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PALL CORP  
Form DEF 14A  
November 09, 2011

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  Soliciting Material Under Rule 14a-12
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- Definitive Proxy Statement
- Definitive Additional Materials

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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Pall Corporation  
25 Harbor Park Drive  
Port Washington, NY 11050

November 9, 2011

Dear Shareholder:

On behalf of the board of directors and management, it is my pleasure to invite you to attend the 2011 Annual Meeting of Shareholders of Pall Corporation on Wednesday, December 14, 2011 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 will include 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,

Ronald L. Hoffman  
Chairman of the Board

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### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF PALL CORPORATION (the "Company")

Date: Wednesday, December 14, 2011

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 11 directors for a term expiring at the 2012 Annual Meeting of Shareholders;
- (2) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2012;
- (3) Approve, on an advisory basis, the compensation of the Company's named executive officers;
- (4) Approve, on an advisory basis, the frequency of future advisory votes on executive compensation;
- (5) Approve the Pall Corporation 2012 Executive Incentive Bonus Plan;
- (6) Approve the Pall Corporation 2012 Stock Compensation Plan; and
- (7) Conduct other business if properly raised.

Record Date: October 25, 2011—Owners of common stock at the close of business on that date are entitled to receive notice of and to vote at the meeting.

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

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

Robert G. Kuhbach  
Senior Vice President, General Counsel and  
Corporate Secretary

November 9, 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDERS' MEETING TO BE HELD ON DECEMBER 14, 2011

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Copies of the enclosed proxy statement for the 2011 Annual Meeting and the 2011 Annual Report, which includes the Form 10-K for fiscal year ended 2011, are also available on the Company's website at [www.pall.com/annualreport](http://www.pall.com/annualreport)

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PALL CORPORATION  
25 Harbor Park Drive  
Port Washington, NY 11050

## 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, December 14, 2011, 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 November 9, 2011. 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 Morrow & Company LLC (“Morrow”), which has been retained for this purpose by the Company. Morrow will be paid a fee for its services not to exceed \$8,000, plus reasonable out-of-pocket expenses estimated at \$3,000.

## 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 of the 11 director nominees (Proposal 1), FOR the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm (Proposal 2), FOR the approval, on an advisory basis, of our 2011 executive compensation (Proposal 3), FOR the option of ANNUAL advisory votes on executive compensation (Proposal 4), FOR the approval of the Pall Corporation 2012 Executive Incentive Bonus Plan (the “2012 Bonus Plan”) (Proposal 5) and FOR the approval of the Pall Corporation 2012 Stock Compensation Plan (the “2012 Stock Plan”) (Proposal 6). Alternatively, you can vote by telephone or the internet using the instructions set forth in the enclosed proxy card.

Proposal 1 relates to the election of directors. Pursuant to the Company’s By-Laws, in any uncontested election of directors, a nominee will be elected by the affirmative vote of the majority of votes cast with respect to such nominee by shareholders represented and entitled to vote at the meeting. A “majority of votes cast” means that the number of votes cast “for” a nominee must exceed the number of votes cast “against” such nominee. Abstentions will have no impact on the outcome of voting with respect to Proposal 1.

Based on the Company’s By-Laws, the affirmative vote of the holders of a majority of outstanding shares of common stock represented and entitled to vote at the meeting is necessary for approval of Proposals 2, 3, 4, 5 and 6. Abstentions will therefore count as a vote “against” these proposals.



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The rules of the New York Stock Exchange (the "NYSE") impose additional requirements with respect to Proposal 6. Under those rules, the affirmative vote of a majority of the votes duly cast at the meeting on Proposal 6 is required for the approval of the 2012 Stock Plan, and the total "vote cast" on Proposal 6 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 Proposal 6 so long as over 50% of the outstanding shares of common stock are voted for the proposal. However, under the NYSE rules, abstentions will be counted as votes cast for the purpose of determining whether more than 50% of the outstanding shares have been voted on Proposal 6 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 proposal to ratify the appointment of the Company's independent registered public accounting firm (Proposal 2) is considered a "discretionary" item. The proposal regarding the election of directors (Proposal 1) and the proposals to approve, on an advisory basis, the compensation of the Company's named executive officers (Proposal 3), to approve, on an advisory basis, the frequency of future advisory votes on executive compensation (Proposal 4), to approve the 2012 Bonus Plan (Proposal 5) and to approve the 2012 Stock Plan (Proposal 6) are considered "non-discretionary" items. Broker non-votes will not count as "votes cast" on Proposal 6 for purposes of determining whether 50% of the outstanding shares have been voted on such proposal, but otherwise will not affect the outcome of the vote on any "non-discretionary" item.

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 (a) by notifying the corporate secretary of the Company in writing at the Company's address given above, (b) 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 December 14, 2011, (c) by attending the meeting and voting in person, or (d) by any other method available to shareholders by law.

