial stockholder (that is, your shares are held in the name of a broker, bank or other holder of record), you will also need to obtain a legal proxy from the holder of record to vote at the Annual Meeting.

By Order of the Board of Directors,

Michael J. Donahue

As Secretary

Table of Contents

Table of Contents

Table of Contents

Proxy Statement Summary

The below summary is intended to highlight certain key information contained in this Proxy Statement. As it is only a summary, it does not contain all of the information that you should consider. We strongly encourage you to read the complete Proxy Statement as well as our 2015 Annual Report to Stockholders before casting your vote.

2016 Annual Meeting of Stockholders

Date & Time:

May 26, 2016 at 9:00 AM, Eastern Time

Record Date:

April 1, 2016

Place:

The Offices of Latham & Watkins LLP

John Hancock Tower, 27th Floor

200 Clarendon Street

Boston, MA 02116

Voting:

Stockholders as of the record date are entitled to vote. Each share of our common stock that you owned on the record date entitles you to one vote on each matter that is voted on at the 2016 Annual Meeting of Stockholders.

Voting Matters & Board Recommendations

Proposal	Description:	Board s Recommendation	Page
1	Election of two Class I director nominees: Gregory W. Hughes; and Marilyn Matz	**FOR** each nominee	25
2	Ratification of appointment of Deloitte & Touche LLP as independent auditors for fiscal 2016	**FOR**	25
3	Approval of amendment and restatement of 2009 Stock Incentive Plan	**FOR**	25
4	Approval of the Company s Cash Incentive Bonus Plan	**FOR**	33
5	Advisory approval of executive compensation	**FOR**	35

Significant 2015 Business Highlights

LogMeIn delivered another year of strong financial and operational performance in 2015, with highlights that included the following:

1. Non-GAAP net income is GAAP net income excluding stock-based compensation expense, litigation-related expense and acquisition-related costs and amortization, less the tax effect of the non-GAAP items. FY 2015 GAAP Net Income was $14.6M.
2. Non-GAAP earnings per share is non-GAAP net income divided by diluted average weighted shares outstanding. FY 2015 GAAP earnings per share was $0.56.
3. Adjusted EBITDA is GAAP net income, less interest income, interest expense and other (expense) income, net, provision for income taxes, depreciation and amortization expenses, acquisition-related costs, stock-based compensation expense and litigation-related expenses. FY 2015 GAAP Net Income was $14.6M.

Corporate Governance Highlights

We believe that good corporate governance is important to achieve business success and to ensure that we are managed for the long-term benefit of our stockholders. We believe that the following corporate governance policies, guidelines and practices adopted by our board of directors reflect many current best practices, including:

- A majority of votes voting standard and a director resignation policy for directors in uncontested elections
- Seven out of nine directors are independent
- An independent lead director presides over all executive sessions of the board of directors and helps set board and committee meeting agendas
- Three standing board committees comprised solely of independent directors
- Directors have full and free access to management and, as necessary and appropriate, independent advisors
- We have separated the roles of Chairman and Chief Executive Officer
- All directors attended greater than 75% of board meetings held during 2015
- An insider trading policy that prohibits executives and directors from hedging or pledging LogMeIn stock
- Directors are subject to stock ownership guidelines
- At least annually, the board of directors and its committees conduct a self-evaluation to determine whether they are functioning effectively

Please see the section entitled Our Commitment to Corporate Governance, beginning on page 22 of this Proxy Statement for additional information about our Corporate Governance practices.

Proxy Statement Summary (continued)

Results of Last Year s Say-on-Pay Vote

At our 2015 Annual Meeting of Stockholders, we conducted our annual non-binding advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Approximately 88% of the votes cast by stockholders on this proposal were cast in support of the 2014 compensation of our named executive officers. While this vote is non-binding, the compensation committee and our board of directors carefully considers the results. Given the strong level of support evidenced by last year s say-on-pay vote, the compensation committee determined that our stockholders were generally supportive of our current executive compensation philosophy and program and decided that no significant changes to our executive compensation program were necessary at this time. Nevertheless, the compensation committee and our board of directors will continue to monitor the executive compensation program to ensure it continues to align the interests of our executive officers with the interests of our stockholders and adequately addresses any stockholder concerns that may be expressed in future votes.

Please see the section entitled Executive Compensation Discussion & Analysis Executive Summary on page 38 of this Proxy Statement for additional information about our executive compensation program and policies.

Executive Compensation Highlights

Summary of 2015 Executive Compensation Program

We believe that the compensation paid to executive officers should closely align their interests with the interests of their stockholders. Therefore, our compensation committee designs our executive compensation programs with the goal of attracting, retaining and motivating talented executives, while simultaneously promoting the achievement of key financial and strategic performance measures by linking a portion of executive compensation to the achievement of measurable corporate performance goals, and thereby aligning the incentives of our executives with the creation of value for our stockholders.

Table of Contents

Proxy Statement Summary (continued)

Below we summarize those executive compensation practices we have implemented to help drive executive performance, as well as practices we have chosen not to implement because we believe such practices do not support our stockholders long-term interests:

What We Do	
ü **Emphasize Pay-for-Performance** all of our named executive officers (except for Mr. D Angelo who is on a sales commission plan) participate in our annual performance-based cash incentive bonus plan, which compensates our executive officers for our achievement of strategic, operational and financial goals, thereby aligning our executive incentives with our performance and the creation of stockholder value. Additionally, at least 50% of our CEO and CFO s target total direct compensation opportunity consisted of performance-based pay in 2015.	ü **Offer Both Equity and Cash Incentives** the compensation packages offered to our executive officers consist of a combination of base salary, equity-based awards and annual cash incentive bonuses, which we believe incentivizes our executive officers to achieve performance results that deliver both short-term and long-term stockholder value.
ü **Use Double-Trigger Change-in-Control Provisions** the equity awards granted to our named executive officers contain a double trigger payment provision, that is, they require both a change-in-control of the Company and an involuntary termination of employment to receive accelerated vesting.	ü **Compensation Recovery (Clawback) Policy** the incentive-based cash compensation paid to our executive officers under our annual cash incentive bonus plan is subject to an executive compensation recovery, or clawback, policy which requires the reimbursement of excess compensation in the event that we are required to prepare an accounting restatement due to the fraud or misconduct of any of our executive officers.
ü **Equity Ownership Guidelines** all of our Section 16 executive officers are required to, by the later of November 14, 2018 or within five years from the date of his/her hire or promotion, own shares of our common stock having an aggregate value at least equal to: (i) three times his base salary for our CEO and (ii) one time the base salary for all other executive officers.	ü **Engage an Independent Compensation Consultant** our compensation committee has retained a compensation consultant to serve as its independent advisor. The compensation consultant reports directly to our compensation committee and provides the committee with competitive market data and additional information needed to make informed compensation decisions.
ü **Annual Say-on-Pay Vote** we conduct our say-on-pay vote on an annual basis to allow our stockholders to provide us with their direct input on our compensation policies, practices, and program as disclosed in our proxy statement each year.	ü **Avoid Undue Risk-taking** our compensation policies and practices are designed to discourage our executive officers from taking on or creating risks that are reasonably likely to have a material adverse effect on us.

What We Don t Do	
û **No Re-pricing Stock Options** we do not re-price our stock options and would not do so without stockholder approval.	û **No Excise Tax Gross-Ups** we do not provide our executive officers with excise tax gross-ups.
û **No Hedging or Pledging** we prohibit our executive officers from engaging in margin, hedging, pledging or other similar transactions in our securities.	û **No Dividend Equivalents** we do not provide dividend equivalents on unvested equity awards.
û **No Resetting of 2015 Performance Targets** we did not reset or amend any of the performance goals or targets used to set executive compensation programs in 2015.	û **No Formal Employment Agreements** none of our executive officers are currently party to a written employment agreement that provides for automatic or pre-scheduled increases in their base salary.

Proxy Statement Summary (continued)

Summary of 2015 CEO Transition

On September 2, 2015, the Company announced a management succession plan whereby Michael K. Simon resigned from his positions as Chief Executive Officer and Secretary of the Company effective as of the close of business on December 15, 2015. The Company s Board of Directors promoted William R. Wagner, who was then serving as the Company s President and Chief Operating Officer, to succeed Mr. Simon as the Company s President and Chief Executive Officer effective December 16, 2015.

In connection with this succession plan, Mr. Simon agreed to continue to serve as Chairman of the Company s Board of Directors and also agreed to serve as Special Advisor to the Chief Executive Officer for a period from December 16, 2015 through December 15, 2016 (the Transition Period). Mr. Simon entered into a formal transition agreement with the Company on September 30, 2015, pursuant to which it was agreed that, during the Transition Period, Mr. Simon would be expected to work at least five (5) days per month to assist with the transitioning of his duties and to perform special assignments as requested by Mr. Wagner. During the Transition Period, Mr. Simon will earn a base salary of $100,000, or 25% of his fiscal 2015 base salary, and he will not be eligible to participate in the Company s 2016 cash incentive bonus plan. Mr. Simon s outstanding equity awards continue to vest during the Transition Period in accordance with their applicable equity award agreements. Should the Company terminate Mr. Simon s employment for any reason other than for cause, death or disability, any unvested equity awards that would have vested prior to the end of the Transition Period but for Mr. Simon s earlier termination, will immediately become fully vested on the date of termination. Upon a change in control, all of Mr. Simon s unvested equity awards that would have vested in the ordinary course prior to the end of the Transition Period will immediately vest in full on the effective date of such change in control. If equity awards are accelerated pursuant to the preceding two sentences, the performance period for any of Mr. Simon s performance-based RSU awards will be shortened to end on the date of termination or change in control, as applicable. During the Transition Period, Mr. Simon also continues to remain eligible to participate in the Company s employee benefit plans, programs and arrangements, including medical, dental, vision, life insurance, disability insurance and defined 401(k) plan.

The compensation committee determined not to make any immediate changes to Mr. Wagner s compensation in connection with the announcement of this succession plan and his promotion to CEO, but did increase his base salary and cash incentive bonus opportunity for fiscal 2016 in connection with the compensation committee s annual compensation review.

Summary of Fiscal 2015 Chief Executive Officer Compensation

Name:	William R. Wagner
Age:	49
Current Title(s):	President and Chief Executive Officer and member of our Board of Directors
Tenure as CEO:	5 months, beginning as of December 16, 2015

Name:	Michael K. Simon
Age:	51
Current Title(s):	Co-founder, Chairman of our Board of Directors and Special Advisor to the Chief Executive Officer
Tenure as CEO:	14 years, from the Company s inception in 2003 through December 15, 2015

Neither Mr. Wagner nor Mr. Simon receive any compensation for their service as members of our Board of Directors. Below is a summary of the compensation that Messrs. Wagner and Simon received during fiscal 2015 for their service as employees:

Name and Current Title	Year	Salary ($)	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
William R. Wagner President & Chief Executive Officer	2015	$ 410,000	$ 4,123,750	$ 330,413	$ 104,102(5)	$ 4,968,265
Michael K. Simon Chairman & Special Advisor to the Chief Executive Officer	2015	$ 387,500(1)	$ 3,775,625	$ 426,340	$ 13,597	$ 4,603,062

(1) Represents the actual base salary paid to Mr. Simon in fiscal 2015. Mr. Simon began fiscal 2015 with a base salary of $400,000, but resigned from his position as CEO effective December 15, 2015.

(2) The amounts reported in this column represent the grant date fair value of the equity awards granted to Messrs. Wagner and Simon in fiscal 2015, which were comprised of 50% performance-based restricted stock units that vest based on LogMeIn s achievement of a specified total stockholder return goal and 50% time-based restricted stock units, calculated in accordance with applicable accounting guidance for equity awards, but excluding the effect of any estimated forfeitures. The amounts shown in this column do not represent the actual amounts paid to or realized by Mr. Wagner or Mr. Simon during fiscal 2015. The assumptions used by us with respect to the valuation of equity grants are set forth in Note 10 to our financial statements included in our Annual Report on Form 10-K, filed with the SEC on February 19, 2016.

(3) The amounts reported in this column consist of the performance-based cash bonuses awarded to Messrs. Wagner and Simon under our annual cash incentive bonus program for fiscal 2015 based on the Company s achievement of certain performance goals established by the compensation committee.

(4) The amounts reported in this column consist of medical insurance, life insurance and disability insurance premiums paid by us on behalf of the Messrs. Wagner and Simon for fiscal 2015.

(5) Mr. Wagner s other compensation for fiscal 2015 also includes moving and relocation-related expenses of $89,885.

Proxy Statement Summary (continued)

2015 CEO Total Direct Compensation Pay Mix

The compensation committee bases its executive compensation decisions on each named executive officer s total direct compensation opportunity. The total direct compensation opportunities of our named executive officers are generally comprised of a mix of cash compensation, in the form of base salaries and annual cash incentive bonuses, and equity compensation. In recent years, this total direct compensation mix has been designed so that the elements of variable pay, such as our annual cash incentive bonus awards and equity incentive awards, represent a substantial portion of each named executive officers total direct compensation opportunity. By dedicating a large percentage of their total direct compensation opportunity to variable pay elements, such as long-term equity incentive awards, rather than fixed pay elements, like base salary, the compensation committee believes that we are able to better link executive incentives with the Company s performance.

In fiscal 2015, the equity incentive awards granted to Messrs. Wagner and Simon were comprised of 50% performance-based RSU, or PRSU, awards and 50% time-based RSU awards, with the PRSU awards tied to the Company s achievement of a specified total stockholder return goal, as further described below in the Executive Compensation Discussion and Analysis section entitled *Equity Incentive Awards Fiscal 2015 Performance Based Restricted Stock Unit Awards*. The compensation committee believes that including PRSU awards in the target total direct compensation opportunities of those executives whose individual performances and decisions have a direct impact on our Company s performance helps to strengthen our overall pay-for-performance alignment by ensuring that a substantial portion of their compensation is aligned with the creation of value for our stockholders.

The following charts illustrate the breakdown of the total direct compensation pay mix awarded to Messrs. Wagner and Simon, for fiscal 2015:

Please see the Executive Compensation Discussion and Analysis section beginning on page 38 of this Proxy Statement for a more detailed description of the compensation paid to our CEO and other named executive officers during fiscal 2015.

Information about the Annual Meeting and Voting

Q. **What is the purpose of the Annual Meeting?**

A. At the 2016 Annual Meeting of Stockholders, stockholders will consider and vote on the following matters:

To elect the two nominees identified in this proxy statement as members of our board of directors who will serve as class I directors for a term of three years;

To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

To approve an amendment and restatement of our 2009 Stock Incentive Plan that will increase the number of shares of common stock that may be issued under the plan by an additional 1,600,000 shares;

To approve our Cash Incentive Bonus Plan so that we may qualify performance-based cash incentives paid as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder;

To approve, on an advisory basis, the compensation of our named executive officers; and

To transact other business, if any, that may properly come before the 2016 Annual Meeting of Stockholders or during any adjournment of the meeting.

Q. **Who is entitled to vote?**

A. To be able to vote on the above matters, you must have been a stockholder of record at the close of business on Friday, April 1, 2016, the record date for the 2016 Annual Meeting of Stockholders. The aggregate number of shares entitled to vote at this meeting is 25,121,631 shares of our common stock, which is the number of shares that were outstanding as of the record date.

Q. **How many votes do I have?**

A.

Each share of our common stock that you owned as of the close of business on the record date entitles you to one vote on each matter that is voted on at the 2016 Annual Meeting of Stockholders.

Q. **Is my vote really that important?**

A. Your vote is important regardless of how many shares you own or whether you plan to attend the Annual Meeting in person. Please take the time to read the instructions below and vote. Choose the method of voting that is easiest and most convenient for you and, if you vote by mail, please cast your vote as soon as possible.

Q. **How do I vote?**

A. *Stockholder of record: Shares registered in your name*. If you are a stockholder of record (that is, your shares are registered in your own name, not in street name by a bank, brokerage firm or other intermediary), the Notice instructs you as to how (i) you may access and review all of the proxy materials on the Internet, (ii) you may submit your proxy, and (iii) to receive paper copies of the proxy materials if you wish. No printed materials will be available unless you specifically request them by following the instructions in the Notice Regarding the Availability of Proxy Materials.

1. *You may vote via the Internet.* To vote via the Internet, log on to the website listed on the Notice or your proxy card and follow the on-screen instructions, using the Company Number and Account Number shown on your proxy card when prompted. We permit Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. You must submit your Internet proxy before 11:59 p.m., Eastern Time, on May 25, 2016, the day before the 2016 Annual Meeting of Stockholders, for your proxy and your vote to be counted. Please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

2. *You may vote by mail.* If you received our proxy materials by mail, you may complete, date and sign the proxy card that accompanies our proxy statement and promptly mail it to American Stock Transfer & Trust Company, or AST, in the enclosed postage pre-paid envelope so that it is received prior to the 2016 Annual Meeting of Stockholders. You do not need to put a stamp on the enclosed envelope if you mail it from within the United States. The persons named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter to be to be voted on at the Annual Meeting, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of our board of directors. Our board of directors recommends that you vote FOR the election of each of the director nominees set forth in Proposal 1 and FOR Proposals 2, 3, 4 and 5. AST must receive your proxy card no later than May 25, 2016, the day before the Annual Meeting, for your proxy and your vote to be counted.

3. *You may vote in person.* To vote in person, attend the Annual Meeting and vote by delivering your completed proxy card in person or by completing and submitting a ballot, which will be provided at the meeting. If you wish to attend the 2016 Annual Meeting of Stockholders to personally vote your shares held in

Table of Contents

Information about the Annual Meeting and Voting (continued)

street name by a bank, brokerage firm or other intermediary, you will need to obtain a proxy card from the holder of record (i.e. your bank, brokerage firm or other intermediary); a broker s proxy card is not the form of proxy card enclosed with this proxy statement.

Beneficial owner: Shares held in street name. If the shares you own are held in street name by a bank, brokerage firm or other intermediary, then your bank, brokerage firm or other intermediary, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the voting instructions your bank, brokerage firm or other intermediary provides you. Many banks, brokerage firms and other intermediaries also offer the option of voting over the Internet or by telephone, instructions for which would be provided to you by your bank, brokerage firm or other intermediary. If you do not instruct your bank, brokerage firm or other intermediary accordingly, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. Of the proposals to be considered at the meeting, only the ratification of the appointment of our independent registered accounting firm is a discretionary item. Accordingly, your bank, brokerage firm or other intermediary may exercise its discretionary authority with respect to Proposal 2 (the ratification of the appointment of our independent registered accounting firm) if you do not provide voting instructions. In the case of the non-discretionary items, Proposal 1 (the election of directors), Proposal 3 (the amendment and restatement of our 2009 Stock Incentive Plan), Proposal 4 (to approve the Company s Cash Incentive Bonus Plan), and Proposal 5 (to approve an advisory vote on executive compensation), the shares will be treated as broker non-votes. Broker non-votes are shares that are held in street name by a bank, brokerage firm or other intermediary that indicates on its proxy that it does not have discretionary authority to vote on a particular matter.

If you wish to attend the 2016 Annual Meeting of Stockholders to personally vote your shares held in street name, you will need to obtain a proxy card from the holder of record (*i.e.* your bank, brokerage firm or other intermediary).

Q. **May I revoke my proxy or change my vote after I have voted?**

A. Yes. If you are a stockholder of record, you may revoke your earlier proxy and/or change your vote at any time before the Annual Meeting by taking one of the following actions (only your latest-dated proxy that we receive prior to the Annual Meeting will be counted):

- completing, signing, dating and mailing another proxy card with a later date;
- voting again via the Internet;
- giving our corporate secretary written notice that you want to revoke your proxy, at the address below under How and when may I submit a stockholder proposal for the 2017 Annual Meeting? ; or
- attending the meeting, notifying our corporate secretary that you are present and then voting in person. Your attendance at the meeting alone will not revoke your proxy; you must vote again or specifically request that your prior proxy be revoked.

If you own shares in street name, your bank, brokerage firm or other intermediary should provide you with appropriate instructions for changing or revoking your vote.

Q. **What constitutes a quorum?**

A. In order for business to be conducted at the 2016 Annual Meeting of Stockholders, our by-laws require that a quorum must be present. A quorum consists of the holders of a majority of the shares of our common stock outstanding and entitled to vote at the Annual Meeting; that is, at least 12,560,816 shares.
Shares of our common stock present in person or represented by proxy (including shares that reflect abstentions, broker non-votes and votes withheld for director nominees) will be counted for the purpose of determining whether a quorum exists.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

Q. **What vote is required to approve each item?**

A. The Company has adopted a majority vote standard for non-contested director elections and a plurality vote standard for contested director elections. The voting standard is discussed further under the section entitled Proposal No. 1 Election of Directors Voting Standard.
All other proposals require the affirmative vote of a majority of outstanding shares present in person or by proxy and entitled to vote at the Annual Meeting. Abstentions have the same effect as negative votes on such proposals. Broker non-votes are not counted for any purpose in determining whether proposals have been approved.

Q. **How will votes be counted?**

A. Each share of common stock voted at the Annual Meeting will be counted as one vote. A share will not be voted in favor of a matter, and will not be counted as voting on a particular matter, if either (1) the holder of the share withholds authority in the proxy card to vote for a particular director nominee or nominees or abstains from voting on a particular matter or (2) the share constitutes a broker non-vote. As a result, withheld shares, abstentions and broker non-votes will have no effect on the outcome of voting on any proposal at the Annual Meeting.

Information about the Annual Meeting and Voting (continued)

Q. **Who will count the votes?**

A. Our transfer agent and registrar, American Stock Transfer & Trust Company, will count, tabulate and certify the votes. A representative of American Stock Transfer & Trust Company will serve as inspector of elections at the Annual Meeting.

Q. **How does the board of directors recommend that I vote on the proposals?**

A. Our board of directors recommends that you vote:

FOR Proposal 1 to elect the two nominees identified in this proxy statement as class I director nominees;

FOR Proposal 2 to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

FOR Proposal 3 to approve an amendment and restatement of our 2009 Stock Incentive Plan;

FOR Proposal 4 to approve our Cash Incentive Bonus Plan so that we may qualify performance-based cash incentives paid as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder; and

FOR Proposal 5 to approve, on an advisory basis, the compensation of our named executive officers.

Q. **Will any other business be conducted at the Annual Meeting or will other matters be voted on?**

A. We are not currently aware of any other business to be conducted or matters to be voted on at the Annual Meeting. However, if any other matter properly comes before the Annual Meeting or any postponement or adjournment thereof, the person(s) named in the proxy card that accompanies this proxy statement will vote, or otherwise act, at the meeting to their best judgment with respect to the shares they have authority to vote. A stockholder proposal or information about a proposed director candidate for potential inclusion in the proxy statement for our 2017 Annual Meeting of Stockholders must be submitted in accordance with the procedures outlined under How and when may I submit a stockholder proposal for the 2017 Annual Meeting?

Q. **When and where can I find the voting results?**

A. We expect to announce preliminary voting results at the 2016 Annual Meeting of Stockholders. We will also report the voting results from the Annual Meeting in a Current Report on Form 8-K filed with the Securities and Exchange Commission, or SEC, within four business days after the conclusion of the Annual Meeting. Otherwise, if final voting results are not available to us in time to file a Current Report on Form 8-K within four business days after the conclusion of the Annual Meeting, we intend to file
a Current Report on Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Current Report on Form 8-K to publish the final results.

Q. **May I recommend a candidate for LogMeIn s board of directors?**

A. Yes. Stockholders may recommend director candidates for consideration by the nominating and corporate governance committee of our board of directors by sending a written notice to our corporate secretary at the address below under How and when may I submit a stockholder proposal for the 2017 Annual Meeting? Our by-laws specify the information that must be included in any such notice, including (i) the stockholder s name, address and number of shares of LogMeIn stock held, and (ii) the director candidate s name, age, address, principal occupation and number of shares of LogMeIn stock held. If a common stockholder would like a director candidate to be considered for inclusion in the proxy statement for our 2017 Annual Meeting, the stockholder must follow the procedures for stockholder proposals outlined immediately below under How and when may I submit a stockholder proposal for the 2017 Annual Meeting? You can find more detailed information on our process for selecting board members and our criteria for board nominees in the section of this proxy statement entitled BOARD OF DIRECTORS, CORPORATE GOVERNANCE AND RELATED MATTERS Director Nomination Process and in the Corporate Governance Guidelines posted on the Investor-Corporate Governance-Documents & Charters section of our website, located at *www.logmeininc.com*.

Alternatively, our by-laws provide that stockholders may nominate director candidates for consideration at the 2017 Annual Meeting directly, without approval of the nominating and corporate governance committee. In order to nominate candidates directly, stockholders must follow the procedures outlined in How and when may I submit a stockholder proposal for the 2017 Annual Meeting? immediately below.

Q. **How and when may I submit a stockholder proposal for the 2017 Annual Meeting?**

A. If you are interested in submitting a proposal or information about a proposed director candidate for potential inclusion in the proxy statement for our 2017 Annual Meeting of Stockholders, you must follow the procedures outlined in Rule 14a-8 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. To be eligible for inclusion in the proxy statement, we must receive your stockholder proposal or information about your proposed director candidate at the address noted below no later than December 9, 2016. However, if the 2017 Annual Meeting of Stockholders is held before April 26, 2017 or after June 25, 2017, then we must receive your stockholder proposal or

Information about the Annual Meeting and Voting (continued)

information about your proposed director candidate at the address noted below a reasonable time before we begin to print and mail our proxy materials for the 2017 Annual Meeting of Stockholders.

If you wish to present a proposal or a proposed director candidate at the 2017 Annual Meeting of Stockholders, but do not wish to have the proposal or director candidate considered for inclusion in the proxy statement and proxy card, you must also give written notice to our corporate secretary at the address noted below. We must receive this required notice by February 25, 2017, but no sooner than January 26, 2017. However, if the 2017 Annual Meeting of Stockholders is held before May 6, 2017 or after July 25, 2017, then we must receive the required notice of a proposal or proposed director candidate no earlier than the 120th day prior to the 2017 Annual Meeting and no later than the close of business on the later of (1) the 90th day prior to the 2017 Annual Meeting of Stockholders and (2) the 10th day following the date on which notice of the date of the 2107 Annual Meeting of Stockholders was mailed or public disclosure was made, whichever occurs first.

Any proposals, notices or information about proposed director candidates should be sent to:

LogMeIn, Inc.

320 Summer Street

Boston, Massachusetts 02210

Attention: Corporate Secretary

Q. **Who bears the costs of soliciting these proxies?**

A. We will bear the costs of soliciting proxies. We are soliciting proxies for the 2016 Annual Meeting of Stockholders in the following ways:

We have retained a third party proxy consultant, Alliance Advisors, L.L.C., to solicit proxies on our behalf;

Our directors, officers and employees may, without additional pay, solicit proxies by telephone, facsimile, email and personal interviews; and

We will request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to the persons for whom they hold shares and request instructions for voting the proxies. We will reimburse the brokerage houses and other persons for their reasonable expenses in connection with this distribution.

Q. **Whom should I contact if I have any questions?**

A. If you have any questions about the 2016 Annual Meeting or your ownership of our common stock, please contact our Investor Relations Department at:

LogMeIn, Inc.

320 Summer Street

Boston Massachusetts 02210

Attention: Investor Relations

InvestorRelations@logmein.com

781-897-0694

Q. **What is householding and how may I receive a separate copy of the proxy statement or Annual Report to Stockholders?**

A. Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement and Annual Report to Stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if our Investor Relations Department receives a call or written request from you at the address, telephone number or email address indicated above. If you want to receive separate copies of our proxy statement or Annual Report to Stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder.

Board of Directors, Corporate Governance and Related Matters

Our Board of Directors

The principal responsibility of our board of directors is to oversee the risk management of the company and, in so doing, serve the best interests of the company and its stockholders. In accordance with our by-laws, our board of directors is divided into three classes. The members of each class serve for staggered three-year terms. At each Annual Meeting of Stockholders, the successors to directors whose terms then expire will be elected to serve from the time of their election and qualification until the third Annual Meeting following their election. We believe that having a staggered board of directors divided by classes is in the best interest of both the company and its stockholders because it provides for greater stability and continuity on our board of directors. The table below provides summary information about the composition of our board of directors:

		Director	Director	Term	
Director Name	Age	Since	Class	Expires	Principal Occupation
Michael K. Simon(1)	51	2003	Class III	2018	Special Advisor to the Chief Executive Officer, LogMeIn, Inc.
Steven J. Benson	57	2004	Class II	2017	General Partner, Prism VentureWorks
Steven G. Chambers	53	2014	Class III	2018	President and Chief Executive Officer, Jibo, Inc.
Michael J. Christenson	57	2010	Class II	2017	Managing Director, Allen & Company
Edwin J. Gillis(2)	67	2007	Class III	2018	Consultant and Former Chief Financial Officer, Veritas Software
Gregory W. Hughes(3)	53	2011	Class I	2016	President and Chief Executive Officer, Serena Software, Inc.
Marilyn Matz(3)	62	2014	Class I	2016	Chief Executive Officer and Co-Founder, Paradigm4, Inc.
Irfan Salim(4)	63	2006	Class I	2016	Consultant and Former Chief Executive Officer, MarkMonitor, Inc.
William R. Wagner	49	2015	Class II	2017	President and Chief Executive Officer, LogMeIn, Inc.

(1) Chairman of the Board of Directors
(2) Lead Independent Director
(3) Upon the expiration of the term of a class of directors, directors in that class are eligible to be elected for a new three-year term at the Annual Meeting of Stockholders in the year in which their term expires. Ms. Matz and Mr. Hughes are Class I director nominees up for re-election at this Annual Meeting of Stockholders.
(4) Mr. Salim will not stand for re-election and his term will expire at this Annual Meeting of Stockholders.

Our by-laws provide that the authorized number of directors may be changed only by resolution of our board of directors and that our directors may be removed only for cause by the affirmative vote of the holders of at least 75% of the votes that all of our stockholders would be entitled to cast in an annual election of directors. Any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

Director Biographies and Qualifications

The following paragraphs provide information as of the date of this proxy statement about each of our director nominees and current directors. The information presented includes their length of service as a director of LogMeIn, as well as information each director has given us about their age as of April 1, 2016, current positions held, principal occupation and business experience for the past five years, as well as the names of other publicly-held companies of which they currently serve as a director or have served as a director during the past five years. There are no family relationships among any of our directors, nominees for director, or executive officers. We have also included information about each nominee s specific experience, qualifications, attributes, or skills that led our board to conclude that he or she should serve as a director of LogMeIn, in light of our business and structure. In addition to the information presented below regarding each nominee s specific experience, qualifications, attributes and skills, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen, an ability to exercise sound judgment and a commitment to our company and our board. Finally, we value their significant experience on other public company boards of directors and board committees.

Director Nominees

Gregory W. Hughes, age 53, has served as a Director since January 2011. Mr. Hughes has served as the President and Chief Executive Officer of Serena Software, Inc., an enterprise software provider, since January 2013. From March 2011 to April 2014, Mr. Hughes was a Director at Silver Lake Partners, a private investment firm. From July 2005 to June 2010, Mr. Hughes held various leadership positions at Symantec Corporation, a leading storage, security, and systems management software company, serving most recently as Group President of Symantec s Enterprise Product Group from January 2009 to June 2010. Mr. Hughes first joined Symantec in July 2005 as part of their acquisition of Veritas Software Corporation, where he had held the position of Executive Vice President, Global Services since October 2003. From 1993 until 2003, Mr. Hughes held various leadership positions at McKinsey & Company, most recently as partner and leader of the North American software industry practice. Prior to joining the board of LogMeIn, Mr. Hughes was previously a board member at Art

Board of Directors, Corporate Governance and Related Matters (continued)

Technology Group and the Huawei-Symantec joint venture. Mr. Hughes holds an M.B.A. from Stanford University Graduate School of Business and a B.S. and M.S. in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology. We believe Mr. Hughes qualifications to serve on our board include his experience working at a number of successful software businesses and his significant business-to-consumer and business-to-business experience in the software industry.

Marilyn Matz, age 62, has served as a Director since August 2014. Ms. Matz has served as Chief Executive Officer, co-founder and chair of the Board of Directors of Paradigm4, Inc., a big data analytics software company, since December 2009. She is co-chair of the Massachusetts Technology Leadership Council s Big Data Cluster. In 1981, Ms. Matz co-founded Cognex Corporation, a public company that manufactures machine vision systems, for which she served in various leadership capacities through 2008, including Global VP of Software Engineering and GM of the Vision Software Business Unit. Ms. Matz holds an M.S. in Computer Science from the Massachusetts Institute of Technology and a B.S. in Computer Science from Syracuse University. We believe Ms. Matz s qualifications to serve on the Board of Directors include her extensive leadership experience in the fields of technology development and research.

