

PALL CORP  
Form DEF 14A  
April 16, 2008

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

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

**PALL CORPORATION**

(Name of 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):

- x No fee required.
- o 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:
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- o Fee paid previously with preliminary materials.
- o 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:
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**Pall Corporation**  
2200 Northern Boulevard  
East Hills, NY 11548

April 17, 2008

Dear Shareholder:

On behalf of the board of directors and management, it is my pleasure to invite you to attend the 2007 Annual Meeting of Shareholders of Pall Corporation on Wednesday, May 28, 2008 at 11:00 a.m., at the Long Island Marriott Hotel & Conference Center, 101 James Doolittle Boulevard, Uniondale, New York.

Details regarding admission to the meeting and information concerning the matters to be acted upon at the meeting are provided in the accompanying Notice of Annual Meeting and Proxy Statement. In addition, our meeting agenda will include a discussion of the operations of our business and an opportunity for questions of general interest to shareholders.

Whether or not you plan to attend the meeting, it is important that your shares be represented at the meeting in accordance with your wishes. To ensure that, please either vote your shares through the internet, by telephone or by completing, signing and returning your proxy in the enclosed envelope as soon as possible.

On behalf of your board of directors, management and our employees, I thank you for your continued support and interest in Pall Corporation.

Very truly yours,

Eric Krasnoff  
*Chairman, President and Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
OF PALL CORPORATION**

**Date:** Wednesday, May 28, 2008

**Time:** 11:00 a.m., Eastern time

**Place:** Long Island Marriott Hotel & Conference Center,  
101 James Doolittle Boulevard  
Uniondale, New York 11553

- Purpose:**
- (1) Elect five directors for a term expiring at the 2008 annual meeting;
  - (2) Ratify the appointment of KPMG LLP as independent registered public accounting firm for fiscal year 2008;
  - (3) Approve an amendment to the Pall Corporation Employee Stock Purchase Plan increasing the number of shares of common stock available for purchase under the plan; and
  - (4) Conduct other business if properly raised.

**Record Date:** April 8, 2008—Owners of common stock at the close of business on that date are entitled to receive notice of and to vote at the meeting.

**Voting by Proxy:** Please submit a proxy card or, for shares held in street name, voting instruction form, as soon as possible so your shares can be voted at the meeting. You may submit your proxy card or voting instruction form by mail. As a registered shareholder, you may also vote electronically by telephone or over the internet by following the instructions included with your proxy card. If your shares are held in street name, you may have the choice of instructing the record holder as to the voting of your shares over the internet or by telephone. Follow the instructions on the voting instruction form you receive from your broker, bank or other nominee.

**Admission to the Annual Meeting of Shareholders:** Either an admission ticket or proof of ownership of Pall Corporation stock, as well as a form of personal photo identification, must be presented in order to be admitted to the annual meeting. (See [Information About Admission to the Annual Meeting of Shareholders](#) in the proxy statement.)

Sandra Marino  
*Corporate Counsel and  
Corporate Secretary*

April 17, 2008

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDERS' MEETING TO BE HELD ON MAY 28, 2008**

**Copies of the enclosed Proxy Statement for the 2007 Annual Meeting and the enclosed Annual Report to Shareholders for the year ended July 31, 2007 are also available on the Company's website at [www.pall.com/ar07](http://www.pall.com/ar07).**

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**PALL CORPORATION**  
**2200 Northern Boulevard**  
**East Hills, New York 11548**

**PROXY STATEMENT**

The enclosed proxy card is solicited by the board of directors (the "board") of Pall Corporation, a New York corporation (the "Company"), for use at the annual meeting of shareholders to be held on Wednesday, May 28, 2008, at 11:00 a.m., Eastern time, at the Long Island Marriott Hotel & Conference Center, 101 James Doolittle Boulevard, Uniondale, New York 11553, and at any adjournments thereof (the "meeting"). Either an admission ticket or proof of ownership of Company stock, as well as a form of personal photo identification, must be presented in order to be admitted to the meeting. (See "Information About Admission to the Annual Meeting of Shareholders.")

The proxy materials are being sent to shareholders beginning on or about April 17, 2008. The cost of the solicitation of proxies will be paid by the Company. The solicitation is to be made primarily by mail but may be supplemented by telephone calls and personal solicitation by the firm of Georgeson Inc., which has been retained for this purpose by the Company and will be paid a fee for its services not to exceed \$10,000, plus reasonable out-of-pocket expenses estimated at \$5,000.

**VOTING**

Whether or not you plan to attend the meeting, we request that you date and execute the enclosed proxy card and return it in the enclosed postage-paid return envelope or use the telephone or the internet to grant your proxy and vote. Telephone and internet voting instructions are provided on the proxy card.

