PALL CORP
Form DEF 14A
October 10, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [x]
Filed by a Party other than the Registrant [_]

Check the appropriate box:
[_] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[x] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Under Rule 14a-12

Pall Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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4) Proposed maximum aggregate value of transaction:

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schedule and the date of its filing.

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Pall Corporation
2200 Northern Boulevard
East Hills, NY 11548

October 10, 2008

Dear Shareholder:

On behalf of the board of directors and management, it is my pleasure to invite you to attend the 2008 Annual Meeting of Shareholders of Pall Corporation on Wednesday, November 19, 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 and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF PALL CORPORATION

Date: Wednesday, November 19, 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 seven directors for a term expiring at the 2009 Annual Meeting of Shareholders;
	(2)	Ratify the appointment of KPMG LLP as independent registered public accounting firm for fiscal year 2009;
	(3)	Approve an amendment to the Pall Corporation Management Stock Purchase Plan increasing the number of shares of common stock available for purchase under the plan;
	(4)	Approve an amendment to the Pall Corporation 2005 Stock Compensation Plan increasing the number of shares of common stock available for distribution under the plan; and
	(5)	Conduct other business if properly raised.

Record Date: September 30, 2008Owners 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
Senior Vice President, General Counsel and
Corporate Secretary

October 10, 2008

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON NOVEMBER 19, 2008

Copies of the enclosed proxy statement for the 2008 Annual Meeting, the 2008 Summary Annual Report and the Annual Report on Form 10-K for fiscal year 2008 are also available on the Companys website at *www.pall.com/ar08.*

TABLE OF CONTENTS

	PAGE
PROXY STATEMENT	1
VOTING	1

	PAGE
PROPOSAL 1ELECTION OF DIRECTORS	2
¡ INFORMATION REGARDING DIRECTORS AND NOMINEES	3
¡ DIRECTOR COMPENSATION FOR FISCAL YEAR 2008	4
¡ CASH FEES	6
¡ EQUITY AWARDS	6
¡ DIRECTOR COMPENSATION FOR FISCAL YEAR 2009	7
¡ D&O INSURANCE	8
STRUCTURE AND PRACTICES OF THE BOARD	8
¡ CORPORATE GOVERNANCE POLICY	8
¡ MEETINGS OF THE BOARD	8
¡ COMMUNICATION WITH THE BOARD	8
¡ DIRECTOR INDEPENDENCE	9
¡ CODES OF CONDUCT	9
¡ BOARD COMMITTEES	10
¡ NOMINATION PROCESS	12
PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2009	13
¡ AUDIT AND NON-AUDIT FEES	13
¡ POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES	13
¡ AUDIT COMMITTEE REPORT	14
BENEFICIAL OWNERSHIP OF COMMON STOCK AND RESTRICTED STOCK UNITS	16
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	17
POLICIES AND PROCEDURES FOR RELATED PERSON TRANSACTIONS	17
RELATED PERSON TRANSACTIONS	18
LEGAL PROCEEDINGS	19

	PAGE
EXECUTIVE COMPENSATION	19
¡ COMPENSATION DISCUSSION AND ANALYSIS	19
¡ COMPENSATION COMMITTEE REPORT	29
¡ COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION	30
¡ SUMMARY COMPENSATION TABLE	31
¡ GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2008	34
¡ OUTSTANDING EQUITY AWARDS AT END OF FISCAL YEAR 2008	36
¡ OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2008	38
¡ PENSION BENEFITS FOR FISCAL YEAR 2008	39
¡ NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2008	42
¡ POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL	43
¡ EQUITY COMPENSATION PLANS	51
PROPOSAL 3AMENDMENT TO THE MANAGEMENT STOCK PURCHASE PLAN	52
PROPOSAL 4AMENDMENT TO THE 2005 STOCK COMPENSATION PLAN	57
ANNUAL REPORTS AND OTHER MATERIALS	62
SHAREHOLDER PROPOSALS FOR 2009 ANNUAL MEETING OF SHAREHOLDERS	63
¡ REQUIREMENTS FOR SHAREHOLDER PROPOSALS TO BE CONSIDERED FOR INCLUSION IN THE COMPANYS PROXY MATERIALS	63
¡ REQUIREMENTS FOR SHAREHOLDER PROPOSALS TO BE BROUGHT BEFORE THE ANNUAL MEETING	63
INFORMATION ABOUT ADMISSION TO THE ANNUAL MEETING OF SHAREHOLDERS	64
PALL CORPORATION MANAGEMENT STOCK PURCHASE PLAN	A-1

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, November 19, 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 October 10, 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 seven nominees proposed in Proposal 1, FOR Proposal 2, FOR Proposal 3 and FOR Proposal 4. 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.

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 each of Proposal 3 and Proposal 4 is required for the approval of the proposed amendment to the Pall Corporation Management Stock Purchase Plan and the Pall Corporation 2005 Stock Compensation Plan, respectively, and the total "vote cast" on each of Proposal 3 and Proposal 4 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 on either Proposal 3 or Proposal 4 so long as over 50% of the outstanding shares of common stock are voted for each such Proposal. 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 either Proposal 3 or Proposal 4 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. Proposals 3 and 4 are considered non-discretionary items. Broker non-votes will not count as votes cast on either Proposal 3 or Proposal 4 for purposes of determining whether 50% of the outstanding shares have been voted on either Proposal 3 or Proposal 4, 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 November 19, 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 September 30, 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 118,635,627 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.

PROPOSAL 1 ELECTION OF DIRECTORS

The board 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. In 2007, the Company 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, seven directors are proposed for election for terms that will expire at the 2009 Annual Meeting of Shareholders. The remaining four directors will serve the remainder of their respective terms, which expire at the 2009 Annual Meeting of Shareholders as set forth below. The six directors nominated for reelection by the nominating/governance committee of the board are Cheryl W. Grisé, Ulric S. Haynes, Jr., Edwin W. Martin, Jr., Katharine L. Plourde, Heywood Shelley and Edward Travaglianti. The nominating/governance committee of the board is also nominating for election Ronald L. Hoffman who will replace John H. F. Haskell, whose term expires at the meeting. Mr. Haskell is not seeking reelection.

Mr. Hoffman 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 Ulric S. Haynes, Jr., Edwin W. Martin, Jr. and Heywood Shelley, the board has exercised its discretionary authority under the corporate governance policy and waived the requirement under the 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 other than Ronald L. Hoffman 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 for a Term Expiring at the 2009 Annual Meeting of Shareholders

Cheryl W. Grisé, age 56, 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. Grisé had served in various senior management positions at Northeast Utilities since 1998, including President-Utility Group and Chief Executive Officer of all Northeast Utilities operating subsidiaries. Ms. Grisé was a director of Dana Corporation until February 1, 2008 and currently serves on the board of MetLife, Inc. and Pulte Homes, 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.

Ulric S. Haynes, Jr., age 77, 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.

Ronald L. Hoffman, age 60, has been chief executive officer since January 2005 and president since 2003 of Dover Corporation, a public company that manufactures industrial products. Since July 2003, Mr. Hoffman has also been a director of Dover Corporation. Mr. Hoffman began his career at Allis Chalmers. He joined Dover Corporation in 1996 when it acquired Tulsa Winch, an Oklahoma company of which he was then president and part owner. He served as president of Tulsa Winch until 2000 and as executive vice president of Dover Resources from 2000 to 2002. He was vice president of Dover Corporation from 2002 to 2003 and chief operating officer of Dover Corporation from July 2003 to December 2004, during which time he continued to serve Dover Resources, Inc., as chief executive officer and president.

Edwin W. Martin, Jr., age 77, was associate and deputy U.S. commissioner of education from 1969 to 1979. He was nominated by President Carter as the nation's first Assistant Secretary for Special Education and Rehabilitative Services and confirmed unanimously by the Senate, serving as assistant secretary of education from 1979 to 1981. From 1981 to 1994, Dr. Martin was president and chief executive officer of the National Center for Disability Services and a Board Member. He was named in 1994 and since then has been president-emeritus. Dr. Martin served as a Lecturer in Education at Harvard University, and as an Adjunct Professor of Education at Teacher's College, Columbia University. In 2007, Dr. Martin was also elected mayor of Venice, Florida for a three year term. He has been a director of the Company since 1993.

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 private corporation. 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 81, 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. Mr. Shelley will not be seeking reelection in the 2009 Annual Meeting of Shareholders.

Edward Travaglianti, age 60, 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 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 63, 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 Association and serves on the board of several 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 62, 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 CommitteeHematology 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 Companys Medical Advisory Board and has been a director of the Company since 2000.

DIRECTOR COMPENSATION FOR FISCAL YEAR 2008

The following table sets forth the compensation of the Companys non-employee directors for the fiscal year ended July 31, 2008 (fiscal year 2008). Mr. Krasnoff did not receive any additional compensation for service as a director in fiscal year 2008. As James D. Watson was a director for a portion of fiscal year 2008 (having resigned from the board on November 3, 2007), he is included in the table below. The Company also reimburses the directors for reasonable expenses incurred in connection with their duties as directors, which amounts are not included as compensation 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. Carroll	$123,500	$ 68,250	$27,390	-0-	$219,140
Cheryl W. Grisé	$ 46,000	$107,820	$ 5,059	-0-	$158,879
John H.F. Haskell	$ 80,500	$ 68,250	$27,390	-0-	$176,140
Ulric S. Haynes	$ 66,500	$ 68,250	$27,390	-0-	$162,140
Dennis Longstreet	$ 53,500	$ 68,250	$16,654	-0-	$138,404
Edwin W. Martin, Jr.	$ 80,500	$ 68,250	$27,390	-0-	$176,140
Katharine L. Plourde	$103,000	$ 68,250	$27,390	-0-	$198,640
Heywood Shelley	$ 55,500	$ 68,250	$27,390	-0-	$151,140
Edward L. Snyder	$ 66,500	$ 68,250	$27,390	$1,750 (5)	$163,890
Edward Travaglianti	$ 96,500	$ 68,250	$49,424	-0-	$214,174
James D. Watson (6)	$ 13,500	$ 0	$ 0	-0-	$ 13,500

(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 2008 for annual awards of restricted stock units granted in fiscal year 2008 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 14, Common Stock, to the consolidated financial statements included in our Annual Report on Form 10-K for fiscal year 2008. 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 2008 was fully expensed in the year of grant and is reflected in the table above.

(2) The following table reflects the number of restricted stock units held by each non-employee director at the end of fiscal year 2008:

Daniel J. Carroll	6,406
Cheryl W. Grisé	2,762
John H.F. Haskell	6,406
Ulric S. Haynes	6,406
Dennis Longstreet	4,569
Edwin W. Martin, Jr.	6,406
Katharine L. Plourde	6,406
Heywood Shelley	6,406
Edward L. Snyder	3,546
Edward Travaglianti	6,406
James D. Watson	—

(3) Reflects the expense recognized for financial statement reporting purposes under SFAS 123R for each non-employee director for the Company's fiscal year 2008 for stock options granted both in fiscal year 2008 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 14, Common Stock, to the consolidated financial statements included in our Annual Report on Form 10-K for fiscal year 2008 and the corresponding note to the consolidated financial statements for fiscal years 2005 through 2007 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 other than the grant to Ms. Grisé in May 2008, which was granted with an exercise price of $39.30.

The aggregate grant date fair value of stock options granted to each non-employee director in fiscal year 2008 was $27,390 other than Ms. Grisé whose awards had an aggregate grant date fair value of $54,690.