Current Directors

Michael K. Simon, age 51, co-founded LogMeIn and has served as Chairman of our board of directors since our inception in February 2003. Mr. Simon has also served as the Special Advisor to the Chief Executive Officer at LogMeIn since December 2015. Prior to that, Mr. Simon served as LogMeIn s Chief Executive Officer and Secretary until December 2015. Mr. Simon also currently serves as a director of HubSpot, Inc., a leading provider of inbound marketing software. Prior to founding LogMeIn, Mr. Simon served as Chairman of the board of directors of Fathom Technology ApS, a software outsourcing company sold to EPAM Systems, Inc. in March 2004. In 1995, Mr. Simon founded Uproar, Inc., a publicly-traded provider of online game shows and interactive games, and served as Uproar s Chief Executive Officer until it was acquired by Vivendi Universal Games, Inc. in March 2001. Mr. Simon holds a B.S. in Electrical Engineering from the University of Notre Dame and an M.B.A. from Washington University in St. Louis. We believe Mr. Simon s qualifications to serve on our board include his extensive experience in the software industry and knowledge of the cloud-based connectivity and software-as-a-service industries.

Steven J. Benson, age 57, has served as a Director since October 2004. Mr. Benson also has served as a General Partner of Prism VentureWorks, a venture capital firm, since March 2004, as an Executive in Residence at Bentley University since January 2009 and as a contributor to Bloomberg Radio since August 2014. Prior to working at Prism, Mr. Benson served as the Chief Executive Officer of MCK Communications from 1997 to 2002. Mr. Benson holds a B.S in Business Communication from Bentley College. We believe Mr. Benson s qualifications to serve on our board include his software-as-a-service industry related experience and his extensive experience as an operating executive, entrepreneur, board member and board advisor.

Steven G. Chambers, age 53, has served as a Director since August 2014. Mr. Chambers has been President and Chief Executive Officer of Jibo, Inc., a robotics development company, since January 2015. Prior to Jibo, Mr. Chambers held various leadership positions at Nuance Communications, Inc., a developer of speech and imaging applications, from September 2005 to April 2014, serving most recently as President, Worldwide Sales & Marketing and Chief Marketing Officer from late 2011 to April 2014. From September 1999 through September 2005, Mr. Chambers served in various management capacities, including President of Speech Solutions, at SpeechWorks International, Inc., which was acquired by ScanSoft, Inc. in April 2003 and later merged with Nuance Communications, Inc. in September 2005. Mr. Chambers also serves as a director of Jibo, Inc. and CallMiner, Inc., a provider of cloud-based conversational analytics solutions. Mr. Chambers holds an M.B.A. from Boston University School of Management, an M.S. in Communications from Boston University, and a B.A. in English and Computer Science from Wesleyan University. We believe Mr. Chambers qualifications to serve on the Board of Directors include his extensive experience in the high-tech and software industries, as well as his experiences in the Internet of Things market.

Michael J. Christenson, age 57, has served as a Director since August 2010. Mr. Christenson has been a Managing Director at Allen & Company, a New York investment bank, since June 2010. From April 2006 to May 2010, Mr. Christenson served as the President and Chief Operating Officer of CA, Inc., an IT management software and solutions company. From February 2005 to April 2006, Mr. Christenson served as CA, Inc. s Executive Vice President of Strategy and Business Development. Prior to joining CA, Inc., Mr. Christenson held a number of leadership positions at Citigroup Global Markets, Inc. from 1987 to 2004. Mr. Christenson holds a B.A. in Chemistry from Rutgers University and an M.B.A. from New York University. We believe Mr. Christenson s qualifications to serve on our board include his extensive investment banking background, as well as his experience in the software industry and as an operating executive.

Edwin J. Gillis, age 67, has served as a Director since November 2007. Mr. Gillis has worked as a business consultant and private investor since January 2006 and also currently serves on the board of directors of Sophos plc. From July 2005 to December 2005, Mr. Gillis served as the Senior Vice President of Administration and Integration of Symantec Corporation, a publicly-traded Internet security company. From November 2002 to July 2005, Mr. Gillis was Executive Vice President and Chief Financial Officer of Veritas Software Corporation. Prior to Veritas, Mr. Gillis served as Chief Financial Officer of Parametric Technology Corporation and Lotus Development Corporation and as a partner at Coopers & Lybrand L.L.P. from August 1976 to June 1991. Mr. Gillis currently also serves as a director of Teradyne, Inc., a global

Board of Directors, Corporate Governance and Related Matters (continued)

supplier of automatic test equipment, and several private companies. Mr. Gillis holds a B.A. from Clark University, an M.A. in International Relations from the University of Southern California and an M.B.A. from Harvard Business School. We believe Mr. Gillis qualifications to serve on our board include his extensive experience on public company boards, his experience as an operating executive and his financial and accounting expertise.

Irfan Salim, age 63, has served as a Director since July 2006. Mr. Salim currently serves as a business consultant and on the boards of a number of private companies. From October 2006 to April 2013, Mr. Salim served as President, Chief Executive Officer and a Director of Mark Monitor, Inc., an online corporate identity protection company, which was acquired by Thompson Reuters in July 2012. From August 2005 to June 2006, Mr. Salim served as President and Chief Executive Officer of Tenebril Inc., an Internet security and privacy company. From March 2001 to July 2005, Mr. Salim served as President and Chief Operating Officer of Zone Labs, Inc., an Internet security company. Mr. Salim holds a B.sc. in Aeronautical Engineering from Imperial College, England, and an M.B.A. from Manchester Business School, England. We believe Mr. Salim s qualifications to serve on our board include his extensive experience in the field of data security and privacy, as an operating executive, entrepreneur and board member.

William R. Wagner, age 49, has served as a Director since March 2015 and currently serves as LogMeIn s President and Chief Executive Officer. Mr. Wagner first joined LogMeIn in May 2013 as our Chief Operating Officer and served as our President and Chief Operating Officer from January 2015 to December 2015. Prior to joining LogMeIn, Mr. Wagner served as the Chief Operating Officer at Vocus, Inc., a leading cloud marketing software provider, from October 2010 to November 2012 and as Vocus s Chief Marketing Officer from July 2006 to October 2010. Prior to joining Vocus, Mr. Wagner had served as the Chief Marketing Officer at Fiberlink Communications, from February 2000 to June 2006. Mr. Wagner holds a B.A. in History from Lafayette College and an M.B.A. from the Wharton School of Business. We believe Mr. Wagner s qualifications to serve on our board include his extensive sales and marketing leadership experience working at a number of successful technology and software-as-a-service businesses, as well as his current experience as an operating executive in the software industry and at the Company.

Board Leadership Structure

Our board has implemented a leadership structure comprised of both a Chairman, Mr. Michael Simon, and a Lead Independent Director, Mr. Edwin Gillis.

Chairman

The Chairman of our board, among other things, is responsible for presiding over and managing the board and setting agendas for our board meetings. Our board of directors believes that Mr. Simon s service as both Chairman of the board and his experience as co-founder of LogMeIn and current Special Advisor to the Chief Executive Officer is in the best interest of the Company and its stockholders. The board believes Mr. Simon s experience allows him to possess detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company, its business and its industry. In addition, the majority of our directors, other than Messrs. Simon and Wagner, are independent, and the board believes that these independent directors provide effective oversight of management.

Lead Independent Director

Edwin J. Gillis, an independent director who serves as chairman of the audit committee and as a member of the nominating and corporate governance committee, has been selected by our board of directors to serve as the Lead Independent Director for all meetings of the non-employee directors held in executive session. The Lead Independent Director has the responsibility of presiding at all executive sessions of the board of directors, consulting with both the Chairman and the Chief Executive Officer on board and committee meeting agendas, acting as a liaison between management and the non-employee directors, including maintaining frequent contact with both the Chairman and Chief Executive Officer and advising them on the efficiency of the board meetings, facilitating teamwork and communication between the non-employee directors and management, as well as additional responsibilities that are more fully described in our Corporate Governance Guidelines, posted on the Investor Corporate Governance Documents & Charters section of our website, located at *www.logmeininc.com*.

Director Independence

Under Rule 5605(b)(1) of the NASDAQ Marketplace Rules, independent directors must comprise a majority of a listed company s board of directors within one year of listing. In addition, NASDAQ Marketplace Rules require that, subject to specified exceptions, each member of a listed company s audit, compensation and nominating and corporate governance committees must be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Under NASDAQ Marketplace Rule 5605(a)(2), a director will only qualify as an independent director if, in the opinion of that company s board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a

Board of Directors, Corporate Governance and Related Matters (continued)

director. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has determined that all of our directors, with the exception of Mr. Simon and Mr. Wagner, are independent as that term is defined under NASDAQ Marketplace Rule 5605(a)(2) and that those directors who comprise our audit, compensation and nominating and corporate governance committees satisfy the independence standards for those committees established by applicable SEC rules and the NASDAQ Marketplace Rules. In making this determination, our board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Meetings and Attendance

Our board met seven times during the year ended December 31, 2015. During 2015, each director attended at least 75% of the board meetings held during the period for which he or she has been a director. During 2015, each incumbent director attended at least 75% of the number of meetings held by all committees of the board on which he or she then served. Eight of nine directors were present at our Annual Meeting of Stockholders in 2015.

Board Committees

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee, each of which assist the board in fulfilling its oversight responsibilities. Each committee operates under a charter that has been approved by our board of directors in compliance with the NASDAQ Marketplace Rules, copies of which are available under the Investor Corporate Governance-Documents & Charters section on our website, located at *www.logmeininc.com*. The following table indicates the members of each board committee as of April 1, 2016:

	Audit	Compensation	Nominating & Corporate Governance
Director Name:			
Michael K. Simon «			
Steven J. Benson			
Steven G. Chambers			
Michael J. Christenson			
Edwin J. Gillis ¨			
Gregory W. Hughes			
Marilyn Matz			
Irfan Salim[(1)]			
William R. Wagner			
Number of Meetings held in fiscal 2015	**six**	**three**	**three**

(1) Mr. Salim has elected not to stand for re-election and his term will expire at this Annual Meeting of Stockholders.
« = Chairman of the Board ¨ = Lead Independent Director = Committee Chair = Committee member

Audit Committee During fiscal 2015 our audit committee was comprised of Messrs. Benson, Gillis, Hughes and Ms. Matz. Ms. Matz replaced Mr. Hughes on the audit committee effective March 24, 2015. Mr. Gillis chairs the audit committee. Our board of directors has determined that each audit committee member satisfies the requirements for financial literacy under the current requirements of the NASDAQ Marketplace Rules. Mr. Gillis is an audit committee financial expert, as defined by SEC rules, and satisfies the financial sophistication requirements of the NASDAQ Global Select Market. Our audit committee assists our board of directors in its oversight of our accounting and financial reporting process and the audits of our financial statements. The audit committee s responsibilities include:

appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;

Board of Directors, Corporate Governance and Related Matters (continued)

- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures, and Code of Business Conduct and Ethics;
- discussing our risk-management policies;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and resolution of accounting-related complaints and concerns;
- meeting independently with our independent registered public accounting firm and management;
- reviewing and approving or ratifying any related-person transactions; and
- preparing the annual audit committee report required by SEC rules.

All audit and non-audit services, other than *de minimis* non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

Compensation Committee The members of our compensation committee are Messrs. Benson, Hughes and Salim. Mr. Benson chairs the compensation committee. Mr. Salim has elected not to stand for re-election but will continue to serve on the compensation committee until this Annual Meeting of Stockholders, at which time his term will expire. The compensation committee s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation;
- determining our Chief Executive Officer s compensation;
- reviewing and approving, or making recommendations to our board of directors with respect to, the compensation of our other executive officers;
- overseeing an evaluation of our senior executives;
- overseeing and administering our cash and equity incentive plans;
- reviewing and making recommendations to our board of directors with respect to director compensation;
- reviewing and discussing annually with management our Compensation Discussion and Analysis disclosure required by SEC rules; and
- preparing the annual compensation committee report required by SEC rules.

Nominating and Corporate Governance Committee The members of our nominating and corporate governance committee are Messrs. Christenson, Gillis and Salim. Mr. Salim will continue to chair the nominating and corporate governance committee until this Annual Meeting of Stockholders, at which time his term will expire. The nominating and corporate governance committee s responsibilities include:

- identifying individuals qualified to become members of our board of directors;
- recommending to our board of directors the persons to be nominated for election as directors and to each board committee;
- reviewing and making recommendations to our board of directors with respect to management succession planning;
- developing and recommending corporate governance principles to our board of directors; and
- overseeing an annual evaluation of our board of directors.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee. None of the members of our compensation committee is an officer or employee of our company, nor have they ever been an officer or employee of our company.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The Code of Business Conduct and Ethics is available under the Investor Corporate Governance Documents & Charters section on our website, located at *www.logmeininc.com*. Any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Board of Directors, Corporate Governance and Related Matters (continued)

Director Compensation

Overview of Director Compensation Program

We use a combination of cash and stock-based compensation to attract and retain qualified persons to serve on our board of directors. The form and amount of director compensation is determined by the board, based upon the recommendations of our compensation committee. Mr. Simon, our Chairman and current Special Advisor to the Chief Executive Officer, and Mr. Wagner, our President and Chief Executive Officer, did not receive any compensation in connection with their service as directors during fiscal 2015. The compensation that we paid in 2015 to Messrs. Simon and Wagner as employees is discussed in the Executive Compensation Discussion and Analysis section beginning on page 38.

Director Cash Compensation

We pay each non-employee director an annual retainer of $35,000. Each non-employee director is also entitled to receive an additional annual fee of $7,800 for service on the audit committee, $5,000 for service on the compensation committee and $5,000 for service on the nominating and corporate governance committee. In lieu of these additional annual fees for service on the committees, the chairman of the audit committee is entitled to receive an additional annual retainer of $20,000, the chairman of the compensation committee is entitled to receive an additional annual retainer of $20,000, and the chairman of the nominating and corporate governance committee is entitled to receive an additional annual retainer of $10,000. Our Lead Independent Director is also entitled to receive an additional annual retainer of $15,000. We also reimburse each non-employee director for any out-of-pocket expenses incurred in connection with their attending our board and committee meetings. In determining the amount of cash compensation to be paid to our non-employee directors, our compensation committee retained independent compensation consultant, Compensia, Inc., or Compensia, who presented competitive market data and ranges for cash compensation that are consistent with our compensation peer group.

Director Stock Compensation

In addition to cash compensation, we also grant our non-employee directors RSU awards under our Amended and Restated 2009 Stock Incentive Plan. In determining the amounts of RSU awards to be granted to our non-employee directors, the compensation committee generally plans to grant awards that are deemed to be competitive with the equity awards granted by the other companies within our fiscal 2015 compensation peer group and other companies within our industry and region.

In fiscal 2015, each of our non-employee directors, with the exception of Mr. Chambers and Ms. Matz who each still had unvested shares underlying their initial time-based RSUs awarded to them in September 2014 in connection with their appointment to the board, were awarded a time-based RSU award with vesting conditions which were subject to their continued service as a director through their applicable vesting date. Pursuant to the individual award agreements, vesting rights typically cease shortly after termination of service except in the case of death or disability. Prior to the vesting of an RSU, the holder has no rights as a stockholder with respect to the shares subject to such RSU, including voting rights and the right to receive dividends or dividend equivalents.

In fiscal 2015, the following time-based RSU awards were granted to our non-employee directors:

Non- Employee Director	Shares of Common Stock Subject to Time-Based RSU Awards (#)[1]
Steven J. Benson	3,276
Steven G. Chambers	
Michael J. Christenson	3,276
Edwin J. Gillis	3,276
Gregory W. Hughes	3,276
Marilyn Matz	
Irfan Salim	3,276

(1)

The 2015 RSU awards granted to Messrs. Benson, Christenson, Gillis, Hughes and Salim were awarded at the May 21, 2015 meeting of our board of directors and have a one-year cliff vesting condition whereby the shares underlying these awards will become fully vested on the first anniversary of the date of grant, subject to their continued service through such date.

Board of Directors, Corporate Governance and Related Matters (continued)

Director Stock Ownership Guidelines

Our board of directors has adopted stock ownership guidelines for our non-employee directors. Pursuant to these stock ownership guidelines, each current non-employee director and any newly appointed non-employee director is required to, by the later of November 14, 2016 (the date three years from the guidelines implementation date) or, for newly elected directors, the date three (3) years from the date of his or her election to the board, own shares of the company s common stock having an aggregate value at least equal to one times the amount of the annual cash retainer that we currently pay our non-employee directors for general service on our board, excluding any additional retainers paid for serving on committees or as lead director. For purposes of this calculation, shares of the company s common stock held directly or indirectly by the non-employee director are included while any outstanding and unvested RSU awards or any outstanding and unvested or vested but unexercised stock option awards are excluded.

Director Compensation in Fiscal 2015

The following table sets forth information regarding compensation earned by our non-employee directors during 2015:

Name	Fees Earned or Paid in Cash($)(1)	Stock Awards ($)(2)(3)	Total ($)			
Steven J. Benson	$ 61,400	$ 212,842(4)	$ 274,242			
Steven G. Chambers	$ 35,000	$	$ 35,000			
Michael J. Christenson	$ 40,000	$ 212,842(4)	$ 252,842			
Edwin J. Gillis	$ 75,000	52,500	40,032	94,634	5,123	192,289
Steven H. Wunning	52,599	40,032	94,634	2,249	189,514	
Larry D. Yost	52,312	40,032	94,634	10,582	197,560	

(1) Mr. Cardoso, our President and Chief Executive Officer, is also the Chairman of our Board. Mr. Cardoso s compensation for serving as our President and Chief Executive Officer is reported in the Summary Compensation Table and other compensation tables set forth herein. Mr. Cardoso does not receive any additional compensation for his service on our Board.

(2) Our directors may elect to receive these fees in cash, in shares of our capital stock, or in deferred stock credits.

(3) On August 1, 2012, each non-employee director received a grant of restricted units with a grant date fair value of $40,032 (rounded to the nearest whole share) or deferred stock credits amounting to $40,032 (for those who elected to defer their restricted unit awards into deferred stock credits). Restricted unit awards vest 33% per year over a three year period beginning on the first anniversary of the grant date. Deferred stock credits may not be paid until the third anniversary of the grant date. The aggregate number of stock awards held by each director as of June 30, 2013 is set forth below in the Supplemental Table to 2013 Non-Employee Director Compensation Table.
The values set forth in this column are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 15 to the financial statements included in Kennametal s 2013 Annual Report for a discussion of additional assumptions used in calculating grant date fair value.

(4) We pay dividend equivalents on unvested restricted units during the restriction period, but the dividends are not preferential. For those directors who elected to defer their restricted unit awards into deferred stock credits, their accounts are credited quarterly with dividend equivalents, but again, these are not preferential.

(5) On August 1, 2012, each non-employee director (other than Ms. Davis) received a grant of 7,000 stock options with a grant date fair value of $94,634. These stock option awards vest 33% per year over a three year period beginning on the first anniversary of the grant date. The exercise price for each award is determined by taking the closing price on the grant date as quoted on the New York Stock Exchange Composite Transactions reporting. Ms. Davis received an initial grant of 14,000 stock options on December 1, 2012. This award vests 33% per year over a three year period beginning on the first anniversary of the grant date. The exercise price for this award is determined by taking the closing price on the grant date as quoted on the New York Stock Exchange Composite Transactions reporting. The aggregate number of option awards held by each director as of June 30, 2013 is set forth below in the Supplemental Table to 2013 Non-Employee

Director Compensation Table.
The values set forth in this column are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 15

to the financial statements included in Kennametal s 2013 Annual Report for a discussion of additional assumptions used in calculating grant date fair value.

(6) These amounts consist of premiums paid by the Company for life insurance. For Messrs. Harvey, Stranghoener, Wunning and Yost, the amounts also include donations made by us on behalf of the directors to charitable organizations under the Matching Gifts Program described above.

Supplemental Table to 2013 Non-Employee Director Compensation Table

Name	Aggregate Options Outstanding at Fiscal Year End	Aggregate Unvested Stock Awards Outstanding at Fiscal Year End	Aggregate Deferred Unvested Stock Awards Outstanding at Fiscal Year End(a)
Cindy L. Davis	14,000		
Ronald M. DeFeo	58,000	2,270	
Philip A. Dur	46,260	2,270	
William J. Harvey	28,000		2,166
Timothy R. McLevish	76,000	496	2,166
William R. Newlin	67,000	2,270	
Lawrence W. Stranghoener	67,000		3,722
Steven H. Wunning	67,000	2,270	
Larry D. Yost	73,000		3,722

(a) Represents restricted stock units that were electively deferred by the Board member into deferred stock credits subject to a minimum deferral period of three years from the date of the grant.

AUDIT COMMITTEE REPORT

Functions of the Audit Committee

The Audit Committee (we or the committee) assists the Board in its oversight of: the quality and integrity of the Company s financial statements, internal controls and disclosures; the Company s compliance with legal and regulatory requirements; the performance, qualifications and independence of the Company s independent auditors; and the performance of the internal audit function. We have the sole authority to appoint, retain, terminate and replace the Company s independent auditors, subject to shareowner ratification with respect to retention at the next regularly scheduled annual meeting of shareowners. We perform an annual self-assessment to evaluate the composition, activities and interactions of the committee and submit the results of the self-assessment to both the Nominating/Corporate Governance Committee and the Board.

Responsibilities

Management is responsible for the Company s financial reporting process and system of internal controls and for the preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The independent auditors are responsible for planning and carrying out an audit of the financial statements and internal control over financial reporting in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) and issuing a report on that audit. Our responsibility is to provide oversight to these processes. We do not certify the financial statements or guarantee the auditor s report. To fulfill our oversight role, we rely (without independent verification) on the information provided to us, the representations made by management and the independent auditors and the report of the independent auditors.

Table of Contents

Complaints

Anyone, including any Company employee, who has a complaint or concern regarding the Company s accounting, internal auditing controls or auditing matters may communicate that complaint or concern to the committee:

in writing directed to the Vice President, Secretary and General Counsel, Kennametal Inc., 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania 15650-0231

by calling the Company s toll-free HELPLINE (1-877-781-7319). The HELPLINE is accessible twenty-four (24) hours a day. Concerned persons can utilize the HELPLINE on a confidential and anonymous basis.

Monitoring Activities in 2013

We held eight (8) meetings in 2013. During these meetings, we discussed with management, the internal auditors and the Company s independent auditors, PricewaterhouseCoopers LLP (PwC) (to the extent applicable), the quality and adequacy of the Company s internal control over financial reporting, the internal audit function s organization, responsibilities, budget and staffing and the results of internal audit examinations. We also reviewed with both PwC and the internal auditors their respective audit plans, audit scope and identification of audit risks, and met separately with PwC and with the internal auditors, without management present, to discuss the results of their examinations, their evaluations of the Company s internal control over financial reporting and the overall quality of the Company s financial reporting. We reviewed the interim financial information contained in each quarterly earnings announcement and each Form 10-Q filed with the SEC in 2013 and discussed this information with PwC and with the Company s Chief Financial Officer and Corporate Controller prior to release. We also reviewed and discussed with both management and PwC the audited financial statements for the year ended June 30, 2013 prior to release.

The discussions with PwC included the matters required by GAAP, including those described in Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the PCAOB in Rule 3200T, related to communication with audit committees. We received from PwC written disclosures and the letter required by applicable requirements of the PCAOB regarding PwC s communications with us concerning their independence, and discussed with PwC their independence.

Based on these reviews and these meetings, discussions and reports, we have recommended to the Board of Directors that the Company s audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2013 for filing with the SEC. We have retained PwC as the Company s auditor for the fiscal year ending June 30, 2014, and are submitting that decision for shareowner ratification at the Annual Meeting as discussed below.

Audit Committee

Timothy R. McLevish, Chair

Cindy L. Davis

Lawrence W. Stranghoener

Steven H. Wunning

Larry D. Yost

Table of Contents

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proposal II. Ratification of the Selection of the Independent Registered Public Accounting Firm

The Audit Committee has retained PwC as the Company s independent auditors for the fiscal year ending June 30, 2014. As a matter of good corporate practice, the Audit Committee is submitting its selection to our shareowners for ratification at the Annual Meeting. Unless otherwise directed by the shareowners, proxies will be voted in favor of the ratification of the selection of PwC as the Company s independent auditors for the fiscal year ending June 30, 2014. In the event that this selection is not ratified by the shareowners, the Audit Committee will consider this vote in determining its future selection of an auditor. Even if the selection is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that a change would be in the best interests of the Company and its shareowners.

Representatives of PwC attended all meetings of the Audit Committee held during 2013. The Audit Committee reviewed the non-audit services provided by PwC in 2013 and, based on that review, determined that the non-audit services provided by PwC were compatible with maintaining the independence of PwC.

Representatives of PwC will attend the Annual Meeting, and will have the opportunity to make a statement at the meeting if they wish. They also will be available to respond to appropriate questions from shareowners in accordance with the rules of the meeting.

Fees and Services

Fees for professional services (including expense) rendered by PwC to the Company and its subsidiaries in 2012 and 2013 were as follows (in millions):

	2012	**2013**
Audit Fees(1)	$ 4.7	$ 4.5
Audit-Related Fees		
Tax Fees(2)	0.8	0.5
All Other Fees		
TOTAL	$ 5.5	$ 5.0

(1) These fees relate to services provided for the audit of the consolidated financial statements, subsidiary and statutory audits, the issuance of consents and assistance with the review of documents filed with the SEC. Also included are fees for services related to the audit of the Company s internal control over financial reporting.

(2) These fees relate primarily to tax compliance services, tax planning advice and tax audit assistance.

Audit Committee Pre-Approval Policy

The Audit Committee annually adopts a policy for pre-approval of audit and non-audit services to be provided by the independent auditors. Under the policy, the Audit Committee pre-approves categories of services and fee caps for each category. The pre-approved services include: (i) audit services, such as statutory audits and internal control-related services, services associated with regulatory filings and consultations regarding disclosure treatment of certain transactions or events; (ii) audit-related services, such as due diligence and accounting consultations; (iii) tax services, such as tax compliance (domestic and international) and tax planning and advice; and (iv) other permissible non-audit services that the Audit Committee believes will not impair the auditor s independence. The Audit Committee must specifically pre-approve the terms of the annual audit services engagement. All other audit and permissible non-audit services not specifically covered by the policy, and any proposed services which materially exceed the pre-approved fee levels, require separate specific pre-approval by the Audit Committee. The Audit Committee has delegated pre-approval authority to its Chairman. The Chairman must report any specific pre-approval decisions to the Audit Committee at the next scheduled meeting for review and ratification. The policy requires the auditor to provide the Audit Committee with detailed supporting documentation regarding the specific services to be provided.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PwC AS THE COMPANY S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING JUNE 30, 2014.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The following is a discussion and analysis of our compensation programs as they apply to our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated executive officers in Fiscal 2013, all of whom were serving as executive officers of the Company as of the end of Fiscal 2013 (our NEOs).

Our NEOs for Fiscal 2013 were as follows:

- Carlos M. Cardoso: Chairman, President & Chief Executive Officer (CEO)
- Frank P. Simpkins: Vice President & Chief Financial Officer (CFO)
- John R. Tucker: Vice President & President, Business Groups
- John H. Jacko, Jr.: Vice President & Chief Marketing Officer
- Steven R. Hanna: Vice President & Chief Information Officer

In this Compensation Discussion and Analysis (CD&A), we discuss our compensation policies and practices as they relate to our NEOs, compensation decisions made in Fiscal 2013 affecting our NEOs compensation, highlights of the Company s financial performance for Fiscal 2013 and its effect on compensation paid to our NEOs in that year and recent changes we have made to our executive compensation program.

Executive Summary

The following is an overview of our executive compensation philosophy and programs as detailed further in this CD&A:

- The objectives of our executive compensation program are to: attract and retain exceptional talent; recognize individual contributions to the Company; focus our executives attention on the attainment of significant business objectives; create long-term shareowner value; ensure alignment between management s interests and the interests of our shareowners; share the financial benefits of strong Company performance; and maintain executive compensation at a competitive level.
- Our Compensation Committee has engaged an independent compensation consultant, Pay Governance, to assist with the ongoing review of our executive compensation program to ensure that our program is competitive and appropriate given the Company s objectives and market practices.
- The compensation program for our executive officers consists of the following three primary components: base salary; an annual cash-based incentive program; and equity-based long-term incentive awards consisting of stock options, restricted units and performance units.

We generally target total compensation for each of our executives at the median level for executives in similar positions within our industry and peer group. We may deviate from the median if, in the judgment of the Compensation Committee, the value of an executive s experience, performance and specific skill set warrants.

The Compensation Committee believes that executive compensation should be tied both to individual performance and Company performance, which is why a substantial portion of the compensation provided to our executive officers is at risk.

Our annual cash-based incentives are aligned directly with critical measures of Company performance, consistent with our pay-for-performance philosophy.

Our long-term incentive program is intended to drive the achievement of critical long-term business objectives, align management s interests with those of our shareowners and foster retention of key executives. For Fiscal 2013, 50% of the target value of each executive s long-term incentive opportunity was granted in the form of performance units, 30% was granted in the form of stock options and 20% was granted in the form of restricted units.

Table of Contents

Vesting of our long-term incentive performance units is based on the attainment of two pre-established financial performance goals (earnings per share and return on invested capital). The performance unit awards are subject to an additional continuous service requirement, which provides that award recipients must remain employed by the Company through the payout date in order to receive the payout, generally three years after the grant date. Restricted units and stock options time vest based on continuous service with the Company. All equity awards are stock-settled and, as a result, link our executives compensation to future stock price performance and, if earned, will increase our executives stock ownership levels.

In lieu of providing individual perquisites, executives receive a $20,000 annual perquisite allowance to be used in their discretion, an amount which the Company believes is reasonable based on competitive market practices.

Highlights of Kennametal s Fiscal 2013 Financial Performance and Links to our Performance-Based Awards

The Company achieved annual performance in sales, profitability and returns for Fiscal 2013 as described below:

Sales of $2.6 billion for Fiscal 2013, compared with $2.7 billion in Fiscal 2012.

Reported earnings per share (EPS) of $2.52 compared with reported EPS of $3.77 in Fiscal 2012.

Adjusted return on invested capital (ROIC) for Fiscal 2013 was 9.5% down from 16.3% in Fiscal 2012.

Earnings Before Interest and Tax (EBIT) margin performance results for Fiscal 2013 was 11.3% compared to 15.9% for Fiscal 2012.

Free Operating Cash Flow (FOCF) at a record high for the company at $204 million, 99% of net income.

Please see Appendix B to this proxy statement for a reconciliation of our adjusted ROIC, EBIT and FOCF results to our results reported in accordance with GAAP.

The Company s Fiscal 2013 financial performance had the following effects on the outstanding performance-based awards held by our NEOs:

For those executives whose 2013 Prime Bonus Plan awards were based 100% on Kennametal sales growth, EPS, FOCF, and On-Time Performance (Messrs. Simpkins, Tucker, Jacko, Hanna and Mr. Cardoso with respect to Component (1) of his 2013 Prime Bonus Plan award), the 2013 annual incentive awards were earned with payouts at 7.83% of target, due to the fact that actual performance for Fiscal 2013 was below the target level for many of the underlying performance goals for the period (as hereinafter described).

The first tranche (1/3) of the 2013 long-term performance units were forfeited due to the Company not having achieved the threshold EPS and ROIC performance goals set for Fiscal 2013.

The second tranche (1/3) of the 2012 long-term performance units and the third tranche (1/3) of the 2011 long-term incentive performance units were both forfeited due to the Company not having achieved the threshold EBIT margin performance goals set for Fiscal 2013.

Results of 2012 Shareowner Vote on NEO Compensation

At our October 2012 annual meeting of shareowners, we held our annual advisory vote to approve the compensation paid to our NEOs, commonly referred to as the Say-on-Pay vote, as required by Section 14A of the Exchange Act. At the meeting, our shareowners overwhelmingly approved the compensation paid to our NEOs as described in last year s proxy statement, with over 98% of votes cast in favor of approving the compensation paid to our NEOs in Fiscal 2012. As we evaluated our compensation policies and practices throughout the remainder of Fiscal 2013 and the early part of Fiscal 2014, in connection with the Compensation Committee s determination of Fiscal 2014 executive compensation, we were mindful of the strong support our shareowners expressed for our pay-for-performance philosophy, which is designed to link the compensation paid to our NEOs to the Company s financial performance and shareowner value. Accordingly, the Compensation Committee decided to retain our general approach to executive compensation, with an emphasis on performance-based incentive compensation components that reward our executives when they deliver value to the Company and our shareowners.

Summary of Compensation Actions for Fiscal 2013

The following information highlights the Compensation Committee s key incentive program design decisions for Fiscal 2013, which were made in July 2012. These decisions, made with the advice of the Compensation Committee s independent consultant, Pay Governance, are discussed in greater detail throughout the CD&A. The key compensation decisions were as follows:

- Replaced Return on Investment Capital (ROIC) with Free Operating Cash Flow (FOCF) in the Prime Bonus design to support necessary focus on primary working capital and inventory management, in addition to the continued use of annual EPS and sales growth goals.

- Maintained a safety modifier (providing for upward or downward adjustment of +/- 10%) in our Prime Bonus design based on the Company s performance against a recordable incident rate reduction plan, which the Compensation Committee considers to be a key measure of employee safety.

- Maintained the general design of our long-term incentive (LTI) program to provide for the granting of performance unit awards, which are stock-settled.

Executive Compensation Philosophy

Kennametal s executive compensation philosophy is premised on the following basic principles, which we believe form the foundation of an effective and responsible compensation program:

- *Pay-for-Performance.* Executive compensation should be tied to both individual performance and Company performance (annual and long-term).