If your shares are registered in the name of a bank, broker or other nominee, follow the voting instructions on the form you receive from the nominee. The availability of telephone and internet voting will depend on the nominee's voting processes.

The shares represented by your properly completed proxy card will be voted in accordance with your instructions. If you properly sign, date and deliver to us your proxy card but you mark no instructions on it, the shares represented by your proxy will be voted FOR the election as directors of the five nominees proposed in Proposal 1, FOR Proposal 2 and FOR Proposal 3. Alternatively, you can vote by telephone or the internet using the instructions set forth in the enclosed proxy card. Directors will be elected by a plurality of the votes properly cast by shareholders represented and entitled to vote at the meeting. The affirmative vote of the holders of a majority of the outstanding shares of common stock represented and entitled to vote at the meeting is necessary for approval of Proposal 2. Abstentions will have the effect of a vote against Proposal 2.

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Under the rules of the New York Stock Exchange ("NYSE"), the affirmative vote of a majority of the votes duly cast at the meeting on Proposal 3 is required for the approval of the proposed amendment to the Pall Corporation Employee Stock Purchase Plan, and the total "vote cast" on Proposal 3 must represent over 50% of all shares entitled to vote. Thus, a shareholder who does not vote will not affect the outcome of the vote so long as over 50% of the outstanding shares of common stock are voted on Proposal 3. However, a vote to "abstain" will be counted as a "vote cast" for the purpose of determining whether more than 50% of the outstanding shares have been voted on Proposal 3 and will have the same effect as a vote "against" for the purpose of determining whether a majority of the votes cast have been voted "for" the proposal.

Under NYSE rules, brokerage firms may vote in their discretion on certain matters on behalf of clients who have not furnished voting instructions. These are called "discretionary" items. In contrast, brokerage firms may not vote on certain other matters for which they have not received voting instructions from their clients. These are called "non-discretionary" items, and a lack of voting instructions for "non-discretionary" items results in so-called "broker non-votes." The proposals to elect directors and to ratify the appointment of independent auditors are each considered a "discretionary" item. Proposal 3 is considered a "non-discretionary" item. Broker non-votes will not count as "votes cast" on Proposal 3 for purposes of determining whether 50% of the outstanding shares have been voted on Proposal 3, but otherwise will not affect the outcome of the vote.

The board is not aware of any other matters to be presented for action at the meeting, but if other matters are properly brought before the meeting, shares represented by properly completed proxies received by mail, telephone or the internet will be voted in accordance with the judgment of the persons named as proxies.

Shareholders have the right to revoke their proxies at any time before a vote is taken (1) by notifying the corporate secretary of the Company in writing at the Company's address given above, (2) by executing a new proxy card bearing a later date or by voting by telephone or on the internet on a later date, provided the new proxy is received by Computershare Trust Company, N.A. (which will have representatives present at the meeting) by 12:01 a.m., Eastern time, on May 28, 2008, (3) by attending the meeting and voting in person or (4) by any other method available to shareholders by law.

The close of business on April 8, 2008 has been fixed as the record date for the meeting, and only shareholders of record at that time will be entitled to vote. The only capital stock of the Company outstanding is common stock, par value \$.10 per share ("common stock"). There

were 122,661,993 shares of common stock outstanding and entitled to vote on the record date. Each shareholder is entitled to one vote for each share held. The holders of a majority of the shares issued and outstanding on the record date, present in person or represented by proxy received by mail, telephone or the internet, will constitute a quorum at the meeting.

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## **PROPOSAL 1 ELECTION OF DIRECTORS**

### ***The board of directors unanimously recommends a vote FOR the election of all the below nominees***

At the date of this proxy statement, the board consists of 11 members, 10 of whom are non-employee directors. The Company recently amended its by-laws to provide that, beginning with the 2007 annual meeting of shareholders, director nominees will be proposed for election to a term expiring at the next annual meeting. This by-law amendment does not affect the unexpired term of any director elected prior to the effective date of the amendment. Accordingly, at the meeting, five directors are proposed for election for terms that will expire at the 2008 annual meeting. The remaining six directors will serve the remainder of their respective terms, which expire at the 2008 and 2009 annual meetings of shareholders as set forth below. The five directors nominated for reelection by the nominating/governance committee of the board are Cheryl W. Gris , John H. F. Haskell Jr., Katharine L. Plourde, Heywood Shelley and Edward Travaglianti.