The close of business on October 25, 2011 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 115,146,555 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. Eleven directors are proposed for election for terms that will expire at the 2012 Annual Meeting of Shareholders or until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. The 11 directors nominated for election by the nominating/governance committee of the board are Dr. Amy E. Alving, Daniel J. Carroll, Jr., Robert B. Coutts, Cheryl W. Gris , Ronald L. Hoffman, Lawrence D. Kingsley, Dennis N. Longstreet, B. Craig Owens, Katharine L. Plourde, Dr. Edward L. Snyder and Edward Travaglianti. Dr. Edwin W. Martin, Jr., is not seeking reelection.

Lawrence D. Kingsley was elected chief executive officer, president and a director of the Company, all effective October 3, 2011. He was brought to the attention of the nominating/governance committee as a candidate by a third-party search firm which was retained by the board to assist it in identifying and evaluating candidates for the Company’s chief executive officer position. B. Craig Owens is not a current director of the Company. He was brought to the nominating/governance committee’s attention by a third-party search firm, engaged by the board to identify director nominees. The board has determined that, except for Mr. Kingsley, each nominee is independent as discussed below under “Structures and Practices of the Board – Director Independence.”

Directors will be elected by the affirmative vote of the majority of the votes cast with respect to such nominee by shareholders represented and entitled to vote at the meeting. As required under the Company’s corporate governance policy, each of the incumbent nominees has tendered an irrevocable resignation that will become effective if (i) the nominee is not reelected by the required number of votes cast at the meeting, and (ii) the board accepts such resignation following the meeting. The nominating/governance committee will act on an expedited basis to determine whether to accept the nominee’s resignation and will submit such recommendation for prompt consideration by the board. The nominating/governance committee and the board may consider any factors they deem appropriate and relevant in deciding whether to accept a nominee’s resignation.

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, except for Mr. Owens, 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 Nominees

As described below under “Structure and Practices of the Board – Director Nomination Process,” the board has established certain criteria the Company nominees must meet in order to serve on the board. The nominating/governance committee and the board believe that each of the nominees below meets the established criteria. In addition, each nominee brings to the board a unique and diverse background, particular expertise, knowledge and experience that provides the board with the necessary and appropriate mix of skills, characteristics and attributes required for the board to fulfill its responsibilities.

Set forth below is a brief biography of each nominee and additional information about the specific attributes, experience and skills considered by the nominating/governance committee and the board as relevant to each nominee’s candidacy for director.

Dr. Amy E. Alving, age 49, is the chief technology officer and a senior vice president at Science Applications International Corporation (“SAIC”), an engineering and technology applications company. Prior to joining SAIC in 2005, she served as the Director of the Special Projects Office at the Defense Advanced Research Projects Agency where she was also a member of the Senior Executive Service. Earlier, Dr. Alving was a White House Fellow serving at the Department of Commerce. Dr. Alving has been a member of, or advisor to, the Army Science Board, the Naval Research Advisory Committee, the Defense Science Board and the National Academies Studies and is currently a member of the Georgia Tech Advisory Board and the Council on Foreign Relations. She has been a director of the Company since April 2010 and is a member of the nominating/governance committee.

Dr. Alving brings a blend of business, government and academic experience to the board. Dr. Alving offers senior leadership, operations, strategic and policy experience to the board. From her tenure at SAIC, Dr. Alving also brings to the board valuable insight into the scientific and technical aspects of our business and, based on her engineering background, provides an in-depth understanding of, and valuable guidance to, the Industrial segment of our business.

Daniel J. Carroll, Jr., age 66, was the chief executive officer of Telcordia Technologies (“Telcordia”) 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 and is slated to be acquired by Ericsson AB by the end of 2011. Mr. Carroll held a number of executive positions with AT&T Corp. (“AT&T”) until its spin-off of Lucent Technologies Inc. (“Lucent”). He retired from his employment as an officer of Lucent in 2000. He has been a director of the Company since 1999 and served as lead director from 2003 until March 2011. Mr. Carroll is a member of the audit committee and the compensation committee.

Mr. Carroll’s experience as a chief executive officer allows him to bring senior leadership, management expertise and business acumen to the board. Mr. Carroll also has significant financial expertise and operational experience gained through his various executive positions at AT&T and as chief executive officer of Telcordia. In addition, as a licensed engineer, Mr. Carroll has a thorough understanding of, and brings valuable insight into, the Industrial segment of our business.

Robert B. Coutts, age 61, was executive vice president of Lockheed Martin, a large, diversified industrial, defense and aerospace company with international operations, from October 1998 until his retirement in April 2008. While serving in this capacity, he was elected chairman of the board of Sandia Corporation, a subsidiary of Lockheed Martin that manages Sandia National Laboratories for the U.S. Department of Energy’s Nuclear Security Administration. Prior to this, Mr. Coutts ran Lockheed Martin’s Electronic Systems business, was executive vice president of the Systems Integration business area, and president and chief operating officer of the former Electronics Sector. Earlier in his career, Mr. Coutts was president of Martin Marietta Aero & Naval Systems and general manager of the GE Aerospace Operations Division. Mr. Coutts serves on the board of Hovnanian Enterprises, Inc., Stanley Black & Decker and several not-for-profit organizations. He has been a director of the Company since 2009 and is a member of the compensation committee.