(4) The following table reflects the number of stock options held by each non-employee director at the end of fiscal year 2008.

Daniel J. Carroll	27,000
Cheryl W. Grisé	6,000

John H.F. Haskell	27,000
Ulric S. Haynes	27,000
Dennis Longstreet	9,000
Edwin W. Martin, Jr.	19,500
Katharine L. Plourde	27,000
Heywood Shelley	27,000
Edward L. Snyder	6,000
Edward Travaglianti	31,500
James D. Watson	24,000

(5) Represents a meeting fee Dr. Snyder received as a member of the Pall Corporation Medical Advisory Board.

(6) James D. Watson resigned from the board on November 3, 2007.

Cash Fees

Non-employee directors of the Company were paid the following in cash for their services on the board in fiscal year 2008:

- $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 the 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 in fiscal year 2008 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 or the next business day, 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 Composite 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. The Company is considering freezing or terminating the 2001 Plan in light of the changes in director compensation for fiscal year 2009 and subsequent fiscal years discussed below under the heading Director Compensation for Fiscal Year 2009.

Under the Stock Plan, on January 5th or the next business day 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).

Director Compensation for Fiscal Year 2009

At its July 15, 2008 meeting, the board, based upon a study prepared by Mercer and upon recommendation of its compensation committee, approved certain changes in director compensation for fiscal year 2009 and subsequent fiscal years. Non-employee directors of the Company will be paid in fiscal year 2009 for their services on the board as follows:

- an annual cash retainer equal to $55,000, payable to each director in equal quarterly installments, within 30 days of the commencement of the fiscal year quarter (with the first payment of $13,750 payable on or before August 30, 2008)

- an annual cash retainer for the independent (lead) director of the board equal to $25,000, payable within 30 days of the commencement of the fiscal year

- an annual cash retainer equal to $7,500, payable to each member of the compensation committee, executive committee, and nominating/governance committee, within 30 days of the commencement of the fiscal year

- an annual cash retainer equal to $14,000, payable to each member of the audit committee, within 30 days of the commencement of the fiscal year

- an annual cash retainer equal to $15,000, payable to each of the chair of the compensation committee and the chair of the nominating/governance committee, within 30 days of the commencement of the fiscal year

- an annual cash retainer equal to $25,000, payable to the chair of the audit committee, within 30 days of the commencement of the fiscal year

- an annual equity grant (restricted stock units to be granted under the Stock Plan on the same terms as current restricted stock units as outlined above) valued at $120,000 (based upon the closing price of a share of Common Stock as reported in the NYSE Composite Transactions on the date of grant), made on January 5th or the next business day of each fiscal year

- new non-employee directors will continue to be entitled to receive, on the date on which he or she is elected at an annual meeting of shareholders for the first time, 1,000 restricted stock units and an option

with respect to 3,000 shares, each on the same terms as outlined above.

At its July 15, 2008 meeting, the board, on the recommendation of the compensation committee, also recommended to each director that he or she acquire direct ownership of 1,000 shares of Company stock by the later of (i) the second anniversary of the directors first election date to the board and (ii) August 1, 2010.

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, 2008, 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 $1,339,000 for fiscal year 2008 and totals $1,292,997 for fiscal year 2009.

STRUCTURE AND PRACTICES OF THE BOARD

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. The Companys corporate governance policy is available at the Companys website at *www.pall.com* under the Investor Information tab.

Meetings of the Board

The board had ten regularly scheduled meetings during fiscal year 2008. The Companys non-employee directors meet at regularly scheduled executive sessions, without any employee directors or members of management present. The Companys independent directors also meet at regularly scheduled sessions, without the participation of directors who do not qualify as independent directors. During fiscal year 2008, 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 Companys management.

Directors are expected to participate in all meetings of the board and each committee on which they serve. In fiscal year 2008, the board held ten meetings and committees of the board held a total of 43 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 except two of the Companys directors then in office attended the Companys 2007 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 director independence standards 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 July and September 2008 independence determinations 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 and director nominees and organizations with which directors and director nominees were affiliated by service as outside directors (Mss. Grisé and Plourde), executive officers (Mr. Hoffman), 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. Grisé, 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. Mr. Haskell□s term expires at the 2008 annual meeting and he is not seeking reelection. The board has also determined that Ronald L. Hoffman is □independent□ as required by the NYSE listing standards and the Company□s corporate governance policy and director independence standards.

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 available on the Company□s website at *www.pall.com* under the □Investor Information□ tab.

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* 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* under the "Investor Information" tab and are available in print to any shareholder upon request.

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 2008:

	Audit	**Compensation**	**Executive**	**Nominating/ Governance**
Daniel J. Carroll, Jr.* (1)	X	Chair	—	—
Cheryl W. Grisé* (2)	—	X	—	—
John H.F. Haskell, Jr.*	X	—	—	—
Ulric S. Haynes, Jr.*	—	X	—	X
Eric Krasnoff	—	—	Chair	—
Dennis N. Longstreet*	—	—	—	X
Edwin W. Martin, Jr.*	—	X	X	X
Katharine L. Plourde*	X	—	—	Chair
Heywood Shelley	—	—	X	—
Edward L. Snyder*	—	X	—	X
Edward Travaglianti*	Chair	—	—	—
James D. Watson* (3)	—	—	—	—
Number of meetings	30	8	0	5
Number of consents	0	1	18	0

* Independent director

(1) Presiding independent director since July 2003.

(2) Cheryl W. Grisé was appointed to the compensation committee effective January 17, 2008.

(3) James D. Watson resigned from the board on November 3, 2007.

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 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, executive officers or non-employee directors. 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 2008, 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 April 2008. 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 2008, 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 the director compensation for fiscal year 2008. 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.

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. The nominating/governance committee also oversees the Company's enterprise risk management program. 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.

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 2009

The board unanimously recommends a vote FOR the ratification of KPMG LLP as the Company's independent registered public accounting firm for 2009

The audit committee has selected KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2009 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 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 fiscal years 2008 and 2007, and fees billed or expected to be billed for other services rendered to the Company by KPMG LLP:

	Fiscal	
	2008	**2007**
Audit fees (1)	$ 7,799,000	$ 8,594,000
Audit-related fees (2)	186,000	226,000
Tax fees (3)	934,700	937,000
All other fees	—	—
Total	$ 8,919,700	$ 9,757,000

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(1) Audit fees include fees for the audit of the effectiveness of its internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act, review of the consolidated financial statements in the Company's quarterly reports on Form 10-Q, and fees for services that are normally provided by an independent registered public accounting firm in connection with a statutory audit.

(2) Audit-related fees consisted principally of fees for audits of financial statements of certain employee benefit plans that are not included in audit fees above.

(3) Tax fees consisted of fees for tax compliance and related services.

Policy on Audit Committee Pre-Approval of Audit and Permitted Non-Audit Services

The audit committee has implemented a policy for the pre-approval of all audit and permitted non-audit services proposed to be provided to the Company by KPMG LLP, the Company's independent registered public accounting firm. Under the policy, each engagement to provide audit or non-audit services must be documented in writing and the scope and terms of the engagement, including any fees payable, are subject

to pre-approval by the audit committee. Services are generally subject to budgets, and fee overages in excess of $5,000 require specific audit committee approval. All audit and permitted non-audit services provided by KPMG LLP during fiscal year 2008 were pre-approved in accordance with the Company's policy.

For purposes of the policy, services are categorized as either "recurring" or "non-recurring." Recurring services are reviewed periodically by the audit committee at regularly scheduled meetings and include services such as the annual audit of the Company's financial statements and the financial statements of certain employee benefit plans, statutory audits for certain subsidiaries and services relating to the Company's tax returns. Non-recurring non-audit services must be pre-approved on a case-by-case basis. Non-recurring services for which fees are expected to be less than $100,000 may be pre-approved by the chairperson of the audit committee and must be ratified by the full audit committee at its next regularly scheduled meeting. Services for which fees are expected to be at least $100,000 must be pre-approved by the full audit committee.

The Company's chief financial officer is responsible for confirming that individual proposals for audit and non-audit services comply with the Company's policy.

Audit Committee Report

Management is responsible for the preparation, presentation and integrity of the Company's consolidated financial statements, the Company's accounting and financial reporting principles, and the Company's internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The firm of KPMG LLP, the Company's independent registered public accounting firm, is responsible for auditing the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States), and expressing an opinion as to their conformity with U.S. generally accepted accounting principles and auditing the effectiveness of internal control over financial reporting.

In the performance of its duties for fiscal year 2008, the audit committee: (1) reviewed and discussed the audited consolidated financial statements with management and the independent auditors; (2) discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as modified or supplemented, and the Public Company Accounting Oversight Board's Auditing Standard No. 5 (An Audit of Internal Control Over Financial Reporting that is integrated with an audit of Financial Statements); (3) received the written disclosures from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as modified or supplemented, and discussed with KPMG LLP the firm's independence; (4) considered whether the provision of certain non-audit services to the Company by KPMG LLP is compatible with maintaining KPMG LLP's independence; and (5) reviewed the structure of the Company's financial/accounting and Information Technology (IT) organizations.

In addition, the audit committee completed, with the assistance of independent counsel and a forensic accounting firm, the inquiry (commenced in fiscal year 2007 as previously reported in the fiscal year 2007 proxy statement) into certain matters surrounding the Company's need to restate its annual and quarterly financial statements for the fiscal years 1999 through 2006 and for each of the fiscal quarters ended October 31, 2006, January 31, 2007, and April 30, 2007. The audit committee also reviewed with management and KPMG LLP management's assessment of the Company's internal control over financial reporting. In addition, the audit committee provided oversight and reviewed with management the completed and planned initiatives to remediate the material weakness identified in the Company's internal control over financial reporting with respect to income taxes.

Based on these reviews, discussions and activities, the audit committee recommended to the board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for fiscal year 2008.

This report by the audit committee is not to be deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and is not to be incorporated by reference into any other filing of the Company under those statutes except to the extent that the Company may expressly refer to this report for incorporation by reference in a particular instance.

The undersigned, being all the members of the audit committee, submit this report to the Company's shareholders.

Audit Committee
Daniel J. Carroll, Jr.
John H. F. Haskell, Jr.
Katharine L. Plourde
Edward Travaglianti (Chair)

October 10, 2008

BENEFICIAL OWNERSHIP OF COMMON STOCK AND RESTRICTED STOCK UNITS

The following table sets forth information as of September 21, 2008 with respect to the beneficial ownership of common stock, and restricted stock units acquired under the Management Stock Purchase Plan (the Management Plan) and the Stock Plan, by (a) each shareholder who, to the Company's knowledge, is the beneficial owner of more than 5% of the outstanding shares of common stock, (b) each current director and director nominee of the Company, (c) each current and former executive officer included in the Summary Compensation Table below, and (d) all current directors and executive officers of the Company as a group as of September 21, 2008. The percentages in the third column are based on the 119,314,724 shares outstanding on September 21, 2008. In each case, (1) except as otherwise indicated in the notes to the table, the shares shown in the second column are owned directly by the individuals or members of the group named in the first column, with sole voting and dispositive power, and (2) the restricted stock units shown in the fourth column are owned directly by the individuals or members of the group named in the first column, but cannot be voted or disposed of by them. For purposes of this table, beneficial ownership is determined in accordance with the federal securities laws and regulations; inclusion in the table of shares not owned directly by the named director or executive officer does not constitute an admission that such shares are beneficially owned by the director or executive officer for any other purpose.