Ms. Gris  was brought to the attention of the nominating/governance committee as a candidate by a third-party search firm, Boardroom Consultants, which was retained by the committee to assist it in identifying and evaluating possible nominees for director. In the cases of John H. F. Haskell Jr. and Heywood Shelley, the board has waived the corporate governance policy concerning a director's eligibility to be renominated for election to the board after reaching age 75.

Directors will be elected by a plurality of the votes properly cast by shareholders represented and entitled to vote at the meeting. All nominees are expected to serve if elected, and each of them has consented to being named in the proxy statement and to serve if elected. All nominees are current directors of the Company. If a nominee is unable or unwilling to serve at the time of the election, the persons named as proxies in the form of proxy shall have the right to vote according to their judgment for another person instead of the unavailable nominee.

### **Information Regarding Directors and Nominees**

Set forth below is information with respect to the nominees and each other present director of the Company continuing in office after the meeting.

#### ***Nominees for Election to the Board of Directors for a Term Expiring at the 2008 Annual Meeting of Shareholders***

**Cheryl W. Gris **, age 55, was executive vice president of Northeast Utilities, a public utility holding company, from December 2005 until her retirement in July 2007. Prior to that time, Ms. Gris  had served in various senior management positions at Northeast Utilities since 1998. Ms. Gris  was a director of Dana Corporation until February 1, 2008 and

currently serves on the board of MetLife, Inc. She also serves as chairperson of the board of the University of Connecticut Foundation and as a member of the board of Kingswood-Oxford School. Ms. Grisé has been a director of the Company since August 2007.

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**John H. F. Haskell, Jr.**, age 76, was for more than the past five years, until his retirement on March 31, 2004, an investment banker and advisor with the investment banking firm of UBS Securities LLC, New York, New York, and its predecessors. From March 31, 2004 until May 31, 2005, he was a non-employee advisor for UBS. Mr. Haskell is co-chair of the board of the French Institute Alliance Française and serves as a board director of other not-for-profit organizations. Mr. Haskell has been a director of the Company since 1998.

**Katharine L. Plourde**, age 56, was a principal and analyst at the investment banking firm of Donaldson, Lufkin & Jenrette, Inc., New York, New York until November 1997. Since that time, she has engaged in private investing and is currently serving on the board of one not-for-profit organization. Since February 2002, she has also served on the board of OM Group Inc. Ms. Plourde has been a director of the Company since 1995.

**Heywood Shelley**, age 80, has been a practicing attorney with the firm of Carter Ledyard & Milburn LLP, New York, New York since 1951. This firm has in the past acted and may in the future act as legal counsel to the Company in some matters. Mr. Shelley has been a director of the Company since 1990.

**Edward Travaglianti**, age 59, has been since February 2004 the president of Commerce Bank, Long Island, which is part of Commerce Bancorp. Mr. Travaglianti was president of Commercial Markets at Citibank, N.A. from July 2001, when Citibank acquired European American Bank (EAB), until his retirement in October 2002. Prior to that acquisition, Mr. Travaglianti was, from July 1995, chairman and chief executive officer of EAB. Mr. Travaglianti serves as the chairman of the board and a director of several not-for-profit and health-related organizations. He has been a director of the Company since 2001.

***Members of the Board of Directors Continuing in Office for a Term Expiring at the 2008 Annual Meeting of Shareholders***

**Ulric S. Haynes, Jr.**, age 76, was the U.S. Ambassador to Algeria from 1977 to 1981. He was executive dean for university international relations at Hofstra University, Hempstead, New York, from September 1996 until his retirement in 2003. Prior to September 1996, Mr. Haynes was dean of the Business School at Hofstra University. He serves as a director of the Council of American Ambassadors. He has been a director of the Company since 1994.

**Edwin W. Martin, Jr.**, age 76, was associate and deputy U.S. commissioner of education from 1969 to 1979 and assistant secretary of education from 1979 to 1981. Dr. Martin was president and chief executive officer of the National Center for Disability Services until November 1994 and since then has been president-emeritus and a trustee. Dr. Martin is a member of the Roslyn Bank Divisional Advisory Board to the New York Community Bank. In 2007, Dr. Martin was also elected mayor of Venice, Florida for a term lasting until 2010. He has been a director of the Company since 1993.

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**Members of the Board of Directors Continuing in Office for a Term Expiring at the 2009 Annual Meeting of Shareholders**

**Daniel J. Carroll, Jr.**, age 63, was the CEO of Telcordia Technologies from September 2005 until May 2007. He continues to serve on the Telcordia board. Telcordia is a global provider of telecommunications network software and services for internet protocol, wireline, wireless and cable customers. Mr. Carroll held a number of executive positions with AT&T Corp. until its spin-off of Lucent Technologies Inc. He retired from his employment as an officer of Lucent in 2000. He has been a director of the Company since 1999.