As a former executive vice president of Lockheed Martin responsible for the electronic systems business, with sales over \$11 billion and over 32,000 employees, Mr. Coutts brings critical business, operational and strategic insight. Mr. Coutts also has valuable senior leadership, management and regulatory experience. He possesses broad knowledge of the technology and aerospace fields, both of which are important to the Company’s business and particularly the Industrial segment. In addition, Mr. Coutts’ service on the board of two other public companies allows him to bring insight into current issues facing public companies and insight to corporate governance and compensation practices at other public companies.

Cheryl W. Gris , age 59, was executive vice president of Northeast Utilities, a public utility holding company, from December 2005 until her retirement in July 2007. Ms. Gris  also 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. Gris  was a director of Dana Corporation from December 2002 until February 1, 2008 and currently serves on the boards of MetLife, Inc., a major multi-line insurance carrier, (where she is lead director), and Pulte Group, Inc., a large commercial home builder. She is also a member of the boards of the University of Connecticut Foundation and Kingswood-Oxford School. Ms. Gris  has been a director of the Company since August 2007. She is a member of the audit committee and the compensation committee, and has served as Chair of the compensation committee since August 2009.

Ms. Gris  brings to the board senior leadership, extensive business, operating, finance, legal and policy experience acquired during her executive level experiences at Northeast Utilities. Ms. Gris 's service on other public company boards and their committees also allows her to bring insight into corporate governance practices, financial issues, compensation and related matters and other current issues facing public companies.

Ronald L. Hoffman, age 63, was chief executive officer since January 2005 and a director and president since 2003 of Dover Corporation, a public company that manufactures industrial products, until his retirement in December 2008. He joined Dover Corporation in 1996 when it acquired Tulsa Winch, an Oklahoma company of which he was then president and part owner. Mr. Hoffman served as president of Tulsa Winch until 2000 and as executive vice president of Dover Resources Inc. ("Dover Resources") from 2000 to 2002. He was vice president of Dover Corporation from 2002 to July 2003. He was then chief operating officer of Dover Corporation from July 2003 to December 2004 during which time he continued to serve Dover Resources as chief executive officer and president. He has been a director of the Company since October 2008 and was named chairman of the board in March 2011. Mr. Hoffman is a member of the executive committee and has served as Chair of that committee since April 2011.

Mr. Hoffman's service as chief executive officer and president of Dover Corporation provides him with significant experience with respect to the operations, challenges and complex issues facing major international corporations competing in technology-driven markets. In addition, Mr. Hoffman brings to the board extensive business, senior leadership and management experience gained during his tenure at Dover Corporation.

Lawrence D. Kingsley, age 48, was elected chief executive officer and president of the Company effective October 3, 2011. Prior to his election, Mr. Kingsley served as chairman, president and chief executive officer of IDEX Corporation ("IDEX"), a company specializing in the development, design, and manufacture of fluid and metering technologies and health and science technologies products. Mr. Kingsley is expected to remain chairman of IDEX through the end of 2011. Before joining IDEX, Mr. Kingsley held management positions of increasing responsibility with Danaher Corporation, Kollmorgen Corporation and Weidmuller Incorporated. Mr. Kingsley also serves as a director of Cooper Industries, plc ("Cooper Industries"), an industrial electrical components company. Mr. Kingsley has been a director of the Company since October 2011.

As chairman and chief executive officer of a publicly traded company for the past six years, Mr. Kingsley brings strong executive leadership and broad business management skills. Mr. Kingsley also brings in-depth knowledge and experience in strategic planning, corporate development and operations analysis which will be valuable to the Company. Moreover, his service on a public company board allows him to bring insight into current issues facing public companies and corporate governance practices. In addition, Mr. Kingsley has served on the audit committee and the compensation committee of Cooper Industries and, as such, brings significant financial expertise to the board including all aspects of financial reporting, accounting, corporate finance and capital markets.

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Dennis N. Longstreet, age 66, was from 1998 until his retirement in late 2005, company group chairman of Johnson & Johnson Medical Devices, the culmination of 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 In Health, a not-for-profit organization formed by AdvaMed. Mr. Longstreet also serves on the board of Avalign Technologies, Inc. He has been a director of the Company since 2006 and is a member of the nominating/governance committee and the executive committee.

As a result of his tenure at Johnson & Johnson, Mr. Longstreet brings to the board extensive senior executive level expertise in the healthcare industry, a major market of the Company's Life Sciences business, and insight into the complex issues, challenges and regulatory landscape in this industry. Mr. Longstreet also brings business, senior leadership, merger and acquisitions, and management experience to the board.