Name of Beneficial Owner	Common shares No. of Shares(1)	Common shares Percent of Class(2)	Restricted Stock Units(3)
ClearBridge Advisors, LLC	15,285,210 (a)	12.81%	
Smith Barney Fund Management LLC			
Batterymarch Financial Management, Inc.			
399 Park Avenue			
New York, NY 10022			
Mary Ann Bartlett	18,670		7,643
Daniel J. Carroll, Jr.	25,500		6,427
Cheryl W. Grisé	1,000		2,771
John H.F. Haskell, Jr.	26,500		6,427
Ulric S. Haynes, Jr.	19,500		6,427
Eric Krasnoff	489,887 (b)(c)	0.41%	257,917
Ronald L. Hoffman			
Dennis Longstreet	4,300		4,584
Edwin W. Martin, Jr.	12,210		6,427
Sandra Marino	4,250		3,725
Lisa McDermott	25,650		50,472
Roberto Perez	34,457		64,660
Katharine L. Plourde	20,500		6,427
Heywood Shelley	29,500 (c)		6,427
Edward L. Snyder	750		3,557
Donald Stevens	144,270	0.12%	108,029
Edward Travaglianti	35,520		6,427
15 current directors and executive officers of the Company as a group	892,464	0.75%	548,347

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(1) Includes shares covered by stock options currently exercisable or becoming exercisable within 60 days of September 21, 2008, as follows: Ms. Bartlett18,500 shares; Mr. Carroll19,500 shares; Mr. Haskell19,500 shares; Mr. Haynes19,500 shares; Mr. Krasnoff402,948 shares;

Mr. Longstreet�1,500 shares; Dr. Martin�6,375 shares; Ms. McDermott�25,650 shares; Mr. Perez�28,825 shares; Ms. Plourde�19,500 shares; Mr. Shelley�19,500 shares; Dr. Snyder�750 shares; Mr. Stevens�98,051 shares; Mr. Travaglianti�24,000 shares; Mr. Wilson�15,000 shares; and the 15 current directors and executive officers of the Company as a group�719,149 shares.

(2) Percentages are shown only for shareholders owning at least one-tenth of one percent of the class.

(3) With respect to executives, each restricted stock unit is converted, when it vests, into one share of common stock unless the holder elects to defer conversion, as permitted by the Management Plan and the Stock Plan. With respect to each non-employee director, each restricted unit is converted into one share of common stock upon the director�s termination of board membership for any reason other than removal for cause.

(a) In an amended Schedule 13G filed with the SEC on February 14, 2008, ClearBridge Advisors, LLC (�ClearBridge Advisors�), Smith Barney Fund Management LLC (�Smith Barney�) and Batterymarch Financial Management LLC (�Batterymarch�) filing as a group (the �ClearBridge Group�) in accordance with Rule 13d-1(b)(1)(ii)(J) of the Exchange Act, pursuant to a joint filing agreement, reported beneficial ownership of such 15,285,210 shares. The ClearBridge Group, as a group, reported shared power to vote or direct the voting of 12,099,736 shares and shared power to dispose or to direct the disposition of 12,099,736 shares. ClearBridge Advisors reported shared power to vote or direct the voting of 11,777,775 shares and shared power to dispose or to direct the disposition of 14,879,339 shares. Smith Barney reported shared power to vote or direct the voting of 124,300 shares and shared power to dispose or to direct the disposition of 124,300 shares. Batterymarch reported shared power to vote or direct the voting of 197,661 shares and shared power to dispose or to direct the disposition of 281,571 shares.

(b) Includes 12,966 shares owned by trusts established for the benefit of Mr. Krasnoff�s children. Mr. Krasnoff is trustee of these trusts and as such has sole voting and dispositive power with respect to the shares owned by the trusts. Also includes 1,436 shares owned by Mr. Krasnoff�s wife and as to which Mr. Krasnoff disclaims voting or dispositive power.

(c) Does not include 10,000 shares beneficially owned by a trust of which Messrs. Krasnoff and Shelley are two of the three trustees. The trustees of this trust have sole voting power, but no dispositive power, with respect to these shares. U.S. Trust, now part of Bank of America, is the investment manager for the trust�s investment account and has complete investment discretion with respect to the trust. The trustees have limited the investment power of the trust by instructing U.S. Trust not to engage in any transaction with respect to Company stock during any period in which Company officials are prohibited by Company policy to engage in transactions in the Company�s common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act and the rules thereunder require the Company's directors and executive officers to file reports of their ownership and changes in ownership of common stock with the SEC. Personnel of the Company generally prepare these reports on the basis of information obtained from each director and executive officer. Based on such information, the Company believes that all reports that were required by Section 16(a) of the Exchange Act to be filed by directors and executive officers of the Company during fiscal year 2008, were filed on time.

Policies and Procedures for Related Person Transactions

The board is responsible for the oversight and approval (or ratification) of any transaction, relationship or arrangement in which the Company is a participant and that involves board members, Company executive officers, beneficial owners of more than 5% of Company common stock, their immediate family members, any individual (other than tenants and employees) who shares that person's home and companies they control or in which they have a substantial beneficial ownership interest. We refer to these as related person transactions and to the persons or entities involved as related persons.

The board has adopted a written policy that sets out procedures for the reporting, review and ratification of related person transactions. The policy operates in conjunction with other aspects of the Company's compliance program, such as its codes of ethics, which require directors and employees to report any circumstances that may create or appear to create a conflict between the interests of the related person and those of the Company, regardless of the amount involved. The Company's directors and executive officers must also periodically confirm information about related person transactions, and management reviews its books and records and makes other inquiries as appropriate to confirm the existence, scope and terms of related person transactions.

Under the board's policy, the audit committee evaluates related person transactions for purposes of recommending to the disinterested members of the board that the transactions are fair, reasonable and within Company policies and practices and should be approved or ratified.

The board has considered certain types of potential related person transactions and pre-approved them as not presenting material conflicts of interest. Those transactions include (a) compensation paid to directors and executive officers that has been approved by the board or the compensation committee, as applicable, (b) certain Company contributions made in limited amounts to charitable or not-for-profit organizations and otherwise in accordance with the Company's Policy on Charitable Contributions and (c) transactions in which the related person's interest arises solely from ownership of the Company's common stock and all holders of the common stock receive the same benefit on a pro rata basis. The audit committee considers the appropriateness of any related person transaction not within these pre-approved classes in light of all relevant factors and the controls implemented to protect the interests of the Company and its shareholders, including:

- the benefits of the transaction to the Company;
- the terms of the transaction and whether they are on arm's-length and in the ordinary course of the Company's business;
- the direct or indirect nature of the related person's interest in the transaction;
- the size and expected term of the transaction; and
- other facts and circumstances that bear on the materiality of the related person transaction under applicable law and listing standards.

Related person transactions involving directors are also subject to board approval or ratification when so required under New York law.

RELATED PERSON TRANSACTIONS

Under certain of the Company's stock option plans, employees and directors had the right to defer payment of a portion of the exercise price, thereby becoming indebted to the Company. By the terms of the option plans, this indebtedness did not bear interest; however, under the Code, taxable interest is imputed to the optionee at interest rates determined by law and the amount of such imputed interest is deemed compensation to the optionee and is deductible by the Company. During fiscal year 2008, Donald Stevens had outstanding indebtedness to the Company pursuant to these option plan provisions in the amount of $131,389.78. No principal was repaid on Mr. Stevens' indebtedness during fiscal year 2008 (by the terms of the option plans, no payment was required). Pursuant to law, interest was imputed to Mr. Stevens in an amount equivalent to a per annum rate of 4.71% and deemed compensation to him. This loan was grandfathered pursuant to Section 402 of the Sarbanes-Oxley Act. Executive officers and directors are no longer permitted to utilize the deferred payment provisions of the plans.

During fiscal year 2008, Roberto Perez had outstanding indebtedness to the Company in the amount of $207,000 in connection with his relocation. No principal has been repaid on Mr. Perez's indebtedness subsequent to July 31, 2007. Pursuant to law, interest was imputed to Mr. Perez in an amount equivalent to a per annum rate of 4.71% and deemed compensation to him. This loan was granted prior to the enactment of the Sarbanes-Oxley Act.

Donald Stevens, Jr., a Company Vice President of Sales and Mr. Stevens' son, earned an aggregate cash compensation of $149,046 during fiscal year 2008. In addition, he currently holds 2,800 outstanding employee stock options and 2,007 unvested restricted stock units.

LEGAL PROCEEDINGS

On October 5, 2007, two plaintiffs filed identical derivative lawsuits in New York Supreme Court, Nassau County, relating to the Company's understatement of certain of its U.S. income tax payments and of its provision for income taxes in certain prior periods as described in Note 2, Audit Committee Inquiry and Restatement to the consolidated financial statements included in the 2007 Annual Report on Form 10-K. These actions purport to bring claims on behalf of the Company based on allegations that certain current and former directors and officers of the Company breached their fiduciary duties by failing to evaluate and otherwise inform themselves about the Company's internal controls and financial reporting systems and procedures. In addition, plaintiffs allege that certain officers of the Company were unjustly enriched as a result of the Company's inaccurate financial results over fiscal years 1999-2006 and the first three quarters of fiscal year 2007 ending on April 30, 2007. The complaints seek unspecified compensatory damages on behalf of the Company, disgorgement of defendants' salaries, bonuses, stock grants and stock options, equitable relief and costs and expenses. The Company, acting in its capacity as nominal defendant, moved to dismiss the complaints for failure to make a demand upon the Company's board of directors, which motions were granted on April 30 and May 2, 2008. On September 19, 2008, the same two plaintiffs filed a derivative lawsuit in New York Supreme Court, Nassau County, which was served on the Company on September 26, 2008. This action purports to bring claims on behalf of the Company based on allegations that certain current and former directors and officers of the Company breached their fiduciary duties and were unjustly enriched in connection with the tax matter. In addition, the plaintiffs allege that the board's refusal of their demand to commence an action against the defendants was not made in good faith.

Another shareholder derivative lawsuit relating to the tax matter described above was filed in the United States District Court for the Eastern District of New York on January 10, 2008. This action purports to bring claims on behalf of the Company based on allegations that certain of the current directors of the Company breached their fiduciary duties and were unjustly enriched in connection with the tax matter described above. The complaint seeks unspecified compensatory damages on behalf of the Company, disgorgement of defendants' profits, benefits and other compensation, equitable and non-monetary relief, and costs and expenses. The Company, acting in its capacity as nominal defendant, moved to dismiss the complaint for lack of subject matter jurisdiction over the complaint. On May 23, 2008, the plaintiff filed a notice of voluntary dismissal without prejudice, which was subsequently granted by the Court.

EXECUTIVE COMPENSATION

Compensation Discussion And Analysis

Compensation Philosophy

The Companys compensation philosophy has been driven by its goals:

- to reward its executive officers for sustained individual and Company performance
- to provide for a stable group of highly qualified executive officers
- to provide a compensation package that is competitive with its peer companies in order to promote the first two goals.

Given the rapidly changing technological landscape and marketplace relevant to the filtration business, the Company values stability in its senior management as it provides for continuity of experience and vision. Through its approach to compensation, the Company encourages its executive officers to

19

dedicate themselves to improving the Companys long-term prospects and financial results. The Companys compensation program also encourages increased focus on performance among its executive officers by relating a significant portion of their total compensation to Company performance. In order to satisfy these goals, the Company has developed a systematic approach to implementation of its executive compensation philosophy. The Company periodically reviews and revises its approach to align its compensation program with the evolution of compensation practices generally and to reflect changes in its management structure.