**Eric Krasnoff**, age 56, has been chairman and chief executive officer of the Company since July 1994. He has also been a director of the Company since 1994. He serves on the board of three not-for-profit organizations.

**Dennis N. Longstreet**, age 62, was from 1998 until his retirement in late 2005 company group chairman of Johnson & Johnson Medical Devices, culminating a 36-year career in operational and sales management roles with Johnson & Johnson, a manufacturer of health care products and provider of related services for the consumer, pharmaceutical and medical devices and diagnostic markets. He is a former chairman of the AdvaMed Industry Foundation and serves on the board of trustees, the board of governors and the board of other not-for-profit organizations. Mr. Longstreet also serves on the board of Avalign Technologies, Inc. He has been a director of the Company since 2006.

**Edward L. Snyder**, age 61, is professor of laboratory medicine and associate chair for clinical affairs of the Department of Laboratory Medicine at Yale University School of Medicine. He is also director of Blood Bank/Apheresis Service and assistant chief/associate chair for clinical affairs at the Department of Laboratory Medicine at Yale-New Haven Hospital. Dr. Snyder has [appointed consultant] status with the Food and Drug Administration Medical Devices Advisory Committee [Hematology and Pathology Devices Panel, and is a past president of the American Association of Blood Banks. He is the chair-elect of the volunteer board, National Marrow Donor Program. Dr. Snyder also serves on the Company's Medical Advisory Board and has been a director of the Company since 2000.

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**DIRECTOR COMPENSATION FOR FISCAL YEAR 2007**

The following table sets forth the compensation of the Company's non-employee directors for the fiscal year ended July 31, 2007 ("fiscal year 2007"). Neither Mr. Krasnoff nor Mr. Wilson received any additional compensation for service as a director in fiscal year 2007. Ms. Gris  was not a director during fiscal year 2007 and so is not included in the table below.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)	Option Awards \$(3)(4)	All Other Compensation (\$)	Total (\$)
Daniel J.	\$91,000	\$79,400	\$85,998		\$256,398

Carroll					
John H.F. Haskell	62,500	79,400	60,251		202,151
Ulric S. Haynes	63,500	79,400	60,251		203,151
Dennis Longstreet	50,000	90,923	8,100		149,023
Edwin W. Martin, Jr.	70,250	79,400	60,251		209,901
Katharine L. Plourde	78,500	79,400	85,998		243,898
Heywood Shelley	50,500	79,400	60,251	\$ 636(5)	190,787
Edward L. Snyder	63,500	59,063	26,430	1,750(6)	150,743
Edward Travaglianti	67,500	79,400	63,964		210,864
James D. Watson(7)	36,500	79,400	85,998		201,898

- (1) Reflects the expense recognized for financial statement reporting purposes under Statement of Financial Accounting Standards 123R (SFAS 123R) for each non-employee director for the Company's fiscal year ended July 31, 2007 for annual awards of restricted stock units granted both in fiscal year 2007 and in prior years by the Company under its 2005 Stock Compensation Plan (the "Stock Plan"). For additional information regarding the assumptions made in calculating these amounts, see Note 17, Common Stock, to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007 and the corresponding note to the consolidated financial statements for prior fiscal years for grants made in those years. These amounts reflect our accounting expense for these awards and do not correspond to the actual value, if any, that may be realized by the non-employee director.

The grant date fair value of restricted stock units granted to each non-employee director in fiscal year 2007 was \$59,063 other than Mr. Longstreet whose awards had an aggregate grant date fair value of \$90,923.

- (2) The following table reflects the number of restricted stock units held by each non-employee director at the end of fiscal year 2007:

Daniel J. Carroll	4,584
John H.F. Haskell	4,584
Ulric S. Haynes	4,584
Dennis Longstreet	2,771
Edwin W. Martin, Jr.	4,584

Katharine L. Plourde	4,584
Heywood Shelley	4,584
Edward L. Snyder	1,761
Edward Travagianti	4,584
James D. Watson	4,584

- (3) Reflects the expense recognized for financial statement reporting purposes under SFAS 123R for each non-employee director for the Company's fiscal year ended July 31, 2007 for stock options granted both in fiscal year 2007 and in prior years by the Company under its 2001 Stock Option Plan for Non-Employee Directors. For additional information regarding the assumptions made in calculating these amounts, see Note 17, Common Stock, to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007 and the corresponding note to the consolidated financial statements for prior fiscal years for grants made in those years. These amounts reflect our accounting expense for these awards and do not correspond to the actual value, if any, that may be realized by the non-employee director. Each stock option was granted with an exercise price of \$39.07 per share.