- *Link the Ratio of Fixed to Variable Components of Compensation with the Executive s Level of Responsibility and Accountability.* As our executives progress to higher levels of responsibility within the Company, a greater proportion of their overall compensation should be linked directly to Company performance and shareowner returns.

- *Promote a Long-Term Perspective.* Our compensation program should promote the long-term focus and strategic vision required for our future growth and success.

- *Offer Competitive Compensation.* We believe that highly-qualified and skilled executives can differentiate us and provide a competitive advantage in the marketplace. Our objective is to offer compensation that is competitive with that offered by other companies that compete with us for talent.

The Compensation Committee has responsibility for the oversight and administration of our executive compensation program. The Compensation Committee works with its independent compensation consultant and members of our management to collect and analyze relevant data during the compensation decision-making process, but it is the Compensation Committee that ultimately oversees and approves all compensation matters regarding our executives, including our NEOs.

Objectives of the Executive Compensation Program

To support our overall compensation philosophy, we have designed our executive compensation program to:

Attract and retain exceptional talent;

Recognize individual contributions to the Company;

Focus our executives attention on the attainment of significant business objectives and the creation of long-term shareowner value;

Ensure alignment between management s interests and the interests of our shareowners;

Table of Contents

Share the financial benefits of strong Company performance; and

Maintain executive compensation at a competitive level.

Design of Our Executive Compensation Program

Overall Design of the Executive Compensation Program

Each of our executives receives a compensation and benefits package comprised of the five basic components described in the table below which also provides an explanation of why we provide the particular compensation component, how we determine the amount and what such compensation component is designed to reward.

Compensation Component	**Why We Provide it**	**How We Determine the Amount**	**What it is Intended to Reward**
Base Salary	Consistent with competitive practice	Approximately the median of similarly-sized manufacturing companies	Individual performance and level of experience, expertise and responsibility within the Company
Annual Incentive Prime Bonus	To link pay and performance To drive the achievement of annual business objectives Consistent with competitive practice	Awards are performance-based and calculated as a percentage of base salary: Target based on median of market practice for executive s position; and Award opportunities are determined on an individual basis and range from below median to above median for similar positions in peer group of companies	Annual Company performance and individual performance
Long-term Incentives (including stock options, restricted units and performance units)	To link pay and performance To drive the achievement of critical long-term business objectives To align management s interests with those of our shareowners Foster the long-term retention of key executives Consistent with competitive practice	Total long-term incentive opportunity is determined on an individual basis based on the executive s performance and career potential (internal and individual factors), and taking into account the long-term compensation paid by our competitors for similar positions For Fiscal 2013, the total long-term incentive opportunity was allocated between performance units (50%), stock options (30%) and restricted units (20%) Performance unit awards are performance based: Target based on median of market practice for executive s position; and Award opportunities are determined on an individual basis and range from below median to above median for	Long-term Company performance and individual performance Performance Units - increased shareowner value and overall Company performance over the long-term Stock Options - increased shareowner value over the long-term (10 years) Restricted Units - long-term commitment to the Company

		similar positions in peer group of companies	
Retirement Benefits	Consistent with competitive practice	Competitive market practices and Company-specific circumstances	To provide long-term financial security to executives who have demonstrated a long-term commitment to the Company
Executive Benefits and Perquisite Allowance	Consistent with competitive practice Provides a level of protection against the financial catastrophes that can result from illness, disability or death	Approximately the median of peer group of companies	Executive contributions to our Company s short-term and long-term success.

29

We have designed our executive compensation program to target total compensation for each of our executives at the median level for executives in similar positions within our industry and peer group. Actual compensation paid to any particular executive may be above or below median compensation depending on Company and individual performance. We believe that target compensation under our incentive plans should allow for above-median compensation for exceptional performance, as well as below-median compensation when performance falls below our expectations. Also, we may deviate from the median if, in the judgment of management and/or the Compensation Committee, the value of an executive s experience, performance and specific skill set warrants. For individual executives, compensation may also vary depending on the executive s experience, responsibility and expertise, such person s contribution to our business strategy and the market s demand for such skills and talent. The foundation of our program is based on a system of market pricing. Each executive s compensation is benchmarked against those of executives in comparable positions in the competitive market and, in some cases, against a peer group of companies. This benchmarking process as well as an internal assessment of the particular position s internal value to the Company, scope and complexity of responsibilities generally defines a range of opportunities for base salary, annual incentives and long-term incentives. The pay ranges give the Compensation Committee flexibility to position individual compensation above or below market median levels depending on the individual s job performance, professional qualifications, business experience, technical expertise and career potential.

Factors that Influence Compensation

The Compensation Committee believes that an effective compensation program reflects a balance between individual factors (*i.e.,* level of responsibility, skills, experience, expertise and individual performance), organizational measures (*i.e*., Company or business unit performance), and external or market factors (*i.e*., competitive benchmarking and survey data). We incorporate each of these factors into the design of our executive compensation program. Accordingly, we compensate our executives based upon an assessment of:

Individual Performance. All of our executives are evaluated against an annual, individual performance plan. The performance plan is based on individual performance objectives that will further the goals of the executive s business unit, if applicable, and the strategic goals of the Company as a whole. These objectives are reviewed and assessed every quarter by the executive and his or her manager. At the end of the fiscal year there is a comprehensive analysis of the executive s actual performance vis-à-vis the individual s performance plan, and that analysis is provided to the Compensation Committee for review.

Company Performance. One of the main objectives of our compensation philosophy is to align our executive officers compensation with the performance of the Company (pay-for-performance). When making compensation decisions related to our executives, the Compensation Committee evaluates the Company s achievement of pre-established internal metrics (which are predicated on our annual and long-term financial plans and goals, along with other strategic and operational initiatives) and external measures (which are predicated on external factors such as our market valuation and growth in our stock price).

Market Intelligence. Individual and Company performance are weighted most heavily in compensation decisions. However, when appropriate, the Compensation Committee also considers external factors, such as market and survey data and pay positioning for our executives relative to market data, as explained in further detail below under the subheading *Pay Positioning Relative to Market Benchmarking.*

Relationship Between Pay and Performance

In January 2013, our Compensation Committee reviewed the relationship between our CEO s realizable compensation (defined below) and the Company s performance from Fiscal 2010 through Fiscal 2012 (the Reviewed Period) which was the period that both compensation and performance data was readily available for our peers. The analysis, which was prepared by the Compensation Committee s consultant, Pay Governance, compared our CEO s realizable compensation and the Company s performance, relative to our peer group, in order to assess whether the Company s performance and the realizable compensation paid to our CEO were aligned. The peer group utilized for this analysis is the same peer group utilized for the Fiscal 2013 compensation decisions made by the Compensation Committee at its July 2012 meeting.

Table of Contents

Realizable compensation is defined as (i) base salary paid over the Reviewed Period, (ii) actual bonus earned and paid during the Reviewed Period, (iii) the aggregate current value of restricted stock/restricted unit grants made during the Reviewed Period, (iv) the aggregate in-the-money value of stock option grants made during the Reviewed Period, and (v) the actual payouts of performance-based equity awards with performance periods beginning and ending during the Reviewed Period, and (vi) the estimated payout for performance-based equity awards that were granted during the Reviewed Period but remained unvested at its conclusion. Realizable compensation was calculated in the same manner for our CEO and the CEOs of our peer group companies. The realizable value of long-term equity-based awards was calculated using each company s closing stock price on June 30, 2012. The Company believes that realizable compensation is a more relevant measure for analyzing the pay-for-performance alignment than grant date or target compensation. Realizable pay focuses on the actual value of earned pay rather than pay opportunity by analyzing current stock prices and actual payouts from short- and long-term incentives to provide an estimate of the actual compensation that executives realized during the subject period.

The financial performance of the Company and the peer companies were evaluated over the same three-year period as realizable compensation using the following four (4) performance measures: (i) ROIC; (ii) sales growth; (iii) EBIT growth; and (iv) total shareholder return (TSR). Three of these measures (ROIC, sales growth and EBIT growth) were selected because they are used in the Company s short-term and/or long-term incentive plans and were considered by Pay Governance to be reasonable indicators of a company s performance. The Company s percentile ranking for each performance measure relative to the peers was averaged to form a composite performance ranking.

Over the Reviewed Period, our CEO s realizable compensation ranked modestly below the median (38th percentile) of the peer group while our composite performance (average ranking of all four performance metrics) ranked modestly above the median (51st percentile) of the peer group. The Compensation Committee continues to analyze the alignment of realizable compensation and the Company s performance, in addition to grant value comparisons, in order to observe such things as:

- The appropriateness of targeted pay levels relative to peers
- Whether the mix of fixed versus variable compensation is appropriate
- Whether performance goals have been set at an appropriately challenging level over the three-year period analyzed
- Whether the weighting assigned to each long-term incentive vehicle is weighted appropriately resulting in an acceptable amount of leverage

Based on this analysis, the Compensation Committee is satisfied with the alignment of our CEO s realizable compensation with the performance of the Company. The chart below provides an illustration of this realizable pay-for-performance analysis over the Reviewed Period.

Table of Contents

Variable Compensation and Promotion of a Long-Term Perspective

We increase the variable component of compensation for our executives as they progress through our management levels and adjust the ratio of short-term to long-term compensation to promote accountability and a long-term perspective. We structure our executive compensation program so that the proportion of variable versus fixed compensation increases as the role and responsibility of the executive increases. We think this is appropriate because the executives are best positioned to be able to affect the Company s performance, and therefore they should receive a substantial portion of their total compensation value in the form of long-term incentives that measure and reward Kennametal s performance over a period of greater than one year. The table below illustrates that the actual percentage of variable pay relative to total compensation depends on the executive s position within the Company. Generally speaking, the higher an executive s position within the Company, the greater the proportion of variable pay that is linked to Company performance and shareowner return metrics. Similarly, as an executive rises to positions of greater responsibility within our Company, short-term compensation begins to decrease proportionally and long-term compensation begins to represent a greater proportion of the executive s total compensation.

Table of Contents

The following chart summarizes the breakout of fixed versus variable compensation and short-term versus long-term compensation paid to our NEOs in Fiscal 2013.

	Fixed vs. Variable Breakout		Short-Term vs. Long-Term Breakout	
Title	**% of Annual Compensation Fixed**	**% of Annual Compensation Variable**	**% of Short-Term Compensation**	**% of Long-Term Compensation**
Chairman, President and CEO	16	84	36	64
Vice President and CFO	28	72	50	50
Vice President and President, Business Groups	35	65	61	39
Vice President and Chief Marketing Officer	37	63	57	43
Vice President and Chief Information Officer	41	59	62	38

Competitive Compensation

Pay Positioning Relative to Market   Benchmarking.

When we make compensation decisions, we compare the compensation paid to our executive officers to the compensation paid to similarly-positioned executives at other companies within our industry to gain a general understanding of current market compensation practices for these positions. Specifically, we benchmark total compensation levels and certain of the individual elements of our compensation packages (mainly base salary, annual incentives (together,   total cash compensation) and long-term incentives (together with total cash compensation,   total direct compensation)) to both published survey data of comparable companies and to a custom peer group of public companies within the manufacturing industry. Benchmark data is part of the external information we consider when designing and executing our compensation programs.

Pay Governance, the Compensation Committee s compensation consultant, assists the Compensation Committee in its benchmarking efforts. Pay Governance collects compensation data for our peer group companies from available sources, including, in most cases, the executive compensation data included in the most recently available annual proxy statement for each company. Pay Governance can also provide survey data representing industry-specific and general industry companies included in the Towers Watson executive compensation databases. Pay Governance, in consultation with management, provides the Compensation Committee with the results of its benchmarking efforts on an annual basis. The benchmarking data helps us assess the competitiveness of our executives   compensation compared to that of other executives at our peer companies and in the broader market. We also use the data to help ensure proper alignment between executive and shareowner interests, and to assess compensation versus Company performance.

When we evaluate our compensation structure, we compare the target range for total direct compensation, the mix of compensation components and the allocation of those components in our executives   individual compensation packages against benchmark data. Each year, we evaluate the total cash compensation and total direct compensation we provide to our executives against the benchmark data to determine whether our compensation structure accurately reflects our goal of providing compensation at approximately the median level within our peer group and industry. We analyze both target compensation opportunities as well as the actual compensation paid to our executives. The Compensation Committee considers this information, along with data provided by Pay Governance and Company and individual performance factors when it sets compensation levels.

We use the same peer group for compensation purposes as we do for comparing our financial performance. We periodically review our peer group to ensure that the peer companies continue to be appropriate comparisons for performance purposes and for compensation purposes. Many of the companies in our current peer group are included because they are similar to Kennametal in terms of revenue, market capitalization, operational scope, or organizational complexity. While some of the peers are smaller than we are, others are larger. Nevertheless, we include these companies to help us understand the effect size and complexity has on compensation levels and designs.

The following companies comprised our peer group for both performance and compensation purposes for Fiscal 2013:

Allegheny Technologies Incorporated	Harsco Corporation
Ametek Inc.	Joy Global Inc.
Barnes Group Inc.	Lincoln Electric Holdings, Inc.
Carpenter Technology Corporation	Pall Corporation
Crane Co.	Parker-Hannifin Corporation
Donaldson Company, Inc.	Pentair, Inc.
Dresser-Rand Group Inc.	Sauer-Danfoss, Inc.
Flowserve Corp.	Teleflex Incorporated
Greif Inc.	The Timken Co.

For Fiscal 2014, the Compensation Committee approved the same peer companies listed above, however, decided to eliminate the largest and the smallest companies, in terms of revenues, in the group when using the peer group to determine market compensation levels. For Fiscal 2014, the Compensation Committee also approved the removal of Pentair, Inc. (due to their merger with Tyco International Flow Control) and added IDEX Corporation.

How Compensation Decisions Are Made

Role of the Compensation Committee and CEO in Determining Executive Compensation.

The Compensation Committee is responsible for designing and implementing our executive compensation program, evaluating executive performance, including that of the Chairman, President and CEO, and overseeing the development of executive succession plans. All of the members of our Compensation Committee have been deemed by our Board to be independent. The Compensation Committee solicits information from our management and from the Committee s compensation consultant during the compensation-setting process, but it is the Compensation Committee that ultimately sets and approves compensation for our CEO and all other executives.

The Compensation Committee uses substantially the same process for determining CEO compensation as it uses for determining our other executive officers compensation. Each year, the Compensation Committee reviews all components of compensation for the CEO and for each of our other executives over the course of several regularly-scheduled meetings from April to July. Final compensation decisions are made in July for the current fiscal year. The Compensation Committee is assisted in its review by members of management, the human resources department, and its compensation consultant.

In keeping with our compensation philosophy, the Compensation Committee considers three main categories of information with respect to each executive: (i) individual performance; (ii) Company performance; and (iii) market data. The Compensation Committee evaluates each executive s current compensation and solicits input from management on the executive s future potential, performance for the year, leadership skills, and contribution to the Company s performance. The Compensation Committee also considers factors relating to the Company, such as our overall performance and achievement of specific strategic and operational initiatives. Finally, the Compensation Committee assesses the market competitiveness of each executive s total compensation package.

CEO Compensation. The Compensation Committee meets with the CEO each year in July (the beginning of our fiscal year) to set the CEO s performance goals (both individual and Company objectives) for the fiscal year. These goals are then reflected in the CEO s individual performance plan for the year. The CEO periodically reports on his progress with respect to his performance goals at Compensation Committee meetings throughout the year. At the end of the year, the Compensation Committee evaluates, in consultation with the Lead Director and the rest of the non-management directors and the Board generally, as it deems necessary or appropriate, the CEO s performance against the goals included in his performance plan for the year and determines and approves the CEO s compensation based in part on his achievement of those goals and in part on the Company s performance, while taking in to account the overall objectives of our compensation program. The Compensation Committee also considers the compensation being paid to other chief executive officers at similarly situated companies in making compensation decisions affecting the CEO.

Other Executives Compensation. Each year in August, each of our other non-CEO executives must also develop an individual performance plan for the fiscal year (with goals that align with the CEO s objectives, and include individual and Company objectives). These plans are discussed with and approved by the CEO and the executives report to the CEO on their progress towards the achievement of the goals set forth in their plans periodically throughout the year. At the end of the year, the CEO and the Compensation Committee together assess the performance of our other executives. Based upon these evaluations and recommendations from the CEO, the Compensation Committee determines the other executives compensation. The other executives do not play a role in the determination of their compensation, other than discussing individual performance objectives and achievements with the CEO.

Role of the Compensation Consultant

At its July 2010 meeting, the Compensation Committee approved the retention of Pay Governance to provide compensation consulting services to the committee. Pay Governance has been providing such services since September 2010 and provides no other services to the Company. The Compensation Committee annually reviews the retention of Pay Governance.

The role of the compensation consultant is to make sure the Compensation Committee has the objective information and expertise necessary to make informed decisions that are in the best long-term interests of our business and shareowners. The compensation consultant also keeps the Compensation Committee informed as to compensation trends and developments affecting public companies in general and the manufacturing industry in particular. The Compensation Committee solicits advice and counsel from Pay Governance on all matters related to executive compensation design and delivery. Specifically, Pay Governance provides the following types of services to the Committee:

- Competitive data and benchmarking analytics for all components of pay for executive officers (including the CEO)
- Equity dilution, value sharing, and performance assessment analyses relative to peers
- Compensation program analysis, redesign considerations, and recommendations
- Tax, accounting, regulatory, and other compensation-related education
- Individual pay considerations for the CEO, as well as executive officer promotions and new hires
- Review of compensation plan payouts for the CEO and executive officers
- Assessment of risk regarding compensation policies and practices
- Assessment of pay-for-performance alignment
- CD&A review and recommendations

A Pay Governance consultant attends most Compensation Committee meetings and may attend executive sessions at the request of the Committee. Consultants from Pay Governance also collaborate with our management team for purposes of meeting planning, program design and analysis and other logistics, but all executive compensation-related services performed by Pay Governance are ultimately at the direction of the Compensation Committee.

The Compensation Committee reviews the fees and performance of its consultant each year and provides feedback to the Board as necessary. The Compensation Committee has the authority to terminate the relationship with its consultant at any point in time.

Table of Contents

Components of our Executive Compensation Program

The following discussion is intended to provide a general overview of the compensation setting process, which is a very disciplined process that is applied consistently for our CEO and all other executives, and the various factors that the Compensation Committee considers when it engages in this process.

Base Salary

Base salary is the fixed element of our executives annual compensation. We pay it to provide a competitive level of fixed income for our executives. We target base salary levels for each executive position at median pay levels for similar positions in the market. The level of base salary an executive receives is determined based on the results of an annual evaluation of the executive with respect to certain objective and subjective factors. Objective factors include the executive s level of responsibility, skills and training, accomplishment of the goals set forth in such person s annual individual performance plan, and, for newer executives, prior experience. Subjective factors include the Compensation Committee s assessment of the executive s future potential and individual contributions. The Compensation Committee evaluates the CEO with input from the Lead Director and the other non-management Board members as noted above. The CEO evaluates each of the executives who report directly to him. Both objective and subjective factors are considered, as relevant, and the CEO makes recommendations to the Compensation Committee for changes to base salary (other than his own) during the annual compensation setting process. The Compensation Committee evaluates the CEO s and other executives base salary on an annual basis, and may make changes in its discretion as part of the broader compensation setting process.

In setting the NEOs base salaries for Fiscal 2013, the Compensation Committee considered all of the factors described above for each executive and conducted an examination of the applicable market data.

Base Salary Decisions for Fiscal 2013

In July 2012, the Compensation Committee approved merit increases for Fiscal 2013 for the following NEOs: Mr. Cardoso: 4.0%; Mr. Simpkins: 4.3%; Mr. Tucker: 3.1%; and Mr. Jacko: 2.9%. Mr. Hanna did not receive a merit increase for Fiscal 2013.

Base Salary Decisions for Fiscal 2014

In July 2013, the Compensation Committee reviewed base salary levels, the applicable market data and the individual factors noted above and approved merit increases for Fiscal 2014 for each of our NEOs as follows: Mr. Cardoso: 2.6%; Mr. Simpkins: 2.2%; Mr. Tucker: 1.3%; Mr. Jacko 2.8%; and Mr. Hanna: 2.0%.

Annual Incentives

Overview of Management Performance Bonus Plan (Prime Bonus Plan). The Management Performance Bonus Plan, which we refer to as the Prime Bonus Plan, is a shareowner-approved, formula-based, pay-for-performance annual cash incentive plan. The Prime Bonus Plan is the main vehicle we use to reward participants for their contributions to strong annual business performance. The purpose of the Prime Bonus Plan is to motivate participants to help the Company to achieve shorter-term financial and strategic goals, which are designed to create sustainable shareowner value, and to reward them to the extent we achieve those goals. All of our executives, our senior management team members, and certain of our key employees participate in the Prime Bonus Plan.

Prime Bonus Target Amounts. Individual Prime Bonus target amounts are established for each participant based on a combination of individual factors and market-competitive data and are established as a percentage of such participant s base salary. Consistent with our executive compensation philosophy, individuals with greater job responsibilities have a greater proportion of their total cash compensation tied to Company performance through the Prime Bonus Plan. Each year, the Compensation Committee sets Prime Bonus target amounts for our CEO and other executives based on recommendations from our management and the CEO (except with respect to his own target bonus) and its own evaluation of the competitiveness of each executive s compensation package based on input from its compensation consultant.

Table of Contents

Prime Bonus Performance Goals. We link Prime Bonus opportunities directly with Company performance, and in some cases business unit performance, in an attempt to maximize shareowner value. Each executive is assigned one or more performance goals at the beginning of the fiscal year, which are based upon the overall performance goals of the Company, which have been approved by the full Board as part of management s overall financial and strategic plans. The Board approves the goals for overall Company performance based upon management s financial and strategic plans.

Once the Board has approved the overall performance goals for the Company, the Compensation Committee reviews and approves the Prime Bonus Plan structure and individual performance goals for the CEO and all other executive officers, which may be based on one or more of the Company s overall corporate performance goals, business unit goals and/or individual achievement goals. To ensure alignment with our shareowners interests, the Compensation Committee assigns the CEO both quantitative and qualitative performance goals that are aggressive and designed to stretch performance and significantly impact the growth or improvement of the Company or a particular business unit. For each of the other executives, the Compensation Committee, with the input of the CEO, sets individual performance goals which it considers achievable, but which require personal performance and stewardship above the plan levels for the coming year. These individual goals are weighted and may vary by executive.

Modifier. At the outset of each fiscal year, the Compensation Committee may or may not select a key initiative to use as a modifier in the calculation of Prime Bonus amounts earned for that year. The calculated Prime Bonus amounts are then adjusted (upward or downward by +/-10%) based upon the level of performance with respect to that key initiative. For the Fiscal 2013 Prime Bonus Plan awards, the Compensation Committee selected a modifier based on the Company s safety performance against a recordable incident rate reduction plan, which it considers to be a key measure of employee safety.

Individual Performance. At its July meeting each year, the Compensation Committee reviews each executive officer s achievement of his/her performance goals for the previous year and approves any corresponding amounts to be paid under the Prime Bonus Plan. In connection with Prime Bonus determinations, the Compensation Committee considers the individual performance of the executive and the recommendations of the CEO (for all other executives). The Compensation Committee has the discretion to adjust an executive s calculated Prime Bonus award downward based on its assessment of the individual s performance.

Fiscal 2013 Prime Bonuses

Changes to 2013 Prime Bonus Plan.

The general design of the Prime Bonus Plan for Fiscal 2013 remained unchanged from Fiscal 2012. The 2013 Prime Bonus Plan funded at target with the accrual being adjusted accordingly throughout the year. The payout curve remained the same for participants in Fiscal 2013 as it did in Fiscal 2012. The corporate performance goals adopted for the 2013 Prime Bonus Plan were based on four measures, which the Compensation Committee believed would appropriately focus participants on key areas of strategic corporate objectives: (i) Sales Growth (30% weight), (ii) EPS (40% weight), (iii) Free Operating Cash Flow (20% weight) (metric replaced Return on Invested Capital), and (iv) On Time Performance (OTP) (5% weight for Made To Stock products and 5% weight for Made To Order products).

2013 Target Bonus Amounts. For 2013, the Compensation Committee approved target bonus amounts for our NEOs at the same levels as those established for 2012 as follows:

Name	Target Bonus Amount as a Percentage of Base Salary
Carlos M. Cardoso	120%; (100% based upon the Company s Corporate Performance goals, and 20% based upon Mr. Cardoso s achievement of specified individual strategic performance goals)
Frank P. Simpkins	75%
John R. Tucker	75%
John H. Jacko, Jr.	55%
Steven R. Hanna.	50%

Table of Contents

The following tables present the possible payouts under the Prime Bonus Plan at different levels of performance relative to the target performance goals established for the year (subject to further adjustment by the modifier (described below)):

Corporate Performance Goals

Financial Metrics (Sales Growth, EPS and FOCF)

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 80%	80%	100%	120% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

OTP (Made to Order products) Metric

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 89%	89%	100%	106% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

OTP (Made to Stock products) Metric

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 89%	89%	100%	101.6% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

With respect to each financial performance goal, no Prime Bonus is awarded if actual performance is less than the threshold for the performance goal and no payout is made in excess of 200% of the Prime Bonus target amount, regardless of the performance achieved. Under the terms of the Prime Bonus Plan, the Compensation Committee makes the same adjustments for non-recurring or unusual items in determining whether performance goals have been met as we make to our financial results as reported to our shareowners.

2013 Corporate Performance Goals. At its July 2012 meeting, the Board established corporate performance goals for the Company consisting of: Sales Growth ($372.1 million), EPS ($4.25), FOCF ($350.2M), OTP (Made To Stock products) (97%), and OTP (Made To Order products) (90%). At the time it set these goals, the Board considered the targets to be challenging for the Company, but achievable if the financial and strategic plans of the Company were well executed. The Compensation Committee s independent consultant then tested the appropriateness of these goals by considering the general economic environment for the upcoming year, reviewing growth in the goals over the previous year and conducting probability analyses based on historical results. The consultant found the goals to be challenging. These corporate performance goals were then adopted by the Compensation Committee as the target corporate performance goals under the 2013 Prime Bonus Plan.

2013 Performance Goals for the NEOs

Carlos M. Cardoso Chairman of the Board, President and CEO

Performance goals for Mr. Cardoso were based on the overall financial and strategic goals adopted for the Company. Mr. Cardoso s 2013 Prime Bonus opportunity was composed of two components:

Component (1) related to the Company s performance and was based solely upon the achievement of the Corporate Performance goals (bonus opportunity of 100% of base salary) described above; and

Table of Contents

Component (2) related to Mr. Cardoso s individual strategic performance and was based upon his achievement of certain strategic and operational goals and initiatives set by the Compensation Committee in July 2012 (bonus opportunity of 20% base salary), including the successful integration of the Company s most recent acquisition (15% weight), technology development and positioning (20% weight), global expansion and growth in emerging markets (15% weight), global talent development and succession planning for critical positions (20% weight), Environmental, Health and Safety (EHS) initiatives (15% weight) and stewardship of certain employee initiatives (15% weight).

The achievement of certain of Mr. Cardoso s individual performance goals were to be rewarded proportionally for performance between 80% and 100% of the target goals while certain other performance goals are rewarded only if target is achieved. At the time they were put in place, the Compensation Committee considered these performance objectives strategically important and aggressive, but achievable with concentrated effort and focus by Mr. Cardoso.

Frank P. Simpkins Vice President and CFO;

John R. Tucker Vice President & President, Business Groups;

John H. Jacko, Jr. Vice President & Chief Marketing Officer; and

Steven R. Hanna Vice President & Chief Information Officer

The 2013 Prime Bonus opportunities established for Messrs. Simpkins, Tucker, Jacko and Hanna were based entirely on the corporate performance goals described above.

2013 Performance

As calculated to include the safety modifier, which resulted in a negative 3.5% adjustment to the Prime Bonus award payout, based upon the Company achieving less than the recordable incident rate target, the Prime Bonus award paid out at 7.83% of target for 2013 for Component (1) of Mr. Cardoso s Prime Bonus opportunity. The Prime Bonus award paid out at 37.5% of target for Component (2) of Mr. Cardoso s Prime Bonus opportunity. The Prime Bonus award paid out at 7.83% for Messrs. Simpkins, Tucker, Jacko and Hanna. These levels of payouts were earned because actual performance for 2013 with respect to each of the performance measures (except for On-Time Performance) did not exceed performance threshold goals set for the period. The Company exceeded performance thresholds, but was below target performance goals for On-Time Performance (see *Highlights of Kennametal s Fiscal 2013 Performance and Links to our Performance-Based Awards* section of this CD&A for a discussion of the Company s actual performance with respect to these performance goals).

The following tables show the performance achieved (as a percentage of target) and the amount of 2013 Prime Bonus awards paid to each of our NEOs.

Carlos M. Cardoso

Component 1:

Corporate Performance Goals % Achieved					
Sales Growth	**EPS**	**FOCF**	**OTP (Made To Order products)**	**OTP (Made To Stock products)**	**2013 Prime Bonus Earned ($)**
-22.4	59.3	58.3	94.4	97.1	76,343

Component 2:

Individual Strategic Performance Goals % Achieved						
Acquisition	**Technology**	**Global Expansion**	**Talent Development**	**EH&S**	**Employee Initiatives**	**2013**

Integration						**Prime Bonus Earned ($)**
0	109.5	0	245	0	96.9	73,125

Table of Contents

Named Executives other than Carlos M. Cardoso

Named Executive Officer	Sales Growth	EPS	FOCF	OTP (Made To Order products)	OTP (Made To Stock products)	Prime Bonus Earned ($)
Frank P. Simpkins	-24.4	59.3	58.3	94.4	97.1	28,775
John R. Tucker	-24.4	59.3	58.3	94.4	97.1	25,780
John H. Jacko, Jr.	-24.4	59.3	58.3	94.4	97.1	16,623
Steven R. Hanna	-24.4	59.3	58.3	94.4	97.1	13,781

Changes for 2014 Prime Bonus Program. The Compensation Committee determined that the payout curve and target opportunities will remain the same for participants in the Prime Bonus Plan for 2014. Corporate performance goals will continue to include Sales Growth (35% weight), EPS (40% weight), and FOCF (25% weight). The OTP metric has been removed. Additionally, the Company s safety performance against a recordable incident rate reduction plan will continue to serve as a modifier capable of influencing the final award size by +/- 10% for 2014.

Long-Term Incentives

Overview of Long-Term Incentive Programs. Kennametal s long-term incentives are designed to focus our employees on sustainable, long-term performance. We use these incentives because we believe they promote an ownership culture, align the interests of our employees and shareowners, and foster the long-term perspective necessary to increase shareowner value. They also aid in retention and help advance stock ownership by our employees.

All of our executives, members of senior management, and a significant number of key employees are eligible to receive long-term incentive awards under our broad-based LTI program. We use a portfolio approach to our LTI program, which includes stock options, restricted unit awards and performance unit awards. We provide more information about each of these components below.

The Compensation Committee approves all equity and other long-term incentive awards for our executives. All of our NEOs outstanding long-term incentive awards, including those under the LTI have been granted under either the *Kennametal Inc. Stock and Incentive Plan of 2002, as amended* (the 2002 Plan) or the *Kennametal Inc. Stock and Incentive Plan of 2010* (the 2010 Plan). We have not granted any awards under the 2002 Plan since our 2010 annual meeting, when shareowners approved the 2010 Plan, and will not grant any future awards under this plan. The 2002 Plan provided and the 2010 Plan provides for the granting of nonstatutory and incentive stock options, incentive bonus awards, performance share awards, performance unit awards, restricted stock awards, restricted unit awards, stock appreciation rights, share awards, stock unit awards, and other share-based awards.

Target Long-Term Incentive Award Amounts. Each year the Compensation Committee establishes target LTI opportunities for each of our executives based on the executive s performance and career potential (individual factors). The Compensation Committee also takes into account the long-term compensation paid to our competitors for similar positions based on the peer group and survey data provided by its compensation consultant (external factors). LTI opportunities are determined on an individual basis. The Compensation Committee also takes into account what our peers are providing in terms of long-term compensation for similarly-situated executives (external factors). The Compensation Committee sets target LTI opportunities for our executives for the relevant 3-year cycle at its meeting in July of each year.

Table of Contents

Fiscal 2013 LTI Decisions

The following table shows the target level LTI opportunities set for each of our NEOs under our LTI program for Fiscal 2013:

Name	Long-Term Incentive Opportunity
Carlos M. Cardoso	$ 3,850,000
Frank P. Simpkins	$ 800,000
John R. Tucker.	$ 500,000
John H. Jacko, Jr.	$ 425,000
Steven R. Hanna.	$ 325,000

LTI opportunities remained unchanged from Fiscal 2012 to Fiscal 2013 based on market conditions, business conditions, and individual performance at the time the decision was made for Messrs. Cardoso, Simpkins, Tucker, Jacko and Hanna.

Timing of Equity Grants. The Compensation Committee grants equity-based awards to our executives on both an annual and as-desired basis. We do not have any program, plan or practice to time annual or ad hoc grants of equity-based awards in coordination with the release of material non-public information or otherwise.