B. Craig Owens, age 57, is the chief financial officer and chief administrative officer and a senior vice president of Campbell Soup Company ("Campbell"). Prior to joining Campbell in 2008, Mr. Owens served as the chief financial officer and an executive vice president for seven years at Delhaize Group ("Delhaize"), an international food retailer headquartered in Belgium. From 1981 to 2001, Mr. Owens served in various management positions, including senior financial management, with The Coca-Cola Company and Coca-Cola bottlers. He is a member of the Board of Overseers at the Fletcher School of Law and Diplomacy at Tufts University. Mr. Owens does not currently serve on the board.

As a result of his current and previous roles as a senior executive officer of a large, international company, Mr. Owens brings significant financial expertise to the board, including all aspects of financial reporting, accounting, corporate finance and capital markets. Mr. Owens' experience as a senior executive allows him to bring to the board significant experience in strategic planning, business integration, and operations.

Katharine L. Plourde, age 60, was a principal and analyst at the investment banking firm of Donaldson, Lufkin & Jenrette, Inc. ("DLJ"), 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., a company that develops, produces and markets specialty chemicals, advanced materials and electrochemical energy storage products. Ms. Plourde has been a director of the Company since 1995 and is a member of the audit committee and the nominating/governance committee. Ms. Plourde has served as Chair of the nominating/governance committee since 2006.

As a result of her tenure at DLJ and two other investment firms, Ms. Plourde brings significant financial expertise to the board, including all aspects of financial reporting, accounting, corporate finance and capital markets. At those firms, Ms. Plourde was responsible for covering specialty chemical, specialty material and industrial gas companies, which provides her with additional insight into the Company's business, including particularly the fuels and chemicals industry, a major market of the Company's Industrial segment. In addition, Ms. Plourde's service on the board of another public company has given her experience with current issues facing public companies and corporate governance and compensation practices.

Dr. Edward L. Snyder, age 65, is professor of laboratory medicine and associate chair for clinical affairs of the Department of Laboratory Medicine at Yale University School of Medicine. He is also director of Blood Bank/Apheresis Service and assistant chief/associate chair for clinical affairs at the Department of Laboratory Medicine at Yale-New Haven Hospital. Dr. Snyder has "appointed consultant" status with the Food and Drug Administration Medical Devices Advisory Committee—Hematology and Pathology Devices Panel, and is a past president of the American Association of Blood Banks. He is the immediate past chairman of the volunteer board of the National Marrow Donor Program and a member of the American Association of Blood Banks National Blood Foundation board of trustees. Dr. Snyder has been a director of the Company since 2000 and is a member of the nominating/governance committee.

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Dr. Snyder's training, experience and achievements in hematology give him a critical perspective into a major market of the Company's Life Sciences segment, enabling him to bring valuable insight to the board. In addition, Dr. Snyder's participation on several not-for-profit boards enables him to bring to the board leadership and management experience, as well as experience in governance practices.

Edward Travaglianti, age 63, serves as president, TD Bank Long Island, a financial services organization owned by Toronto Dominion Bank. Previously, from 2004 to 2008 he was president of Commerce Bank Long Island. Earlier in his career, he worked at European American Bank ("EAB") becoming chairman and chief executive officer. Upon the acquisition of EAB by Citibank N.A. ("Citibank") in 2001, Mr. Travaglianti served as president of Commercial Markets, heading Citibank's national middle-market and small business activities. Mr. Travaglianti also serves as a director of several not-for-profit and health-related organizations. He has been a director of the Company since 2001 and is a member of the audit committee. He has served as Chair of the audit committee since 2003.

As a result of his current experience leading TD Bank Long Island, as well as his previous experiences with EAB and Citibank, Mr. Travaglianti brings significant financial expertise to the board, including all aspects of financial reporting, accounting, corporate finance and capital markets. In addition, Mr. Travaglianti's participation on several not-for-profit boards and organizations enables him to bring to the board leadership and management experience, as well as experience in governance practices.

### DIRECTOR COMPENSATION FOR FISCAL YEAR 2011

The following table sets forth the compensation of the Company's non-employee directors for the fiscal year ended July 31, 2011 ("fiscal year 2011"). Eric Krasnoff, former director, chief executive officer and president of the Company, did not receive any compensation for service as a director in fiscal year 2011. Ulric S. Haynes is included in the table below as he was a director for a portion of fiscal year 2011 (Mr. Haynes' term ended on December 14, 2010, and he did not seek reelection at the 2010 Annual Meeting of Shareholders). The Company also reimburses the directors for reasonable expenses incurred in connection with their duties as directors, which amounts are de minimis and not included as compensation in the table below.

Name	Fees Earned or Paid in			Option Awards	Total
	Cash (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(3)(4)		
Amy E. Alving	62,500	169,510	43,230		275,240
Daniel J. Carroll, Jr.	95,250	120,000	-0-		215,250
Robert B. Coutts	62,500 (5)	120,000	-0-		182,500
Cheryl W. Grisé	91,500	120,000	-0-		211,500
Ulric S. Haynes	31,250	-0-	-0-		31,250
Ronald L. Hoffman	89,167	120,000	-0-		209,167
Dennis N. Longstreet	70,000	120,000	-0-		190,000
Edwin W. Martin, Jr.	70,000	120,000	-0-		190,000
Katharine L. Plourde	91,500	120,000	-0-		211,500
Edward L. Snyder	62,500	120,000	-0-		182,500
Edward Travaglianti	94,000	120,000	-0-		214,000

- (1) Reflects the grant date fair value, calculated in accordance with United States ("U.S.") generally accepted accounting principles, of annual award stock units granted in fiscal year 2011 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 15, Common Stock, to the consolidated financial statements included in the Company's Annual Report on Form 10-K for fiscal year 2011.