The following discussion describes the Companys executive compensation program principally as it relates to the named executive officers or NEOs. The named executive officers are the chief executive officer, the chief financial officer and three other most highly compensated executive officers for fiscal year 2008. As required by SEC rules, the named executive officers also include one individual who would have been one of the three most highly compensated executive officers had she remained an executive officer at fiscal year-end. The named executive officers have been with the Company from four to 40 years.

Focus on Performance

Cash Compensation

Peer Group Review. To aid the Company in ensuring that its executive compensation program is in step with its peers and competitors in respect of both types and amounts of compensation, the Company has generally relied upon Watson Wyatt. The compensation committee is responsible for Watson Wyatts engagement and its reports regarding compensation of our executive officers are submitted to the compensation committee and to the chief executive officer. Management has engaged Watson Wyatt separately from time to time to produce market studies regarding compensation for employees other than the executive officers of the Company.

Since 1994, Watson Wyatt has been asked to evaluate on a biennial basis the cash compensation levels of the Companys executive officers. Watson Wyatt uses published compensation survey data and peer group information (as discussed below in Equity-Based Compensation) to assess competitiveness of the Companys compensation program relative to identified companies and to determine whether actual compensation paid fairly reflects the goals of the Companys compensation philosophy. These goals include:

- base salaries at the peer group median (between the 50th and the 75th percentile)
- total cash compensation (base salary plus annual bonus) between the 50th and 75th percentile of the peer group when maximum bonuses are earned.

Watson Wyatts most recent report covering cash compensation was performed in July 2006 and updated in June 2008. The compensation committee referred to this report in ensuring that fiscal year 2008 cash compensation remained competitive in the marketplace.

Individual Performance. While looking to peer group practices, the compensation committee is also mindful of the Company's position as a unique and highly complicated business demanding specialized knowledge and experience of its executive officers. In addition, in its overall assessment of compensation, the compensation committee takes into account each named executive officer's individual performance. However, no one element of compensation is determined directly by reference to individual performance (although the compensation committee has the discretion to raise base salaries by taking into account individual performance). The chief executive officer reports to the compensation committee the results of his performance assessments of the other named executive officers. With respect to Mr. Krasnoff, the compensation committee sets, and the board approves, specific personal goals. For fiscal year 2008, Mr. Krasnoff's goals were as follows:

- develop, improve and broaden corporate investor relations campaign, including analyst coverage of the Company and shareholder relationships
- achieve business plan results within the model presented to the board

- achieve the objectives for cost reduction/productivity improvement initiatives (AmeriPall, EuroPall 2 launch, facilities rationalization and CIP programs at factory level)
- launch global pricing initiative
- prepare and present strategic business plans to board
- improve on-time responses to internal audit recommendations
- establish an environmental responsibility program globally
- develop enterprise risk program
- strengthen compliance program.

The compensation committee determined that Mr. Krasnoff had substantially achieved the personal goals outlined above in fiscal year 2008.

2008 Annual Base Salaries. The Company has an employment contract with each of the named executive officers other than the Corporate Secretary, Ms. Marino. Each of the employment contracts contains provisions with respect to base salary (including a mandatory increase for annual changes in the U.S. consumer price index).

The compensation committee has the discretion to raise base salaries above the mandatory minimum and in evaluating any increases generally takes into account recommendations made by the chief executive officer for all officers other than himself, internal relationships and peer group practices as shown in the data supplied by Watson Wyatt in its reports.

For fiscal year 2008, the compensation committee increased the base salary for all of its named executive officers by the minimum mandatory increase based on the consumer price index required under their employment contracts (2.56%) other than Ms. Marino. The compensation committee increased the base salary of Ms. Marino by 20% upon her promotion to Corporate Secretary on March 12, 2008. Details regarding base salary paid in fiscal year 2008 may be found in the "Summary Compensation Table."

2008 Annual Incentive Bonuses. Each named executive officer's employment contract contains provisions with respect to annual bonus, primarily payable under the 2004 Executive Incentive Bonus Plan (the "Bonus Plan"). Ms. Marino's bonus for fiscal year 2008 was also payable under the Bonus Plan. The Bonus Plan is the Company's short-term incentive vehicle and was approved by the Company's shareholders at the 2004 Annual Meeting of Shareholders. In fiscal year 2008, it was the principal means by which total cash compensation of the Company's

named executive officers was tied to the Company's financial performance.

Under the Bonus Plan, the first element used to determine the annual bonus payable to an executive is the executive's target bonus percentage, which is the maximum bonus payable to that executive for the year, expressed as a percentage of his or her base salary. This percentage is specified in the executive's employment contract (other than for Ms. Marino), although the compensation committee has the ability to increase it. The compensation committee did not change the target bonus percentages for the named executive officers for fiscal year 2008 from those of fiscal year 2007, other than for Ms. Marino, who was elected Corporate Secretary during fiscal year 2008, and Mr. Stevens, who was elected President of the Company during fiscal year 2008. The target bonus percentages of each of Ms. Marino and Mr. Stevens were increased during fiscal year 2008 commensurate with their new positions and responsibilities.

Eric Krasnoff	150%
Lisa McDermott	105%
Donald Stevens	112.5%
Roberto Perez	105% (42% under the Bonus Plan based on Company performance and 63% based upon performance of Pall Life Sciences (of which he is president))
Sandra Marino	82.5%
Mary Ann Bartlett	105%

While Mr. Stevens is president of Pall Industrial, his entire annual bonus is tied to Company performance because he is also the Company's president and chief operating officer.

Under the Bonus Plan, the second element used to determine the annual bonus payable to an executive is the minimum R.O.E. target, maximum R.O.E. target and, in some fiscal years, appropriate intermediate R.O.E. targets. These targets are set annually by the compensation committee for the succeeding fiscal year. The minimum R.O.E. target is the return on equity that must be exceeded in order for any bonus to be paid to an executive for that year. The maximum R.O.E. target is the return on equity that must be achieved in order for an executive to receive a maximum bonus equal to his or her target bonus percentage. In October 2007, the compensation committee fixed the targets for fiscal 2008 as follows:

Minimum R.O.E. target	14.35%
Maximum R.O.E. target	19.03%

Return on equity means the percentage determined by dividing net earnings for a fiscal year by average equity for that year, using the following definitions:

- Net earnings for any fiscal year is the after-tax consolidated net earnings of the Company, either (i) as certified by the Company's independent auditors or (ii) as reported to such auditors by our chief financial officer at a meeting of the audit committee held prior to the date on which the Company's annual report is filed with the SEC, and accepted by the independent auditors at such meeting, subject to events occurring after that meeting and prior to the date of the auditors' certification of the financial statements. In either case, net earnings are adjusted to eliminate the effects of foreign currency translation, any acquisitions, divestitures, discontinuance of business operations, restructuring or any other special charges, the cumulative effect of accounting changes, and extraordinary items as determined under U.S. generally accepted accounting principles insofar as these items are separately disclosed in the Company's annual report.

- Average equity for any fiscal year means the average of shareholders' equity as shown in the consolidated balance sheets of the Company for each of the two most recently completed fiscal years, excluding amounts recorded as "accumulated other comprehensive" income or loss and adjusted by items eliminated in the calculation of net earnings.

The compensation committee chose return on equity as the financial performance measure under the Bonus Plan in order to reward Company performance that is directly tied to shareholder interests. The committee determined the maximum R.O.E. target for fiscal year 2008 based upon a year over year increase in net earnings, as defined by the Bonus Plan, of 17.3% over fiscal year 2007 that equated to earnings per share for fiscal year 2008 of $2.17, reflecting a demanding and realistic objective for earnings growth for fiscal year 2008 over fiscal year 2007. (This determination was made in October 2007 and therefore was

based upon the Company's consolidated financial statements for fiscal year 2007 prior to restatement. See "Audit Committee Report"). Details regarding the minimum, target and maximum awards produced under the Bonus Plan formula may be found in "Grants of Plan-Based Awards for Fiscal Year 2008."

All of the named executive officers receive their annual bonus solely pursuant to the Bonus Plan except for Mr. Perez. As president of Pall Life Sciences, 42% of Mr. Perez's annual bonus is determined under the Bonus Plan and 63% is determined by reference to targets specific to the performance of Pall Life Sciences. In January 2008, the compensation committee reviewed and approved the targets for the Pall Life Sciences portion of Mr. Perez's annual bonus recommended by the chief executive officer as follows:

Operating Profit* of Life Sciences Line of Business for Fiscal Year 2008

Minimum target	$156 million
Maximum target	$182 million

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* Operating Profit set by reference to spot rates of exchange as of July 31, 2005. The fiscal year 2008 targets have been adjusted to reflect 7/31/07 constant exchange rates when measuring fiscal year 2008 actual results achieved against targets.

The chief executive officer calculated the payout under the formula in accordance with the performance of Pall Life Sciences, and determined that 94.1% of the maximum bonus amount should be paid (59.3% of base salary, or $204,319). In making this calculation, the chief executive officer adjusted Pall Life Sciences operating profits by $4.2 million to eliminate the impact of a reduction in revenue due to a decline in the market for a particular pharmaceutical product, caused by external factors. The compensation committee approved the amount and payment of Mr. Perez's bonus.

The compensation committee has the ability to exercise discretion to reduce (but not increase) any bonus amount otherwise payable to any named executive officer as calculated in accordance with the Bonus Plan formula:

- to reflect any decreases in or charges to earnings that were eliminated in determining net earnings
- to reflect any credits to earnings for extraordinary items of income or gain that were taken into account in determining net earnings
- to reflect the committee's evaluation of the executive's individual performance
- to reflect any other events, circumstances or factors that the committee believes to be appropriate in determining the amount of the bonus to be paid to the executive for the year.

The compensation committee has no discretion to increase the bonus amount otherwise payable to any named executive officer as calculated in accordance with the Bonus Plan formula described above.

As described above, under the Bonus Plan formula, in determining return on equity (and in particular the net earnings component), the after-tax consolidated net earnings of the Company are adjusted to eliminate the effect of certain decreases in or charges to earnings, including restructuring charges and any other special charges as well as any positive or negative effect of foreign currency translation. Also as described above, the committee has the ability to override any such adjustments in determining final bonuses under the Bonus Plan. For purposes of fiscal year 2008, the committee adjusted the Companys results to eliminate the impact of restructuring charges, net of pro forma tax effect, and foreign currency translation, consistent with prior practice. As a result, based on the Bonus Plan formula, the Companys R.O.E. for fiscal year 2008 was 22.31%. As the minimum R.O.E. target and maximum R.O.E. target for fiscal year 2008 fixed by the committee in October 2007 was 14.35% and 19.03%, respectively, under the Bonus Plan formula, the named executive officers would receive 100% of their respective target bonus percentages. In September 2008, the committee approved final bonuses for fiscal year 2008 to the named executive officers under the Bonus Plan in accordance with the formula as follows:

23

Named Executive Officer	**Percentage of Base Salary**	**Bonus Amount**
Eric Krasnoff	150%	$1,326,078
Lisa McDermott	105%	$ 375,430
Donald Stevens	112.5%	$ 585,059
Roberto Perez	42%(the remainder of Mr. Perezs annual bonus is paid outside of the Bonus Plan based upon performance of Pall Life Sciences)	$ 144,712
Sandra Marino	82.5%	$ 186,621
Mary Ann Bartlett	105%	$ 312,531

Equity-Based Compensation

The Stock Plan and the Management Plan were designed to complement the Bonus Plan and to provide long-term equity-based incentive compensation to the Companys executive officers. These Plans reflect the compensation committees view that equity-based compensation provides executive officers with opportunities for capital accumulation at favorable tax rates, promotes long-term executive retention and, by fostering a proprietary interest in the Company, further aligns the interests of our executive officers with those of the Companys shareholders.