Annual Grants. We generally make LTI grants to our NEOs and other senior management on a once-a-year basis. As part of its standing agenda, the Compensation Committee makes annual grants of equity-based awards to our executives at its regularly scheduled meeting in July of each year. The dates for these meetings are typically scheduled two years in advance. Since 2007, the grant date for annual awards has been August 1 of each year.

Special or One-Time Grants. The Compensation Committee retains the discretion to make additional awards to executives at other times in connection with the initial hiring of a new officer, for recognition or retention purposes or otherwise.

Stock Option Awards. We use stock option awards to align the interests of our employees with those of our shareowners and focus our employees on delivering superior total shareowner return over the long term (10 years). Under both the 2002 Plan and the 2010 Plan, the exercise price for a stock option award may not be less than the fair market value of our stock at the time the option is granted. Fair market value is determined by taking the closing stock price as quoted on the New York Stock Exchange Composite Transactions reporting system on the grant date. Stock option grantees can only profit from stock option awards if our stock price increases over time; conversely, grantees receive no value if our stock price decreases below the fair market value at the time the option was granted. We typically grant stock option awards to our executives annually as part of our broader LTI program, but occasionally we grant special stock option awards, either alone or in connection with other awards, to employees for attraction, retention or recognition purposes. Vesting schedules for our stock option awards vary according to the purpose for which they are granted. Awards granted under the LTI typically time vest at the rate of one-fourth per year over four years. A stock option award granted for attraction purposes, upon hiring, or for special recognition purposes may have a different vesting schedule (for example, 50% may vest on the second anniversary of the grant date, and 25% each year thereafter). We believe our use of stock option awards helps to further our retention objective, as any unvested portion of a stock option is forfeited if an executive voluntarily terminates employment prior to the applicable vesting date. Stock option awards expire ten years from the date of grant, which we believe helps to promote the long-term perspective that is key to our growth and success. Both the 2002 Plan and the 2010 Plan prohibit the repricing of stock options and do not contain a full reload feature.

The number of shares underlying the stock options awarded to each NEO in Fiscal 2013 was determined by dividing 30% of the total LTI opportunity value by the fair market value of the option on the grant date (essentially using the assumptions disclosed in the notes to our consolidated financial statements for our 2013 Annual Report, but considering the full term of the option (10 years)).

Restricted Unit Awards. Prior to 2010, we granted restricted stock awards as part of our LTI program, but we have since transitioned to grants of restricted unit awards for ease of administration purposes. We grant

Table of Contents

restricted unit awards because we believe they build ownership in the Company, serve to promote the retention of our employees and address the cyclicality of our business, thereby aligning the interests of our employees and our shareowners. As is the case with stock option awards, we typically grant restricted unit awards annually to our executives as part of our broader LTI program, but we sometimes make these grants for other purposes. For example, we may grant these awards to attract new talent or to recognize or motivate our employees. Like stock option awards, restricted unit awards granted under the LTI typically vest at the rate of one-fourth per year over four years. Also similar to our stock option awards, the vesting schedules may differ depending on the reasons for the grant of restricted units. We believe our use of restricted unit awards helps to promote our retention efforts in that any unvested portion of a restricted unit award is forfeited if an executive voluntarily terminates employment prior to the applicable vesting date.

The number of restricted units awarded to each NEO in Fiscal 2013 was determined by dividing 20% of the total LTI opportunity value by the fair market value of our stock on the grant date.

Performance Unit Awards. In Fiscal 2011, the Company began awarding annual performance unit awards to certain executives, including our NEOs. These awards are performance-based and can only be earned if the Company achieves certain performance criteria established by the Compensation Committee. The Compensation Committee has established specific EBIT margin goals for fiscal years 2011, 2012 and 2013 for the performance units granted in Fiscal 2011 (the 2011 PUAs), for fiscal years 2012, 2013 and 2014 for the performance units granted in Fiscal 2012 (the 2012 PUAs); and specific EPS and ROIC goals for fiscal years 2013, 2014 and 2015 for the performance units granted in Fiscal 2013 (the 2013 PUAs). The terms of the 2011 PUAs and 2012 PUAs each provide that one-third of the performance units underlying such award may be earned each year based on the Company s performance with respect to the EBIT margin goals set for that year. The terms of the 2013 PUAs provide that one-third of the performance units underlying such award may be earned each year based on the Company s performance with respect to the EPS and ROIC goals set for that year. Goals have been established at threshold, target and maximum award levels for each year within the applicable performance period. Performance units that are deemed earned for any given fiscal year remain subject to an additional service condition that requires the executive to be employed by us through the payment date following the 3-year performance period (which for the 2011 PUAs means August 2013, for the 2012 PUAs means August 2014 and for the 2013 PUAs means August 2015).

The table below presents the EBIT margin goals for Fiscal 2013 (which was the third year of the 2011 PUAs, and the second year of the 2012 PUAs):

EBIT Margin Performance Level	2011 PUA payable August 2013
Maximum	16.50%
Target	15.00%
Threshold	12.00%

EBIT Margin Performance Level	2012 PUA payable August 2014
Maximum	19.25%
Target	17.50%
Threshold	14.00%

The table below presents the EPS and ROIC goals for Fiscal 2013 (which was the first year of the 2013 PUAs):

EPS Performance Level	2013 PUA payable August 2015
Maximum	$ 5.10
Target	$ 4.25
Threshold	$ 3.40

Table of Contents

ROIC Performance Level	2013 PUA payable August 2015
Maximum	19.68%
Target	16.40%
Threshold	13.12%

The following table presents the possible payouts for the third year of the 2011 PUAs, the second year of the 2012 PUAs and first year of the 2013 PUAs at different levels of performance:

	Below Threshold	Threshold	Target	Maximum (1)
Performance (As a Percentage of Achievement of Target Performance Goal)	Less than 80%	80%	100%	110% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

(1) The Maximum level established for the 2013 PUA is 120% or Greater of the Target Performance Goal (rather than 110% or Greater of the Target Performance Goal).

Performance goals at the threshold level have been established for each year of the applicable performance period underlying the particular award to reflect 80% of the target goal while performance goals at the maximum level have been established for each such year to reflect 110% of the target goal. Performance units earned for achieving the threshold goal will equal 50% of the target shares for the given year while performance units earned for achieving the maximum goal will equal 200% of the target shares designated by the Compensation Committee for the given year. Performance units earned for achievement of the target goal will equal 100% of the target share for the year.

Performance Units Earned for Fiscal 2013. At its meeting in July of 2013, the Compensation Committee determined that EBIT Margin for Fiscal 2013 was 11.9% (excluding the financial results of the Company s most recent acquisition), which was below the threshold goal set for Fiscal 2013 for both the 2011 PUAs and the 2012 PUAs. Accordingly, no shares were earned for Fiscal 2013 under either the 2011 PUAs or the 2012 PUAs. The Compensation Committee also determined that EPS for Fiscal 2013 was $2.52 and ROIC for Fiscal 2013 was 9.5%, each of which were below the threshold goals set for Fiscal 2013 for the 2013 PUAs. Accordingly, no shares were earned for Fiscal 2013 under the 2013 PUAs.

Changes for 2014 LTI Program. At its meeting in July of 2013, the Compensation Committee determined that the performance goals underlying the performance units to be granted in Fiscal 2014 would not change from those used in Fiscal 2013 and therefore would be based on EPS results (50% weight) and ROIC results (50% weight). The Committee believes the use of these measures will continue to support the focus on working capital and inventory management and improvement in Company profits, leading to greater levels of shareholder value.

The following table shows the target level LTI opportunities set for each of our NEOs under our LTI program for 2014 (which are the same LTI opportunities established for 2013 for Messrs. Cardoso, Tucker and Hanna, but an increase in LTI opportunities for Messrs. Simpkins and Jacko):

Name	Long-Term Incentive Opportunity
Carlos M. Cardoso	$ 3,850,000
Frank P. Simpkins	$ 875,000
John R. Tucker	$ 500,000
John H. Jacko, Jr.	$ 450,000
Steven R. Hanna.	$ 325,000

Special Recognition, Attraction and Retention Awards

On a limited and selective basis, we sometimes pay additional compensation to our employees in the form of special recognition, attraction or retention awards. For example, we may provide a special award to an individual to reimburse him/her for compensation he/she would forfeit by terminating previous employment, or to recognize contributions to a critical strategic initiative.

Employees at all levels of the Company are eligible to receive special awards. We may provide awards in the form of cash bonuses, equity, or a combination of cash and equity, in each case depending on the reason for the bonus. The amount of any special recognition or retention award depends on the reason it is being granted. The Compensation Committee must approve any special awards for our executives. For Fiscal 2013, the committee approved a special recognition cash award for Mr. Hanna in the amount of $75,000 to recognize his increased responsibilities through March 2013 as interim Chief Technology Officer.

Retirement Plans

We maintain both qualified and non-qualified defined benefit retirement plans that are designed to work together to provide retirement pay to our executives. We provide pension and retirement benefits as part of our broader executive compensation program to attract and retain our executives.

Qualified Plans. We maintain two principal qualified retirement plans for substantially all U.S. employees, including our executive officers. The Retirement Income Plan (RIP) is a defined benefit pension plan. As of December 31, 2003, the RIP was frozen for non-grandfathered participants and is no longer offered to new employees. None of our NEOs were grandfathered under the RIP. The Thrift Plus Plan (TPP) is a defined contribution or 401(k) plan in which all of our executives participate.

Non-Qualified Plan. All of our NEOs participate in our Executive Retirement Plan (ERP), a non-qualified retirement plan which provides for a lump sum payment of benefits to a participant upon termination (but only to the extent the executive has vested under the plan).

The amount payable under each retirement plan for each NEO is determined by the plan s benefit formula. The amount of benefits varies based upon the plan, the executive s years of service with us, and the executive s compensation.

Executive Benefits and Perquisites

In Fiscal 2013, we continued our practice of providing an annual fixed perquisite allowance of $20,000 (paid in two installments in June and December of each year) to each executive officer in lieu of individual perquisites. To promote our emphasis on the health, safety and wellness of our employees, we continue to provide for officer life insurance in addition to the perquisite allowance. The perquisite allowance may be used by the executive in his or her discretion for financial planning fees, business or country club memberships, or any other appropriate perquisite, and is not grossed up for tax purposes.

The perquisite allowance and other personal benefits paid to our NEOs (life insurance, and until March 2013, executive physicals) for 2013 are included in a supplemental table to the Summary Compensation Table as part of in the footnotes to the Summary Compensation Table. Other than the perquisite allowance and other personal benefits included therein, our executives receive the same benefits that are generally provided to other salaried employees, including eligibility to participate in group medical and dental plans, vision, long- and short-term disability, group life insurance, accidental death and dismemberment insurance, business travel accident insurance, health care and dependent care spending accounts, qualified retirement plans, and other benefits, in accordance with the terms of the programs.

Table of Contents

Stock Ownership Guidelines and Insider Trading Policy

We have adopted Stock Ownership Guidelines for directors, executives and key managers to effectively link the interests of management and our shareowners and to promote an ownership culture throughout our organization. We believe that stock should be acquired and held in quantities that encourage management to make decisions and take actions that will enhance Company performance and increase its value. These guidelines were first adopted in 1995 and are reviewed annually by the Compensation Committee at its October meeting as a standing agenda item. Employees have five years from the date they become subject to the guidelines to acquire the requisite holdings. The current guidelines are:

	FY12 Multiple of Base Salary
Chief Executive Officer	5X
Top Industrial Segment Executive, Top Infrastructure Segment Executive and CFO	3X
Executive Management Council, Corporate Officers and certain Business Unit Managers	2X
Other Key Managers	1X

Shares owned outright, restricted stock and restricted units, deferred stock credits, and shares owned in benefit plans (such as a 401(k)) count toward fulfilling the ownership guidelines.

We have an insider trading policy that prohibits executives from engaging in any transaction in our stock unless that transaction has been pre-cleared and approved. Although we generally do not mandate when executives may trade, our policy strongly encourages them to trade only during established window periods, which open 1 day after our quarterly earnings release and remain open for approximately 1 $^1/_2$ months thereafter.

Our insider trading policy prohibits the hedging of Company stock by directors, executives and other key managers without the prior approval and express authorization of the Company s General Counsel. Further, this policy also prohibits the pledging of Company stock by directors, executives and other key managers unless the General Counsel has granted an exception to the individual. An exception to this prohibition may be granted where an individual wishes to pledge Company stock as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged stock.

Employment Agreements

We have employment agreements with all of our executive officers. We have summarized the material terms of these agreements below. Mr. Cardoso s agreement contains some modified provisions, which are identified where applicable in the summary.

General. The agreements require our executives to devote their entire time and attention to the business and affairs of Kennametal while they are employed.

Term. There is no predetermined term. Each executive entered into the agreement upon commencing duties as an executive officer of our Company.

Compensation. Except as noted below, the executive officer s base salary, size of bonus award, if any, and any other compensation for services are not specified under the agreements but rather are determined by the Compensation Committee upon the commencement of employment and assignment of the executive to a salary band. Thereafter, the Compensation Committee makes determinations regarding base salary, incentive awards, and all other components of compensation as described in this CD&A.

Non-competition/non-disclosure. Unless we provide prior consent in writing, if an executive voluntarily terminates his employment or we terminate his or her employment for cause, then for three years after the date of termination, the executive officer cannot, in any geographic area in which Kennametal is offering its services and products: (a) directly or indirectly engage in, or (b) assist or have an active interest in, or (c) enter the employ of, or act as agent for, or advisor or consultant to, any entity which is or is about to become directly or indirectly engaged in any business that is competitive with any business of the Company or any of our subsidiaries or

45

Table of Contents

affiliates in which the executive is or was engaged. The non-competition provisions do not apply if we terminate an executive without cause. However, in case of termination for any reason, the executive officer cannot disclose any of our confidential or trade secret information.

Assignment of Inventions. Each executive officer must assign to us all inventions conceived or made during his or her employment with Kennametal.

Termination. The executive officer s employment may be terminated by either party at any time, for any reason or no reason at all; provided, that the Company may only terminate an executive officer s employment with the approval and authorization of the Board.

Severance. If, with Board authorization, we involuntarily terminate an executive officer s employment (other than Mr. Cardoso s) prior to a change-in-control and not for cause, the executive is entitled to 12 months of severance in the form of salary continuation. Our executive officers are not entitled to severance under any other termination scenario outside of a change-in-control context.

If, with Board authorization, Mr. Cardoso s employment is terminated by us prior to a change-in-control and not for cause, Mr. Cardoso is entitled to up to 24 months of severance in the form of salary continuation. Severance amounts would be offset by any salary earned by Mr. Cardoso in the event he obtains other employment during that 24-month period.

Change-in-Control. Under certain circumstances, the agreements provide for payments to an executive officer if his employment is terminated after a change of control. See *Termination Conditions and Arrangements* below and the *Potential Payments Upon Termination or Change-in-Control* section of this proxy statement for a more detailed discussion.

Termination Conditions and Arrangements

In a non-change-in-control context, our executive employment agreements provide for severance if the executive s employment is terminated by us without cause. Additional details regarding the severance provisions and potential payments to our NEOs outside of a change-in-control context can be found in the *Potential Payments upon Termination or Change-in-Control* section.

Our executive employment agreements, stock and incentive plans and certain of our retirement and post-employment plans contain change-in-control provisions. The change-in-control provisions in the executive employment agreements are applicable only for those executives that have entered into these agreements, which includes each of our NEOs. The provisions of our incentive plans and retirement plans are applicable to a broader base of our employees and include all those who participate in those plans. We include these provisions because we believe they help to align executive, Company, and shareowner interests. If we evaluate a possible transaction, we want our management to focus on the potential fit with our corporate goals and strategy and the creation of long-term value for our shareowners. We believe that change-in-control protections enable our management to consider corporate transactions objectively and to decide whether they are in the best interests of the Company and its shareowners without undue concern over whether the transactions may jeopardize future employment.

The change-in-control protections under our executive employment agreements only provide payments upon the occurrence of a double trigger. For severance benefits to be triggered, a change-in-control must take place and an executive must be involuntarily terminated by us (other than for cause or Disability (as defined in the employment agreements)) or must leave for good reason within 36 months following the change-in-control. For additional information concerning the change-in-control arrangements for our NEOs, see the *Potential Payments upon Termination or Change-in-Control* section of this proxy statement.

Elimination of partial excise tax gross-up in new agreements. For executives joining the Company prior to May 2012, their employment agreements provide for a payment adjustment if, due to excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the Code), the executive s net after-tax benefits are less than intended under the cash severance component described above. Executive officer employment agreements entered into after May 2012 do not provide for any partial excise tax gross-up provisions.

Recoupment of Awards and Incentive Payments

In any case where there has been an allegation of fraud or misconduct, the Board of Directors would investigate and carefully review the facts and circumstances of the alleged misconduct before determining the appropriate course of action. If, after completing its investigation, the Board were to determine that an employee or officer did engage in fraudulent behavior or misconduct, the Board would take appropriate action, which could include, among other things, termination of employment, institution of legal proceedings against the wrongdoer, or bringing the misconduct to the attention of the proper authorities. If the misconduct results in a material restatement of the Company s financial results, then the Board, in addition to the above remedies, may also seek repayment of any bonus received for the period restated, seek repayment of gains realized as a result of exercising stock options awarded for the period restated, or cancel any outstanding stock options or other equity or incentive compensation.

The Company also incorporates restrictive covenants (prohibiting working for competitors for a period following separation from employment and disclosure of confidential or proprietary information) into the executive employment agreements, and the ERP. If the Board of Directors determines that a violation of any one of these covenants has occurred, it may, in its discretion, discontinue any future payments and/or take appropriate legal action to recoup amounts paid under these programs.

Tax, Accounting, and Regulatory Considerations

We consider the effect of tax, accounting and other regulatory requirements in designing and implementing compensation programs, and while these factors may impact plan designs, ultimately decisions reflect the pay strategy of the Company and the program intent.

Section 162(m) of the Code imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the company s chief executive officer or any of the company s three other most highly compensated executive officers who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance-based compensation (i.e., compensation paid only if the individual s performance meets pre-established objective goals based on performance criteria approved by shareowners). For 2013, the payout of annual bonuses under the Prime Bonus Plan and LTI awards, if any, were intended to satisfy the requirements for deductible compensation. Our Compensation Committee or Board also may provide incentive compensation that is not performance-based for purposes of Section 162(m) and therefore not deductible for federal income tax purposes to the extent that non-deductible compensation is in excess of the $1 million limitation.

Tools and Analytics

The Compensation Committee utilizes various tools and analytics provided by both Pay Governance and our internal management and human resources personnel to execute its duties. These tools and analyses provide internal and external context and perspective to assist the Compensation Committee with its decision making process. The Compensation Committee reviews and considers the following information, as appropriate, when making compensation decisions:

- Total compensation tally sheets and pay histories for the CEO and executive officers
- CEO and executive officer competitive assessments for all elements of pay
- Realizable pay-for-performance and value sharing assessments versus our peer group
- Dilution and share utilization assessments, projections and comparisons
- Equity expense comparisons versus our peer group

Incentive design and vehicle prevalence analyses

Internal goal setting and achievement analyses

Compensation policy and practices risk assessment

Executive retention analyses

Annual and long-term incentive plan performance and progress updates

Executive perquisite prevalence analyses

Other ad hoc analyses performed at the Compensation Committee s direction

The information above is reviewed either annually or by special request of the Compensation Committee.

Compensation for Non-Employee Directors

The Nominating/Corporate Governance Committee has responsibility for the review and oversight of non-employee director compensation. The role of the Nominating/Corporate Governance Committee in this context is explained in further detail in the *Ethics and Corporate Governance* section of this proxy statement. The compensation of non-employee directors in 2013 is described more fully in the *Board of Directors Compensation and Benefits* section of this proxy statement.

Compensation Committee Report

The Compensation Committee (we or the committee) recommends an overall compensation policy to the Board, has direct responsibility for matters relating to compensation of the executive officers, advises the Board regarding management succession, and administers the Company s equity compensation plans and deferred compensation plans. Management has the primary responsibility for the Company s financial statements and reporting process, including the disclosure of executive compensation. With this in mind, we have reviewed and discussed with management the Compensation Discussion and Analysis section of this proxy statement. Based on that review, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the Securities and Exchange Commission.

Compensation Committee

William R. Newlin, Chair

Ronald M. DeFeo

Philip A. Dur

William J. Harvey

Lawrence W. Stranghoener

Steven H. Wunning

Table of Contents

ANALYSIS OF RISK INHERENT IN OUR COMPENSATION POLICIES AND PRACTICES

During 2013, the Compensation Committee directed our management to work with Pay Governance, its compensation consultant, to conduct a risk assessment of all of our compensation policies and practices to ensure that they do not foster risk taking above the level of risk associated with our business model. Based upon that review and a review by management of the Company s internal controls, the Compensation Committee has concluded that the Company s compensation programs do not encourage executives or other employees to take inappropriate risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee based its conclusion on a variety of factors, including the following specific aspects of the Company s compensation practices:

- Our annual incentive compensation program (the Prime Bonus Plan) is based on balanced performance metrics that promote disciplined progress towards longer-term Company goals;

- We do not offer significant short-term incentives that might drive high-risk investments at the expense of long-term Company and shareowner value;

- At the senior management and executive levels, our compensation programs are weighted towards offering long-term incentives that reward sustainable performance, especially when considering our share ownership guidelines and vesting requirements; and

- All of our compensation awards are capped at reasonable and sustainable levels, as determined by a review of our economic position and prospects, as well as the compensation offered within our peer group and by comparable companies.

Executive Compensation Tables

The Executive Compensation Tables show the compensation paid to our CEO, our CFO and the three other most highly compensated executive officers for the years listed below. These individuals are our NEOs for Fiscal 2013.

Summary Compensation Table (2013, 2012, 2011)

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Carlos M. Cardoso	2013	971,750		2,695,023	1,274,671	149,468	664,994	39,046	5,794,952
Chairman, President and	2012	933,000		2,694,989	1,231,676	1,249,092	591,436	42,696	6,742,889
Chief Executive Officer	2011	896,667		2,519,996	1,105,028	2,511,188	563,104	49,921	7,645,904
Frank P . Simpkins	2013	488,333		560,002	264,868	28,775	186,036	39,741	1,567,755
Vice President and Chief	2012	468,333		560,023	255,933	450,213	232,112	43,952	2,010,566
Financial Officer	2011	449,000		559,984	245,564	917,254	199,298	52,022	2,423,122
John R. Tucker	2013	437,917		349,992	165,543	25,780	396,273	41,447	1,416,952
Vice President and	2012	423,833		349,966	159,955	397,937	314,061	46,886	1,692,637
President, Business Groups	2011	370,876		227,489	99,764	600,000	231,171	61,970	1,591,270
John H. Jacko, Jr.	2013	385,083		297,499	140,708	16,623	189,674	38,267	1,067,854
Vice President and Chief	2012	375,000		297,500	135,967	259,236	159,883	42,595	1,270,181
Marketing Officer	2011	355,792		227,489	99,764	609,331	147,983	49,857	1,490,216
Steven R. Hanna	2013	352,000	75,000	227,508	107,599	13,781	193,056	37,696	1,006,640
Vice President and Chief	2012								
Information Officer	2011								

49

Table of Contents

Notes and Supplemental Tables to the Summary Compensation Table

(1) These amounts reflect the aggregate grant date fair value of stock awards granted in the fiscal years noted calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 15 to the financial statements included in Kennametal s Annual Report on Form 10-K for 2013 for a discussion of additional assumptions used in calculating grant date fair value. The amounts included in this column for Fiscal 2013 include restricted unit awards and performance unit awards. The values included for such performance unit awards reflect the payout of such awards at target. If these awards were to be paid out at the maximum amount, the value of these awards for Messrs. Cardoso, Simpkins, Tucker, Jacko and Hanna would be $3,850,022, $799,971, $500,010, $425,019 and $325,032 respectively. For information with respect to the individual restricted unit awards and performance unit awards made for Fiscal 2013, please see the 2013 Grants of Plan-Based Awards Table.

(2) These amounts reflect the aggregate grant date fair value of option awards granted in the fiscal years noted calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 15 to the financial statements included in Kennametal s Annual Report on Form 10-K for 2013 for a discussion of additional assumptions used in calculating grant date fair value.

(3) These amounts are cash payments earned by the NEOs under the 2013 Prime Bonus Program, which is discussed in further detail in the CD&A section of this proxy statement. For Mr. Cardoso, the dollar amount reported in this column for 2013 includes $76,343 paid as Component (1) of his award (relating to the Company s performance) and $73,125 paid as Component (2) of his award (relating to his individual performance goals).

(4) These amounts reflect the aggregate increase in the actuarial present value of the NEO s accumulated benefits under all pension plans established by us. The total expressed for each NEO includes amounts that the NEO may not currently be entitled to receive because those amounts are not vested. Pension plans for which amounts may be included include the RIP and the ERP, as applicable to the individual. Please refer to the discussion following the 2013 Pension Benefits Table for a more detailed description of the RIP and the ERP. We do not provide preferential or above-market earnings on deferred compensation.

(5) The following table describes each component of the All Other Compensation column:

Supplemental Table to the Summary Compensation Table

Name	Perq./ Other Benefits (a)	Contributions to Thrift Plus Plan (b)	Insurance Life (c)	Total
Carlos M. Cardoso	20,000	17,750	1,296	39,046
Frank P. Simpkins	20,813	18,050	878	39,741
John R. Tucker	20,000	17,138	4,309	41,447
John H. Jacko, Jr.	20,000	16,749	1,518	38,267
Steven R. Hanna	20,000	15,590	2,106	37,696

(a) This column includes the $20,000 perquisite allowance provided by the Company to the NEOs, made up of the first $10,000 installment paid in December 2012 and the second $10,000 installment paid in June 2013. For Mr. Simpkins, the amount included in this column also includes an executive physical.

(b) This column includes our contributions on behalf of the NEO under the TPP. Please see the discussion included in the *Retirement Plans* section of the CD&A for more details about the TPP.

(c) This column includes income imputed to the NEOs based upon premiums paid by us to secure and maintain a $500,000 term life insurance policy for the NEO while such person remains an active employee of the Company.

Table of Contents

2013 Grants of Plan-Based Awards

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units(4) (#)**	**All Other Option Awards: Number of Securities Underlying Options(5) (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards(6)**
Carlos M. Cardoso		487,500	975,000	1,950,000							
		18,625(2)	195,000(2)	195,000(2)							
	8/1/2012								94,286		1,274,671
	8/1/2012							20,947			770,012
	8/1/2012				26,184	52,367	104,734			36.76	1,925,011
Frank P. Simpkins		183,750	367,500	735,000							
	8/1/2012								19,592		264,868
	8/1/2012							4,353			160,016
	8/1/2012				5,441	10,881	21,762			36.76	399,986
John R. Tucker		164,625	329,250	658,500							
	8/1/2012								12,245		165,543
	8/1/2012							2,720			99,987
	8/1/2012				3,401	6,801	13,602			36.76	250,005
John H. Jacko, Jr.		106,150	212,300	424,600							
	8/1/2012								10,408		140,708
	8/1/2012							2,312			84,989
	8/1/2012				2,891	5,781	11,562			36.76	212,510
Steven R. Hanna		88,000	176,000	352,000							
	8/1/2012								7,959		107,599
	8/1/2012							1,768			64,992
	8/1/2012				2,211	4,421	8,842			36.76	162,516

Notes and Supplemental Tables to the 2013 Grants of Plan-Based Awards Table

(1) With the exception of the second component of the annual cash incentive award for Mr. Cardoso, which is described in Footnote 2 below, these columns reflect the awards granted in August 2012 under the Prime Bonus Plan, which is described more fully in the Annual Incentives section of the CD&A. The amounts presented in these columns reflect the amounts that could have been earned for 2013 based upon the level of achievement of the performance goals underlying such awards. Actual Prime Bonuses earned for 2013 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) This row reflects the portion of Mr. Cardoso s annual cash incentive award granted under the Prime Bonus Plan, which is based on Mr. Cardoso s individual performance, including his achievement of certain strategic and operational goals (as described in the *Annual Incentives* section of the CD&A).

(3) These columns reflect the performance unit awards granted in August 2012 under the 2010 Plan. The amounts presented in these columns reflect the number of shares of our capital stock which could be earned over the course of the applicable performance period based upon the

level of achievement of the performance goals underlying such awards. A description of our performance units is set forth in the *Long-Term Incentives* section of the CD&A.

(4) This column reflects the number of restricted units awarded to the NEOs in August 2012 under the 2010 Plan. A description of our restricted units is set forth in the *Long-Term Incentives* section of the CD&A.

Table of Contents

(5) This column reflects the number of shares underlying the stock options awarded to the NEOs in August 2012 under the 2010 Plan. A description of the stock option awards is set forth in the *Long-Term Incentives* section of the CD&A.

(6) The amounts reported in this column represent the grant date fair value of each equity-based award as determined pursuant to FASB ASC Topic 718 (disregarding any estimates of forfeitures). Please refer to Note 15 to the financial statements included in Kennametal s Annual Report on Form 10-K for 2013 for a discussion of additional assumptions used in calculating grant date fair value. The values reported in this column for the performance unit awards granted in August 2012 were calculated at target.

Table of Contents

Outstanding Equity Awards at Fiscal Year End 2013

Name	Option Awards(1)					Stock Awards(1)				
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)
Carlos M. Cardoso	7/25/2005	61,532		25.30	7/25/2015					
	7/25/2006	88,000		27.06	7/25/2016					
	8/1/2007	50,770		38.99	8/1/2017					
	8/1/2008	66,937		29.60	8/1/2018					
	8/1/2009		23,045	21.48	8/1/2019					
	8/1/2010	60,200	60,201	26.89	8/1/2020					
	8/1/2011	22,245	66,738	38.95	8/1/2021					
	8/1/2012		94,286	36.76	8/1/2022					
						8/1/2009	5,121	198,848		
						8/1/2010(a)	13,388	519,856		
						8/1/2010(b)	89,250	3,465,578		
						8/1/2011(a)	14,827	575,732		
						8/1/2011(b)	15,469	600,661	16,475	639,724
						8/1/2012(a)	20,947	813,372		
						8/1/2012(b)			34,912	1,355,633
Totals		349,684	244,270				159,002	6,174,048	51,387	1,995,357
Frank P. Simpkins	7/25/2005	3,898		25.30	7/25/2015					
	9/19/2005	4,800		24.19	9/19/2015					
	7/25/2006	4,500		27.06	7/25/2016					
	12/5/2006	19,600		30.66	12/5/2016					
	8/1/2007	18,462		38.99	8/1/2017					
	8/1/2008	24,341		29.60	8/1/2018					
	8/1/2009	25,140	8,380	21.48	8/1/2019					
	8/1/2010	13,378	13,378	26.89	8/1/2020					
	8/1/2011	4,622	13,868	38.95	8/1/2021					
	8/1/2012		19,592	36.76	8/1/2022					
						8/1/2009	1,863	72,340		
						8/1/2010(a)	2,975	115,519		
						8/1/2010(b)	19,832	770,077		
						8/1/2011(a)	3,081	119,635		
						8/1/2011(b)	3,214	124,800	3,424	132,954
						8/1/2012(a)	4,353	169,027		
						8/1/2012(b)			7,254	281,673
Totals		118,741	55,218				35,318	1,371,398	10,678	414,627
John R. Tucker	8/1/2009		3,405	21.48	8/1/2019					
	8/1/2010	5,435	5,435	26.89	8/1/2020					
	8/1/2011	2,889	8,667	38.95	8/1/2021					
	8/1/2012		12,245	36.76	8/1/2022					
						8/1/2009	757	29,394		

						8/1/2010(a)	1,209	46,945		
						8/1/2010(b)	8,056	312,814		
						8/1/2011(a)	1,926	74,787		
						8/1/2011(b)	2,009	78,009	2,140	83,096
						8/1/2012(a)	2,720	105,618		
						8/1/2012(b)			4,534	176,055
Totals		8,324	29,752				16,677	647,568	6,674	259,151
John H. Jacko, Jr.	3/5/2007	44,000		30.53	3/5/2017					
	8/1/2007	7,500		38.99	8/1/2017					
	8/1/2008	19,777		29.60	8/1/2018					
	8/1/2009		3,405	21.48	8/1/2019					
	8/1/2010	5,435	5,435	26.89	8/1/2020					
	8/1/2011	2,455	7,368	38.95	8/1/2021					
	8/1/2012		10,408	36.76	8/1/2022					
						8/1/2009	757	29,394		
						8/1/2010(a)	1,209	46,945		
						8/1/2010(b)	8,056	312,814		
						8/1/2011(a)	1,637	63,565		
						8/1/2011(b)	1,707	66,283	1,820	70,671
						8/1/2012(a)	2,312	89,775		
						8/1/2012(b)			3,854	149,651
Totals		79,167	26,616				15,678	608,777	5,674	220,321

Table of Contents

		Option Awards				Stock Awards				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Steven R. Hanna	8/1/2009		2,441	21.48	8/1/2019					
	8/1/2010		4,181	26.89	8/1/2020					
	8/1/2011	1,878	5,634	38.95	8/1/2021					
	8/1/2012		7,959	36.76	8/1/2022					
						8/1/2009	543	21,085		
						8/1/2010(a)	930	36,112		
						8/1/2010(b)	6,196	240,591		
						8/1/2011(a)	1,252	48,615		
						8/1/2011(b)	1,305	50,673	1,392	54,051
						8/1/2012(a)	1,768	68,651		
						8/1/2012(b)			2,948	114,471
Totals		1,878	20,215				11,994	465,727	4,340	168,522

Notes and Supplemental Tables to Outstanding Equity Awards at Fiscal Year 2013 End Table

(1) Vesting Information:

Grant Date	**Vesting Schedule**
8/1/2009	The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.
8/1/2010	(a) The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.
	(b) The performance unit awards granted on this date are subject to annual performance conditions and may be earned 1/3 each year over a three year period if the performance conditions for each particular year are satisfied. The performance conditions underlying Year 1 (Fiscal 2011) and Year 2 (Fiscal 2012) and Year 3 (Fiscal 2013) of the performance period for these awards have been deemed earned by the Compensation Committee as of June 30, 2011 and June 30, 2012 respectively. However, these performance units remain subject to an additional service condition that requires the NEO to be employed by us at the payment date following the 3-year performance period. The threshold performance conditions underlying Year 3 (Fiscal 2013) of the performance period for these awards were not achieved and therefore no performance units were earned for that year.
8/1/2011	(a) The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.
	(b) The performance unit awards granted on this date are subject to annual performance conditions and may be earned 1/3 each year over a three year period if the performance conditions for each particular year are satisfied.