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- (2) The following table reflects the number of restricted stock units held by each non-employee director at the end of fiscal year 2011:

Amy E. Alving	3,431
Daniel J. Carroll, Jr.	16,969
Robert B. Coutts	6,787
Cheryl W. Grisé	13,131
Ronald L. Hoffman	11,267
Dennis N. Longstreet	15,035
Edwin W. Martin, Jr.	16,969
Katharine L. Plourde	16,969
Edward L. Snyder	13,957
Edward Travaglianti	16,969

- (3) Reflects the grant date fair value, calculated in accordance with U.S. generally accepted accounting principles, for stock options granted in fiscal year 2011 under the Company's 2001 Stock Option Plan for Non-Employee Directors. For additional information regarding the assumptions made in calculating these amounts, see Note 15, Common Stock, to the consolidated financial statements included in the Company's Annual Report on Form 10-K for fiscal year 2011.

- (4) The following table reflects the number of stock options held by each non-employee director at the end of fiscal year 2011.

Amy E. Alving	3,000
Daniel J. Carroll, Jr.	16,500
Robert B. Coutts	3,000
Cheryl W. Grisé	6,000
Ulric S. Haynes	16,653
Ronald L. Hoffman	3,000
Dennis N. Longstreet	9,000
Edwin W. Martin, Jr.	12,000
Katharine L. Plourde	19,500
Edward L. Snyder	6,000
Edward Travaglianti	6,000

- (5) All of the cash fees earned by Mr. Coutts from January 1, 2011 to July 31, 2011 were used to purchase phantom stock units pursuant to the Director Deferred Fee Plan discussed below. As of the end of fiscal year 2011, Mr. Coutts held 595 phantom stock units under the plan.

## Cash Fees

Non-employee directors of the Company were paid the following in advance in equal quarterly cash installments for their services on the board in fiscal year 2011:

- \$55,000 annual cash retainer (“retainer”),
- \$55,000 annual retainer for the independent chairman of the board,
- \$25,000 annual retainer for the lead independent director,
- \$25,000 annual retainer to the chair of the audit committee,
- \$14,000 annual retainer to each member of the audit committee,
- \$15,000 annual retainer to each of the chair of the compensation committee and the chair of the nominating/governance committee, and
- \$7,500 annual retainer to each member of the compensation committee, executive committee, and nominating/governance committee.

Fees are prorated in the case of directors serving partial periods on the board, any committee or as the independent chairman of the board or lead independent director.

## Director Deferred Fee Plan

In September 2010, the board adopted a director deferred fee plan. Under the plan, a director may defer 100% of the quarterly cash fees paid to such director in shares of Company common stock until the director ceases to be a Company director for any reason. Deferred fees are credited to the director as phantom share units, with each phantom share unit representing one share of common stock. On the day that cash fees are paid to the directors, a director participating in the plan is credited with a number of phantom share units equal to the amount of cash fees payable to such director on that date, divided by the closing price of one share of the Company’s common stock. Dividends are credited as additional phantom share units. Upon leaving the board, a participating director receives shares of the Company’s common stock equal to the number of whole phantom stock units credited to such director’s account in either a lump sum or in five equal annual installments, as elected by the director prior to his or her deferral. Any fractional unit is paid in cash unless such payment is under \$5, in which event that amount is forfeited. During fiscal year 2011, one director, Robert B. Coutts, participated in the plan.

## Equity Awards

In fiscal year 2011, the non-employee directors received restricted stock unit grants pursuant to the Stock Plan. Under the Stock Plan, on January 5th or the next business day of each fiscal year, each director who is not an employee of the Company automatically receives a grant of restricted stock units (currently \$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.

- Restricted stock units are converted into an equivalent number of shares of common stock promptly following the date on which the director leaves the board for any reason, except removal for cause, in which case the grant is forfeited.
- 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 and 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.” The “dividend equivalent units” are subject to the provision regarding forfeiture that applies to the restricted stock units for which they are attached.





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In addition, any new non-employee director, on the date on which he or she is elected at the annual meeting of shareholders for the first time, receives (a) 1,000 restricted stock units, in addition to and on the same terms as outlined above, and (b) an option for 3,000 shares of common stock pursuant to the 2001 Stock Option Plan for Non-Employee Directors with the following features:

- 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 of the grant date
- 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 six full years 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.

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").

As described below in "Proposal 6 – Approval of the Pall Corporation 2012 Stock Compensation Plan," the board has decided to make certain changes to the equity compensation of the non-employee directors which includes elimination of the grants of restricted stock units and option to new non-employee directors, termination of the 2001 Stock Option Plan for Non-Employee Directors and transference of the Director Deferral Fee Plan, subject to the approval of the 2012 Stock Plan by the shareholders at the meeting.