The grant date fair value of stock options granted to each non-employee director in fiscal year 2007 was \$26,430 other than Mr. Longstreet whose awards had an aggregate grant date fair value of \$51,060.

- (4) The following table reflects the number of stock options held by each non-employee director at the end of fiscal year 2007.

Daniel J. Carroll	24,000
John H.F. Haskell	24,000
Ulric S. Haynes	24,000
Dennis Longstreet	6,000
Edwin W. Martin, Jr.	10,875
Katharine L. Plourde	24,000
Heywood Shelley	24,000
Edward L. Snyder	3,000
Edward Travagianti	28,500
James D. Watson	24,000

- (5) Represents compensation imputed to Mr. Shelley that is equivalent to a *per annum* interest rate of 4.53% on his \$120,400 loan from the Company. On September 11, 2006, Mr. Shelley repaid his loan in full to the Company.
- (6) Represents a meeting fee Dr. Snyder received as a member of the Pall Corporation Medical Advisory Board.
- (7) James D. Watson resigned from the board on November 3, 2007.

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## Cash Fees

Non-employee directors of the Company were paid the following in cash for their services on the board in fiscal year 2007:

- \$2,000 per month
- Each member of the audit committee received an additional \$500 per month
- Mr. Shelley and Dr. Martin were each paid an additional \$750 per month for service on the executive committee
- \$2,500 for each meeting of the board and board committees personally attended
- \$2,500 for telephone participation in one regularly scheduled board meeting per year
- \$2,500 for telephone participation in one regularly scheduled committee meeting per year
- \$1,000 for participation in each meeting of the board or a board committee held by telephone conference call
- \$10,000 annual retainer for presiding independent director
- \$5,000 annual retainer for the chairpersons of the audit, compensation and nominating/governance committees.

### **Equity Awards**

The non-employee directors received restricted stock unit grants pursuant to the Stock Plan and stock option grants pursuant to the 2001 Stock Option Plan for Non-Employee Directors.

Under the 2001 Stock Option Plan for Non-Employee Directors, on January 5th of each year, each director who is not an employee of the Company automatically receives:

- 3,000 options with an exercise price equal to the arithmetic mean of the highest and lowest sales price as reported in the NYSE Consolidated Transactions of a share of common stock on the grant date
- Options become exercisable in four equal installments on each of the first four anniversaries of the grant date and expire on the seventh anniversary.
- Upon leaving the board (other than a removal for cause), a director may exercise any options vested as of the date of departure for up to one year after such date and any unvested options will be forfeited; provided, however, that if a director had served two full three-year terms prior to his or her departure, all of the director's options will continue to vest and be exercisable in accordance with their terms as if the director still served on the board.

A new non-employee director, on the date on which he or she is elected at an annual meeting of shareholders for the first time, is granted an option for 3,000 shares, in addition to and on the same terms as outlined above.

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Under the Stock Plan, on January 5th of each year, each director who is not an employee of the Company automatically receives:

- 1,750 restricted stock units
- Restricted stock units are converted into 1,750 shares of common stock promptly following the date on which the director leaves the board (for any reason except removal for cause)

- On each date on which dividends are paid to shareholders, the account of each non-employee director is credited with "dividend equivalent units." The Company calculates these "dividend equivalent units" by taking the number of restricted stock units outstanding on the day prior to the dividend payment date, multiplying this number by the amount of the cash dividend per share to arrive at the total cash dividend. The Company then divides the total cash dividend by the closing stock price on the dividend payment date to arrive at the number of dividend equivalent units.

A new non-employee director, on the date on which he or she is elected at an annual meeting of shareholders for the first time, receives 1,000 restricted stock units, in addition to and on the same terms as outlined above.

All restricted stock units and stock options granted to non-employee directors vest in full upon a change in control of the Company (as defined in note 4 to "Potential Payments Upon Termination or Change in Control").

## **D&O Insurance**

The Company and its officers and directors are insured under four insurance policies with respect to liabilities arising from their service as officers and directors. These four policies, all effective August 1, 2007, are written by Vigilant Insurance Company, Federal Insurance Company ("Chubb"), Illinois National Insurance Company and Allied World Assurance Company. The Company pays the annual premium for each of these policies, which totaled \$865,889 for fiscal year 2007 and totals \$1,339,000 for fiscal year 2008.

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## **STRUCTURE AND PRACTICES OF THE BOARD OF DIRECTORS**

### **Corporate Governance Policy**

The board has adopted a corporate governance policy that provides the framework for the governance of the Company. The governance rules for companies listed on the NYSE and those contained in the Sarbanes-Oxley Act of 2002 and related regulations are reflected in the policy. The board reviews these principles and other aspects of governance periodically.