2008 Grants under the Stock Plan. The purpose of the Stock Plan is to attract and retain individuals of outstanding ability to serve in positions of responsibility by providing an opportunity to acquire or increase their proprietary interest in the Company and by providing incentives and awards to motivate their efforts towards the growth and success of the Company.

Since January 2004, the Company has used a mix of nonqualified stock options and restricted stock units (generally, weighted 55% options and 45% units, although reviewed annually to determine the most appropriate split) in its annual equity grants to executive officers. In February 2008, the compensation committee requested Watson Wyatt to update the recommendations contained in their report dated June 13, 2007 regarding equity grants to the named executive officers for fiscal year 2008. For this report, Watson Wyatt continued to benchmark against the peer group previously established based on:

- similar revenue (greater than $1 billion and less than $4 billion)
- historical precedent (companies included in the peer group in the past)
- considerations relating to business strategy and model (companies with product lines and target markets significantly overlapping with those of the Companys).

The peer group companies were:

Ametek Inc.	Bard (C.R.)	Beckman Coulter	Bio-Rad Laboratories	Donaldson Co.
Flowserve Corp.	Millipore Corp.	Mueller Industries	Pentair Inc.	PerkinElmer Inc.
SPX Corp.	Steris Corp.	Teleflex Inc.	Waters Corp.	Zimmer Holdings

Watson Wyatt based its findings upon public proxy statement data of the peer group companies, generally those filed in 2007 describing 2006 compensation. Watson Wyatt indicated in its report the equity award sizes that would place the named executive officers in the 50th and 75th percentile of its peer group with respect to target total direct compensation (base salary plus target annual bonus plus equity grants).

Although the equity grant policy adopted by the compensation committee provides for grants of options and restricted stock units to be made to the named executive officers in January, grants of such awards were not made in fiscal year 2008 until such time as the Company had made all of its required filings under the Exchange Act, including filings delayed by the restatement of its financials.

After reviewing Watson Wyatt's report, the compensation committee made grants of stock options and restricted stock units to the named executive officers, the details of which may be found in "Grants of Plan-Based Awards for Fiscal Year 2008."

Each of the stock options granted under the Stock Plan vests and becomes exercisable in four equal cumulative installments on each of the first, second, third and fourth anniversaries of the date of grant and expires on the seventh anniversary of its grant date. Any unexercised and unvested stock options are forfeited on termination of employment under the Stock Plan unless the instrument evidencing the grant provides otherwise. Each of the restricted stock units granted under the Stock Plan vests and is settled on the fourth anniversary of the date of grant. Under the Stock Plan, the restricted stock units are forfeited on termination of employment prior to the expiration of the restricted period, unless the instrument evidencing the grant provides otherwise. Pending the vesting of restricted stock units, participants also receive dividend equivalent units. Pursuant to their terms, the stock options and restricted stock units may vest earlier under certain circumstances. Details regarding early vesting may be found in "Potential Termination or Change in Control Payments."

Management Plan. The purpose of the Management Plan is to encourage key employees of the Company to increase their ownership of the Company's common stock. Under the Management Plan, key employees:

- may allocate portions of their cash compensation, using both pretax and after-tax dollars, to purchase restricted units, each representing the right to receive one share of common stock upon vesting or later delivery if deferred
- receive additional units from the Company to match on a one-for-one basis the units they purchase under the Management Plan (such match is subject to vesting)
- receive additional units equal to the dollar amount of dividends paid on common stock during the vesting period (or deferral period, if any) with respect to units credited to their accounts ("dividend equivalent units").

The restricted units are not taxed until they are settled in shares of common stock, permitting U.S. taxpayer participants to defer taxation on compensation earned in a given year (base salary and annual bonus) and on compensation received in the form of the matching units.

The Company believes that the following substantial benefits accrue to the Company from the Management Plan:

- The Management Plan encourages management to elect to receive all or part of their annual bonuses in the form of restricted units, and to acquire additional units through either pretax payroll deductions from base salary (up to 50%) or after-tax lump sum payments. In this way, senior management invests in the future performance of the Company and their interests in the Company are aligned more closely with

those of shareholders.

- The Management Plan encourages the retention of talented management personnel through its vesting provisions. Upon a voluntary termination of employment by a participant (other than retirement) or termination by the Company for cause, in either case prior to the fourth anniversary of the date the units were credited to the participants account, any units granted by the Company will be forfeited and any units purchased by the participant will be settled by delivery of a number of shares of common stock based upon the lower of the value of common stock on the date the units were credited or the date of settlement. By participating in the Management Plan, an executive officer has skin in the game, risking earned money on a belief in a rising stock price and continued employment.
- The Management Plan assists management in reaching their target ownership levels set under the Companys common stock ownership guidelines described below.

Details about grants of restricted units (including Company matching units) in fiscal year 2008 under the Management Plan may be found in Grants of Plan-Based Awards for Fiscal Year 2008.

25

Focus on Stability

The Company achieves stability among its executive officers and promotes executive concentration on developing the Companys business and building long-term shareholder value primarily through its equity-based compensation, employment contracts and the provision of supplemental retirement benefits. The employment contracts and supplemental retirement arrangements also provide protection with respect to the Companys intellectual property through a variety of restrictive covenants applicable to the executives. Mr. Krasnoffs employment contract contains additional benefits to him and additional protections for the Company, reflecting the importance of his leadership to the growth and prospects of the Company.

Employment Contracts

Each of the employment contracts, other than Mr. Stevens employment contract discussed below, provides for notice of termination from the named executive officer or the Company to be given either one or two years in advance of the specified termination date. During the period following a notice of termination, the executive will continue to be fully compensated under his or her contract until the specified termination date, although, if it is the party giving notice, the Company may require the individual not to perform any further services. Mr. Krasnoffs contract also provides him with severance payments in the event of his voluntary termination following a demotion or change in control of the Company or upon involuntary termination by the Company. Mr. Krasnoff is also entitled to accelerated vesting of his stock options at the start of the 30-day period preceding the end of his employment (other than as a result of death) and may exercise those options in full any time during that period or thereafter until they expire by their terms. The employment contracts, other than Mr. Stevens contract which is separately discussed below, also provide for termination upon death, disability, upon the executive reaching age 65 (unless the parties agree otherwise) and upon less than one years notice by the executive following a change in control.

During fiscal year 2008, the compensation committee approved a new employment contract for Mr. Stevens upon his election as President of the Company. The contract is for a fixed term ending on December 31, 2010, and may be terminated earlier by reason of death or disability, by the Company with cause or without cause, by Mr. Stevens for good reason following a change in control, or by Mr. Stevens for any other reason. In order to provide added incentive for Mr. Stevens to continue to work in his new leadership position in the Company, the new contract provides Mr. Stevens with additional retirement benefits conditioned upon his continued employment with the Company for the full term of the contract. See Supplemental Retirement Benefits.

Details regarding the possible payments under the employment contracts discussed above upon termination of employment or change in control of the Company may be found in Potential Payments upon Termination or Change in Control.

The Companys business is highly dependent on proprietary intellectual property, including patents, trademarks, copyrights and trade secrets. The Company uses its employment contracts to reinforce limitations on inappropriate sharing of its intellectual property and to ensure that executives who have access to such proprietary intellectual property do not compete with the Companys businesses either during or after employment with the Company. Each employment contract provides that during employment (including any period following notice of termination whether or not services are being performed) and for 12 to 18 months after termination of employment (other than following a change in control of the Company and with the length depending upon the circumstances of the termination), executive officers may not engage in any activity that is competitive to any material extent with the business of the Company. The employment contracts also contain trade secret, confidentiality and invention and patent covenants that apply during and subsequent to employment.

26

Supplemental Retirement Benefits

Krasnoff Contract Pension. Mr. Krasnoffs employment contract provides for an annual pension payment beginning at the termination of his employment contract and continuing for ten years, conditioned, while Mr. Krasnoff is alive, upon his being available for advisory services to the Company upon request of the board for up to 15 hours a month and not engaging in any activity competitive to any material extent with Company business without prior Company consent (other than upon a termination of employment by the Company following a change in control).

Stevens Contract Pension. Mr. Stevens employment contract provides for a contract pension to be paid to him beginning upon termination of his employment, other than termination by the Company for cause or voluntary termination by him prior to December 31, 2010 (except for good reason following a change in control of the Company). The contract pension provides a guaranteed amount per month for his lifetime, offset by amounts payable to him upon retirement under the Supplementary Pension Plan if he had elected that the payments of such amounts be paid as a joint 50% survivor annuity.

Supplementary Pension Plan. In addition to providing a tax-qualified profit-sharing plan and cash balance pension plan for all of its employees, including its named executive officers, the Company maintains supplementary plans for its executive officers that are not tax-qualified. The Companys Supplementary Pension Plan is available to certain key officers, including the named executive officers (other than Ms. Marino), and provides lifetime pension payments that will, when added to primary Social Security benefits and payments from the Companys tax-qualified Cash Balance Pension Plan, on an annual basis equal 50% of a participants average of the three highest of the participants last five years cash compensation (salary and bonus) prior to termination. Payments under the Supplementary Pension Plan are conditioned upon the participants, both before and after termination of employment, abiding by secrecy and invention agreements and certain non-compete provisions set forth in the plan. Payments under the plan are forfeited if the participant is fired by the Company for gross negligence or willful misconduct. Details regarding pension benefits under Mr. Krasnoffs contract, Mr. Stevens contract and the Supplementary Pension Plan may be found in Pension Benefits for Fiscal Year 2008.

Supplementary Profit-Sharing Plan. The Companys Supplementary Profit-Sharing Plan provides a benefit to U.S.-based executives to make up for contributions that cannot be made to the executives accounts by law under the tax-qualified Pall Corporation 401(k) Plan (the 401(k) Plan, formerly known as the Pall Corporation Profit-Sharing Plan) and for earnings that could have been earned on such contributions. In fiscal year 2008, no contributions were made to the Supplementary Profit-Sharing Plan on behalf of any participants, including the named executive officers.

Benefits Protection Trust. The Company has established a Benefits Protection Trust to which it makes voluntary contributions to help meet its obligations under the Supplementary Pension Plan and the Supplementary Profit-Sharing Plan, as well as any severance payable to Mr. Krasnoff under his employment contract described above and the Companys obligation to pay Mr. Krasnoffs contract pension. In the event of a change in control of the Company (as defined in the trust agreement), the trust fund must thereafter be used to satisfy these obligations other than in the event of an insolvency of the Company when such amounts will be available to its general creditors. The balance in the Benefits Protection Trust at the end of fiscal year 2008 was $57,321,434.