### Director Stock Ownership Guidelines

To further align the directors' interests with those of the Company's shareholders, the board established director stock ownership guidelines. Under the guidelines, each non-employee director is required to own common stock equivalent in value to five times (5x) such director's annual cash retainer ("ownership level"). This ownership level must be met: (a) by January 2012 for those non-employee directors appointed or elected prior to August 1, 2008, and (b) by non-employee directors appointed or elected after August 1, 2008, within three years from the date they are appointed or elected. Adherence to the guidelines is measured on February 1st of each year. Once a non-employee director reaches the ownership level, he or she will not be considered to fall out of compliance solely due to subsequent stock price declines. Shares owned (or beneficially owned) and restricted stock units, vested or unvested, are counted towards reaching the ownership level.

In addition, the board recommends that each director purchase 1,000 shares of Company common stock by the second anniversary of the director's first election date to the board.

As of July 31, 2011, each non-employee director has met his or her ownership level or is in a grace period due to the time he or she was appointed or elected to the board.

### D&O Insurance

The Company and its officers and directors are insured under various insurance policies with respect to liabilities arising from their service as officers and directors. The Company pays the annual premium for each of these policies, which totaled \$1,364,000 for fiscal year 2011 and totals \$974,000 for the fiscal year ending on July 31, 2012 ("fiscal year 2012").

## 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 and complies with existing law and listing standards. The board reviews the policy and other aspects of governance on an annual basis. The Company's corporate governance policy is available at the Company's website at [www.pall.com/investor.asp](http://www.pall.com/investor.asp) (under the "Corporate Governance" tab).

### Board Leadership Structure

The board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management, but also believes that the right structure may vary with the Company's circumstances. Pursuant to the Company's corporate governance policy, the board determines whether it is appropriate to combine or separate the roles of chairman of the board and chief executive officer depending on the Company's circumstances at the time and, in the event that the roles are combined, the board must select a lead independent director with duties and responsibilities detailed in the corporate governance policy. Following the announcement of Mr. Krasnoff's planned retirement as chief executive officer and president of the Company, the board determined that the board should be led by a non-executive chairman. Since March 2011, Mr. Hoffman has served in that capacity. The board concluded that this leadership structure was appropriate to assist in the transition of Mr. Krasnoff's responsibilities to a new chief executive officer. The board believes that independent board leadership at this time allows the chief executive officer to focus fully on operations and develop a strategic vision, while ensuring that he has an appropriate strong point of contact with the board to facilitate constructive engagement with the board as a whole.

### Meetings of the Board

Directors are expected to participate in all meetings of the board and each committee on which they serve. In fiscal year 2011, the board held ten meetings and committees of the board held a total of 22 meetings. No incumbent 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 Company directors then in office attended the Company's 2010 Annual Meeting of Shareholders.

The Company's non-employee directors meet at regularly scheduled executive sessions, without any employee directors or members of management present. The Company's independent directors also meet at regularly scheduled sessions, without the participation of directors who do not qualify as independent directors. During fiscal year 2011, the non-employee directors had three meetings. As all non-employee directors are also independent, a separate independent director meeting was not held in fiscal year 2011. As lead independent director until March 2011, Daniel J. Carroll, Jr. was the chairperson of two of the non-employee director meetings held in fiscal year 2011. As chairman of the board starting in March 2011, Ronald L. Hoffman served as the chairperson for one of the non-employee director meetings held in fiscal year 2011 and will serve as chairperson of all meetings of the non-employee and independent directors going forward.

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

## Communication with the Board

Shareholders or other interested parties may initiate in writing any communication with the board as a group, the non-employee directors as a group, or any individual director, including the chairman of the board, and send it to the corporate secretary at the Company's headquarters, at Pall Corporation, 25 Harbor Park Drive, Port Washington, New York 11050. 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 his 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 2011 independence determinations consisted principally of donations made by the Company to not-for-profit organizations, including educational and health organizations (such as hospitals and laboratories) with which board members were affiliated by service as employees, directors or trustees. The board also reviewed commercial relationships between the Company and directors or their immediate family members and organizations with which directors or their immediate family members were affiliated by service as outside directors (Mss. Gris  and Plourde), executive officers (Dr. Alving and Mr. Owens), or trustees (Mr. Travaglianti). 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 under the Company's director independence standards or under applicable law and listing standards.

The board has determined that the following director nominees are "independent" as required by the NYSE listing standards and the Company's corporate governance policy: Dr. Amy E. Alving, Daniel J. Carroll, Jr., Robert B. Coutts, Cheryl W. Gris , Ronald L. Hoffman, Dennis N. Longstreet, B. Craig Owens, Katharine L. Plourde, Dr. Edward L. Snyder and Edward Travaglianti. As previously noted, Dr. Edwin W. Martin Jr. is not seeking re-election and was independent through fiscal year 2011.