### **Meetings of the Board**

The board had eight regularly scheduled meetings during fiscal year 2007. The Company's non-employee directors meet at regularly scheduled executive sessions, without any employee directors or members of management present. The Company's independent directors also meet at regularly scheduled sessions, without the participation of directors who do not qualify as independent directors. During fiscal year 2007, the non-employee directors had one meeting, and the independent directors had one meeting. Currently, Daniel J. Carroll, Jr., the presiding independent director, is the chairperson for all meetings of the non-employee and independent directors.

Each director has full access to the Company's management.

Directors are expected to attend all meetings of the board and each committee on which they serve. In fiscal year 2007, the board held eight meetings and committees of the board held a total of 21 meetings. No director attended less than 80% of the total number of meetings of the board and committees of the board on which he or she served during the period of such service. Although the Company does not have a formal policy with respect to director attendance at annual meetings of shareholders, all directors are expected to attend, and all of the Company's directors then in office attended the Company's 2006 annual meeting of shareholders.

### **Communication with the Board**

Shareholders or other interested parties may initiate in writing any communication with the board as a group, the non-management directors as a group, or any individual director, including the presiding independent director, and send it to the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548. This centralized process assists the board in reviewing and responding to shareholder communications in an appropriate manner. The name of any specific intended board recipient should be noted in the communication. The corporate secretary will forward such correspondence only to the intended recipients. However, prior to forwarding any correspondence, the corporate secretary will review such correspondence and, in her discretion, not forward correspondence deemed to be of a commercial nature.

### **Director Independence**

The Company's corporate governance policy provides for director independence standards consistent with those of the NYSE. These standards require the board to affirmatively determine that each director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) other than as a director. The board has adopted the director independence standards set out in Appendix A hereto for its evaluation of the materiality of director relationships with the Company. The board considers relationships involving directors and their immediate family members that may implicate any of these standards or the listing standards of the NYSE and relies on information derived from Company records, questionnaires completed by directors and inquiries of other relevant parties.

The relationships reviewed by the board as part of its most recent independence determination consisted principally of donations made by the Company to not-for-profit organizations, including educational and health organizations (such as hospitals, laboratories and blood centers), with which board members were affiliated by service as employees, directors or trustees. The board also reviewed commercial relationships between the Company and the directors or organizations with which directors were affiliated by service as outside directors (Mss. Gris  and Plourde) or trustees (Mr. Travaglianti), or from which they received compensation (Mr. Shelley). The relationships with these organizations involved the Company's sale or purchase of products or services in the ordinary course of business that were made on arm's-length terms in amounts and under other circumstances that did not affect the relevant directors' independence (other than in the case of Mr. Shelley) under the Company's director independence standards or under applicable law and listing standards.

The board has determined that the following directors are independent as required by the NYSE listing standards and the Company's corporate governance policy: Daniel J. Carroll, Jr., Cheryl W. Gris , John H. F. Haskell, Jr., Ulric S. Haynes, Jr., Dennis N. Longstreet, Edwin W. Martin, Jr., Katharine L. Plourde, Edward L. Snyder, Edward Travaglianti and James D. Watson. Dr. Watson resigned from the board on November 3, 2007.

All members of the audit committee, the compensation committee and the nominating/governance committee are independent directors under applicable listing standards and the Company's director independence standards. The Company's director independence standards are attached as Appendix A and also available on the Company's website at [www.pall.com](http://www.pall.com) under the Investor Information tab.

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## Codes of Conduct

The Company has codes of conduct that apply to every employee and to its directors. These codes are designed to ensure that the Company's business is conducted in a consistently legal and ethical manner. The employee codes of conduct pertaining to ethics and compliance matters include policies on employment, conflicts of interest and the protection of confidential information, and require strict adherence to all laws and regulations applicable to the conduct of Company business. The directors' code of business conduct and ethics includes policies on conflicts of interest, corporate opportunities and insider trading. The Company will disclose any amendments to, or waivers of, the employee codes of conduct relating to its executive officers and any amendments to, or waivers of, the directors' code of conduct on its website at [www.pall.com](http://www.pall.com) under the Investor Information tab in accordance with applicable law and the requirements of the NYSE corporate governance standards. The Company's financial code of ethics specifically addresses the requirements and obligations applicable to officers and employees with important roles in the financial reporting process.

## Board Committees

The board has an audit committee, a compensation committee, an executive committee and a nominating/governance committee. The board has adopted a written charter for each of these committees. Board committee charters are available on the Company's website at [www.pall.com](http://www.pall.com) under the Investor Information tab.