Perquisites and Welfare Benefits

Generally, the Company does not provide many perquisites to its named executive officers. Each named executive officer receives a car allowance (the amount of which is determined by Mr. Krasnoff) and certain executives have received tax and estate planning, sporting and concert tickets, home office equipment and airline club memberships. In the case of executives who relocate on behalf of the Company, relocation and housing costs are also provided. Mr. Perez has an interest free loan from the Company that was made in connection with his purchase of a home upon his relocation on behalf of the Company. Mr. Stevens has an interest free loan from the Company that was made in connection with his exercise of Company

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stock options. Both loans were made prior to the adoption of the Sarbanes-Oxley Act. See Summary Compensation Table. Named executive officers receive the same welfare benefits, consisting of medical, dental, life and disability insurance, on the same terms as all other employees of the Company. The named executive officers are not entitled to receive any welfare benefits as a retiree, other than Mr. Krasnoff whose contract provides for lifetime medical coverage for him and his spouse and minor children, and Mr. Stevens whose contract provides for lifetime medical coverage for him and his spouse following a termination of employment, except in the case of termination by the Company for cause, or a voluntary termination by Mr. Stevens, unless such voluntary termination is for good reason following a change in control of the Company. The benefits consist in both cases of the same coverage and benefits as are provided under the hospitalization, medical and dental plans maintained by the Company for its nonunionized U.S. employees. On September 22, 2008, the compensation committee approved a policy with respect to the reimbursement of tax and estate planning expenses incurred by the Companys board-elected officers that provides for reimbursement of such expenses not to exceed $12,000 per year.

Equity-Based Compensation Grant Policy

On January 10, 2007, the compensation committee adopted a written policy for the issuance of grants of equity-based compensation to officers and employees. Under the policy as amended by the compensation committee on September 22, 2008, the committee will make all grants to individuals who may be covered employees for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) and to all board-elected officers of the Company. At its regularly scheduled committee meeting held in July of each year, based upon recommendations of the Companys chief executive officer and any other relevant factors, the committee will approve the total annual equity grants for each non-executive employee based on a schedule listing the name and position of the employee and the type and amount of the applicable award. At its regularly scheduled committee meeting held in January of each year occurring during an open trading window, based upon recommendations of the Companys chief executive officer and any other relevant factors, the committee will approve the total annual equity grants for each covered employee and elected officer. The committee also will approve at a regular or special meeting held on or prior to the contemplated grant date all equity-based grants to newly hired or promoted employees or similar special grants not made at these meetings. All stock options will be granted at fair market value on the grant date as defined under the relevant plan (i.e., the NYSE closing price for the Stock Plan). The director of employee benefits (or, if such position does not exist, the chief financial officer) is charged with ensuring compliance with the grant policy. On September 22, 2008, the compensation committee revised its policy to reflect the committees decision to determine equity grants based on dollar value rather than number of shares. As a result, the committee will no longer approve a total number of aggregate shares available for the following fiscal years annual grant to all employees.

Common Stock Ownership Guidelines

The compensation committee has established common stock ownership guidelines for the Companys officers and other key employees. The current target ownership levels are 500% of annual base salary for the Companys chief executive officer, 300% of base salary for any executive officer whose annual base salary exceeds $300,000, and 150% of base salary for any other executive officer whose annual base salary exceeds $150,000. Target ownership levels of common stock for other officers and key employees have been established based on annual base salary ranges. For these purposes, a persons base salary includes the amount of salary that he or she elects to receive in the form of restricted units under the Management Plan. Those persons who began participating in the Management Plan after its inception have six years from the dates of their participation to reach 100% of their target ownership levels. Participants with increased target ownership levels due to promotion are entitled to an additional two years to satisfy the new requirement. In calculating shares owned, each restricted unit

(whether vested or unvested) held for the account of an employee under the Management Plan is counted as one share.

The compensation committee has determined that, barring mitigating circumstances, any participant in the Management Plan who does not meet the target stock ownership level will not be eligible to receive further grants of stock options until the target is met.

Each of the named executive officers still in office has met his or her target level or is in a grace period due to promotion. Total stock ownership as a percentage of the target ownership goal by each of the named executive officers who has met his or her target level ranges from 87% to 339%.

Taxes

The Code limits the deductibility for federal income tax purposes of executive compensation paid by public companies to certain of their executive officers. Under Section 162(m) of the Code, the Company is not permitted to deduct compensation of the chief executive officer and the three other most highly paid executive officers (other than the chief financial officer) in excess of $1,000,000 for any fiscal year except to the extent that the compensation in excess of that amount meets the statutory definition of performance-based compensation.

The Company intends that cash bonuses and certain equity grants (including stock options) granted under the Bonus Plan and the Stock Plan meet the statutory definition of performance-based compensation. However, the Company may from time to time award certain bonuses and equity grants that are not deductible under Section 162(m). For example, restricted stock units granted under the Stock Plan and matching units credited under the Management Plan and any dividend equivalents on such units do not qualify as performance-based compensation. Nonetheless, the Company believes that the potential loss of a tax deduction is justified by the rationale for these awards.

The Company is reviewing its compensation agreements and plans to ensure compliance with Section 409A of the Code. One result of Section 409A will be the delay of any payments made upon an executive officers separation from service to the date six months after the end of employment, in which event any such payments that would otherwise have been made during such period will be paid at the end of the six-month period in a lump sum with interest.

Post-Fiscal Year End Events

Bartlett Departure. Effective August 29, 2008, Ms. Bartletts employment with the Company terminated in accordance with the terms of her employment agreement. Ms. Bartlett had been Senior Vice President and General Counsel. Pursuant to her contract, Ms. Bartlett will receive monthly payments equal to one-twelfth of 102.5% of her annual base salary on the date of termination for a period of twelve months, in a total amount of $334,484. In addition, all outstanding unvested stock options continue to vest in accordance with their terms. Restricted stock units granted to Ms. Bartlett under the Stock Plan, and all outstanding unvested restricted units held by her under the Management Plan vested immediately in accordance with their terms, providing a total dollar value of approximately $918,593. See the Summary Compensation Table and the Outstanding Equity Awards at End of Fiscal Year 2008 table for details regarding her base salary and outstanding equity awards.

COMPENSATION COMMITTEE REPORT

The compensation committee reviewed and discussed the Companys Compensation Discussion and Analysis with management. Based on this review and discussion, the compensation committee recommended to the board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Companys Annual Report on Form 10-K for fiscal year 2008.

This report by the compensation committee is not to be deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and is not to be incorporated by reference into any other filing of the Company under those statutes except to the extent that the Company may expressly refer to this report for incorporation by reference in a particular instance.

The undersigned, being all the members of the compensation committee, submit this report to the Companys shareholders.

Compensation Committee
Daniel J. Carroll, Jr. (Chair)
Ulric S. Haynes, Jr.
Edwin W. Martin, Jr.
Edward L. Snyder
Cheryl W. Grisé (appointed to the committee on January 17, 2008)

October 10, 2008

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2008, Mr. Daniel J. Carroll, Jr. (Chair), Ms. Cheryl W. Grisé, Mr. Ulric S. Haynes, Jr., Edwin W. Martin, Ph.D. and Edward L. Snyder, M.D. served on the compensation committee of the board. None of the persons who served on the compensation committee are, or have been, an employee or officer of the Company or had any relationship requiring disclosure under Item 404 of Regulation S-K under the Exchange Act. In addition, none of the Companys executive officers serves, or has served during the last completed fiscal year, as a member of the board or compensation committee of any other entity that has or has had one or more of its executive officers serving as a member of the Companys board.

Summary Compensation Table

The following table sets forth the compensation of each of the named executive officers for fiscal years 2008 and 2007 (other than Ms. Marino for whom only fiscal year 2008 is required).

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	To (:
Eric Krasnoff	2008	884,052	968,030	773,926	1,326,078	2,134,830	45,309	6,13
(Chairman & Chief Executive Officer)	2007	862,108	685,658	574,616	836,676	1,215,057	48,977	4,22
Lisa McDermott	2008	357,552	207,260	172,835	375,430	250,439	27,275	1,39
(Chief Financial Officer & Treasurer)	2007	348,660	119,270	97,396	236,863	291,335	24,936	1,11
Donald Stevens	2008	520,052	476,414	303,087	585,059	432,839	37,775	2,35
(President, Chief Operating Officer & President	2007	507,156	381,150	212,394	344,537	216,234	35,321	1,69

Industrial)								
Roberto Perez	2008	344,552	302,327	203,065	349,031	446,269	34,275	1,67
(President Life Sciences)	2007	335,972	221,451	164,633	302,961	525,498	33,661	1,58
Sandra Marino (Senior Vice President, General Counsel & Corporate Secretary) (7)	2008	226,205	45,553	11,627	186,621	381,010	12,584	86
Mary Ann Bartlett	2008	297,648	138,126	92,139	312,531	456,655	23,965	1,32
(Former General Counsel & Corporate Secretary)	2007	290,279	103,799	59,955	197,202	399,554	22,806	1,07

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(1) Base salary is paid in accordance with each named executive officers employment contract (other than Ms. Marino who is not subject to a contract). Includes amounts deferred into restricted units under the Companys Management Plan by Ms. McDermott ($22,016), Mr. Stevens ($64,000) and Ms. Marino ($6,435). See Grants of Plan-Based Awards for further information.

31

(2) Reflects the expense recognized for financial statement reporting purposes under SFAS 123R for each NEO for the Companys fiscal year 2008 for restricted units and restricted stock units granted to the NEO both in fiscal year 2008 and in prior years under the Stock Plan and Management Plan. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. For additional information regarding the assumptions made in calculating these amounts, see Note 14, Common Stock, to the consolidated financial statements included in the Companys Annual Report on Form 10-K for fiscal year 2008 with respect to the grants made in fiscal year 2008 and the corresponding note to consolidated financial statements for fiscal years 2005 through 2007 for grants made in such years. These amounts reflect the Companys accounting expense for these awards and do not correspond to the actual value, if any, that may be realized by the NEO.

(3) Reflects the expense recognized for financial statement reporting purposes under SFAS 123R for each NEO for the Companys fiscal year 2008 for stock options granted to the NEO both in fiscal year 2008 and in prior years under the Stock Plan and prior Company stock option plans. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based conditions. For additional information regarding the assumptions made in calculating these amounts, see Note 14, Common Stock, to the consolidated financial statements included in the Companys Annual Report on Form 10-K for fiscal year 2008 with respect to the grants made in fiscal year 2008 and the corresponding note to consolidated financial statements for fiscal years 2005 through 2007 for grants made in such years.

(4)

Reflects annual bonus paid to the NEO under the Companys Bonus Plan for fiscal year 2008. Includes amounts deferred into restricted units under the Companys Management Plan by Ms. McDermott ($200,000), Ms. Marino ($186,621) and Mr. Stevens ($292,530) in fiscal year 2008. See the description of the Bonus Plan and the Management Plan in Compensation Discussion and Analysis for further information about these awards.

(5) Represents the aggregate increase in the actuarial present value of accumulated benefits under the Companys tax-qualified Cash Balance Pension Plan, nonqualified Supplementary Pension Plan and, in the case of Messrs. Krasnoff and Stevens, contract pensions. See Pension Benefits for Fiscal Year 2008 for further information.

(6) The amounts reported in All Other Compensation represent the aggregate incremental cost to the Company in fiscal year 2008 of the following:

Eric Krasnoff

- Company contributions to the 401(k) Plan
- Company car allowance
- Fees for professional tax services
- Airline club memberships
- Home office expense
- Sporting and concert tickets

Lisa McDermott

- Company contributions to the 401(k) Plan
- Company car allowance
- Sporting and concert tickets
- Airline club membership
- Home office expense

Donald Stevens

- Company contributions to the 401(k) Plan
- Company car allowance
- Imputed interest for outstanding loan to the Company
- Sporting and concert tickets
- Home office expense

32

Roberto Perez

- Company contributions to the 401(k) Plan
- Company car allowance
- Imputed interest for outstanding loan to the Company
- Home office expense

Sandra Marino

- Company contributions to the 401(k) Plan
- Company car allowance
- Concert tickets

Mary Ann Bartlett

- Company contributions to the 401(k) Plan
- Company car allowance

(7) Ms. Marino was appointed Senior Vice President and General Counsel as of September 1, 2008.