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 in the corporate governance policy on the Company's website at [www.pall.com/investor.asp](http://www.pall.com/investor.asp) (under the "Corporate Governance" 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, insider trading 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 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/investor.asp](http://www.pall.com/investor.asp) (under the "Corporate Governance" 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 Oversight of Risk

The board's role in risk oversight is consistent with the Company's leadership structure, with Company management having the day-to-day responsibility for assessing and managing risk and the board and its committees providing oversight with respect to these efforts, with particular focus on the most significant risks facing the Company. The board fulfills its responsibilities through periodic reviews of the Company's strategies and business plans and review of specific risks as needed. In addition, the board has delegated to each of its committees responsibility for the oversight of specific risks that fall within the committee's area of responsibility. For example, the audit committee oversees the Company's risk policies and processes related to the Company's financial statements, the financial reporting process, accounting, internal control, information technology and legal and compliance matters. The compensation committee reviews and discusses with management the risks associated with the Company's compensation structure and benefit plan administration to ensure that such structure and administration is aligned with the Company's risk profile.

The nominating/governance committee has primary responsibility for overseeing the Company's Enterprise Risk Management Program (the "ERM Program"). As part of the ERM Program, the Company has developed and implemented a systematic process of identifying and managing risks facing the Company. The ERM Program is intended as a tool to minimize exposure to loss, ensure that risk is within acceptable limits and assist the Company in identifying opportunities that fit its risk profile. A steering committee, chaired by the chief executive officer and comprised of senior executives of the Company from broad and diverse areas of expertise, oversees the ERM Program.

The board is kept informed of its committees' oversight of significant risk exposures, including management's initiatives to address them, through regular reports by committee chairs and key management personnel responsible for managing risks identified by the ERM Program.

## 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/investor.asp](http://www.pall.com/investor.asp) (under the "Corporate Governance" tab).

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

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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 2011:

	Audit	Compensation	Executive	Nominating/ Governance
Amy E. Alving	—	—	—	X
Daniel J. Carroll, Jr.	X	X	—	—
Robert B. Coutts	—	X	—	—
Cheryl W. Grisé	X	Chair	—	—
Ulric S. Haynes, Jr. (1)	—	X	—	—
Ronald L. Hoffman (2)	—	X	Chair	X
Eric Krasnoff (3)	—	—	X	—
Dennis N. Longstreet	—	—	X	X
Edwin W. Martin, Jr. (4)	—	X	X	—
Katharine L. Plourde	X	—	—	Chair
Edward L. Snyder	—	—	—	X
Edward Travaglianti	Chair	—	—	—
Number of meetings	9	9	0	4
Number of consents	0	2	11	0

\* All directors were determined to be independent except Mr. Krasnoff.

- (1) Ulric S. Haynes, Jr. served on the compensation committee until December 15, 2010.
- (2) Ronald L. Hoffman was appointed to the executive committee effective March 17, 2011 and elected Chair on April 21, 2011, at which time he ceased to serve on the compensation and nominating/governance committees.
- (3) Eric Krasnoff served as Chair of the executive committee until March 17, 2011 and as a member of the committee until October 3, 2011.
- (4) Dr. Edwin W. Martin, Jr. will retire from the board effective as of the meeting.

#### 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 (including reviewing and evaluating the Company’s policies and practices with respect to risk assessment, and risk management related to the Company’s financial statements), the systems of internal controls over financial reporting, 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 selection 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 NYSE rules. 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 2004 Executive Incentive Bonus Plan (the "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 and 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.

The compensation committee has engaged Towers Watson (formerly Watson Wyatt), generally on an annual basis, to evaluate the cash compensation of the Company's executive officers. In July 2010, Towers Watson provided its report analyzing the cash compensation of the executive officers, which the committee used to determine the executive officers' fiscal year 2011 base salaries. During fiscal year 2011, the compensation committee engaged Towers Watson to assess the market competitiveness of total direct compensation (cash and equity) for the executive officers. Towers Watson made recommendations regarding equity grants to be made to the executive officers in January 2011. In fiscal year 2011, the fees paid to Towers Watson for services to the compensation committee totaled \$218,141. The compensation committee adopted a policy formalizing its practice of using an independent compensation consultant in January 2010. Under the policy, the committee has the sole authority to select, retain and terminate a consultant and approve the terms of the consultant's engagement. In addition, the policy requires Company management to inform the compensation committee about services the consultant performs for management if fees for all such services are less than \$120,000 per year. For services in excess of \$120,000 per year, Company management must seek the committee's prior approval. Company management has engaged Towers Watson separately from time to time during fiscal year 2011 to review the design of certain incentive plans and has purchased Towers Watson market data surveys. The Company paid a total of \$393,469 to Towers Watson in fiscal year 2011 for these services, all of which were approved by the compensation committee. The committee determined that such fees did not impact Towers Watson's independence. Historically, the committee engaged Watson Wyatt as its independent compensation consultant and Company management engaged Towers Perrin for certain services. With the merger between Watson Wyatt and Towers Perrin, the surviving entity, Towers Watson, then became engaged by both management and the committee. Company management does not anticipate continued use of Towers Watson in fiscal year 2012 other than the purchase of certain survey data.