Each committee conducts an annual assessment to review the sufficiency of resources and time to fulfill its obligations and to review the performance of its obligations. Under the Company's corporate governance policy, each committee may retain consultants to assist it in carrying out its responsibilities.

The following table shows both current and former members (indicated by an X or Chair) of each of the board committees, the number of committee meetings held and number of actions taken by unanimous written consents during fiscal year 2007:

	Audit	Compensation	Executive	Nominating/ Governance
Daniel J. Carroll, Jr.*(1)	X	Chair	<input type="checkbox"/>	<input type="checkbox"/>
Cheryl W. Gris�*(2)	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>

John H.F. Haskell, Jr.*	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ulric S. Haynes, Jr.*	<input type="checkbox"/>	X	<input type="checkbox"/>	X
Eric Krasnoff	<input type="checkbox"/>	<input type="checkbox"/>	Chair	<input type="checkbox"/>
Dennis N. Longstreet*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	X
Edwin W. Martin, Jr.*	<input type="checkbox"/>	X	X	X
Katharine L. Plourde*	X	<input type="checkbox"/>	<input type="checkbox"/>	Chair
Heywood Shelley	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Edward L. Snyder*	<input type="checkbox"/>	X	<input type="checkbox"/>	X

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	<b>Audit</b>	<b>Compensation</b>	<b>Executive</b>	<b>Nominating/ Governance</b>
Edward Travaglianti*	Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
James D. Watson*(3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marcus Wilson (4)	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Number of meetings	11	5	0	5
Number of consents	0	4	18	0

\* Independent director

- (1) Presiding independent director since July 2003.
- (2) Cheryl W. Gris  has been a director of the Company since August 21, 2007 and was appointed to the compensation committee effective January 17, 2008.
- (3) James D. Watson resigned from the board on November 3, 2007.
- (4) Marcus Wilson resigned from the board on November 14, 2006.

Chair = chairperson

### *The Audit Committee*

The audit committee assists the board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the adequacy of the Company's information technology and systems, the performance of the Company's internal audit function, the annual independent audit of the Company's financial statements, the performance, qualifications and independence of its independent registered public accounting firm, and the Company's compliance and ethics program.

Each member of the audit committee meets the independence requirements of the NYSE, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company's corporate governance policy. The board has determined that each member of the audit committee is an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission (the "SEC").



*The Compensation Committee*

The compensation committee of the board has the authority and responsibility for approving the compensation of the Company's executive officers, as defined in the Exchange Act. The compensation committee evaluates and approves the Company's compensation plans, policies and programs for its executive officers or in which its executive officers participate, including employment contracts, the Management Stock Purchase Plan, the Executive Incentive Bonus Plan and (with respect to all aspects of awards which are made to executive officers) the Stock Plan. The compensation committee has sole authority

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to retain and terminate executive compensation consultants, including approving the fees and other terms of their engagements, to advise on the evaluation and compensation of the chief executive officer. The committee also has the right to use reasonable amounts of time of the Company's internal staff and to hire consultants and advisors to assist and advise the committee in connection with its other responsibilities.

Since 1994, Watson Wyatt has been asked by the compensation committee to evaluate on a biennial basis the cash compensation levels of the Company's executive officers. In fiscal year 2007, the compensation committee also asked Watson Wyatt to assess the market competitiveness of total direct compensation (cash and equity awards) for the executive officers and to make recommendations regarding equity grants to be made to the executive officers in January 2007. Watson Wyatt has also been engaged by the Company periodically to perform similar assessments and to make similar recommendations with respect to employees other than the executive officers of the Company.

In making its determinations with respect to compensation for executive officers other than the chief executive officer, the compensation committee solicits the views and recommendations of the chief executive officer (especially regarding individual performance) in accordance with its charter. The chief executive officer has no involvement in any discussions of the compensation committee regarding his performance or his compensation. The compensation committee has called upon the chief financial officer for information regarding the Company's financial performance and has periodically requested other nonexecutive employees of the Company to provide information or make presentations to the compensation committee regarding executive compensation matters. For more information on the processes of the compensation committee in setting executive compensation for fiscal year 2007, see "Compensation Discussion and Analysis."

The compensation committee also has the responsibility to review and make recommendations to the board with respect to the compensation of the board and its committees (including fees and equity awards) every two years. No changes were made to director compensation in fiscal year 2007. In connection with its responsibility to review director compensation, the compensation committee has periodically engaged Mercer to assess its market competitiveness. Mercer also performs certain other employee-benefit related services for the Company unrelated to executive or director compensation. Each member of the compensation committee meets the independence requirements of the NYSE and the Company's corporate governance policy.