For further information regarding the compensation set forth in the Summary Compensation Table, see "Compensation Discussion and Analysis" and "Pension Benefits for Fiscal Year 2008."

Grants of Plan-based Awards for Fiscal Year 2008

The following table provides information concerning equity and non-equity incentive awards granted to the named executive officers under the Bonus Plan, the Stock Plan and the Management Plan during fiscal year 2008. There can be no assurance that the grant date fair value of stock and option awards reported below will ever be realized by the named executive officers.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units(5)	All Other Option Awards: Number of Securities Underlying Options(6)	Exercise or Base Price of Option Awards(7)	Grant Date Fai Value of Stock a Option Awards(8 ($)	
Name	Grant Date	Date of Committee Action	Threshold ($)(1) ($)	Target ($)(2) ($)	Maximum ($)(2) ($)	(#)	(#)	($/Sh)	Option Awards ($)	Stock Awar ($)
Eric Krasnoff	4/2/2008	3/12/2008				48,000 (3)	224,000	35.75	1,756,160	1,716,0
			33,152	1,326,078	1,326,078					
Lisa McDermott	1/31/2008					224 (4)				8,2
	4/2/2008	3/12/2008				11,826 (3)	56,644	35.75	444,089	422,7
	4/3/2008					11,652 (4)				414,0
	7/31/2008					886 (4)				35,7
			9,386	375,430	375,430					
Donald Stevens	1/31/2008					652 (4)				24,0
	4/2/2008	3/12/2008				14,500 (3)	67,500	35.75	529,200	518,3
	7/31/2008					2,572 (4)				104,0
			14,626	585,059	585,059					
Roberto Perez	4/2/2008	3/12/2008				11,286 (3)	56,644	35.75	444,089	422,7
	4/3/2008					4,264 (4)				151,4
			9,044	361,780	361,780					
Sandra Marino	1/31/2008					46 (4)				1,7
	7/15/2008					1,910 (4)	4,150	39.02	36,728	74,5
	7/31/2008					276 (4)				11,1
			4,665	186,621	186,621					
Mary Ann Bartlett			7,813	312,531	312,531					

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(1) Represents the bonus payable to the named executive officer under the Bonus Plan if the threshold, or lowest possible achievement that would yield a bonus payment, is obtained.

(2) Represents the bonus payable to the NEO under the Bonus Plan if the performance target is obtained. The amounts disclosed under target and maximum are identical as full bonus is paid if the performance target is achieved.

(3) Represents the number of restricted stock units granted to the NEO under the Stock Plan on April 2, 2008. These restricted stock units will vest in full and be settled in stock on the fourth anniversary of the date of grant or, if occurring prior to that date, upon death, disability or a change in control of the Company. A pro rated portion of any unvested restricted stock units will vest upon a termination of employment for eligible retirement (at or over age 65). Upon a termination of employment for any reason other than death, disability or eligible retirement, all unvested restricted stock units will be forfeited except in the case of Mr. Stevens whose restricted stock units will continue to vest and be settled for a two year period following his involuntary termination of employment by the Company without cause pursuant to his employment contract.

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(4) Represents the number of restricted units granted to the NEO under the Management Plan. The number of restricted units shown as granted on April 3, 2008 resulted from pretax deferrals of bonus paid for fiscal year 2007 and the number of restricted units shown as granted on January 31, 2008 and July 31, 2008 resulted from pretax base salary deferrals by the named executive officer ($22,016 for Ms. McDermott, $64,000 for Mr. Stevens, and $6,435 for Ms. Marino), as well as employer matching units granted with respect to units acquired by the named executive officer with all pretax and after-tax contributions. These restricted units will vest in full on the fourth anniversary of the date of grant or, if occurring prior to that date, upon termination of employment as a result of death or disability or upon a change in control of the Company. Upon a termination of employment for eligible retirement (at or over age 62) or upon a termination by the Company without cause, a pro rated portion of any unvested employer matching units will vest and all unvested units acquired by the named executive officer through pretax and after-tax contributions will vest. Upon a termination of employment for any reason other than death, disability, eligible retirement or by the Company without cause, all unvested employer matching units will be forfeited and all unvested units acquired by the named executive officer through pretax and after-tax contributions will vest but will be settled by delivery of a number of shares based upon the lower of the value of common stock on the date the units were credited to the NEO's account and the date of settlement.

(5) Dividend equivalent units are earned on all restricted units outstanding at the time the Company's quarterly dividend is paid, based on the closing stock price on the dividend payment date, and vest at the same time as the restricted units to which they relate.

(6) Represents the number of non-qualified stock options granted to the NEO on April 2, 2008 under the Stock Plan. The options granted vest 25% on each of the first four anniversaries of the date of grant while employed by the Company and after a termination for disability or retirement at or after age 65. Upon a termination for any reason other than disability or retirement, all unvested stock options will be forfeited on the date of termination, except in the case of Mr. Krasnoff whose options will vest 30 days prior to any termination of employment (other than as a result of death) pursuant to his employment contract and Mr. Stevens whose options will continue to vest and be exercisable for a two year period following his involuntary termination of employment by the Company without cause pursuant to his employment contract. All stock options will vest in full upon a change in control of the Company. All stock

options will expire on the seventh anniversary of the date of grant.

(7) Exercise price is based upon the closing price of a share of common stock as reported in the NYSE Composite Transactions on the date of grant.

(8) Represents the grant date fair value under SFAS 123R of the restricted stock units and stock option awards granted to the named executive officer.

For a description of the material terms of the Companys Bonus Plan, Stock Plan and Management Plan, see Compensation Discussion and Analysis and Potential Payments upon Termination or Change in Control.

35

Outstanding Equity Awards at End of Fiscal Year 2008

The following table provides information regarding unexercised options and unvested restricted stock units and restricted units outstanding for each named executive officer as of the end of fiscal year 2008.

	Option Awards(1)					Stock Awards(1)		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Grant Date(2)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(3) ($)	Scheduled Vesting Date
Eric Krasnoff	170,948			$22.09	3/18/2011	26,240 (4)	$ 1,060,621	1/19/2009
	83,000			$16.13	10/2/2012	25,865 (4)	$ 1,045,463	1/19/2010
	71,250	23,750	1/19/2005	$27.00	1/19/2012	29,566 (4)	$ 1,195,058	1/10/2011
	47,500	47,500	1/19/2006	$28.68	1/19/2013	47,771 (5)	$ 1,930,904	9/30/2009
	30,250	90,750	1/10/2007	$34.07	1/10/2014	8,799 (5)	$355,656	1/31/2011
		224,000	4/2/2008	$35.75	4/2/2015	48,175 (4)	$ 1,947,234	4/2/2012
Lisa McDermott	3,850			$16.13	10/2/2012	1,667 (4)	$ 67,380	7/27/2009
	1,800	600	7/27/2005	$30.83	7/27/2012	5,173 (4)	$209,093	1/19/2010
	9,000	9,000	1/19/2006	$28.68	1/19/2013	10,195 (4)	$412,082	1/10/2011
	11,000	33,000	1/10/2007	$34.07	1/10/2014	1,621 (5)	$ 65,521	9/17/2008
		56,644	4/2/2008	$ 35.75	4/2/2015	5,387 (5)	$217,743	9/30/2009
						226 (5)	$ 9,135	1/31/2012
						11,695 (5)	$472,712	4/3/2012
						885 (5)	$ 35,772	7/31/2012
						11,869 (4)	$479,745	4/2/2015
Donald Stevens	35,051			$16.13	10/2/2012	7,347 (4)	$296,966	1/19/2009
	18,750		8/4/2003	$22.74	8/3/2013	7,242 (4)	$292,722	1/19/2010
	20,250	6,750	1/19/2005	$27.00	1/19/2012	10,195 (4)	$412,082	1/10/2011
	13,500	13,500	1/19/2006	$28.68	1/19/2013	16,255 (5)	$655,815	9/17/2008
	10,500	31,500	1/10/2007	$34.07	1/10/2014	18,701 (5)	$755,894	9/30/2009
		67,500	4/2/2008	$35.75	4/2/2015	1,868 (5)	$ 75,505	1/31/2010
						2,206 (5)	$ 89,167	7/31/2010
						11,853 (5)	$479,098	10/3/2010

						10,676 (5)	$ 431,524	1/31/2011
						656 (5)	$ 26,516	1/31/2012
						2,573 (5)	$ 104,001	7/31/2012
						14,553 (4)	$ 588,232	4/2/2012

	Option Awards(1)					Stock Awards(1)		
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Grant Date(2)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested(3) ($)**	**Scheduled Vesting Date**
Roberto Perez	5,250	—	8/1/2003	$ 22.65	7/31/2013	5,773 (4)	$ 233,345	1/19/2009
	1,875	1,875	1/19/2005	$ 27.00	1/19/2012	519 (4)	$ 20,978	8/29/2009
	3,125	6,250	8/29/2005	$ 28.33	8/29/2012	7,242 (4)	$ 292,722	1/19/2010
	6,750	13,500	1/19/2006	$ 28.68	1/19/2013	8,156 (4)	$ 329,666	1/10/2011
	8,750	26,250	1/10/2007	$ 34.07	1/10/2014	2,091 (5)	$ 84,518	1/31/2009
	—	56,644	4/2/2008	$ 35.75	4/2/2015	2,129 (5)	$ 86,054	7/31/2009
						8,849 (5)	$ 357,677	9/30/2009
						3,409 (5)	$ 137,792	1/31/2010
						2,293 (5)	$ 92,683	7/31/2010
						3,440 (5)	$ 139,045	10/3/2010
						2,352 (5)	$ 95,068	1/31/2011
						2,050 (5)	$ 82,861	7/31/2011
						11,869 (4)	$ 479,745	4/2/2012
						4,279 (5)	$ 172,957	4/3/2012
Sandra Marino	3,750	1,250	5/31/2005	$ 29.19	5/31/2012	521 (4)	$ 21,059	7/27/2009
	300	100	7/27/2005	$ 30.83	7/27/2012	514 (4)	$ 20,776	7/27/2010
	200	200	7/27/2006	$ 25.85	7/27/2013	446 (4)	$ 18,027	7/17/2011
	—	4,150	7/15/2008	$ 39.02	7/15/2015	1,910 (4)	$ 77,202	7/15/2012
						47 (5)	$ 1,900	1/31/2012
						276 (5)	$ 11,156	7/31/2012
Mary Ann Bartlett	2,500	—	—	$ 22.09	3/18/2011	1,469 (4)	$ 59,377	1/19/2009
	3,250	—	—	$ 16.13	10/2/2012	1,038 (4)	$ 41,956	8/29/2009
	1,500	500	1/19/2005	$ 27.00	1/19/2012	2,587 (4)	$ 104,567	1/19/2010
	600	600	8/29/2005	$ 28.33	8/29/2012	8,156 (4)	$ 329,666	1/10/2011
	1,600	1,600	1/19/2006	$ 28.68	1/19/2013	477 (5)	$ 19,280	9/11/2007
	8,750	26,250	1/10/2007	$ 34.07	1/10/2014	131 (5)	$ 5,295	1/31/2009
						389 (5)	$ 15,723	1/31/2009
						134 (5)	$ 5,416	7/31/2009
						566 (5)	$ 22,878	9/30/2009
						83 (5)	$ 3,355	1/31/2010
						638 (5)	$ 25,788	7/31/2010

						5,298 (5)	$ 214,145	9/29/2010
						639 (5)	$ 25,828	1/31/2011
						567 (5)	$ 22,918	7/31/2011

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(1) Stock options were granted under the Stock Plan, the 1998 Employee Stock Option Plan, and the 1995 Employee Stock Option Plan. Restricted stock units were granted under the Stock Plan and restricted units were granted under the Management Plan and include any associated dividend equivalent units.