The performance conditions underlying Year 1 (Fiscal 2012) of the performance period for these awards were deemed earned by the Compensation Committee as of June 30, 2012. However, these performance units remain subject to an additional service condition that requires the NEO to be employed by us at the payment date following the 3-year performance period. The threshold performance conditions underlying Year 2 (Fiscal 2013) of the performance period for these awards were not achieved and therefore no performance units were earned for that year. The number of performance units which have been deemed earned under these awards by the Compensation Committee (but remain unvested) are reported in the Number of Shares or Units of Stock That Have Not Vested column and the number of performance units which remain subject to performance conditions have been included in the Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That have Not Vested column (based on achieving target performance goals).

Grant Date	Vesting Schedule
8/1/2012	(a) The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date. (b) The performance unit awards granted on this date are subject to annual performance conditions and may be earned 1/3 each year over a three year period if the performance conditions for each particular year are satisfied. The threshold performance conditions underlying Year 1 (Fiscal 2013) of the performance period for these awards were not achieved and therefore no performance units were earned for that year. The number of performance units which remain subject to performance conditions have been included in the Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That have Not Vested column (based on achieving target performance goals).

(2) Market value is calculated using the closing price of our common stock on June 28, 2013 ($38.83).

Option Exercises and Stock Vested In 2013

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)(3)
Carlos M. Cardoso	23,045	383,591	99,308	4,028,177
Frank P. Simpkins			53,029	2,175,913
John R. Tucker	30,912	609,067	17,341	705,701
John H. Jacko, Jr.	10,212	218,117	21,923	896,516
Steven R. Hanna	15,402	221,469	16,489	674,316

Notes and Supplemental Tables to Option Exercises and Stock Vested in 2013 Table

(1) These values represent the difference between the market price of the underlying shares at exercise and the exercise price of the options multiplied by the number of shares acquired on exercise.

(2) These values represent the aggregate dollar amount realized upon vesting. The value is calculated by multiplying the number of shares of stock that vested by the market value of the shares on the vesting date.

(3) In connection with the vesting of restricted stock/unit awards, our NEOs surrendered shares to satisfy tax withholding requirements, which reduced the actual value they received upon vesting. The number of shares surrendered and the corresponding value of those shares is shown below.

Name	Number of Shares Surrendered for Tax Withholding	Value of Shares Surrendered ($)
Carlos M. Cardoso	46,661	1,896,996
Frank P. Simpkins	23,673	972,754
John R. Tucker	4,906	199,553
John H. Jacko, Jr.	6,746	276,048

Steven R. Hanna	6,753	276,316

Table of Contents

The following table shows benefits our NEOs are entitled to under our retirement programs, which are described more fully in the narrative that follows and in the CD&A section of this proxy statement.

2013 Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1) ($)	Payments During Last Fiscal Year ($)
Carlos M. Cardoso	RIP	0.7	22,692	
	ERP	10.2	4,386,910	
Frank P . Simpkins	RIP	8.2	126,362	
	ERP	14.7	1,725,392	
John R. Tucker	RIP	N/A	N/A	
	ERP	4.8	1,261,430	
John H. Jacko, Jr.	RIP	N/A	N/A	
	ERP	6.3	879,813	
Steven R. Hanna	RIP	N/A	N/A	
	ERP	4.8	700,997	

Notes to 2013 Pension Benefits Table

(1) The accumulated benefit is based on the NEO s historical compensation, length of service, the plan s provisions, and applicable statutory and regulatory requirements. The present value has been calculated assuming the NEO will remain in service until age 65 for the RIP and 62 for the ERP. Vesting schedules under the plans are disregarded for purposes of these calculations. Refer to note 13 to the financial statements in Kennametal s 2013 Annual Report for a discussion of additional assumptions used in calculating the present value.

Retirement Programs

Qualified Defined Benefits Plan. The Kennametal Retirement Income Plan is a qualified defined benefit plan that provides monthly retirement benefits to eligible employees. On October 28, 2003, the Board of Directors approved amendments to the RIP which became effective on December 31, 2003. Effective January 1, 2004, no new non-union employees were eligible for participation in the RIP. Additionally, benefits under the RIP were frozen, meaning that they did not continue to accrue after December 31, 2003, for participants who did not meet specified age and service criteria. Certain participants were grandfathered and continued their participation in the RIP after December 31, 2003. (Grandfathered participants were those who, as of December 31, 2003, were either (a) age 45 with 20 years of continuous service or (b) age 50 with 5 years of continuous service.) Neither Mr. Jacko nor Mr. Tucker participated in the RIP. None of our other NEOs met the criteria for continuation; therefore, their benefit accruals under the RIP were frozen as of January 1, 2004.

Qualified Defined Contribution Plan. The TPP is a defined contribution plan that the Company established to encourage investment and savings for eligible Kennametal employees and employees of certain subsidiaries. Eligible employees may elect to contribute a portion of their salary to the plans, and the Company may match 50% of employee contributions up to 6% of base salary. Matching contributions can be in the form of cash or Kennametal stock.

Beginning January 1, 2004, for each employee whose benefit accrual under the RIP was frozen as of December 31, 2003, the Company: (a) makes a contribution to the employee s TPP account in an amount equal to 3% of the employee s eligible compensation (salary and, if applicable, bonus) (this contribution may be in the form of Kennametal stock or cash); and (b) may make an annual discretionary cash contribution of up to 3% of eligible compensation based on the Company s overall performance for the fiscal year. The employee contributions, Company contributions and earnings thereon are invested and ultimately paid out in accordance with elections made by the participant. See the Summary Compensation Table and accompanying notes for more information about Company contributions to the NEOs.

Non-Qualified Plans. Our ERP, a non-qualified retirement plan, provides a formula-based benefit to our NEOs that is payable on a lump sum basis. The amount of the benefit is based upon an executive s accrued benefit percentage (which varies by age) and compensation (base salary together with Prime Bonus target awards averaged for the three most recent fiscal years). ERP benefits vest once an executive s accrued benefit percentage reaches 150%. If an executive terminates employment prior to reaching age 62, then the accrued benefit percentage is reduced to reflect the accrued benefit percentage that was applicable to the executive two years prior to the date of termination.

EQUITY COMPENSATION PLANS

Our equity compensation plans are summarized below. Grant practices and related information are generally described in the CD&A section of this proxy statement.

Kennametal Inc. Stock and Incentive Plan of 2010. The 2010 Plan, a shareowner approved plan, provides for the granting of nonstatutory and incentive stock options, incentive bonus awards, performance share awards, performance unit awards, restricted stock awards, restricted unit awards, stock appreciation rights, share awards, stock unit awards and other share-based awards. The aggregate number of shares available for issuance under the 2010 Plan is currently 3,500,000 plus shares added to the 2010 Plan from the Prior Stock Plans in accordance with the terms of the 2010 Plan.

The Prior Stock Plans consist of the Kennametal Inc. Stock Option and Incentive Plan of 1996 (the 1996 Plan), the Kennametal Inc. 1999 Stock Plan (the 1999 Stock Plan), the Kennametal Inc. Stock Option and Incentive Plan of 1999 (the 1999 Plan), and the 2002 Plan. The 1996 Plan, the 1999 Plan and the 2002 Plan were shareowner approved plans that provided for the granting of nonstatutory and incentive stock options and certain share awards. The 1999 Stock Plan was a non-shareowner approved plan that provided for the granting of nonstatutory stock options and certain share awards. The 1999 Stock Plan was implemented in connection with the hiring of new employees and was not submitted for shareowner approval because at that time the NYSE permitted the listing of shares under non-shareowner approved plans for stock awards to new employees and other limited circumstances.

Although options and restricted units are outstanding under the 2002 Plan, no further awards may be made under this plan. There are no awards outstanding under the other Prior Stock Plans and no further awards may be made under these plans.

The Performance Bonus Stock Plan of 1995, as amended and restated on December 30, 2008 (the Bonus Stock Plan) provided for the issuance of not more than 1,500,000 shares. The Bonus Stock Plan permits certain persons (including management and/or senior executives of the Company or its subsidiaries) who participate in the Kennametal Inc. Management Performance Bonus Plan, as amended, and certain other performance-based bonus compensation plans to (i) elect to receive shares of the Company s capital stock in lieu of all or any portion of cash bonus compensation owed to such person and/or (ii) elect to have stock credits, in lieu of all or any portion of cash bonus compensation owed to such person, credited to an account established for such person by the Company. It is noted that although the Bonus Stock Plan allows for both of the aforementioned options, the Company currently only offers participants the option to elect stock credits. Pursuant to the Bonus Stock Plan, the number of shares or stock credits to be distributed to a participant under the Bonus Stock Plan is equal to the number of shares of the Company s capital stock that could have otherwise been purchased with the amount of cash bonus compensation that the participant elected to defer based on the fair market value of the Company s capital stock on the date that the cash bonus compensation would have otherwise been paid to such person.

The Directors Stock Incentive Plan, which is a non-shareowner approved plan, provides for the issuance of not more than 400,000 shares. The plan allows any non-employee director to elect to receive shares of our capital

Table of Contents

stock in lieu of all or a portion of any Board or committee compensation that is otherwise payable to such non-employee director in any plan year or to receive stock credits for any Board or committee compensation that is deferred for any plan year pursuant to the Deferred Fee Plan.

The following table sets forth information about our equity compensation plans as of June 30, 2013.

Equity Compensation Plans Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights A(1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights B(2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) C
Equity compensation plans approved by shareowners(3)	3,997,207	$ 30.40	2,944,162
Equity compensation plans not approved by shareowners(4)	166,556		96,674
TOTAL	4,163,763	$ 30.40	3,040,836

(1) This column also includes stock credits issued under the Bonus Stock Plan and Directors Stock Incentive Plan, restricted units granted under the 2002 Plan and the 2010 Plan, performance units granted at target under the 2002 Plan and the 2010 Plan, which are then adjusted from target to units deemed earned based on the results of the annual performance period. For a description of the stock credits issued under the Bonus Plan see *Equity Compensation Plans* above. For a description of the stock credits issued under the Directors Stock Incentive Plan, see *Equity Compensation Plans* above and *Board of Directors Compensation and Benefits Overview of Director Compensation Directors Stock Incentive Plan.* For a description of the restricted units and performance units issued under the 2002 Plan and the 2010 Plan, see the CD&A section of this proxy statement.

(2) The calculations of the weighted average exercise prices shown in this column do not include stock credits issued under the Bonus Stock Plan or the Directors Stock Incentive Plan, restricted units issued under the 2002 Plan and the 2010 Plan or performance units issued under the 2002 Plan and the 2010 Plan.

(3) This row includes information related to (i) the 2002 Plan; (ii) the 2010 Plan; and (iii) the Bonus Stock Plan. As noted above, no further grants may be made from the 2002 Plan. As of June 30, 2013, the number of securities available for future issuance under the 2010 Plan, other than upon the exercise of options, warrants or rights was 2,758,515, of which 1,946,913 can be granted as full value awards. The number of shares available for future issuance under the Bonus Stock Plan is 185,647.

(4) This row includes information related to the Directors Stock Incentive Plan. The number of securities available for future issuance under the Directors Stock Incentive Plan, other than upon the exercise of options, warrants or rights, was 96,674 as of June 30, 2013. For a description of the Directors Stock Incentive Plan, see *Equity Compensation Plans* above.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

In certain circumstances, our Amended and Restated Officer s Employment Agreement (the Employment Agreement) provides for post-termination payments to our NEOs upon termination of employment and/or in the event of a change-in-control. The material provisions of the Employment Agreement are described in the CD&A section of this proxy statement. Under the Employment Agreement, the amount a NEO would receive upon termination of his employment depends on the reason for his termination and whether the termination is in connection with a change-in-control. Our stock and incentive plans and programs, and certain of our retirement plans also include change-in-control provisions. The following discussion explains the effects of termination, both within and outside of the context of a change-in-control, under the Employment Agreement, our stock and incentive plans and programs, and our applicable retirement plans.

58

Table of Contents

Termination of Employment Outside of a Change-in-Control

Termination Provisions under the Employment Agreement

Select definitions. The terms set forth below generally have the following meanings under the Employment Agreement and as used in this discussion:

Change-in-Control means a change-in-control transaction of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended. Transactions that would be deemed a Change-in-Control include:

- A merger with any other corporation or entity other than one in which we own all of the outstanding equity interests;
- A sale of all or substantially all of our assets; and
- The acquisition of 25% or more of the outstanding shares of Kennametal or the voting power of the outstanding voting securities of Kennametal together with or followed by a change in our Board s composition such that a majority of the Board s members does not include those who were members at the date of the acquisition or members whose election or nomination was approved by a majority of directors who were on the Board prior to the date of the acquisition.

Cause generally means that the executive: (a) is guilty of malfeasance, willful misconduct or gross negligence in the performance of his duties or (b) has not made his services available to Kennametal on a full-time basis; or (c) has breached the non-competition provisions of the Employment Agreement.

Date of Termination generally means: (a) if executive s employment is terminated due to his death or retirement, the date of death or retirement, respectively; or (b) if executive s employment is terminated for any other reason, the date on which the termination becomes effective as stated in the written notice of termination given to or by the executive.

Good Reason generally means the occurrence of any of the following at or after a Change-in-Control: (a) a material diminution of responsibilities or such executive s reporting responsibilities, titles or offices, as in effect immediately prior to a Change-in-Control; (b) a material reduction in base salary as in effect immediately prior to any Change-in-Control; (c) failure to provide comparable levels of incentive compensation; (d) a material reduction in benefit programs; (e) failure to obtain the assumption of the Employment Agreement by any successor Company; (f) the relocation of the executive to a facility more than 50 miles from present location; or (g) any purported termination of the executive by Kennametal, which is not for Cause or as a result of the executive s death.

Cash Severance. We do not pay severance to any executive officer whose employment is terminated by us for Cause or who voluntarily terminates his employment. If we terminate a NEO s employment prior to a Change-in-Control and without Cause, the NEO becomes entitled to the following:

- *For Mr. Cardoso* A continuation of base salary for up to 24 months as severance pay, in addition to all amounts due him at the Date of Termination (as defined in his employment agreement). Severance amounts would be offset by any salary earned by Mr. Cardoso in the event he obtains other employment during the 24-month period. Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with the Company s established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter; provided, however, any payments that Mr. Cardoso would be entitled to during the first six months following the Date of Termination will be delayed and accumulated and paid on the first day of the seventh month following his Date of Termination (or, if earlier, the date of his death).

For Messrs. Simpkins, Tucker, Jacko and Hanna A continuation of base salary for 12 months as severance pay, in addition to all amounts due them at the Date of Termination (as defined in their employment agreement). Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with the Company s established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter or, if later, the date such executive s release becomes effective and irrevocable (with an aggregate initial installment representing the total amount due as if severance payments commenced on the normal pay date immediately following the executive s Date of Termination).

For all NEOs

Severance amounts are payable in accordance with our established payroll policies.

We may discontinue severance payments if we determine the executive has violated any provision of the Employment Agreement (including the three-year non-competition provision).

Executives are not entitled to severance under any termination scenario other than a termination by us without Cause prior to a Change-in-Control.

Termination Provisions Under Our Equity Compensation Plans and Programs

We provide equity-based (LTI) and, in the past, have provided cash-based (Cash LTIP) long-term incentive awards for executives. (Please see the discussion in the CD&A section of this proxy statement for further details of these programs.) LTI awards are granted under the 2010 Plan; however, certain of our NEOs also have restricted stock or stock option awards that are outstanding under the 2002 Plan, before the 2010 Plan was adopted.

2002 Plan The 2002 Plan does not provide for additional benefits in the event of termination of employment except in the case of death, disability and retirement.

Death and Disability:

Stock Option Awards all options become fully vested and exercisable in full as of the date the awardee s employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee s employment is terminated.

Performance Unit Awards In the event an awardee s employment is terminated during the performance period on account of death or disability, the service condition applicable to such awards will be waived. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For fiscal years not completed, the performance conditions will be deemed to have been achieved at the target level and the awardee will be deemed to have earned for each such fiscal year a number of performance units that were able to be earned for such fiscal year at the target level. In the event an awardee s employment is terminated during the period between the end of the performance period and the payment date on account of death or disability, the service condition applicable to the award will be waived and the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions prior to the date of death or disability (as described in this section).

Retirement:

Stock Option Awards Unvested stock options continue to vest in accordance with their original vesting schedule for a two-year period following termination, with such options being exercisable for a period following termination of the lesser of three years or the remaining original option term. Any remaining unvested stock options are forfeited after the expiration of the two-year period.

Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee s employment is terminated.

Table of Contents

Performance Unit Awards In the event a retirement eligible awardee s employment is terminated on account of retirement during the performance period, the amount of a performance unit award to be paid, if any, will be determined as follows. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For the fiscal year in which the termination occurs, the awardee will be entitled to receive a pro rata portion of the performance units that have been earned based on the ratio of the number of months the awardee was employed during the performance period to the total number of months in the performance period. All other performance units granted under the award, including performance units that could have been earned for fiscal years after the fiscal year in which the termination occurred, will be cancelled and forfeited without payment by the Company.

Non-Competition Provisions in the 2002 Plan: Under the 2002 Plan, the right to exercise a stock option or vest in any restricted shares or restricted units is conditioned on compliance with certain non-competition provisions during employment and for two years after employment ends. Further, if the NEO received or is entitled to the delivery or vesting of stock during the last 12 months of employment or during the 24 months following termination, the Board of Directors may require the executive to forfeit the shares if it deems the executive engaged in Injurious Conduct (as defined in the plan documents).

2010 Plan The 2010 Plan does not provide for additional benefits in the event of termination of employment except in the case of death, disability and retirement.

Death and Disability:

Stock Option Awards all options become fully vested and exercisable in full as of the date the awardee s employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee s employment is terminated.

Performance Unit Awards In the event an awardee s employment is terminated during the performance period on account of death or disability, the service condition applicable to such awards will be waived. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For fiscal years not completed, the performance conditions will be deemed to have been achieved at the target level and the awardee will be deemed to have earned for each such fiscal year a number of performance units that were able to be earned for such fiscal year at the target level. In the event an awardee s employment is terminated during the period between the end of the performance period and the payment date on account of death or disability, the service condition applicable to the award will be waived and the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions prior to the date of death or disability (as described in this section).

Retirement:

Stock Option Awards all options become fully vested and exercisable in full as of the date the awardee s employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee s employment is terminated.

Performance Unit Awards In the event a retirement eligible awardee s employment is terminated on account of retirement during the performance period, the amount of a performance unit award to be paid, if any, will be determined as follows. For completed fiscal years, the awardee will be entitled to

61

receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For the fiscal year in which the termination occurs, the awardee will be entitled to receive a pro rata portion of the performance units that have been earned based on the ratio of the number of complete months the awardee was employed during the performance period to the total number of months in the performance period. All other performance units granted under the award, including performance units that could have been earned for fiscal years after the fiscal year in which the termination occurred, will be cancelled and forfeited without payment by the Company.

Non-Competition Provisions in the 2010 Plan: Under the 2010 Plan, the right to exercise a stock option or vest in any restricted shares, restricted units or performance units is conditioned on compliance with certain non-competition provisions during employment and for two years after employment ends. Further, if the NEO received or is entitled to the delivery or vesting of stock during the last 12 months of employment or during the 24 months following termination, the Board of Directors may require the executive to forfeit the shares if it deems the executive engaged in Injurious Conduct (as defined in the plan documents).

Termination Provisions Under Certain of Our Retirement Plans

We maintain various retirement programs including the RIP, the TPP (a 401(k) plan) and the ERP. (Please see the discussion of *Retirement Plans* in the CD&A section for additional details regarding these retirement programs.) Not all executive officers participate in each plan. There are no additional benefits provided to the NEOs in the event of a termination of employment prior to a Change-in-Control. The right to receive benefits under the ERP are conditioned on certain non-competition and non-solicitation provisions applicable during employment and for the three-year period following termination. If the Compensation Committee determines that a violation of the provisions has occurred and the violation is not corrected within the allotted time, the executive forfeits any right to future payments under the ERP. The Committee is authorized to take legal action to recover benefits that have already been paid.

Termination of Employment In Connection with a Change-in-Control

Termination Provisions under the Employment Agreement Change-in-Control

Cash severance pay. If a NEO s employment is terminated upon a Change-in-Control or within three years after a Change-in-Control, either by the executive for Good Reason or by the employer other than for Cause or disability, the executive will receive in cash as severance pay an amount equal to the product of:

(i) **the lesser of**:

(x) 2 and eight tenths (2.8),

(y) a number equal to the number of calendar months remaining from the Date of Termination to the executive s retirement date (defined in the Employment Agreement), divided by twelve (12), or

(z) a number equal to the product obtained by multiplying thirty-six (36) less the number of completed months after the date of the Change-in-Control during which the executive was employed and did not have Good Reason for termination, times one-twelfth (1/12)

times

(ii) the sum of (x) and (y) below:

(x) executive s base salary at the annual rate in effect on the Date of Termination (or, if greater, at the annual rate in effect on the first day of the calendar month immediately prior to Change-in-Control), plus

(y) the average of any bonuses which executive was entitled to or paid during the three most recent fiscal years ending prior to the Date of Termination or, if the executive is employed for less than one year, the target bonus for the year in which the termination occurred.

Table of Contents

Continuation of medical and welfare benefits. For a three-year period following the Date of Termination, the NEO will receive the same or equivalent medical, dental, disability and group insurance benefits that he received at the Date of Termination.

To the extent that the benefits cannot be provided by law or plan provision, the Company will make a payment to the executive equal to the difference between the amounts that would have been paid under the programs and the amount paid, if any, by the executive.

Partial excise tax gross-up. The Company will provide a payment adjustment if, due to excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the executive s net after-tax benefits are less than intended under the cash severance component described above.

This calculation is determined by assessing the total after-tax value of all benefits provided upon a Change-in-Control. To the extent that the after-tax benefit is less than the cash severance payment, an additional payment is made to the executive that will permit the executive to receive the full intended benefit of the cash severance pay, as determined on an after-tax basis.

Termination Provisions Under Our Equity Compensation Plans and Programs Change-in-Control

Equity-based and other cash-based long-term incentive awards. The following provisions apply to previously granted and outstanding awards in the event of a Change-in-Control.

2002 Plan Unless the Board determines otherwise by resolution prior to a Change-in-Control, in the event of a Change-in-Control, all options will become exercisable in full immediately prior to the Change-in-Control and all restricted shares, restricted units, performance units and Cash LTIP awards will become immediately vested and all restrictions on those awards will lapse immediately prior to the Change-in-Control. In addition, all options held by an employee who is terminated for any reason during the two years following a Change-in-Control will immediately vest in full and may be exercised at any time within the three-month period following the date of termination (regardless of the expiration date of the option). Similarly, all restricted shares, restricted units, performance units and Cash LTIP awards held by an employee who is terminated for any reason during the two years following a Change-in-Control will automatically vest and all restrictions will lapse.

2010 Plan Unless the Board determines otherwise by resolution, in the event of a Change-in-Control, all options will become exercisable in full immediately prior to the Change-in-Control and all restricted shares, restricted units, performance units and Cash LTIP awards will become immediately vested and all restrictions on those awards will lapse immediately prior to the Change-in-Control. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For fiscal years not completed, the performance conditions will be deemed to have been achieved at the target level and the awardee will be deemed to have earned for such fiscal year a number of performance units that were able to be earned for such fiscal year at the target level. In addition, all options held by an executive who is terminated for any reason during the two years following a Change-in-Control will immediately vest in full and may be exercised at any time within the three-month period following the date of termination (regardless of the expiration date of the option). Similarly, all restricted shares, restricted units, performance units and Cash LTIP awards held by an employee who is terminated for any reason during the two years following a Change-in-Control will automatically vest and all restrictions will lapse.

Termination Provisions Under Our Retirement Plans Change-in-Control

The benefits under the TPP and ERP are impacted in the event of a Change-in-Control as described below.

ERP Each executive who is an employee at the time of a Change-in-Control will become 100% vested in the ERP (to the extent such executive s benefits have not already vested); provided, however, that with or without a change-in-control, such amount would be reduced by a forfeiture of the last 24 months of credited service for a termination of employment prior to age 62. Receipt of the ERP benefits are conditioned upon compliance with the non-competition and non-solicitation provisions described above.

TPP The terms of the Employment Agreement provide that each executive will receive three years of additional credit for purposes of computing the amount of the Company match that would have been provided

Table of Contents

under the TPP assuming the executive had contributed the maximum allowable elective deferral for such years and provided the executive is actively participating in the TPP at the time of a Change-in-Control. The annual Company match is equal to 50% of the first 6% of eligible compensation deferred by a participant. Additionally, each executive will receive three years of additional credit for purposes of computing a basic contribution of 3% of eligible compensation for such years provided the executive is actively participating in the TPP (and not grandfathered under the RIP) at the time of a Change-in-Control. The Company may also contribute up to an additional 3% of compensation to executives at the discretion of the Board of Directors.

The following tables detail the incremental payments and benefits (above those already disclosed in this proxy statement) to which the NEOs would have been entitled under each termination of employment and change-in-control scenario, assuming the triggering event occurred on June 30, 2013. Please see the footnotes to the tables for additional information.

Carlos M. Cardoso	**Non-Change in Control**				**Change in Control**	
Named Executive Officer **Payments and Benefits**	**Involuntary Not For Cause Termination of Employment**	**Death**	**Disability**	**Retirement**	**Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason**	**Without Termination of Employment**
Severance (1)	$ 1,950,000	$	$	$	$ 6,673,908	$
Stock Options (Unvested) (2)	$	$ 1,313,803	$ 1,313,803	$ 195,172	$ 1,313,803	$ 1,313,803
Restricted Units (Unvested) (3)	$	$ 2,107,809	$ 2,107,809	$ 1,389,104	$ 2,107,809	$ 2,107,809
Performance Units (Unvested) (3)	$	$ 6,061,596	$ 6,061,596	$ 600,665	$ 6,061,596	$ 6,061,596
ERP (4)	$	$	$	$	$	$
Thrift Plan Contributions (5)	$	$	$	$	$ 53,250	$
Health & Welfare Benefits Continuation (6)	$	$	$	$	$ 55,069	$
Life Insurance Proceeds (7)	$	$ 500,000	$	$	$	$
Subtotals	**$ 1,950,000**	**$ 9,983,208**	**$ 9,483,208**	**$ 2,184,941**	**$ 16,265,435**	**$ 9,483,208**
Excise Tax and Gross-up (8)	$	$	$	$	$	$
Totals	**$ 1,950,000**	**$ 9,983,208**	**$ 9,483,208**	**$ 2,184,941**	**$ 16,265,435**	**$ 9,483,208**

Frank P. Simpkins	**Non-Change in Control**				**Change in Control**	
Named Executive Officer **Payments and Benefits**	**Involuntary Not For Cause Termination of Employment**	**Death**	**Disability**	**Retirement**	**Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason**	**Without Termination of Employment**
Severance (1)	$ 490,000	$	$	$	$ 2,573,948	$
Stock Options (Unvested) (2)	$	$ 345,682	$ 345,682	$	$ 345,682	$ 345,682
Restricted Units (Unvested) (3)	$	$ 476,522	$ 476,522	$	$ 476,522	$ 476,522
Performance Units (Unvested) (3)	$	$ 1,309,503	$ 1,309,503	$	$ 1,309,503	$ 1,309,503
ERP (4)	$	$	$	$	$ -	$
Thrift Plan Contributions (5)	$	$	$	$	$ 54,150	$
Health & Welfare Benefits Continuation (6)	$	$	$	$	$ 61,493	$
Life Insurance Proceeds (7)	$	$ 500,000	$	$	$ -	$

Subtotals	**$ 490,000**	**$ 2,631,706**	**$ 2,131,706**	**$**	**$ 4,821,298**	**$ 2,131,706**
Excise Tax and Gross-up (8)	$	$	$	$	$ -	$
Totals	**$ 490,000**	**$ 2,631,706**	**$ 2,131,706**	**$**	**$ 4,821,298**	**$ 2,131,706**

Table of Contents

John H. Jacko	**Non-Change in Control**				**Change in Control**	
Named Executive Officer **Payments and Benefits**	**Involuntary Not For Cause Termination of Employment**	**Death**	**Disability**	**Retirement**	**Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason**	**Without Termination of Employment**
Severance (1)	$ 386,000	$	$	$	$ 1,912,773	$
Stock Options (Unvested) (2)	$	$ 145,515	$ 145,515	$	$ 145,515	$ 145,515
Restricted Units (Unvested) (3)	$	$ 229,679	$ 229,679	$	$ 229,679	$ 229,679
Performance Units (Unvested) (3)	$	$ 599,419	$ 599,419	$	$ 599,419	$ 599,419
ERP (4)	$	$	$	$	$	$
Thrift Plan Contributions (5)	$	$	$	$	$ 50,246	$
Health & Welfare Benefits Continuation (6)	$	$	$	$	$ 60,464	$
Life Insurance Proceeds (7)	$	$ 500,000	$	$	$	$
Subtotals	**$ 386,000**	**$ 1,474,613**	**$ 974,613**	**$**	**$ 2,998,096**	**$ 974,613**
Excise Tax and Gross-up (8)	$	$	$	$	$	$
Totals	**$ 386,000**	**$ 1,474,613**	**$ 974,613**	**$**	**$ 2,998,096**	**$ 974,613**

John R. Tucker	**Non-Change in Control**				**Change in Control**	
Named Executive Officer **Payments and Benefits**	**Involuntary Not For Cause Termination of Employment**	**Death**	**Disability**	**Retirement**	**Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason**	**Without Termination of Employment**
Severance (1)	$ 439,000	$	$	$	$	$
Stock Options (Unvested) (2)	$	$ 149,318	$ 149,318	$ 149,318	$ 149,318	$ 149,318
Restricted Units (Unvested) (3)	$	$ 256,744	$ 256,744	$ 256,744	$ 256,744	$ 256,744
Performance Units (Unvested) (3)	$	$ 649,975	$ 649,975	$ 390,869	$ 649,975	$ 649,975
ERP (4)	$	$	$	$	$	$
Thrift Plan Contributions (5)	$	$	$	$	$ 51,413	$
Health & Welfare Benefits Continuation (6)	$	$	$	$	$ 66,255	$
Life Insurance Proceeds (7)	$	$ 500,000	$	$	$	$
Subtotals	**$ 439,000**	**$ 1,556,037**	**$ 1,056,037**	**$ 796,931**	**$ 1,173,705**	**$ 1,056,037**
Excise Tax and Gross-up (8)	$	$	$	$	$	$
Totals	**$ 439,000**	**$ 1,556,037**	**$ 1,056,037**	**$ 796,931**	**$ 1,173,705**	**$ 1,056,037**

Table of Contents

Steven R. Hanna	**Non-Change in Control**				**Change in Control**	
Named Executive Officer						
Payments and Benefits	**Involuntary Not For Cause Termination of Employment**	**Death**	**Disability**	**Retirement**	**Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason**	**Without Termination of Employment**
Severance (1)	$ 352,000	$	$	$	$ 1,541,391	$
Stock Options (Unvested) (2)	$	$ 108,748	$ 108,748	$	$ 108,748	$ 108,748
Restricted Units (Unvested) (3)	$	$ 174,463	$ 174,463	$	$ 174,463	$ 174,463
Performance Units (Unvested) (3)	$	$ 459,786	$ 459,786	$	$ 459,786	$ 459,786
ERP (4)	$	$	$	$	$ 370,576	$ 681,554
Thrift Plan Contributions (5)	$	$	$	$	$ 46,770	$
Health & Welfare Benefits Continuation (6)	$	$	$	$	$ 61,379	$
Life Insurance Proceeds (7)	$	$ 500,000	$	$	$	$
Subtotals	**$ 352,000**	**$ 1,242,997**	**$ 742,997**	**$**	**$ 2,763,114**	**$ 1,424,551**
Excise Tax and Gross-up (8)	$	$	$	$	$	$
Totals	**$ 352,000**	**$ 1,242,997**	**$ 742,997**	**$**	**$ 2,763,114**	**$ 1,424,551**

Footnotes to Potential Payments upon Termination or Change-In-Control Tables

(1) Prior to a Change in Control, upon an involuntary, not for Cause termination, each named executive is assumed to receive the maximum severance payable under the provisions of his Employment Agreement (base salary for 24 months for Mr. Cardoso and 12 months for each other named executive).