*The Executive Committee*

The executive committee has the authority to act on most board matters during the intervals between meetings of the full board, except those matters which are reserved for the board of directors by the New York Business Corporation Law.

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*The Nominating/Governance Committee*

The nominating/governance committee develops policy on the size and composition of the board, criteria for director nomination, and procedures for the nomination process. The committee identifies and recommends candidates for election to the board. The committee reviews and makes recommendations to the board and/or management with respect to corporate governance issues, and management succession plans. Each member of the nominating/governance committee meets the independence requirements of the NYSE and the Company's corporate governance policy.

**Nomination Process**

The nominating/governance committee will consider shareholder recommendations for director nominees. A shareholder desiring the committee to consider any person for nomination for election to the board must deliver a written submission to the nominating/governance committee in care of the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548. Such submission must include (1) the name of such person, (2) such person's written consent to be named in the proxy statement and to serve if elected, (3) documentation demonstrating that the shareholder is a shareholder of the Company, (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and other material relationships, between or among such shareholder (and/or any beneficial owner on whose behalf the recommendation is made) and its affiliates and associates, or others acting in concert therewith, on the one hand, and such person and his or her respective affiliates and associates, or others acting in concert therewith, (5) any information relating to such person and his or her affiliates or associates that would be required to be disclosed in a proxy solicitation for the election of directors of the Company pursuant to Regulation 14A under the Exchange Act, (6) a description of the qualifications of such person that, in the view of such person or the shareholder (or any such beneficial owner), would make such person a suitable director, and (7) a description of such person's reasons for seeking election as a director, which description must include any plans or proposals that such person or the shareholder (or any such beneficial owner) may have which relate to or would result in any of the actions described in Item 4 of Schedule 13D under the Exchange Act. Such submission should include an undertaking to submit to the corporate secretary of the Company a statement amending any of the foregoing information promptly after any material change occurs in such information as previously submitted. The committee may require additional information from the nominee to perform its evaluation of the eligibility of the nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

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Any nomination by a shareholder of any person for election to the board of the Company

must comply with the foregoing and the notice and other requirements of the Company's by-laws. In addition, any such nomination must also include a representation (1) that the shareholder intends to appear in person or by proxy at the meeting to propose such business or nomination; and (2) whether the shareholder or the beneficial owner intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding common stock required to approve or adopt the proposal or elect the nominee or otherwise to solicit proxies from shareholders.

Recommendations for nomination and nominations that are made by shareholders in accordance with these procedures and, if applicable, the by-laws of the Company, will receive the same consideration as recommendations or nominations initiated by the nominating/governance committee.

In its assessment of each person considered for nomination, the nominating/governance committee will review (1) such person's judgment, experience, independence and understanding of the Company's business, (2) the range of talent and experience already represented on the board, and (3) such other factors that the nominating/governance committee determines are pertinent in light of the current needs of the Company. Diversity of race, ethnicity and gender among the directors is a factor in evaluating nominees for board membership. The nominating/governance committee will also take into account the ability of such person to devote the time and effort necessary to fulfill his or her responsibility as a Company director.

**PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR FISCAL YEAR 2008**

***The board of directors unanimously recommends a vote  
FOR the ratification of KPMG LLP as the Company's  
independent registered public accounting firm for 2008***

The audit committee has selected KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2008 and has directed that management submit the selection of independent registered public accounting firm to shareholders for ratification at the meeting. Representatives of KPMG LLP are expected to be present at the meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Shareholder ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm is not required by the Company's by-laws or otherwise. However, the Company is submitting the selection of KPMG LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the audit committee will reconsider whether or not to retain KPMG LLP. Even if the selection is ratified, the audit committee in its discretion may direct the appointment

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of a different independent registered public accounting firm at any time during the year if it is determined that such a change would be in the best interests of the Company and its shareholders.

**Audit and Non-Audit Fees**

The following table presents fees billed or expected to be billed for professional audit services rendered by KPMG LLP for the audit of the Company's annual consolidated financial statements for its 2007 and 2006 fiscal years, and fees billed or expected to be billed for other services rendered to the Company by KPMG LLP:

	<b>Fiscal</b>	
	<b>2007</b>	<b>2006</b>
Audit fees(1)	\$8,594,000	\$6,670,000
Audit-related fees(2)	226,000	170,000
Tax fees(3)	937,000	1,000,000
All other fees	□	□
<b>Total</b>	<b>\$9,757,000</b>	<b>\$7,840,000</b>

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(1) Audit fees include fees for the audit of management's assessment of the effectiveness of its internal controls over financial reporting as required by Section 404 of the Sar