(2) Stock options are scheduled to vest 25% on each of the first four anniversaries of the date of grant.

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(3) Represents the number of shares multiplied by the closing price of common stock on July 31, 2008 ($40.42) (with rounding of fractional restricted stock units and restricted units).

(4) Represents restricted stock units (including associated dividend equivalent units) granted to the NEO pursuant to the Stock Plan.

(5) Represents restricted units (including associated dividend equivalent units) granted to the NEO under the Management Plan as a result of pretax base salary and bonus deferrals and employer matching units granted with respect to restricted units acquired by the named executive officer with pretax and after-tax contributions.

Option Exercises and Stock Vested for Fiscal Year 2008

The following table sets forth information regarding the shares acquired upon vesting of restricted units under the Management Plan by the named executive officers during fiscal year 2008. None of the named executive officers had any restricted stock units vest under the Stock Plan or exercised any stock options during fiscal year 2008.

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)(1)**	**Value Realized on Vesting ($)(1)(2)**
Eric Krasnoff	—	—
Lisa McDermott	1,761 (3)	71,175 (3)
Donald Stevens	3,372	130,544
Roberto Perez	8,449	327,682
Sandra Marino	—	—
Mary Ann Bartlett	1,031 (4)	40,762 (4)

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(1) The numbers and values reported include the vesting of restricted stock units acquired with pretax employee contributions (10,345 shares) and employer contributions (4,269 shares), including their respective dividend equivalents, under the Management Plan.

(2) Value based on the average of high and low stock price as reported in the NYSE Composite Transactions on the vesting date.

(3) The receipt of 1,761 of these shares (with a value of $71,175) was deferred by Ms. McDermott under the Management Plan until termination of her employment.

(4) The receipt of 477 of these shares (with a value of $19,300) was deferred by Ms. Bartlett under the Management Plan until September 11, 2012.

38

Pension Benefits for Fiscal Year 2008

The following table sets forth the present value as of July 31, 2008 of accumulated benefits under each plan that provides for pension benefits to the named executive officers at, following, or in connection with retirement.

Name	Plan Name	Number of Years Credited Service(1) (#)	Present Value of Accumulated Benefit(2) ($)
Eric Krasnoff	Employment Contract Pension	33	8,234,165
	Supplementary Pension	33	8,569,826
	Cash Balance Pension	33	113,722
Lisa McDermott	Supplementary Pension	9	1,102,481
	Cash Balance Pension	9	30,906
Donald Stevens	Employment Contract Pension	40	-0-
	Supplementary Pension	40	4,783,067
	Cash Balance Pension	40	307,013
Roberto Perez	Supplementary Pension	9	3,404,790
	Cash Balance Pension	9	62,762
Sandra Marino	Supplementary Pension	4	-0-
	Cash Balance Pension	4	9,754
Mary Ann Bartlett	Supplementary Pension	23	2,439,168
	Cash Balance Pension	23	228,608

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(1) The number of years of credited service and actual service do not differ for any NEO for any plan.

(2) Present value of accumulated benefit is a calculation that estimates the cash value as of July 31, 2008 of the pension benefit that has been earned by each named executive officer. It is based on various assumptions, including assumptions about future interest rates, inflation, mortality and retirement dates as follows:

- Discount rate: 6.75%
- Mortality: Combined healthy white collar RP2000 generational table for males and females
- Assumed retirement/commencement of benefits date:
  - ♦ Supplementary Pension Plan: 60

- Cash Balance Pension Plan: 65
- Mr. Krasnoffs employment contract pension: July 31, 2008
- Mr. Stevens employment contract pension: July 31, 2008

Pension Benefits

Cash Balance Pension Plan

Eligible employees may participate in the Company Cash Balance Pension Plan on August 1st after completing 6 months of service and attaining age 20½. Eligible compensation under this plan includes the total compensation received by a participant for the plan year, including overtime pay and bonuses, subject to a limit under Section 401(a)(17) of the Code (which limit was $230,000 for fiscal year 2008).

39

Under the cash balance plan formula, pension benefits are based on a participants hypothetical account balance. Each year the account balance is increased by compensation credits and interest credits. The compensation credit is added to the cash balance account on the last day of the plan year (or end of month of termination, if earlier) and is calculated by multiplying eligible compensation by a percentage. This percentage is determined by points which are equal to the sum of age and years of service as of the first day of each plan year. For less than 45 points, the credit is 2.5%; for 45-54 points, it is 3%; for 55-64 points, it is 4%; and for 65 or more points, it is 5%. In addition, those participants who were participants as of August 1, 1999 and who were age 50 with at least 10 years of service, will receive an additional compensation credit of 2% for each plan year that the participant remains an employee. Interest credits are added to the cash balance account on the last day of each plan year based on the average of the constant maturity one-year Treasury Bill rate for the month of June preceding the plan year in which the account is to be credited. In addition, interest credits on one half of the compensation credit earned during the plan year are also added to the account balance at the end of the plan year. Interest credits continue to be added to the account balance until the benefit is paid.

If the participant is married, the normal form of payment is a joint and 50% survivor annuity. If the participant is not married, the normal form is a life annuity. The annuity is determined by converting the cash balance account to the actuarial equivalent monthly retirement benefit. In addition to the normal forms of payment described above, there are other optional forms of payment (lump sum and annuity) all of which are actuarially equivalent to the life annuity. A participant who terminates prior to age 55 may elect to receive a lump sum distribution equal to the participants account balance at his or her benefit commencement date or the normal form of payment described above.

A participant becomes 100% vested in his or her benefits after five years of service.

Supplementary Pension Plan

The Company maintains the Supplementary Pension Plan which provides a retirement pension benefit, payable monthly commencing on the first day of the month following the normal retirement date (the last day of the month coinciding with or immediately following attainment of age 65) equal to 1/12 of 50% of the members final average compensation, reduced by the sum of the total annual pension payable under all other Company pension programs and the participants primary social security benefit. Final average compensation means one third of the participants aggregate compensation for the three years in which his or her compensation was the highest out of the last five years in which he or she participated in the plan. Compensation includes salary and bonus payments but does not include fringe benefits, equity awards or Company contributions to any retirement plans, including the 401(k) Plan and Supplementary Profit-Sharing Plan.

A participant is vested in his or her benefit under the plan if (i) he or she is employed by the Company on either his or her 60th birthday or, if later, the fifth anniversary of his or her participation in the plan, or (ii) he or she has been employed by the Company for a period of at least 25 years, or (iii) he or she holds the position of Executive Vice President of the Company. Payments under the Supplementary Pension Plan are conditioned upon the participant, both before and after termination of employment, abiding by secrecy and invention agreements

and certain non-compete provisions set forth in the plan. Payments under the plan are also forfeited if the participant is fired by the Company for gross negligence or willful misconduct.

Upon a change in control (see note 4 to Potential Payments Upon Termination or Change in Control), each plan participant whose employment with the Company terminates for any reason (other than death) and who was a member of the Companys Operating Committee at any time during the 30-day period immediately preceding the change in control, shall be fully vested in his or her account. All of the named executive officers other than Ms. Marino, Ms. McDermott and Mr. Perez were already fully vested in his or her account on July 31, 2008.

A participant will receive his or her benefit payments under the plan upon retirement at or after age 60 with no reduction in benefits. A participant who retires as a result of disability will receive his or her benefit payments beginning six months after such disability (regardless of the participants age) and continuing only during the period of such disability; provided that if a participant ceases to suffer a disability after he or she has attained age 65, his or her benefit payments will continue during his or her lifetime with no reduction in benefits. If a participant retires after age 65, his or her benefit payments will be calculated using the higher of (i) the amount under the plans regular formula or (ii) the amount under the formula using the participants final average compensation based upon the year in which the participant turned 65 (and looking back over his or her four years prior to that year) and multiplying the result by the percentage increase in the consumer price index for the month immediately preceding the commencement of benefit payments over the month in which the participant turned 65.

Although the benefit under the plan is calculated in terms of lifetime monthly payments, a participant may elect to take the actuarial equivalent in any form of payment offered under the Cash Balance Plan (or other retirement plan) other than a single lump sum.

The purpose of the Supplementary Pension Plan is to assure executives a specified level of retirement benefit over and above what would be payable under the Companys tax-qualified Cash Balance Pension Plan.

Each participant may elect to commence receiving a reduced pension benefit prior to the normal retirement date of age 65. Benefit reductions are based on when service was provided to the Company.

Krasnoff Contract Pension

Mr. Krasnoffs employment contract provides for a pension amount to be paid to him, or his estate, for each of the ten years following the termination of his employment. Such annual amount will be determined by taking the average of the total cash compensation (salary and bonus) paid to him for the three full fiscal years out of the last five fiscal years prior to his termination in which he received the highest total cash compensation, adjusting it for changes in the consumer price index (for years other than the first year of payment), multiplying the result by 60% and subtracting the amount which is the maximum annual benefit payable under Section 415(b)(1)(A) of the Code as of the date of termination. The payment of the contract pension is conditioned upon Mr. Krasnoff being available for advisory services to the Company upon request of the board for up to 15 hours a month and Mr. Krasnoffs not engaging in any activity competitive to any material extent with Company business without prior Company consent (other than upon a termination of employment by the Company following a change in control).

Stevens Contract Pension

Mr. Stevens employment contract provides for a contract pension to be paid to him beginning upon termination of his employment, other than termination by the Company for cause or voluntary termination by him prior to December 31, 2010 (except for good reason following a change in control of the Company). The contract pension provides a guaranteed amount per month for his lifetime, offset by amounts payable to him upon retirement under the Supplementary Pension Plan if he had elected that the payments of such amounts be paid as a joint 50% survivor annuity.

Nonqualified Deferred Compensation For Fiscal Year 2008

The following table summarizes transactions and balances with respect to each NEO’s account under the Company’s nonqualified deferred compensation plans, other than defined benefit arrangements, for fiscal year 2008. We note that the Company did not make any contributions to the Supplementary Profit-Sharing Plan for fiscal year 2008.

Name	Plan Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY (1)(2) ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE (3)(4) ($)
Eric Krasnoff	Supplementary Profit-Sharing	—	—	-42,961	—	644,922
	Management Stock Purchase	—	—	-34,683	—	2,500,739
Lisa McDermott	Supplementary Profit-Sharing	—	—	-78	—	2,835
	Management Stock Purchase (5)	71,175	—	70,346	—	129,844
Donald Stevens	Supplementary Profit-Sharing	—	—	-5,244	—	103,698
	Management Stock Purchase	—	—	-5,113	—	369,190
Roberto Perez	Supplementary Profit-Sharing	—	—	-1,800	—	27,017
	Management Stock Purchase	—	—	—	—	—
Sandra Marino	Management Stock Purchase	—	—	—	—	—
Mary Ann Bartlett						