For purposes of these calculations, upon an involuntary termination, other than for Cause or disability, following a Change in Control, or termination by the named executive for Good Reason following a Change in Control, each named executive is assumed to receive the maximum severance payable under the provisions of his Employment Agreement, which for everyone other than Mr. Tucker was calculated by multiplying (i) 2 and eight tenths (2.8), by (ii) the sum of (x) the executive s base salary at the annual rate in effect on the Date of Termination (or, if greater, at the annual rate in effect on the first day of the calendar month immediately prior to Change in Control), plus (y) the average of any bonuses which executive was entitled to or paid during the three most recent fiscal years ending prior to the Date of Termination. Mr. Tucker would not have been entitled to receive a severance payment upon an involuntary termination, other than for Cause or disability, following a Change in Control, or a termination by him for Good Reason following a Change in Control, because of the fact that he was retirement eligible pursuant to the terms of his Employment Agreement at June 30, 2013.

Each named executive s Employment Agreement provides that certain severance payments will be cut back to amounts that do not exceed each named executive officer s respective safe harbor limit, as defined under the golden parachute rules of Internal Revenue Code Section 280G. The change in control severance disclosed in the table for Messrs. Simpkins, Jacko and Hanna are limited to their respective safe harbors in accordance with their Employment Agreements. If these safe harbor limits did not apply, Mr. Simpkins would receive $2,854,332, Mr. Jacko would receive $1,934,554 and Mr. Hanna would receive $1,740,866.

(2) The amounts shown for each named executive represent for each of their stock options outstanding as of June 30, 2013 (all of which would have become fully vested and exercisable), the difference between the fair market value of the Company s stock on June 28, 2013 (the last business day of Fiscal 2013) and the exercise price for such option set at the date of grant multiplied by the number of shares underlying such option.

At June 30, 2013, Mr. Cardoso was retirement eligible under the 2010 Plan, but not the 2002 Plan. Accordingly, the amount shown for Mr. Cardoso reflects the accelerated vesting of stock options granted to him under the 2010 Plan only. Messrs. Simpkins, Jacko and Hanna were not retirement eligible under either the 2010 Plan or the 2002 Plan as of June 30, 2013 and, therefore, would not have received accelerated vesting of their stock options upon retirement. The amount shown for Mr. Tucker, who was retirement eligible at June 30, 2013 under both plans, represents for each option granted under the 2010 Plan and outstanding as of June 30, 2013, the difference between the fair market value of the Company s stock on June 28, 2013 (the last business day of Fiscal 2013) and the exercise price for such option set at the date of grant multiplied by the number of shares underlying such option. As noted above, the 2002 Plan does not provide for accelerated vesting of options upon retirement, but instead provides for the continued vesting of such options in accordance with their original vesting schedule. Accordingly the option granted to Mr. Tucker under the 2002 Plan that was outstanding as of June 30, 2013, is included in this calculation.

(3) The amounts shown for each named executive represent for each restricted unit award and each performance unit award that would have been subject to accelerated vesting, the fair market value of the Company s stock on June 28, 2013 (the last business day of Fiscal 2013) multiplied by the number of shares that would have vested under each such award. With respect to the performance units outstanding (for which the applicable performance period had not been completed as of June 30, 2013), the number of shares reported represents the full number of performance units that were able to be earned for such fiscal year at the target level.

Messrs. Simpkins, Jacko and Hanna would not have received accelerated vesting of their restricted unit awards or performance unit awards upon retirement under the 2010 Plan or the 2002 Plan because at June 30, 2013, they were not retirement eligible under the 2010 Plan. Mr. Tucker, who was retirement eligible under both the 2010 Plan and the 2002 Plan at June 30, 2013, would have been entitled to receive accelerated vesting of his outstanding restricted unit awards under both plans. Mr. Cardoso was retirement eligible under the 2010 Plan, but not the 2002 Plan and, therefore, would have only been entitled to accelerated vesting of restricted units granted to him under the 2010 Plan. The amount shown for Messrs. Cardoso and Tucker for restricted units represents the fair market value of the Company s stock on June 28, 2013 (the last business day of Fiscal 2013) multiplied by the number of shares underlying each of their respective outstanding restricted unit awards as of June 30, 2013 that would have been subject to accelerated vesting in connection with retirement. Messrs. Cardoso and Tucker also would have been entitled to receive accelerated vesting of any performance units granted under the 2010 Plan that were earned as of June 30, 2013, with the service condition applicable to such Performance units being waived. In addition, Mr. Tucker would have been entitled to receive accelerated vesting of the performance unit award granted to him under the 2002 Plan.

(4) Upon a Change in Control, accrued benefits under the ERP will vest (to the extent not already vested). As such, the amount reported for Mr. Hanna, whose benefits had not vested as of June 30, 2013, represents his entire accrued benefit under the ERP as of June 30, 2013, which would have vested in full in connection with a Change in Control. Messrs. Cardoso, Simpkins, Jacko and Tucker would not have received any additional value upon a Change in Control, as their accrued benefits under the ERP were already vested as of June 30, 2013.

Under the ERP, if a participant s employment is terminated (other than in connection with death or disability, and regardless of whether a Change in Control has occurred) prior to attainment of age 62, then the ERP provides that the participant will forfeit the last 24 months of credited service under the ERP. Accordingly, the amount reported for Mr. Hanna for an Involuntary Not for Cause Termination of Employment by the Company or by Executive for Good Reason in connection with a Change in Control, reflects the forfeiture of his last 24 months of credited service.

(5) The Employment Agreement provides that basic and matching contributions under the TPP will continue for a three (3) year period in the case of an involuntary, not for Cause termination or a termination by the executive for Good Reason in connection with a change in control. To the extent that the terms and conditions under the TPP would not allow these continued contributions, a payment to the executive in an amount equal to the calculated benefit would be made. The TPP basic contributions are calculated based on the maximum eligible compensation allowable under a qualified plan for the fiscal year multiplied by 3%. The TPP matching contributions are calculated based on the maximum eligible compensation allowable under a qualified plan for the fiscal year multiplied by 3% i.e., match of 50% of first 6% of eligible compensation. A discretionary contribution of up to 3% of maximum compensation may also be awarded under the TPP; however, no amount for such contribution is included in this disclosure.

(6) These benefits consist of continued medical, dental, group term life, long term disability benefits, and accidental death and dismemberment for three (3) years upon involuntary, not for Cause termination or upon termination by the executive for Good Reason in connection with a change in control, as provided under the terms of the executive employment agreements.

(7) The company secures a life insurance policy for executive officers with a face value death benefit of $500,000 payable to the executive s beneficiary upon the executive s death.

(8) These payments are only payable in the event that payments to the executive following a Change in Control result in excess parachute payments under IRC Section 280G. The Employment Agreement provides that any excise tax and gross up payments will equal only that amount required to assure that the executive receives payment at least equal to the expected severance payment without the executive incurring golden parachute excise tax out of pocket. The estimated calculations incorporate the following tax rates: IRC Section 4999 excise tax rate of 20 percent, a statutory 39.6 percent federal income tax rate, a 2.35 percent Medicare tax rate and a 3.07 percent state income tax rate. The amount of net after tax severance payable after a cut back for Messrs. Simpkins, Jacko, and Hanna is greater than the amount payable if each received the minimum payment. Therefore, their severance payments are not subject to an excise tax gross-up.

Proposal III. Advisory Vote on Executive Compensation

Our shareowners have the opportunity to vote to approve on a non-binding, advisory basis, the compensation paid to our NEOs as disclosed in the Executive Compensation section of this proxy statement, as required by Section 14A of the Exchange Act. This Say on Pay vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and our compensation philosophy, policies and practices as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the CD&A section of this proxy statement under the caption Executive Compensation and the compensation tables and narrative following the CD&A section of this proxy statement.

At our 2011 annual meeting of shareowners, the Company held an advisory (non-binding) vote to determine the frequency of future Say on Pay votes. Based on the voting results for this proposal at the 2011 annual meeting, the Board determined that the Say on Pay vote will be conducted annually until the next advisory vote is held to determine the frequency of the Say on Pay vote, which will occur no later than our 2017 annual meeting of shareowners.

We believe that our CD&A and other compensation disclosures included in this proxy statement evidence a sound and prudent compensation philosophy and set of policies and practices and that our compensation decisions are consistent with our Pay for Performance philosophy and related policies and practices. We also believe that the Company s compensation programs effectively align the interests of our executive officers with those of our shareowners by tying a significant portion of our executives compensation to the Company s performance and by providing a competitive level of compensation needed to recruit, retain and motivate talented executives critical to the Company s long-term success.

For the foregoing reasons, we are asking our shareowners to indicate their approval, on an advisory basis, of the compensation paid to our NEOs as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the CD&A and the compensation tables and narrative following the CD&A. While this vote is non-binding, the Company values the opinions of its shareowners and will consider the outcome of the vote when making future decisions concerning executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE COMPENSATION OF THE COMPANY S NEOS AS DISCLOSED ON PAGES 26 TO 68 OF THIS PROXY STATEMENT.

Table of Contents

OWNERSHIP OF CAPITAL STOCK BY

DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

The following table sets forth beneficial ownership information as of August 15, 2013 for our directors, nominees, NEOs and all directors and executive officers as a group.

Name of Beneficial Owner	Total Beneficial Ownership(1)(2)	Stock Credits(3)	Performance Unit Awards(4)	Restricted Units(5)	Total Ownership(6)
Cindy L. Davis	127			885	1,012
Ronald M. DeFeo	98,064	8,704		1,954	108,722
Philip A. Dur	48,093			1,954	50,047
William J. Harvey	16,332	2,166		885	19,383
Timothy R. McLevish	92,289	2,945			95,233
William R. Newlin	150,276(7)	105,154		1,954	257,384
Lawrence W. Stranghoener	66,247	27,748			93,995
Steven H. Wunning	68,285	11,265		1,954	81,504
Larry D. Yost	66,493	34,928		885	102,306
Carlos M. Cardoso	608,009	18,195	15,469	214,959	856,632
Frank P. Simpkins	223,612(8)		3,214	46,247	273,073
John R. Tucker	30,014		2,009	26,769	58,792
John H. Jacko, Jr.	111,953(9)		1,707	23,533	137,193
Steven R. Hanna	18,231		1,305	17,714	37,250
Directors and Executive Officers as a Group (20 persons)	1,683,074	211,104	26,013	411,141	2,331,332

(1) No individual beneficially owns in excess of one percent of the total shares outstanding. Directors and executive officers as a group beneficially owned 3% of the total shares outstanding as of August 15, 2013. Unless otherwise noted, the shares shown are subject to the sole voting and investment power of the person named.

(2) In accordance with SEC rules, this column also includes shares that may be acquired pursuant to stock options that are or will become exercisable within 60 days of August 15, 2013 as follows: Mr. DeFeo, 50,999 shares; Mr. Dur, 39,259 shares; Mr. Harvey 16,332; Mr. McLevish, 68,999 shares; Mr. Newlin, 59,999 shares; Mr. Stranghoener, 59,999 shares; Mr. Wunning, 59,999 shares; Mr. Yost, 65,999 shares; Mr. Cardoso, 398,646 shares; Mr. Simpkins, 134,633 shares; Mr. Tucker, 20,396 shares; Mr. Jacko, 86,942 shares; and Mr. Hanna, 10,276 shares.

(3) This column represents shares of common stock to which the individuals are entitled pursuant to their election to defer fees or bonuses as stock credits under the Directors Stock Incentive Plan, the Prime Bonus Plan or its predecessor, the Performance Bonus Stock Plan, the 2002 Plan or the 2010 Plan.

(4) This column represents performance units that were granted to participants as part of the 2012 PUAs that have been deemed earned by the Compensation Committee, but remain subject to the continued service condition of such awards. Holders of these performance units have neither voting power nor investment power over these units, so they are not included in the Total Beneficial Ownership amounts included in the table. We show them because we include them in ownership calculations for internal purposes and they count towards the satisfaction of ownership requirements under our Stock Ownership Guidelines.

(5) This column represents restricted units that were awarded to executives and directors under the 2002 Plan and the 2010 Plan. Holders of restricted units have neither voting power nor investment power over these units, so they are not included in the Total Beneficial Ownership amounts included in the table. We show them because we include them in ownership calculations for internal purposes and they count towards the satisfaction of ownership requirements under our Stock Ownership Guidelines.

Table of Contents

(6) This column includes the shares reported in the Total Beneficial Ownership column, as well as the stock credits, performance unit awards and the restricted units columns. These numbers (excluding the options that will become exercisable within 60 days which are included in the Total Beneficial Ownership amounts included in the table) are used for purposes of determining compliance with our Stock Ownership Guidelines.

(7) Of this amount, 67,785 shares are pledged as collateral for a loan and 41,358 shares are held in a joint account with Mr. Newlin s wife (over which he and his wife exercise shared voting and investment power).

(8) Of this amount, 1,000 shares are held in an account under Mr. Simpkin s wife (over which he and his wife exercise shared voting and investment power).

(9) Of this amount, 10,450 shares are held in a joint account with Mr. Jacko s wife (over which he and his wife exercise shared voting and investment power).

70

Table of Contents

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth each person or entity that may be deemed to have beneficial ownership of more than 5% of our outstanding capital stock based upon information that was available to us as of July 31, 2013 in addition to the information in the filings as indicated in the footnotes below.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Outstanding Capital Stock(1)
Columbia Wanger Asset Management, LLC(2) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	5,340,800	6.86%
Royce & Associates, LLC(3) 745 Fifth Avenue New York, NY 10151-0099	4,000,000	5.14%
The Vanguard Group, Inc.(4) 100 Vanguard Blvd. Malvern, PA 19355	3,992,868	5.13%
BlackRock Inc.(5) 55 East 52nd Street New York, NY 10055	3,971.859	5.10%

(1) As reported in the most recent position information obtained in a stock surveillance report made available to the Company.

(2) According to a Schedule 13G/A filed on February 14, 2013, Columbia Wanger Asset Management had sole voting power with respect to 4,987,600 shares and sole investment power with respect to 5,367,600 shares as of that date.

(3) According to a Schedule 13G/A filed on January 14, 2013, Royce & Associates, LLC had sole voting and investment power with respect to 7,514,621 shares as of that date.

(4) According to a Schedule 13G/A filed on February 11, 2013, The Vanguard Group, Inc. had sole voting power with respect to 57,567 shares, sole investment power with respect to 4,074,013 shares and shared investment power with respect to 53,467 shares as of that date. According to the Schedule 13G/A, the shares reported on the Schedule 13G/A included 53,467 shares held by Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of The Vanguard Group, Inc. VFTC directs the voting of these shares. Furthermore, according to the Schedule 13G/A, Vanguard Investments Australia, Ltd. (VIA), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 4,100 shares as a result of its serving as investment manager of Australian investment offerings.

(5) According to a Schedule 13G/A filed on February 11, 2013, BlackRock Inc. had sole voting and investment power with respect to 4,581,422 shares as of that date.

Table of Contents

AMENDED AND RESTATED KENNAMETAL INC. STOCK AND INCENTIVE PLAN OF 2010

Proposal IV. Approval of Amended and Restated Kennametal Inc. Stock and Incentive Plan of 2010

The Company proposes to amend and restate the 2010 Plan, which was approved by the Company s shareowners at the 2010 annual meeting of shareowners (as amended and restated as proposed herein, the Amended 2010 Plan). The primary purpose of the Amended 2010 Plan is to increase the aggregate number of shares available for issuance under the 2010 Plan from 3,500,000 to 9,500,000 (an increase of 6,000,000 shares).

The 2010 Plan is the only plan we have to issue equity-based awards. The Compensation Committee of the Board of Directors, which administers the 2010 Plan, recommended the amendment and restatement of the 2010 Plan after reviewing the 2010 Plan and, based on that review, determining that an insufficient number of shares were available under the 2010 Plan to provide future grants of stock options and other share-based awards to the Company s directors, officers and employees. As of August 30, 2013, approximately 1,582,228 shares remained available for issuance under the 2010 Plan.

In connection with our Compensation Committee s recommendation that the 2010 Plan be amended and restated to provide for additional authorized shares, the compensation consultant for the Compensation Committee prepared a review and analysis of the shareowner cost and burn rate of the additional shares and determined, on a preliminary basis, that the dilutive impact of outstanding awards under the 2010 Plan, including such additional shares, is within certain investor-based guidelines. In addition, the compensation consultant presented a burn rate analysis over the prior three-year period estimating a burn rate of 2.04%, less than the industry cap for the Company of 3.70%. Share dilution was presented to our Compensation Committee for its review. The compensation consultant estimated that the new shares would be utilized in approximately 6.2 years, assuming no cancellation of outstanding awards. In order to minimize the dilutive effect of the Amended 2010 Plan, the Company will continue to utilize a fungible share design, whereby each share of common stock subject to an award that is not a stock option or stock appreciation right counts as 2.2 shares against the number of shares the Company has available for issuance under the 2010 Amended Plan.

In addition to the proposed increase in the number of shares available under the 2010 Plan, the Board also approved certain other changes to the 2010 Plan related to, among other things, minimum vesting requirements for options and stock appreciation rights and the forfeiture and/or recoupment of awards made under the Amended 2010 Plan to the extent required by applicable law or securities exchange listing standards including, without limitation Section 304 of the Sarbanes-Oxley Act of 2002.

Our Compensation Committee and Board have determined that the adoption of the 2010 Amended Plan is necessary in order to:

- maintain and strengthen the Company s ability to attract and retain key employees and directors, who are largely responsible for the Company s overall financial performance;
- support our strategy of using at-risk equity-based compensation (over fixed cash-based compensation) as a key component of employee and director compensation; and
- provide incentives to our executive team in the form of equity-based awards that align their interests with those of our shareowners.

On July 23, 2013, the Board of Directors approved, subject to shareowner approval at the Annual Meeting, the Amended 2010 Plan. Absent such approval, the Amended 2010 Plan will not become effective and the 2010 Plan will continue in effect in its current form. Therefore, it is not possible at present to determine the amount or form of any awards that will be granted or available for grant to any person in the future under the Amended 2010 Plan. A summary of the Amended 2010 Plan is set forth below. Because our executive officers and directors are eligible to receive awards under the Amended 2010 Plan, they may be deemed to have a personal interest in the adoption of this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDED AND RESTATED KENNAMETAL INC. STOCK AND INCENTIVE PLAN OF 2010.

Table of Contents

General

The following description is intended to summarize the material provisions of the Amended 2010 Plan. The complete text of the Amended 2010 Plan is attached as *Appendix A* to this Proxy Statement. To the extent the description below differs from the Amended 2010 Plan text attached in *Appendix A*, the text of the Amended 2010 Plan governs the terms and provisions of the Amended 2010 Plan.

Administration. The Amended 2010 Plan will be administered by the Board of Directors and/or any committee appointed by the Board to administer the Amended 2010 Plan (the Plan Administrator). The Compensation Committee will act as the Plan Administrator. Subject to the terms of the Amended 2010 Plan, the Plan Administrator may select from any director, officer, employee or consultant those eligible individuals to whom awards may be granted. The Plan Administrator will determine the terms and conditions of the awards to be granted under the Amended 2010 Plan, not to be inconsistent with the Amended 2010 Plan, including any conditions which must be met in order for such award to have value. Additionally, the Plan Administrator may designate one or more officers or directors of the company to act as a designated administrator under the plan, provided that (i) such designated administrator s authority is limited to a fixed total number of shares that the administrator may grant pursuant to such designation, (ii) such designated administrator may not grant an award to himself or herself, and (iii) such designation shall otherwise comply with the requirements of Pennsylvania state law.

Eligibility. Awards, in the form of stock options, stock appreciation rights, performance share awards, performance unit awards, restricted stock awards, restricted unit awards, share awards, stock unit awards, other share based awards and incentive cash bonus awards may be granted under the Amended 2010 Plan to officers and employees of the company or any parent or subsidiary, including prospective officers and employees. There currently are approximately 250 officers and employees of the company who may be eligible for discretionary grants generally under the Amended 2010 Plan, including each of our named executives set forth in this proxy statement, although other employees are expected to receive awards under the Amended 2010 Plan. Awards also may be made to consultants engaged by the Company or any parent or subsidiary under the Amended 2010 Plan. No determination has been made as to the individuals to whom discretionary awards may be granted or the amount or terms and conditions of any such award that may be granted under the Amended 2010 Plan in the future. Directors who are not employees of the company are entitled under the Amended 2010 Plan to receive annual grants of options for up to 40,000 shares and restricted stock or unit awards with a fair market value of up to $250,000. The options will be granted with an exercise price equal to the fair market value of the capital stock on the date of grant. The options and restricted stock or restricted unit awards for non-employee directors are subject to a three-year vesting period.

Shares Available for Issuance. The Amended 2010 Plan provides for the issuance of 6,000,000 additional shares of capital stock, plus (i) shares issuable under the 1996 Plan, the 1999 Stock Plan, the 1999 Plan and the 2002 Plan (the Prior Plans) pursuant to outstanding options that have expired or been terminated without being exercised, (ii) shares issued or issuable pursuant to awards under the Prior Plans that have been forfeited, and (iii) shares remaining available for issuance under the 2002 Plan on the date that the 2010 Plan became effective. The number of shares available to be issued under the Amended 2010 Plan will be reduced by one share for each share that relates to an option or stock appreciation right award and by 2.22 shares for each share which relates to an award other than an option or stock appreciation right (a full-value award). To the extent that options granted under the Amended 2010 Plan expire or terminate without being exercised or shares awarded under the Amended 2010 Plan are forfeited, such shares will be added back to the Amended 2010 Plan on the same basis and subject to the same ratio that applied when such shares were granted and will increase the number of shares available for issuance under the Amended 2010 Plan. To further limit the dilutive impact of shares proposed to be issued under the Amended 2010 Plan, shares of capital stock of the company delivered to the company in payment of the exercise price of any award, shares delivered to or withheld by the company to pay withholding taxes under the Amended 2010 Plan or under the company s prior stock plans and shares not issued upon the net settlement or net exercise of SARs, in each case, will not be added back to the Amended 2010 Plan and will not be available for future grants under the Amended 2010 Plan. The number of shares available under the Amended 2010 Plan is subject to adjustment to prevent dilution or enlargement of rights. The shares may be either authorized and unissued shares or shares held in the treasury of the company.

Stock Options. The Amended 2010 Plan provides for the Plan Administrator, in its discretion, to grant options either in the form of incentive stock options (Incentive Stock Options) qualified as such under the Code, or other options (Nonstatutory Stock Options). Only employees may receive Incentive Stock Options. See Federal Income Tax Consequences below for a summary of the differing tax consequences of Incentive Stock Options and Nonstatutory Stock Options. The aggregate fair market value of the shares with respect to which Incentive Stock Options are first exercisable by the optionee in any calendar year may not exceed the limitations, if any, imposed by Section 422(d) of the Code. Options designated as Incentive Stock Options in excess of such limitation automatically are reclassified as Nonstatutory Stock Options, as described in the Amended 2010 Plan.

The price at which each share covered by an option granted under the Amended 2010 Plan may be purchased will be determined in each case by the Plan Administrator, but may not be less than the fair market value thereof at the time the option is granted. Fair market value is defined to be the closing price for the capital stock of the company as quoted on the New York Stock Exchange for such date.

An option may be exercised in whole at any time or in part from time to time within such period as may be determined by the Plan Administrator; provided, that the option period may not exceed ten years from the grant date of the option, and no option shall be granted with a vesting period of less than three years from the date of grant. Unless otherwise provided by the Plan Administrator, (i) if the optionee ceases to be employed by the company or any of its subsidiaries by reason of the optionee s voluntary termination or a termination of the optionee other than for cause, the option may be exercised only within three months after the termination of employment and within the original option period, (ii) if the optionee is a non-employee director who ceases to serve on the Board for any reason (including death, disability or retirement) other than for cause, the option may be exercised only within three years after cessation of service and within the original option period, and (iii) if termination of employment was due to death, disability or retirement, the option may be exercised within three years after the date of such termination and within the original option period. If an employee is terminated for cause or a non-employee director is removed for cause, the option shall terminate. If the optionee dies, the option may only be exercised by the optionee s personal representatives or persons entitled thereto under the optionee s will or the laws of the descent and distribution.

The option price of each share purchased pursuant to an option shall be paid in full at the time of each exercise of the option: (i) in cash; (ii) through a cashless exercise procedure in which a broker sells sufficient shares to deliver the exercise price to the company; (iii) by delivering to the company previously-owned shares (purchased in the open market or held by the participant for at least six (6) months) having an aggregate fair market value equal to the option price of the shares being purchased; or (iv) through any combination of the foregoing.

Stock Appreciation Rights (SAR). The Amended 2010 Plan provides for the Plan Administrator, in its discretion, to grant stock appreciation rights, which is the right to receive an amount equal to the appreciation, if any, in the fair market value of a share of capital stock from the date of the grant of the right to the date of its payment, payable in cash, shares or stock units. Stock units are the right to receive shares in the future. No SAR may be granted with a vesting period of less than three years from the date of the grant or with an exercise period which exceeds ten years.

Performance Share/Unit Awards. The Amended 2010 Plan provides for the Plan Administrator, in its discretion, to grant performance share awards or performance unit awards. A performance share award is the grant of a right to receive shares or stock units contingent on the achievement of certain performance or other objectives during a specified period, as established by the Plan Administrator. A performance unit award is a grant of a right to receive a designated dollar value amount of stock or stock units contingent on the achievement of certain performance or other objectives during a specified period, as established by the Plan Administrator.

Restricted Stock/Unit Awards. The Amended 2010 Plan provides for the Plan Administrator, in its discretion, to grant restricted stock or restricted unit awards. A restricted stock award is a grant of shares, and a restricted unit award is a grant of stock units, in each case subject to a risk of forfeiture or other restrictions which will lapse upon the achievement of one or more goals relating to completion of service by the grantee, or achievement of performance or other objectives, or a combination thereof, as determined by the Plan Administrator.

Share/Stock Unit Awards. The Plan Administrator may from time to time award shares or stock units to eligible individuals without risk of forfeiture or restriction; provided, that no single share award or stock unit award to any one grantee in any fiscal year may exceed 800 shares.

Restrictions on Awards. Notwithstanding anything contained in the Amended 2010 Plan, the Plan Administrator may not grant any option or SAR in substitution for an outstanding option or SAR except in connection with certain mergers, consolidations or reorganizations, as described in the Amended 2010 Plan, and may not reprice options or SARs, unless the repricing is specifically approved by the Company s shareowners. In addition, the Plan Administrator may not (with limited exceptions): (i) make a restricted stock/unit award or performance share/unit award vest earlier than over a three-year period; provided, however, the Plan Administrator may grant a restricted stock/unit award with a risk of forfeiture or restrictions that lapse upon the later to occur of (x) the date of achievement of one or more performance criteria and (y) the one year anniversary of the date of grant of such award; (ii) permit to lapse or waive restrictions applicable to any restricted stock/unit award or performance share/unit award; or (iii) grant any share/stock unit award to an officer or director other than in lieu of salary or cash bonus.

Allotment of Shares. Not more than 1,000,000 shares may be awarded as options or SARs in the aggregate to any one eligible individual under the Amended 2010 Plan subject to certain adjustments. Additionally, no eligible individual is permitted to receive awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code, in excess of 1,000,000 shares (or $2,500,000 if the award is denominated in cash) in any fiscal year.

Change-in-Control. The Amended 2010 Plan provides that, unless the Board shall determine by resolution prior to a change-in-control, in the event of a Change-in-Control of the Company (as defined in the Amended 2010 Plan): (i) all options in which provide for exercise in one or more installments will become immediately exercisable in full prior to the Change-in-Control; and (ii) all awards which have not previously vested will become vested and all restrictions on awards will lapse prior to the Change-in-Control. In addition, in the event an employee s employment is terminated by the company or a director is removed from the Board for any reason other than for cause within the two-year period following a Change-in-Control, all options and SARs will vest and remain exercisable for a three-month period and all other awards will vest and restrictions will lapse.

Tax Withholding. When shares are issued or vest under the Amended 2010 Plan, or if an optionee makes a disqualifying disposition of shares acquired upon exercise of an Incentive Stock Option, the company has the right to require the grantee to remit to the company an amount sufficient to satisfy required income tax withholding. In the discretion of the Plan Administrator, the grantee may elect to satisfy this withholding obligation by requesting that the company withhold shares of stock otherwise issuable to him or her or by delivering to the company previously owned shares. All such elections will be subject to the approval of the Plan Administrator.

Amendment or Discontinuance. The Board may alter, amend, suspend or discontinue the Amended 2010 Plan, provided that no such action may deprive any person without such person s consent of any rights granted under the plan, and provided further, that the Board may not, without shareowner approval, (i) increase the benefits accrued to participants under the plan, (ii) increase the number of shares that may be issued under the plan, (iii) materially modify the requirements for participation under the Amended 2010 Plan, (iv) amend the plan to allow the Board to lapse or waive restrictions at its discretion (except as otherwise already permitted or in the case of death, disability, retirement or change-in-control), or (v) otherwise materially amend the plan.

Clawbacks. To the extent required by applicable law or any applicable securities exchange listing standards, awards and amounts paid or payable pursuant to or with respect to awards will be subject to clawback as determined by the Plan Administrator, which clawback may include forfeitures, repurchase, reimbursement and/or recoupment of awards and amounts paid or payable pursuant to or with respect to awards, in each instance in accordance with applicable law or listing standards. All awards granted under the Amended 2010 Plan, any property, including shares, received in connection with any exercise or vesting of, or lapse of restriction on, any awards, and any proceeds received from the disposition of any such property, will be subject to any clawback policy adopted, and amended from time to time, by the Plan Administrator. The Plan Administrator will have discretion with respect to any clawback to determine whether the Company will effect any such recovery (i) by seeking repayment from the participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the participant under any compensatory plan, program or arrangement maintained by the Company or any subsidiary, affiliate or parent of the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amounts) or grants of compensatory awards that would otherwise have been made in accordance with the Company s otherwise applicable compensation practices, or (iv) by any combination of the foregoing or otherwise.

Federal Income Tax Consequences

The following is a brief summary of the general principal United States federal income tax consequences applicable to our Amended 2010 Plan participants and the company, and is based upon an interpretation of present federal tax laws and regulations and may be inapplicable if such laws and regulations are changed. This summary is not intended to be exhaustive or constitute tax advice and does not describe state, local or foreign tax consequences. To the extent any awards under the Amended 2010 Plan are subject to Section 409A of the Internal Revenue Code, the following description assumes that such awards will be designed to conform to the requirements of Section 409A of the Internal Revenue Code and the regulations promulgated thereunder (or an exception thereto). The Amended 2010 Plan is not subject to the protective provisions of the Employee Retirement Income Security Act of 1974 and is not qualified under Section 401(a) of the Internal Revenue Code.

Stock Options. The grantee of an Incentive Stock Option under the Amended 2010 Plan will not be required to recognize any income for federal income tax purposes at the time of award nor is the company entitled to any deduction. The exercise of an Incentive Stock Option is also not a taxable event, although the difference between the option price and the fair market value on the date of exercise is an item of tax preference for purposes of determining the grantee s alternative minimum tax. If stock acquired upon exercise of an Incentive Stock Option is held for two years from the date the option was granted and one year from the date the stock was transferred to the grantee (the ISO Holding Period), then the grantee will have a long-term capital gain or loss on the sale of such stock measured by the difference between the amount realized and the option price. If the ISO Holding Period is not met, upon disposition of such shares (a disqualifying disposition), the grantee will realize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the shares at the time of exercise over the option price, limited, however, to the gain on sale. Any additional gain would be taxable as long-term or short-term capital gain depending on the holding period. If the Incentive Stock Option is exercised by delivery of previously owned shares of capital stock in partial or full payment of the option price, no gain or loss will ordinarily be recognized by the grantee on the transfer of such previously owned shares. However, if the previously owned shares transferred were acquired through the exercise of an Incentive Stock Option, the grantee may realize ordinary income with respect to the shares used to exercise an Incentive Stock Option if such transferred shares have not been held for the ISO Holding Period. If the grantee recognizes ordinary income upon a disqualifying disposition, the company will generally be entitled to a tax deduction in the same amount.

The grantee of a Nonstatutory Stock Option under the Amended 2010 Plan will not be required to recognize any income for federal income tax purposes at the time of award nor is the company then entitled to any deduction. Upon exercise of a Nonstatutory Stock Option, the grantee will realize compensation taxable as ordinary income in an amount measured by the excess, if any, of the fair market value of the shares on the date of exercise over the option price. The company will generally be entitled to a deduction in the same amount and at the same time. Upon the sale of shares acquired on exercise of a Nonstatutory Stock Option, the grantee will realize short-term or long-term capital gain (or loss) depending on the holding period. If the exercise price of a Nonstatutory Stock Option is paid in whole or in part in shares of capital stock, the tax results to the grantee are (i) a tax-free exchange of previously owned shares for an equivalent number of new shares, and (ii) the realization of ordinary income in an amount equal to the fair market value on the date of exercise of any additional shares received in excess of the number exchanged.

Restricted Stock Awards. The grantee of a Restricted Stock Award under the Amended 2010 Plan normally will not be required to recognize any income for federal income tax purposes at the time of the Award, nor is the company entitled to any deduction, to the extent that the shares awarded have not vested. When any part of a Restricted Stock Award vests, the grantee will realize compensation taxable as ordinary income in an amount equal to the fair market value of the vested shares on the vesting date. The grantee may, however, make an

Table of Contents

election (the Tax Election), within thirty days following the grant of the Restricted Stock Award, to be taxed at the time of the Award based on the fair market value of the shares on that date. The company will generally be entitled to a deduction in the same amount and at the same time that the grantee recognizes ordinary income. Upon the sale of the shares awarded, the grantee will realize short-term or long-term capital gain (or loss) depending on the holding period.

Share Awards. The grantee of fully vested shares awarded under the Amended 2010 Plan will be required to realize compensation taxable as ordinary income in an amount equal to the fair market value of the shares on the date the Award is made. The company will generally be entitled to a deduction in the same amount and at the same time that the grantee recognizes ordinary income. Upon the sale of the shares awarded, the grantee will realize short-term or long-term capital gain (or loss) depending on the holding period.

Incentive Bonus Awards, Performance Share Awards, Performance Unit Awards, Restricted Unit Awards, Stock Appreciation Rights, Stock Unit Awards. The grantee of an Incentive Bonus Award, Performance Share Award, Performance Unit Award, Restricted Unit Award, Stock Appreciation Rights or Stock Unit Award will not be required to recognize any income for federal income tax purposes at the time of the grant of such Award, nor is the company entitled to any deduction at such time. (The grantee is not permitted to make an election to be taxed at the time of the Award based on the fair market value of any shares that may be delivered to the grantee at a future date under any such Award.) When any part of an Award is paid (in the case of cash) or delivered (in the case of shares) to the grantee, the grantee will realize compensation taxable as ordinary income in an amount equal to the cash paid or the fair market value of shares delivered to the grantee pursuant to the Award. The company will be entitled to a deduction in the same amount and at the same time that the grantee recognizes ordinary income. Upon the sale of any shares that are delivered to the grantee pursuant to an Award, the grantee will realize short-term or long-term capital gain (or loss) depending on the holding period.

Limitations on Company s Deductions; Consequences of Change of Control. With certain exceptions, Section 162(m) of the Code limits the company s deduction for compensation in excess of $1,000,000 paid to certain covered employees (generally the company s chief executive officer and four other highest-paid executive officers). Compensation paid to covered employees is not subject to the deduction limitation if it is considered qualified performance-based compensation within the meaning of Section 162(m) of the Code. We generally intend for stock options, stock appreciation rights and performance awards (intended to be treated as qualified performance-based compensation as defined in the Code) granted to covered employees under the Amended 2010 Plan to satisfy the requirements of qualified performance-based compensation and therefore we expect to be entitled to a deduction with respect to such awards. In addition, if a change of control of the company causes awards under the Amended 2010 Plan to accelerate vesting or is deemed to result in the attainment of performance goals, the participants could, in some cases, be considered to have received excess parachute payments, which could subject participants to a 20% excise tax on the excess parachute payments and could result in a disallowance of the company s deductions under Section 280G of the Internal Revenue Code.

Code Section 409A. Awards of stock options, stock appreciation rights, restricted stock units, other stock-based awards and performance awards under the Amended 2010 Plan may, in certain instances, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code. Generally, to the extent that these awards fail to meet certain requirements under Section 409A, the regulations issued thereunder or an exception thereto, the award recipient will be subject to immediate taxation and tax penalties in the year the award vests. It is our intent that awards under the Amended 2010 Plan will be structured and administered in a manner that complies with the requirements of Section 409A of the Code.

The Amended 2010 Plan, if approved by our shareowners, will become effective on October 22, 2013. The Company has made grants previously and intends to continue to make grants under the 2010 Plan until such time as the Board determines otherwise or the 2010 Plan expires by its terms. It is not practicable to determine the amounts that may be received by the participants under the Amended 2010 Plan in the event the Amended 2010 Plan is approved at the Annual Meeting.

FORM 10-K ANNUAL REPORT TO THE

SECURITIES AND EXCHANGE COMMISSION

Copies of our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the SEC were mailed to shareowners with this proxy statement. Copies of all Company filings with the SEC are available on our website at www.kennametal.com under the Investor Relations tab. A shareowner may obtain a paper copy of this proxy statement, the 2013 Annual Report or any other filing with the SEC without charge by submitting a Printed Materials Request, which can be found on our website at www.kennametal.com under the Investor Relations tab in the Investor Tool Kit. Alternatively, shareowners may write to: Director of Investor Relations, Kennametal Inc., 1600 Technology Way, Latrobe, Pennsylvania 15650.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Under Securities and Exchange Commission rules, our directors, executive officers and owners of more than 10% of our stock are required to file with the SEC reports of holdings and changes in beneficial ownership of Kennametal stock on Forms 3, 4 and 5. SEC regulations also require our directors, executive officers and greater than ten percent (10%) shareowners to furnish us with copies of all Forms 3, 4 and 5 they file. We routinely provide information and support to our directors and executive officers to assist with the preparation of Forms 4. We have reviewed copies of reports provided to us, as well as other records and information. Based on that review, we concluded that all reports were timely filed for 2013, except as follows: (i) Mr. Tucker filed a late Form 4 on December 12, 2012 reporting the previous vesting of restricted stock and related share withholding, each of which should have been reported on August 1, 2012; (ii) Carlos M. Cardoso, Frank P. Simpkins, John R. Tucker, John H. Jacko, Steven R. Hanna and Kevin G. Nowe each filed a late Form 4 on August 12, 2013 reporting shares that were previously earned under the 2011 PUA on July 24, 2011 and July 24, 2012 but not reported and shares that were previously earned under the 2012 PUA on July 24, 2012 but not reported; and (iii) Judith L. Bacchus filed a late Form 4 on August 12, 2013 reporting shares that were previously earned under the 2012 PUA on July 24, 2012 but not reported.

Table of Contents

Appendix A

Kennametal Inc.

STOCK AND INCENTIVE PLAN OF 2010

(As Amended and Restated October __, 2013)

Section 1. Establishment. The Kennametal Inc. Stock and Incentive Plan of 2010 (hereinafter called the Plan) has been established pursuant to which Eligible Individuals who are or will be mainly responsible for the Company s continued growth and development and future financial success may be granted Awards in order to secure to the Company the advantage of the incentive and sense of proprietorship inherent in stock ownership by such persons, to further align such person s interests with those of other shareowners, to reward such persons for services previously performed and/or as an added inducement to continue to provide service to the Company.

Section 2. Certain Definitions. As used herein or, unless otherwise specified, in any document with respect to an Award, the following definitions shall apply:

(a) Affiliate of a person means a person controlling, controlled by, or under common control with such person where control means the power to direct the policies and practices of such person.

(b) Award means any Incentive Bonus Award, Option, Performance Share Award, Performance Unit Award, Restricted Stock Award, Restricted Unit Award, SAR, Share Award, Stock Unit Award, or Other Share-Based Award granted under the Plan.

(c) Associated Award means an Award granted concurrently or subsequently in conjunction with another Award.

(d) Board means the Board of Directors of the Company.

(e) Business Combination shall mean a merger or consolidation of the Company with another corporation or entity, other than a corporation or entity which is an Affiliate.

(f) Capital Stock means the Capital Stock, par value $1.25 per share, of the Company as adjusted pursuant to Section 10 of this Plan.

(g) cause shall mean (i) with respect to a Participant who is party to a written agreement with, or, alternatively, participates in a compensation or benefit plan of the Company, which agreement or plan contains a definition of for cause or cause (or words of like import) for purposes of termination of employment or service as a director thereunder by the Company, for cause or cause as defined in the most recent version of such agreements or plans, or (ii) in all other cases, (a) the willful commission by a Participant of a criminal or other act that causes substantial economic damage to the Company or substantial injury to the business reputation of the Company; (b) the commission by a Participant of an act of fraud in the performance of such Participant s duties on behalf of the Company; (c) the continuing willful failure of a Participant to perform the duties of such Participant for the Company (other than such failure resulting from the Participant s incapacity due to physical or mental illness) after written notice thereof (specifying the particulars thereof in reasonable detail) and a reasonable opportunity to be heard and cure such failure are given to the Participant by the Board or the Plan Administrator or (d) the good faith determination by the Board of the Company, in the form of a written resolution, that such termination was for cause after affording such Participant a reasonable opportunity to be heard. For purposes of the Plan, no act, or failure to act, on the Participant s part shall be considered willful unless done or omitted to be done by the Participant not in good faith and without reasonable belief that the Participant s action or omission was in the best interest of the Company.

(h) Change-in-Control shall mean a change-in-control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Exchange Act as in effect on the date thereof or, if Item 6(e) is no longer in effect, any regulations issued which serve similar purposes; provided that, without limitation, such a Change-in-Control shall be deemed to have occurred if: (i) a Business Combination has been completed, or (ii) the Company shall sell all or substantially all of its operating properties and assets to another person, group of associated persons or corporation, excluding any Affiliate of the Company or (iii) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company s then outstanding securities coupled with or followed by the election as directors of the Company of persons who were not directors at the time of such acquisition if such person shall elect a majority of the Board. Notwithstanding the foregoing or any provision of this Plan to the contrary, if an Award is subject to Section 409A (and not excepted therefrom) and a Change of Control is a distribution event for purposes of the Award, the foregoing definition of Change-in-Control shall be interpreted, administered and construed in a manner necessary to ensure that the occurrence of any such event shall result in a Change of Control only if such event qualifies as a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation, as applicable, within the meaning of Treas. Reg. § 1.409A-3(i)(5).

(i) Code means the Internal Revenue Code of 1986, as amended.

(j) Committee means a committee of the Board.

(k) Company means Kennametal Inc., a Pennsylvania corporation.

(l) Consultant means any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary or Affiliate of the Company to render services and is compensated for such services.

(m) Continuous Status as an Employee means the absence of any interruption or termination of the employment relationship by the Employee with the Company or any Parent or Subsidiary or Affiliate of the Company. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Plan Administrator; or (iv) transfers between locations of the Company or between the Company, its Parents, its Subsidiaries or its successor.

(n) Designated Administrator shall mean one or more Company officers or directors designated by the Plan Administrator to act as a Designated Administrator pursuant to this Plan.

(o) Disability means disability as determined by the Company s disability policy as in effect from time to time or as determined by the Plan Administrator consistent therewith. Notwithstanding the foregoing or any provision of this Plan to the contrary, if an Award is subject to Section 409A (and not excepted therefrom) and a Disability is a distribution event for purposes of the Award, such term shall mean the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to last for a continuous period of not less than 12 months.

(p) Dividend Equivalents shall mean an Associated Award of cash equal to the dividends which would have been paid on the Capital Stock underlying an outstanding Full Value Award had such Capital Stock been outstanding.

(q) Eligible Individual means any Employee, Non-Employee Director or Consultant.

(r) Employee means any person, including officers and directors (but excluding Non-Employee Directors), employed by the Company or any Parent or Subsidiary or Affiliate of the Company or any prospective employee who shall have received an offer of employment from the Company or any Parent or Subsidiary or Affiliate of the Company. The payment of a director s fee by the Company shall not be sufficient to constitute employment by the Company.

(s) Exchange Act means the Securities Exchange Act of 1934, as amended.

(t) Fair Market Value shall mean (i) with respect to the Capital Stock, as of any date (A) if the Company s Capital Stock is listed on any established stock exchange, system or market, the closing market price of the Capital Stock as quoted in such exchange, system or market on such date or, if the Capital Stock is not traded on such date, on the closest preceding date on which the Capital Stock was traded or (B) in the absence of an established market for the Capital Stock, as determined in good faith by the Plan Administrator or (ii) with respect to property other than Capital Stock, the value of such property, as determined by the Plan Administrator, in its sole discretion.

(u) Full Value Award means any Award of Shares under this Plan or an Award payable in Shares, other than an Option or a SAR.

(v) Grantee means an Eligible Individual who has been granted an Award.

(w) Incentive Bonus Award means the opportunity to earn a future cash payment tied to the level of achievement with respect to one or more Qualifying Performance Criteria for a performance period as established by the Plan Administrator.

(x) Incentive Stock Option means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(y) Non-Employee Director means a member of the Board who is not an employee of the Company or any Parent or Subsidiary or Affiliate of the Company.

(z) Nonstatutory Stock Option means an Option not intended to qualify as an Incentive Stock Option.

(aa) Option means a right to purchase Shares granted pursuant to the Plan.

(bb) Optionee means a Participant who holds an Option or SAR.

(cc) Original Option Period means the initial period or periods for which an Option or SAR may be exercised as determined by the Plan Administrator at the time the Award is granted or, if no such determination is made, a period of 10 years from the date of grant of the Award; provided that, in no event shall such period exceed 10 years from the date of grant of the Award.

(dd) Other Share-Based Award shall have the meaning as set forth in Section 7(f).

(ee) Parent means a parent corporation, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ff) Participant means any person who has an Award under the Plan including any person (including any estate) to whom an Award has been assigned or transferred in accordance with the Plan.

(gg) Performance Share Award means a grant of Shares or Stock Units the payout of which is contingent on the achievement of certain performance or other objectives during a specified period, as established by the Plan Administrator.

(hh) Performance Unit Award means a grant of a designated dollar value amount of Shares or Stock Units the payout of which is contingent on the achievement of certain performance or other objectives during a specified period, as established by the Plan Administrator.

(ii) Plan means this Stock and Incentive Plan of 2010, as the same may be subsequently amended and/or restated from time to time.

(jj) Plan Administrator means the Board and/or any Committee appointed by the Board to administer the Plan; provided, however, that the Board, in its sole discretion, may, notwithstanding the appointment of any Committee to administer the Plan, exercise any authority under this Plan. The Compensation Committee of the Board shall serve as the Plan Administrator until the Board otherwise determines. Except as otherwise determined by the Board, the Plan Administrator (i) shall be comprised of not fewer than two (2) directors, (ii) shall meet any applicable requirements under Rule 16b-3, including any requirement that the Plan Administrator consist of Non-Employee Directors (as defined in Rule 16b-3), (iii) shall meet any applicable requirements under Section 162(m), including any requirement that the Plan Administrator consist of outside directors (as defined in Treasury Regulation Section 1.162-27(e)(3)(i) or any successor regulation), and (iv) shall meet any applicable requirements of any stock exchange or other market quotation system on which the Capital Stock is listed. The resolutions of the Plan Administrator designating authority to any Designated Administrator (i) shall specify the total number of shares of Capital Stock subject to Awards that may be granted pursuant to this Plan by the Designated Administrator, (ii) may not authorize the Designated Administrator to designate him or herself, or any Participant who is subject to reporting pursuant to Section 16 of the Exchange Act, as the recipient of any Awards pursuant to this Plan and (iii) shall otherwise comply with the requirements of the Pennsylvania Business Corporation Law.

(kk) Prior Stock Plans means the Kennametal Inc. Stock Option and Incentive Plan of 1996, the Kennametal Inc. 1999 Stock Plan, the Kennametal Inc. Stock Option and Incentive Plan of 1999, and the Kennametal Inc. Stock and Incentive Plan of 2002.

Table of Contents

(ll) Qualifying Performance Criteria means any one or more of the following performance criteria, either individually, alternatively or in any combination, and subject to such modifications or variations as specified by the Plan Administrator, applied to either the Company as a whole or to a business unit or Subsidiary or Affiliate, either individually, alternatively or in any combination, and measured over a period of time including any portion of a year, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years results or to a designated comparison group, in each case as specified in the Award: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization); earnings per share, diluted or basic; adjusted earnings per share, diluted or basic, as reported publicly by the Company; earnings per share from continuing operations; net asset turnover; inventory turnover; capital expenditures; debt; debt reduction; working capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; productivity; delivery performance; safety record; stock price; return on equity; total stockholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating profit or net operating profit; gross margin, operating margin or profit margin; and completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives. To the extent consistent with Section 162(m) of the Code and the regulations promulgated thereunder and unless otherwise determined by the Plan Administrator at the time the performance goals are established or as otherwise provided in an applicable Award agreement, the Plan Administrator may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude the adverse effect of any of the following events that occurs during a performance period: (i) the impairment of tangible or intangible assets, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) business combinations, reorganizations and/or restructuring programs that have been approved by the Board, (v) currency fluctuations, (vi) reductions in force and early retirement incentives and (vii) any extraordinary, unusual, infrequent or non-recurring items that are reported publicly by the Company and/or described in management s discussion and analysis of financial condition and results of operations or the financial statements and notes thereto appearing in the Company s annual report to shareowners for the applicable year.

(mm) Restricted Stock Award means a grant of Shares subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Grantee, or achievement of performance or other objectives, or a combination thereof, as determined by the Plan Administrator.

(nn) Restricted Unit Award means a grant of Stock Units subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, or a combination thereof, as determined by the Plan Administrator.

(oo) Retirement means, in the case of an Employee, the termination of employment with the Company or any Subsidiary, Affiliate or Parent of the Company at a time when the Employee (a) has attained age 55 with ten years of service, (b) has attained age 65, or (c) is required by law or regulations to terminate employment with the Company or any Subsidiary, Affiliate or Parent of the Company under a mandatory retirement scheme. In addition, an Employee who was a Participant under the Kennametal Inc. Stock and Incentive Plan of 2002, and met the definition of Retirement under that plan prior to the effective date of this Plan, will be deemed to meet the definition of Retirement for purposes of this Plan. In the case of a Non-Employee Director, Retirement means cessation of service on the Board, other than for cause. The Plan Administrator shall have the sole authority to determine whether a termination of employment or cessation of service meets the definition of Retirement under this Plan, and any such determination shall be final.

(pp) SAR means a stock appreciation right, which is the right to receive a payment in cash, Shares or Stock Units equal to the amount of appreciation, if any, in the Fair Market Value of a Share from the date of the grant of the right to the date of its payment.

(qq) Section 409A shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

(rr) Separation from Service and Separate from Service shall mean the Participant s death, retirement or other termination of employment or service with the Company (including all persons treated as a single employer under Section 414(b) and 414(c) of the Code) that constitutes a separation from service (within the meaning of Section 409A). For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language at least 50 percent shall be used instead of at least 80 percent in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(h)(3)), the language at least 20 percent shall be used instead of at least 80 percent in each place it appears.

(ss) Share means a share of Capital Stock.

(tt) Share Award means a grant of Shares without a risk of forfeiture and without other restrictions.

(uu) Specified Employee means a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of the Company as determined in accordance with Section 409A and the procedures established by the Company.

(vv) Stock Unit means the right to receive a Share at a future point in time.

(ww) Stock Unit Award means the grant of a Stock Unit without a risk of forfeiture and without other restrictions.

(xx) Subsidiary means a subsidiary corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code.

Section 3. Administration.

(a) The Plan shall be administered by the Plan Administrator. The Plan Administrator may act only by a majority of its members in office, provided, that, the Plan Administrator may allocate all or any portion of its responsibilities and powers to any one or more of its members and may revoke any such allocation at any time; provided further, that the members thereof may authorize any one or more officers of the Company to execute and deliver documents or to take any other ministerial action on behalf of the Plan Administrator with respect to Awards made or to be made to Participants. No member of the Board or Plan Administrator and no officer of the Company shall be liable for anything done or omitted to be done by such member or officer, by any other member of the Board or Plan Administrator or by any other officer of the Company in connection with the performance of duties under this Plan, *except* for his or her own willful misconduct or as expressly provided by statute.

(b) Subject to the provisions of this Plan and, in the case of a Committee, the specific duties delegated to or limitations imposed upon such Committee by the Board, the Plan Administrator shall have the authority, in its discretion:

(i) to establish, amend and rescind rules and regulations relating to the Plan;

(ii) to select the Eligible Individuals to whom Awards may from time to time be granted hereunder;

(iii) to determine the amount and type of Awards, including any combination thereof, to be granted to any Eligible Individual;

(iv) subject to Section 3(c) hereof, to grant Awards to Eligible Individuals and, in connection therewith, to determine the terms and conditions, not inconsistent with the terms of this Plan, of any such Award including, but not limited to, the number of Shares or Stock Units that may be issued or amount of cash that may be paid pursuant to the Award, the exercise or purchase price of any Share or Stock Unit, the circumstances under which Awards or any cash, Shares or Stock Units relating thereto are issued, retained, become exercisable or vested, are no longer subject to forfeiture or are terminated, forfeited or expire, based in each case on such factors as the Plan Administrator shall determine, in its sole discretion;

(v) to determine the Fair Market Value of the Capital Stock, in accordance with this Plan;

(vi) to establish, verify the extent of satisfaction of, or adjust any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award;

(vii) to approve forms of agreement for use under the Plan;

(viii) to determine whether and under what circumstances an Award may be settled in cash instead of Shares or Stock Units;

(ix) to determine whether, to what extent and under what circumstances Shares and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount, if any, of any deemed earnings on any deferred amount during any deferral period);

(x) to determine whether and to what extent an adjustment is required under Section 10 of this Plan;

(xi) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(xii) to make all other determinations deemed necessary or advisable for the administration of this Plan.

(c) Notwithstanding anything contained in this Plan, the Plan Administrator may not:

(i) grant any Option or SAR in substitution for an outstanding Option or SAR except as provided in Section 10(b);

(ii) reduce the exercise price of an outstanding Option or SAR, whether through amendment, cancellation or replacement of such Option or SAR, unless such reduction is approved by the shareowners of the Company;

(iii) cancel any outstanding Option or SAR in exchange for cash, except as provided in Section 10, unless such cancellation is approved by the shareowners of the Company;

(iv) grant a Restricted Stock Award or Restricted Unit Award with a risk of forfeiture or restriction that lapses earlier than at the rate of one-third of the Shares subject to the Award on each of the first, second and third anniversary of the date of grant; provided, however, that the Plan Administer may grant a Restricted Stock Award or Restricted Unit Award with a risk of forfeiture or restriction that lapses upon the later to occur of (x) the date of achievement of one or more performance criteria and (y) the one year anniversary of the date of grant of the Award;

(v) grant a Performance Share Award or Performance Unit Award that vests earlier than the later to occur of (x) the date of achievement of one or more performance criteria and (y) the one year anniversary of the date of the Award;

(vi) lapse or waive restrictions applicable to any Restricted Stock Award, Restricted Unit Award, Performance Share Award, or Performance Unit Award; or

(vii) grant any Share Award or Stock Unit Award to any officer or director of the Company except in lieu of salary or cash bonus.

(d) The limitations of Sections 3(c)(iv), (v), (vi) and (vii) shall not apply to Awards for up to five percent of the Shares under the Plan granted by a Committee composed entirely of independent directors (under all definitions of independence then applicable to the Company).

(e) In the event of an involuntary termination of an Employee, other than as a result of cause, where such Employee satisfies one or more of the conditions set forth in the definition of Retirement, then, unless otherwise set forth in an Award agreement, such Award and this Plan shall be interpreted based on the Retirement of such Employee (rather than based on an involuntary termination). In the event of an involuntary termination of an Employee for cause, then, notwithstanding the fact that the Employee may satisfy the definition of Retirement, all outstanding Awards and this Plan shall be interpreted based upon an involuntary termination for cause, and not based upon Retirement.

(f) Except as specifically provided in this Plan, no action of the Plan Administrator shall deprive any person without such person s consent of any rights theretofore granted pursuant hereto.

(g) All decisions, determinations and interpretations of the Plan Administrator shall be final and binding on all Participants.

Section 4. Shares Subject to the Plan.

(a) The aggregate number of Shares which may be issued pursuant to the Plan shall be 9,500,000 plus Shares added to the Plan from the Prior Stock Plans pursuant to Section 4(d) hereof. The aggregate number of Shares available with respect to Awards under the Plan shall be reduced by (i) one (1) Share for each Share which relates to an Option Award or a SAR; and (ii) 2.22 Shares for each Share which relates to a Full-Value Award.

(b) From and after the date of original stockholder approval of this Plan, no further grants or awards of any kind will be made by the Company under the Prior Stock Plans.

(c) The number of Shares which may be issued under the Plan and covered by outstanding Awards is subject to adjustment as provided in Section 10.

(d) To the extent that (i) Options granted under the Plan or under the Prior Stock Plans shall expire or terminate without being exercised, (ii) Shares awarded under the Prior Stock Plans shall be forfeited, or (iii) Shares remain available for issuance under the Kennametal Inc. Stock and Incentive Plan of 2002 on the date upon which this Plan originally became effective, such Shares shall remain available or be added to the Plan, as applicable, and shall increase the number of Shares available for purposes of the Plan. To the extent that Shares awarded under this Plan shall be forfeited, such Shares shall be added back to the Plan on the same basis and subject to the same ratio that applied when they were granted and shall increase the number of Shares available for purposes of the Plan.

(e) Shares delivered in payment of the purchase price in connection with the exercise of any Award, Shares repurchased on the open market with proceeds received by the company from stock exercises, and Shares delivered or withheld to pay tax withholding obligations or otherwise under the Plan or under the Prior Stock Plans and Shares not issued upon the net settlement or net exercise of SARs shall not be added to and shall not increase the number of Shares available for purposes of the Plan.

(f) The aggregate number of Shares that may be issued pursuant to Incentive Stock Options shall be limited to 9,500,000. Notwithstanding anything to the contrary in this Plan, the foregoing limitation shall be subject to adjustment under Section 10, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as an Incentive Stock Option. The foregoing limitation shall not apply to the extent that it is no longer required in order for Options to qualify as Incentive Stock Options.

(g) No Participant may receive: (i) Options or SARs under this Plan for more than 1,000,000 Shares in any one fiscal year of the Company; and (ii) with respect to other Awards granted under Section 6 of the Plan that are intended to qualify as performance-based compensation under Section 162(m) of the Code, Awards denominated in Shares for more than 1,000,000 Shares in any one fiscal year of the Company. Notwithstanding anything to the contrary in this Plan, the foregoing limitation shall be subject to adjustment under Section 10, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as performance-based compensation under Section 162(m) of the Code. The foregoing limitations shall not apply to the extent that such limitations are no longer required in order for compensation in connection with grants under this Plan to be treated as performance-based compensation under Section 162(m) of the Code.

(h) Capital Stock to be issued under the Plan may be either authorized and unissued Shares or Shares held in treasury by the Company.

Section 5. Terms of Options and SARs. Each Option and SAR granted under the Plan shall be evidenced by a written document (including an electronic version thereof) and shall be subject to the following terms and conditions:

(a) Subject to adjustment as provided in Section 10 of this Plan, the price at which a Share covered by an Option or a SAR may be purchased (or deemed purchased in the case of SARs) shall not be less than the Fair Market Value thereof at the time the Option or SAR is granted. If required by the Code, if an Optionee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than ten percent (10%) of the combined voting power of all classes of the stock of the Company (or any Parent or Subsidiary of the Company) and an Option granted to such Optionee is intended to qualify as an Incentive Stock Option, the price at which a Share covered by an Option may be purchased shall be not less than 110% of the Fair Market Value thereof at the time the Option is granted.

(b) The aggregate Fair Market Value of Shares with respect to which Incentive Stock Options are first exercisable by the Optionee in any calendar year (under all plans of the Company and its Subsidiaries and Parent) shall not exceed the limitations, if any, imposed by the Code.

(c) If any Option designated as an Incentive Stock Option, either alone or in conjunction with any other Option or Options, exceeds the foregoing limitation, or does not otherwise qualify for treatment as an Incentive Stock Option, all or the portion of such Option in excess of such limitation shall automatically be reclassified (in whole Share increments and without fractional Share portions) as a Nonstatutory Stock Option, with later granted Options being so reclassified first.

(d) An Option or SAR may be exercised during the Original Option Period only at such time or times and in such installments as the Plan Administrator may establish; *provided*, that no Option or SAR shall be granted with a vesting period of less than three years from the date of grant

(e) During the lifetime of the Optionee the Option or SAR may be exercised only by the Optionee and the Option or SAR shall not be transferable by the Optionee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. After the death of the Optionee, the Option or SAR may be transferred to the Company upon such terms and conditions, if any, as the Plan Administrator and the personal representative or other person entitled to the Option may agree within the period specified in this Section 5.

(f) Unless otherwise provided under the Award agreement or by the Plan Administrator:

(i) If the Optionee is an Employee who shall cease to be employed by the Company or any Subsidiary, Affiliate or Parent of the Company by reason of death, Disability or Retirement, the Option or SAR may be exercised only within three years after termination of employment and within the Original Option Period;

(ii) If the Optionee is an Employee who shall cease to be employed by the Company or any Subsidiary, Affiliate or Parent of the Company by reason of termination of the Optionee for cause, the Option or SAR shall forthwith terminate and the Optionee shall not be permitted to exercise the Option or SAR following the Optionee s termination of employment;

(iii) If the Optionee is an Employee who shall cease to be employed by the Company or any Subsidiary, Affiliate or Parent of the Company by reason of the Optionee s voluntary termination or a termination of the Optionee other than for cause, the Option or SAR may be exercised (to the extent exercisable at the time of termination) only within the three months after the termination of employment and within the Original Option Period;

(iv) If the Optionee is a Non-Employee Director who shall cease to serve on the Board for any reason other than removal for cause, the Option or SAR may be exercised (to the extent exercisable at the time of termination) only within three years after cessation of Board service and within the Original Option Period; in the event such cessation of service as a Non-Employee Director was the result of removal for cause, the Option or SAR shall forthwith terminate and the Optionee shall not be permitted to exercise the Option or SAR following such cessation of service;

(v) Notwithstanding anything to the contrary contained in this Plan, each Option or SAR held by an Employee who is terminated by the Company or any Subsidiary, Affiliate or Parent of the Company other than for cause during the two-year period following a Change-in-Control or a Non-Employee Director who is removed from the Board other than for cause during the two-year period following a Change-in-Control shall immediately vest and may be exercised at any time within the three-month period after the termination of employment or cessation of Board service and within the Original Option Period;

(vi) If the Optionee shall die, the Option or SAR may be exercised by the Optionee s personal representative or persons entitled thereto under the Optionee s will or the laws of descent and distribution and in accordance with Section 5(f)(i);

Table of Contents

(vii) Except as provided in Sections 5(f)(v), (ix) and (x), the Option or SAR may not be exercised for more Shares (subject to adjustment as provided in Section 10) after the termination of the Optionee s employment, cessation of service as a Non-Employee Director or the Optionee s death (as the case may be) than the Optionee was entitled to purchase thereunder at the time of such Optionee s termination of employment, cessation of service as a Non-Employee Director or the Optionee s death;

(viii) To the extent provided by the Code, if an Optionee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than 10% of the combined voting power of all classes of stock of the Company (or any Parent or Subsidiary, Affiliate of the Company) at the time an Option is granted to such Optionee and such Option is intended to qualify as an Incentive Stock Option, the Option, if not exercised within five years from the date of grant or any other period proscribed by the Code, will cease to be an Incentive Stock Option;

(ix) If the Optionee is an Employee who shall cease to be employed by the Company or any Subsidiary, Affiliate or Parent of the Company, or is a Non-Employee Director who shall cease to serve on the Board, by reason of death or Disability, as the case may be, all Options and SARs held by the Optionee shall automatically vest and become exercisable in full as of the date that the Optionee s employment with the Company or any Subsidiary, Affiliate or Parent of the Company, or service on the Board, ceased; and

(x) In the event that an Optionee ceases to be employed by the Company or any Subsidiary, Affiliate or Parent of the Company or to serve on the Board (in the case of Non-Employee Directors), as the case may be, as a result of such Optionee s Retirement (or in the case of a Non-Employee Director, such Optionee ceasing to serve on the Board for reasons other than removal for cause), all Options and SARs held by the Optionee which are not vested on the date of Retirement shall immediately vest and become exercisable in full.

(g) Except as otherwise provided by the Plan Administrator, the purchase price of each Share purchased pursuant to an Option shall be paid in full at the time of each exercise (the Payment Date) of the Option (i) in cash; (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a registered broker-dealer under the Exchange Act to sell a sufficient portion of the Shares and deliver the sale proceeds directly to the Company to pay the exercise price; (iii) through the delivery to the Company (by attestation of Share ownership or as otherwise provided by the Plan Administrator) of previously-owned Shares having an aggregate fair market value equal to the price of the Shares being purchased pursuant to the Option; provided, however, that Shares delivered in payment of the Option price must have been purchased in the open market or held by the Participant for at least six (6) months in order to be utilized to pay the purchase price of the Option or must meet such other conditions as established by the Plan Administrator; or (iv) through any combination of the payment procedures set forth in subsections (i)-(iii) of this Section 5(g).

(h) Exercise of an Option or SAR in any manner shall result in a decrease in the number of Shares which thereafter may be available under the Option or SAR by the number of Shares as to which the Option or SAR is exercised. In addition, in the case of an Option granted in tandem with a SAR, the exercise of the Option in any manner shall result in a decrease in the number of Shares which thereafter may be available under the SAR by the number of Shares as to which the Option is exercised, and the exercise of the SAR in any manner shall result in a decrease in the number of Shares which thereafter may be available under the Option by the number of Shares as to which the SAR is exercised.

(i) The Plan Administrator may include such other terms and conditions of Options or SARs not inconsistent with the foregoing as the Plan Administrator shall approve. Without limiting the generality of the foregoing sentence, the Plan Administrator shall be authorized to determine that Options or SARs shall be exercisable in one or more installments during the term of the Option or SAR as determined by the Plan Administrator.

Section 6. Performance Share Awards, Performance Unit Awards, Restricted Stock Awards, Restricted Unit Awards, Share Awards and Stock Unit Awards.

(a) Subject to the terms of this Plan, including Section 3(c) hereof, Performance Share Awards, Performance Unit Awards, Restricted Stock Awards, Restricted Unit Awards, Share Awards or Stock Unit Awards may be issued by the Plan Administrator to Eligible Individuals, either alone, in addition to, or in tandem with other Awards granted under the Plan and/or cash awards made outside of this Plan. Such Awards shall be evidenced by a written document (including an electronic version thereof) containing any provisions regarding (i) the number of Shares or Stock Units subject to such Award or a formula for determining such, (ii) the purchase price of the Shares or Stock Units, if any, and the means of payment for the Shares or Stock Units, (iii) the performance criteria, if any, and level of achievement versus these criteria that shall determine the number of Shares or Stock Units to be granted, issued, retainable and/or vested, (iv) such terms and conditions regarding the grant, issuance, vesting and/or forfeiture of the Shares or Stock Units as may be determined from time to time by the Plan Administrator, including continued employment or service, (v) restrictions on the transferability of the Shares or Stock Units and (vi) such further terms and conditions in each case not inconsistent with this Plan as may be determined from time to time by the Plan Administrator.

(b) The grant, issuance, retention and/or vesting of Shares or Stock Units granted pursuant to any Performance Share Award, Performance Unit Award, Restricted Stock Award or Restricted Unit Award shall occur at such time and in such installments as determined by the Plan Administrator or under criteria established by the Plan Administrator and consistent with this Plan, including Section 3(c) hereof. The Plan Administrator shall have the right to make the timing of the grant and/or the issuance, ability to retain and/or the vesting of Shares or Stock Units subject to a Participant s continued employment, the passage of time and/or such performance criteria as deemed appropriate by the Plan Administrator and consistent with this Plan, including Section 3(c) hereof. Notwithstanding anything to the contrary herein, the performance criteria for any Award that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Plan Administrator and specified at the time the Award is granted.

(c) For Awards intended to be performance-based compensation under Section 162(m) of the Code, performance goals relating to the Qualifying Performance Criteria shall be preestablished in writing by the Committee, and achievement thereof certified in writing prior to payment of the Award, as required by Section 162(m) and Treasury Regulations promulgated thereunder. All such performance goals shall be established in writing no later than ninety (90) days after the beginning of the applicable performance period; *provided*, *however*, that for a performance period of less than one (1) year, the Committee shall take any such actions prior to the lapse of 25% of the performance period. In addition to establishing minimum performance goals below which no compensation shall be payable pursuant to an Award, the Committee, in its sole discretion, may create a performance schedule under which an amount less than or more than the target award may be paid so long as the performance goals have been achieved.

(d) Notwithstanding the foregoing, no single Share Award or Stock Unit Award to any one Grantee in any fiscal year shall be for more than 800 Shares.

(e) With respect to any Performance Share Award, Performance Unit Award, Restricted Stock Award or Restricted Unit Award, unless otherwise provided by the Plan Administrator at the time and Award is granted or in the applicable Award agreement:

(i) If, prior to a Change-in-Control, the designated goals or conditions have not been achieved within the designated period or the Grantee (other than a Non-Employee Director) ceases to be employed by the Company for any reason other than death, Disability or Retirement prior to the lapse of any restrictions or vesting of the Award, the Grantee shall forfeit such Award;

(ii) With respect to a Non-Employee Director, if, prior to a Change-in-Control, the designated goals or conditions have not been achieved within the designated period or the Non-Employee Director ceases to serve on the Board for cause prior to the lapse of any restrictions or vesting of the Award, the Grantee shall forfeit such Award;

(iii) In the event that a Grantee (other than a Non-Employee Director) ceases to be an Employee as a result of such Grantee s death, Disability or Retirement, all outstanding Awards held by such Grantee shall automatically vest and all restrictions shall lapse as of the date of such Grantee s death, Disability or Retirement;

Table of Contents

(iv) With respect to a Non-Employee Director, in the event that a Non-Employee Director ceases to serve on the Board for reasons other than for cause, all outstanding Awards held by such Grantee shall automatically vest and all restrictions shall lapse as of the date of such cessation of service;

(v) Each Award held by an Employee who is terminated by the Company or any Subsidiary, Affiliate or Parent of the Company other than for cause during the two-year period following a Change-in-Control or a Non-Employee Director who is removed from the Board other than for cause during the two-year period following a Change-in-Control shall automatically vest and all restrictions shall lapse as of the date of such Grantee s termination of employment or cessation of Board service; and

(vi) During the lifetime of the Grantee, the Award shall not be transferable otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order.

(f) A Grantee who has received a Restricted Stock Award shall have all rights of a shareowner in such Shares including, but not limited to, the right to vote and receive dividends with respect thereto from and after the date of grant of such Award; *provided, however,* that Shares awarded pursuant to the Plan which have not vested or which contain restrictions or conditions may not be sold or otherwise transferred by the Grantee and stock certificates representing such Shares may bear a restrictive legend to that effect.

(g) The Plan Administrator, in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as a condition precedent to the payment of all or a portion of any Award intended to be performance-based compensation under Section 162(m) of the Code. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a Participant of a specified annual performance rating, the continued employment by the Participant and/or the achievement of specified performance goals by the Company, business unit or Participant. Furthermore and notwithstanding any provision of this Plan to the contrary, the Committee, in its sole discretion, may retain the discretion to reduce the amount of any such Award intended to be performance-based compensation under Section 162(m) of the Code to a Participant if it concludes that such reduction is necessary or appropriate based upon: (i) an evaluation of such Participant s performance; (ii) comparisons with compensation received by other similarly situated individuals working within the Company s industry; (iii) the Company s financial results and conditions; or (iv) such other factors or conditions that the Committee deems relevant; provided, however, the Committee shall not use its discretionary authority to increase any Award that is intended to be performance-based compensation under Section 162(m) of the Code.

(h) The Plan Administrator may grant Associated Awards of Dividend Equivalents to Participants in connection with Restricted Unit Awards, Performance Share Awards and Performance Unit Awards. The Plan Administrator may provide, at the date of grant, that Dividend Equivalents shall be paid or distributed when accrued or paid upon release or distribution of Shares underlying the Associated Awards; provided that, unless otherwise determined by the Plan Administrator, Dividend Equivalents shall be (i) subject to all conditions and restrictions of the underlying Performance Share Award, Performance Unit Award or Restricted Unit Award to which they relate, and (ii) paid in cash upon release or distribution of Shares underlying the Associated Awards.

(i) The standard vesting schedule applicable to Restricted Stock Awards and Restricted Unit Awards shall provide for vesting of such Awards, in one or more increments, over a service period of no less than three (3) years; provided, however, that this limitation shall not (i) apply to Restricted Stock Awards or Restricted Unit Awards granted under this Section 6 for up to an aggregate of 5% of the maximum number of Shares that may be issued under this Plan or (ii) adversely affect a Participant s rights under another plan or agreement with the Company.

Section 7. Incentive Bonus Awards and Other Share-Based Awards.

(a) Each Incentive Bonus Award will confer upon the Employee the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period established by the Plan Administrator.

(b) Each Incentive Bonus Award shall be evidenced by a document containing provisions regarding (a) the target and maximum amount payable to the Employee, (b) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (c) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (d) the timing of any payment earned by virtue of performance, (e) restrictions on the alienation or transfer of the bonus prior to actual payment, (f) forfeiture provisions and (g) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Plan Administrator. The maximum amount payable as a bonus may be a multiple of the target amount payable, but the maximum amount payable pursuant to that portion of an Incentive Bonus Award granted under this Plan for any fiscal year to any Employee that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall not exceed $2,500,000.

(c) The Plan Administrator shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus Award, which criteria may be based on financial performance and/or personal performance evaluations. The Plan Administrator may specify the percentage of the target incentive bonus that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code. Notwithstanding anything to the contrary herein, the performance criteria for any portion of an Incentive Bonus Award that is intended by the Plan Administrator to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Plan Administrator and specified at the time the Incentive Bonus Award is granted. The Plan Administrator shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any incentive bonus that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code.

(d) The Plan Administrator shall determine the timing of payment of any Incentive Bonus Awards. The Plan Administrator may provide for or, subject to such terms and conditions as the Plan Administrator may specify, may permit an election for the payment of any Incentive Bonus Awards to be deferred to a specified date or event. An Incentive Bonus Award may be payable in Shares, Stock Units or in cash or other property, including any Award permitted under this Plan.

(e) Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus Award on account of either financial performance or personal performance evaluations may be reduced by the Plan Administrator on the basis of such further considerations as the Plan Administrator shall determine.

(f) The Plan Administrator shall have authority to grant to Eligible Individuals Other Share-Based Awards which shall consist of any right that is (i) not an Award described in Sections 5 through 7(e) above or Section 8 and (ii) an Award of Capital Stock or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Capital Stock (including, without limitation, securities convertible into Capital Stock), as deemed by the Plan Administrator to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award agreement, the Plan Administrator shall determine the terms and conditions of any such Other Share-Based Award.

Section 8. Non-Employee Director Awards.

Notwithstanding anything to the contrary contained in this Plan, each Non-Employee Director shall only be entitled to receive the following types and amounts of Awards under this Plan:

(a) Each Non-Employee Director shall receive an annual Nonstatutory Stock Option award to purchase up to 40,000 Shares, as determined by the Board, at Fair Market Value, such Option to vest as to exercisability in three (3) equal, annual installments and to have a term of ten (10) years.

(b) Each Non-Employee Director shall receive an annual Restricted Stock Award or Restricted Unit Award for Shares with a Fair Market Value of up to $250,000, as determined by the Board, rounded to the nearest whole Share. Such Awards shall vest and the restrictions on transfer shall lapse as to one-third of the Shares subject to the Award on each anniversary of the date of grant provided that the Non-Employee Director continues to serve on the Board.

(c) Each new Non-Employee Director shall receive, as of the first date of service on the Board, a Nonstatutory Stock Option to purchase twice the number of Shares provided in the Nonstatutory Stock Option most

Table of Contents

recently granted to the Non-Employee Directors (other than the lead director) and a Restricted Stock Award or Restricted Unit Award based on the number of Shares provided in the Restricted Stock Award most recently granted to the Non-Employee Directors (other than the lead director) but pro rated for the amount of the fiscal year remaining as of the first date of service.

Section 9. Tax Withholding.

(a) Whenever a payment or Shares are to be issued under the Plan or as otherwise required by applicable law, the Company shall have the right to require the Grantee to remit to the Company an amount sufficient to satisfy federal, state local or foreign tax withholding requirements prior to payment or the delivery of any certificate for such Shares; *provided, however,* that in the case of a Grantee who receives an Award of Shares under the Plan which is not fully vested, the Grantee shall remit such amount on the first business day following the Tax Date. The Tax Date for purposes of this Section 9 shall be the date on which the amount of tax to be withheld is determined. If an Optionee makes a disposition of Shares acquired upon the exercise of an Incentive Stock Option within the applicable disqualifying period, the Optionee shall promptly notify the Company and the Company shall have the right to require the Optionee to pay to the Company an amount sufficient to satisfy federal, state and local tax withholding requirements, if any.

(b) A Participant who is obligated to pay the Company an amount required to be withheld under applicable tax withholding requirements may pay such amount (i) in cash; (ii) in the discretion of the Plan Administrator, through the withholding by the Company of Shares otherwise deliverable to the Participant or through the delivery by the Participant to the Company of previously-owned Shares in each case having an aggregate Fair Market Value on the Tax Date equal to the tax obligation; or (iii) in the discretion of the Plan Administrator, through a combination of the foregoing. Notwithstanding the foregoing or any provisions of the Plan to the contrary, any broker-assisted cashless exercise shall comply with the requirements for equity classification of FASB ASC Topic 718 (previously FAS 123R), or its successor, and any withholding satisfied through a net-settlement shall be limited to the minimum statutory withholding requirements.

Section 10. Adjustment of Number and Price of Shares.

(a) In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Plan Administrator shall make an equitable adjustment to the shares to be issued under the Plan and to outstanding Awards to preserve the benefits or potential benefits of the Awards. Action by the Plan Administrator may include: (i) adjustment of the number and kind of securities which may be delivered under the Plan; (ii) adjustment of the number and kind of securities subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Options and SARs; (iv) adjustment of the share limitations contained in this Plan; and (v) any other adjustments that the Plan Administrator determines to be equitable. Any such adjustment shall be effective and binding for all purposes of the Plan and on each outstanding Award.

(b) Without limiting the foregoing, in the event that, by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall authorize the issuance or assumption of an Option in a transaction to which Section 424(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Plan Administrator may grant an Option upon such terms and conditions as it may deem appropriate for the purpose of assumption of the old Option, or substitution of a new Option for the old Option, in conformity with the provisions of Code Section 424(a) and the rules and regulations thereunder, as they may be amended from time to time.

(c) No adjustment or substitution provided for in this Section 10 shall require the Company to issue or to sell a fractional share and the total adjustment or substitution with respect to each Award agreement shall be limited accordingly.

(d) Without limiting the foregoing, and notwithstanding anything to the contrary contained in the Plan or any document with respect to any Award, in the event of a Business Combination under the terms of which the holders of Capital Stock of the Company will receive upon consummation thereof cash for each share of Capital

Table of Contents

Stock of the Company surrendered pursuant to such Business Combination (the Cash Purchase Price), the Plan Administrator may provide that all outstanding Awards representing the right to purchase or receive Shares shall terminate upon consummation of the Business Combination and each such Award, including each Option and SAR, shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (i) the Cash Purchase Price multiplied by the number of Shares subject to such Award held by such Grantee exceeds (ii) the aggregate purchase or exercise price, if any, thereof.

(e) With respect to any Award subject to Section 162(m) or Section 409A, no such adjustment shall be authorized to the extent that such authority would cause the Plan or an Award to fail to comply with Section 162(m) or Section 409A.

Section 11. Change-in-Control. To the extent not inconsistent with Section 19 hereof and unless the Board shall determine by resolution prior to a Change-in-Control, in the event of a Change-in-Control, the following provisions shall apply to Awards previously granted under the Plan, notwithstanding any provision herein or in any agreement to the contrary:

(a) All Options which provide for exercise in one or more installments shall become immediately exercisable in full immediately prior to the Change-in-Control; and

(b) All Awards which have not previously vested shall become vested and all restrictions on Awards shall lapse immediately prior to the Change-in-Control.

Section 12. Termination of Employment and Forfeiture. Notwithstanding any other provision of the Plan (other than provisions regarding Change-in-Control, which shall apply in all events), a Participant shall have no right to exercise any Option or vest in any Shares awarded under the Plan if following the Participant s termination of employment with the Company or any Subsidiary, Affiliate or Parent of the Company and within a period of two years thereafter, the Participant engages in any business or enters into any employment which the Board in its sole discretion determines to be either directly or indirectly competitive with the business of the Company or substantially injurious to the Company s financial interest (the occurrence of an event described above shall be referred to herein as Injurious Conduct). Furthermore, notwithstanding any other provision of the Plan to the contrary, in the event that a Participant receives or is entitled to the delivery or vesting of cash or Shares pursuant to an Award made during the 12-month period prior to the Participant s termination of employment with the Company or any Subsidiary, Affiliate or Parent of the Company or during the 24-month period following the Participant s termination of such employment, then the Board, in its sole discretion, may require the Participant to return or forfeit to the Company the cash or Capital Stock received with respect to such Award (or its economic value as of (i) the date of the exercise of the Option or (ii) the date of grant or payment with respect to any other Award, as the case may be) in the event that the participant engages in Injurious Conduct.

Section 13. Amendment and Discontinuance. The Board may alter, amend, suspend or discontinue the Plan, provided that no such action shall deprive any person without such person s consent of any rights theretofore granted pursuant hereto and, provided further, that the Board may not, without shareowner approval, (a) increase the benefits accrued to participants under the Plan, (b) increase the number of Shares that may be issued under the Plan, (c) materially modify the requirements for participation under the Plan, (d) amend the Plan to include a provision that would allow the Board to lapse or waive restrictions at its discretion (except as otherwise provided herein or in the case of death, Disability, Retirement or Change-in-Control), or (e) otherwise materially amend this Plan. Notwithstanding the foregoing or any provision of the Plan or an Award agreement to the contrary, the Board may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of this Plan or an Award Agreement to the extent necessary to: (i) conform the provisions of the Plan and/or Award with Section 162(m), Section 409A or any other provision of the Code or other applicable law, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of the Plan and/or Award shall adversely affect the rights of a Participant; and (ii) to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

Section 14. Compliance with Governmental Regulations. Notwithstanding any provision of the Plan or the terms of any agreement entered into pursuant to the Plan, the Company shall not be required to issue any securities hereunder prior to registration of the Shares subject to the Plan under the Securities Act of 1933, as amended, or the Exchange Act, if such registration shall be necessary, or before compliance by the Company or any Participant with any other provisions of either of those acts or of regulations or rulings of the Securities and Exchange Commission thereunder, or before compliance with other federal and state laws and regulations and rulings thereunder, including the rules of the New York Stock Exchange, Inc. and any other exchange or market on which the Shares are listed or quoted. The Company shall use its reasonable best efforts to effect such registrations and to comply with such laws, regulations and rulings forthwith upon advice by its counsel that any such registration or compliance is necessary.

Section 15. Compliance with Section 16. With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 (or its successor rule). To the extent that any grant of an Award fails to so comply, it shall be deemed null and void to the extent permitted by law and to the extent deemed advisable by the Plan Administrator.

Section 16. Participation by Foreign Nationals. In order to facilitate the making of any grant or combination of grants under this Plan, the Plan Administrator may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by or perform services for the Company or any Subsidiary or Affiliate outside of the United States of America, as the Plan Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Plan Administrator may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

Section 17. No Right to Employment. The Plan shall not confer upon any Participant any right with respect to continuation of any employment or consulting relationship with the Company or membership on the Board, nor shall it interfere in any way with the right to terminate such Participant s employment or consulting relationship at any time, with or without cause.

Section 18. Governing Law. The validity, constrictions and effect of this Plan, agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Plan Administrator relating to the Plan or such agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws principles.

Section 19. Section 409A. Notwithstanding any provision of the Plan or an Award agreement to the contrary, if any Award or benefit provided under this Plan is subject to the provisions of Section 409A, the provisions of the Plan and any applicable Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). The following provisions shall apply, as applicable:

(a) If a Participant is a Specified Employee and a payment subject to Section 409A (and not excepted therefrom) to the Participant is due upon Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the six-month anniversary of the date of termination unless another compliant date is specified in the applicable Award agreement.

(b) For purposes of Section 409A, and to the extent applicable to any Award or benefit under the Plan, it is intended that distribution events qualify as permissible distribution events for purposes of Section 409A and shall be interpreted and construed accordingly. With respect to payments subject to Section 409A, the Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Whether a Participant has Separated from Service or employment will be determined based on all of the facts and circumstances and, to the extent applicable to any Award or benefit, in accordance with the guidance issued under Section 409A. For this purpose, a Participant will be presumed to have experienced a Separation from Service when the level of *bona fide* services performed permanently decreases to a level less than

Table of Contents

twenty percent (20%) of the average level of *bona fide* services performed during the immediately preceding thirty-six (36) month period or such other applicable period as provided by Section 409A.

(c) The Plan Administrator, in its discretion, may specify the conditions under which the payment of all or any portion of any Award may be deferred until a later date. Deferrals shall be for such periods or until the occurrence of such events, and upon such terms and conditions, as the Plan Administrator shall determine in its discretion, in accordance with the provisions of Section 409A, the regulations and other binding guidance promulgated thereunder; provided, however, that no deferral shall be permitted with respect to Options and other stock rights subject to Section 409A. An election shall be made by filing an election with the Company (on a form provided by the Company) on or prior to December 31st of the calendar year immediately preceding the beginning of the calendar year (or other applicable service period) to which such election relates (or at such other date as may be specified by the Plan Administrator to the extent consistent with Section 409A) and shall be irrevocable for such applicable calendar year (or other applicable service period).

(d) The grant of Nonstatutory Stock Options and other stock rights shall be granted under terms and conditions consistent with Treas. Reg. § 1.409A-1(b)(5) such that any such Award does not constitute a deferral of compensation under Section 409A. Accordingly, any such Award may be granted to Employees of the Company and its subsidiaries and affiliates in which the Company has a controlling interest. In determining whether the Company has a controlling interest, the rules of Treas. Reg. § 1.414(c)-2(b)(2)(i) shall apply; provided that the language at least 50 percent shall be used instead of at least 80 percent in each place it appears; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(b)(5)(iii)(E)(i)), the language at least 20 percent shall be used instead of at least 80 percent in each place it appears. The rules of Treas. Reg. §§ 1.414(c)-3 and 1.414(c)-4 shall apply for purposes of determining ownership interests.

(e) In no event shall any member of the Board, the Committee or the Company (or its employees, officers or directors) or the Plan Administrator have any liability to any Participant (or any other Person) due to the failure of an Award to satisfy the requirements of Section 409A.

Section 20. Compliance with Age Discrimination Rule Applicable Only to Participants Who Are Subject to the Laws in the European Union. The grant of the Option and the terms and conditions governing the Option are intended to comply with the age discrimination provisions of the European Union (EU) Equal Treatment Framework Directive, as implemented into local law (the *Age Discrimination Rules*), if applicable, for any Participant who is subject to the laws in the EU. To the extent a court or tribunal of competent jurisdiction determines that any provision of the Option is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Plan Administrator shall have the power and authority to revise or strike such provision to the minimum extent as the Plan Administrator deems appropriate and/or necessary to make it valid and enforceable to the full extent permitted under local law.

Section 21. Designation of Beneficiary by Participant. A Participant may name a beneficiary to receive any payment to which such Participant may be entitled with respect to any Award under this Plan in the event of his or her death, on a written form to be provided by and filed with the Company, and in a manner determined by the Committee in its discretion (a ***Beneficiary***). The Plan Administrator reserves the right to review and approve Beneficiary designations. A Participant may change his or her Beneficiary from time to time in the same manner, unless such Participant has made an irrevocable designation. Any designation of a Beneficiary under this Plan (to the extent it is valid and enforceable under applicable law) shall be controlling over any other disposition, testamentary or otherwise, as determined by the Committee in its discretion. If no designated Beneficiary survives the Participant and is living on the date on which any amount becomes payable to such a Participant s Beneficiary, such payment will be made to the legal representatives of the Participant s estate, and the term ***Beneficiary*** as used in this Plan shall be deemed to include such Person or Persons. If there are any questions as to the legal right of any Beneficiary to receive a distribution under this Plan, the Plan Administrator in its discretion may determine that the amount in question be paid to the legal representatives of the estate of the Participant, in which event the Company, the Board, the Plan Administrator, the Designated Administrator (if any), and the members thereof, will have no further liability to anyone with respect to such amount.

Section 22. Clawbacks. To the extent required by applicable law or any applicable securities exchange listing standards, including but not limited to Section 304 of the Sarbanes-Oxley Act of 2002, Awards and amounts paid or payable pursuant to or with respect to Awards shall be subject to clawback as determined by the Plan Administrator, which clawback may include forfeitures, repurchase, reimbursement and/or recoupment of Awards and amounts paid or payable pursuant to or with respect to Awards, in each instance in accordance with applicable law or listing standards. All Awards granted under this Plan, any property, including Shares, received in connection with any exercise or vesting of, or lapse of restriction on, any Awards, and any proceeds received from the disposition of any such property, shall be subject to any clawback policy adopted, and amended from time to time, by the Plan Administrator. The Plan Administrator shall have discretion with respect to any clawback to determine whether the Company shall effect any such recovery (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company or any Subsidiary, Affiliate or Parent of the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amounts) or grants of compensatory awards that would otherwise have been made in accordance with the Company s otherwise applicable compensation practices, or (iv) by any combination of the foregoing or otherwise.

Section 23. Effective Date of Plan/Duration. The amendment and restatement of the Plan shall be effective on October 22, 2013, subject to its approval by the shareowners of the Company. No Award may be granted under the Plan after October 21, 2023. Awards granted on or prior to October 21, 2023 shall remain outstanding in accordance with this Plan and their respective terms.

Table of Contents

Appendix B

Adjusted EBIT, Adjusted ROIC and FOCF Reconciliations

The following supplemental financial data provides a reconciliation of reported results under generally accepted accounting principles in the United States of America (GAAP) to those non-GAAP financial measures included in this proxy statement. These non-GAAP measures should not be considered in isolation or as a substitute for the most comparable GAAP measures.

Adjusted EBIT

EBIT is an acronym for Earnings Before Interest and Taxes and is a non-GAAP financial measure. The most directly comparable GAAP measure is net income. However, we believe that EBIT is widely used as a measure of operating performance and we believe EBIT to be an important indicator of the Company s operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining operating performance or cash generation that is calculated in accordance with GAAP. Additionally, Kennametal will adjust EBIT for net income attributable to noncontrolling interests, interest income and special items. Management uses this information in reviewing operating performance and in determining compensation.

Adjusted Return on Invested Capital

Adjusted Return on Invested Capital is a non-GAAP financial measure and is defined by the Company as the previous twelve months net income, adjusted for interest expense, noncontrolling interest expense and special items, divided by the sum of the previous 5 quarters average balances of debt and total equity, excluding the impact of acquisition (in fiscal 2012). The most directly comparable GAAP measure is return on invested capital calculated utilizing GAAP net income. Management believes that this adjusted return on invested capital provides additional insight into the underlying capital structure and performance of the Company. Management utilizes this non-GAAP measure in determining compensation and assessing the operations of the Company.

Free Operating Cash Flow

Free operating cash flow (FOCF) is a non-GAAP financial measure and is defined by the Company as cash provided by operations (which is the most directly comparable GAAP measure) less capital expenditures, plus proceeds from disposals of fixed assets. Management considers FOCF to be an important indicator of Kennametal s cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives (such as acquisitions), and other investing and financing activities.

ADJUSTED EBIT (Unaudited)

Year ended June 30 (in thousands, except percents)	**2013 w/ Stellite**	**2013 w/o Stellite**	**2012 w/o Stellite**
Net income attributable to Kennametal, as reported	$ 203,265	$ 203,265	$ 307,230
Add back:			
Interest expense	27,472	27,472	27,215
Tax expense	59,693	59,693	79,136
EBIT	290,430	290,430	413,581
Additional adjustments:			
Noncontrolling interest	3,651	3,651	3,603
Interest income	(2,253)	(2,253)	(3,022)
Special Items:			
Acquisition operating income impact		(12,293)	5,463
Other expense related to acquisition		399	457
Adjusted EBIT	$ 291,828	$ 279,934	$ 420,082
Sales, as reported		$ 2,589,373	$ 2,736,246

Stellite sales		(238,004)	(90,096)
Adjusted sales		$ 2,351,369	$ 2,646,150
Adjusted EBIT as a percent of sales/adjusted sales	11.3%	11.9%	15.9%

Table of Contents

OPERATING CASH FLOW AND FOCF (UNAUDITED)

(in thousands, except percents)	2013	2012
Net cash flow provided by operating activities	$ 284,150	$ 289,580
Purchases of property, plant and equipment	(82,835)	(103,036)
Proceeds from disposals of property, plant and equipment	3,016	6,886
Free operating cash flow	$ 204,331	$ 193,430

RETURN ON INVESTED CAPITAL (UNAUDITED)

June 30, 2013 (in thousands, except percents)

Invested Capital	6/30/2013	3/31/2013	12/31/2012	9/30/2012	6/30/2012	Average
Debt	$ 747,945	$ 751,030	$ 706,859	$ 601,124	$ 565,745	$ 674,541
Total equity	1,812,293	1,753,834	1,744,443	1,712,532	1,668,221	1,738,265
Total	$ 2,560,238	$ 2,504,864	$ 2,451,302	$ 2,313,656	$ 2,233,966	$ 2,412,806

	Three Months Ended				
Interest Expense	6/30/2013	3/31/2013	12/31/2012	9/30/2012	Total
Interest expense	$ 7,042	$ 7,504	$ 6,970	$ 5,956	$ 27,472
Income tax benefit					6,154
Total interest expense, net of tax					$ 21,318

Total Income	6/30/2013	3/31/2013	12/31/2012	9/30/2012	Total
Net income attributable to Kennametal, as reported	$ 60,818	$ 53,916	$ 42,142	$ 46,390	$ 203,265
Noncontrolling interest	1,366	460	1,167	657	3,651
Total income, adjusted	$ 62,184	$ 54,376	$ 43,309	$ 47,047	$ 206,916
Total interest expense, net of tax					21,318
					$ 228,234
Average invested capital					$ 2,412,806
Adjusted Return on Invested Capital					**9.5%**

Return on invested capital calculated utilizing net income, as reported is as follows:

Net income attributable to Kennametal, as reported	$ 203,265
Total interest expense, net of tax	21,318
	$ 224,583
Average invested capital	$ 2,412,806
Return on Invested Capital	**9.3%**

Table of Contents

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 PM EST October 21, 2013.

Vote by Internet

Go to **www.envisionreports.com/KMT**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US

territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. x

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals II, III and IV.

I. Election of Directors: 01 - Carlos M. Cardoso (for a term to expire in 2016) 02 - William J. Harvey (for a term to expire in 2016) 03 - Cindy L. Davis (for a term to expire in 2016) +

¨ **Mark here to vote FOR all nominees** ¨ **Mark here to WITHHOLD vote from all nominees** **For All EXCEPT** - To withhold authority to vote for any nominee(s), write the name(s) of such nominee(s) below.

	For	Against	Abstain		For	Against	Abstain
II. RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JUNE 30, 2014.	¨	¨	¨	III. ADVISORY VOTE TO APPROVE THE COMPANY S EXECUTIVE COMPENSATION.	¨	¨	¨
IV. APPROVAL OF THE AMENDED AND RESTATED KENNAMETAL INC. STOCK AND INCENTIVE PLAN OF 2010.	¨	¨	¨				

This Proxy, when properly executed, will be voted in the manner directed herein. **If no direction is made, this Proxy will be voted FOR the election of the nominees in Item I, FOR the ratification of the selection of the independent registered public accounting firm in Item II, FOR the advisory vote to approve the Company s executive compensation in Item III, and FOR the approval of the Amended and Restated Kennametal Inc. Stock and Incentive Plan of 2010 in Item IV.** The proxies are authorized to vote, in accordance with their judgment, upon such other matters as may properly come before the meeting and any adjournments thereof.

B Non-Voting Items

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance

Mark the box to the right

if you plan to attend the

Annual Meeting.

..

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

Table of Contents

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of Shareowners. The Proxy Statement and the 2013 Annual Report to Shareowners are available at: www.envisionreports.com/KMT

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy KENNAMETAL INC.

2013 MEETING OF SHAREOWNERS OCTOBER 22, 2013

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE CORPORATION

You, the undersigned shareowner, appoint each of Carlos M. Cardoso, William R. Newlin and Ronald M. DeFeo your attorney and proxy, with full power of substitution, on your behalf and with all powers that you would possess if personally present (including the power to vote cumulatively in the election of directors as explained in the proxy statement), to vote all shares of Kennametal Inc. capital stock that you would be entitled to vote at the Annual Meeting of Shareowners of Kennametal Inc. to be held at the Quentin C. McKenna Technology Center, located at 1600 Technology Way (on Route 981 South), Latrobe, Unity Township, Pennsylvania, on Tuesday, October 22, 2013 at 2:00 p.m. (Eastern Time), and at any adjournments thereof. The shares represented by this proxy shall be voted as instructed by you. If you do not otherwise specify, your shares (other than shares held in your Kennametal Inc. 401(k) account, which will be voted by the plan trustee based on your instructions) will be voted in accordance with the recommendations of the Board of Directors, as follows:

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES LISTED IN ITEM I, FOR THE RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM IN ITEM II, FOR THE ADVISORY VOTE TO APPROVE THE COMPANY S EXECUTIVE COMPENSATION IN ITEM III, AND FOR THE APPROVAL OF THE AMENDED AND RESTATED KENNAMETAL INC. STOCK AND INCENTIVE PLAN OF 2010 IN ITEM IV.

If you have shares of Kennametal Inc. capital stock in your Kennametal Inc. 401(k) account, you must provide voting instructions to the plan trustee with this proxy or by internet or telephone no later than Thursday, October 17, 2013 in order for such shares to be voted. Your voting instructions will be held in confidence.

(Continued and to be marked, dated, and signed on the other side)