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 reviews with the committee his personal accomplishments during the fiscal year. The chief executive officer has no involvement in any discussions of the compensation committee regarding 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 senior executive employees of the Company to provide information and 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 2011, 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. In connection with its responsibility to review director compensation, the compensation committee has periodically engaged Hewitt Associates to assess its market competitiveness. The compensation committee also engaged Hewitt Associates in fiscal year 2011 to provide compensation advice in connection with negotiating the Company's employment agreement with Lawrence Kingsley. Hewitt did not provide any other services for the Company in fiscal year 2011.

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 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 ERM Program. Each member of the nominating/governance committee meets the independence requirements of the NYSE and the Company's corporate governance policy.

#### Director 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 at the Company's headquarters, at Pall Corporation, 25 Harbor Park Drive, Port Washington, New York 11050. Such submission must include (a) the name and address of such person, (b) such person's written consent to be named in the proxy statement and to serve if elected, (c) documentation demonstrating that the shareholder is a shareholder of the Company, (d) 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 or interests, between or among such shareholder (and/or any beneficial owner on whose behalf the recommendation is made) and its affiliates and associates, or others (including the names of such person(s)) acting in concert therewith, on the one hand, and such person and his or her respective affiliates and associates, or others (including the names of such person(s)) acting in concert therewith, including any swap or other derivative or short positions, profits interests, options, hedging transactions or borrowed or loaned shares, (e) 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, (f) 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 (g) 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 a statement indicating whether such person, upon election or reelection to the Board, will submit an irrevocable resignation to become effective upon (i) the failure of such person to receive the required number of votes cast at the next meeting at which such person is nominated for reelection, and (ii) the board's acceptance of such resignation. Such submission should also 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 (a) that the shareholder intends to appear in person or by proxy at the meeting to propose such business or nomination, and (b) 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 (a) such person's judgment, experience, independence and understanding of the Company's business, (b) the range of talent and experience already represented on the board, and (c) such other factors that the nominating/governance committee determines are pertinent in light of the current needs of the Company. Although the Company does not have a formal diversity policy, in accordance with the criteria for director selection (set out in Appendix 1 to the nominating/governance committee's charter), diversity of race, ethnicity, gender, professional experience, education and skill among the directors is a factor in identifying and 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  
THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR FISCAL YEAR 2012

The board unanimously recommends a vote  
FOR the ratification of KPMG LLP as the Company's  
independent registered public accounting firm for fiscal year 2012

The audit committee has selected KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2012 and has directed that management submit the selection of the 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 2011 and 2010, and fees billed or expected to be billed for other services rendered to the Company by KPMG LLP:

	Fiscal Year	
	2011	2010
Audit fees (1)	\$6,931,000	\$6,483,000
Audit-related fees (2)	261,000	316,000
Tax fees (3)	71,000	334,900
All other fees	—	—
<b>Total</b>	<b>\$7,263,000</b>	<b>\$7,133,900</b>

- (1) Audit fees include fees for the audit of the effectiveness of the Company's internal control 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 provided by the independent registered public accounting firm in connection with statutory audits.
- (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 2011 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 and statutory audits for certain subsidiaries. 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 2011, the audit committee: (a) reviewed and discussed the audited consolidated financial statements with management and the independent auditors, (b) 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, (c) received the written disclosures from KPMG LLP required by the Public Company Accounting Oversight Board, and discussed with KPMG LLP the firm's independence, (d) considered whether the provision of certain non-audit services to the Company by KPMG LLP is compatible with maintaining KPMG LLP's independence, and (e) reviewed the structure of the Company's finance, accounting and information technology organization, among other things.

The audit committee reviewed with management and KPMG LLP management's assessment of the Company's internal control over financial reporting. 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 2011.

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  
Edward Travaglianti (Chair)  
Daniel J. Carroll, Jr.  
Cheryl W. Gris e  
Katharine L. Plourde

November 9, 2011

BENEFICIAL OWNERSHIP OF COMMON STOCK  
OF CERTAIN SHAREHOLDERS

The following table sets forth information as of October 7, 2011 with respect to each shareholder who, to the Company's knowledge, is the beneficial owner of more than 5% of the outstanding shares of common stock.

Name of Beneficial Owner	Common Shares	
	Number of Shares	Percent of Class(a)
ClearBridge Advisors, LLC 620 8th Avenue New York, New York 10018	8,094,951 (b)	7.04%
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	6,006,491 (c)	5.22%
The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,784,890 (d)	5.03%

- (a) Percentage of class is based on the 115,042,742 shares outstanding on October 7, 2011.
- (b) In an amended Schedule 13G filed with the SEC on February 11, 2011, ClearBridge Advisors, LLC ("ClearBridge") reported beneficial ownership of 8,094,951 shares. ClearBridge reported sole power to vote or direct the voting of 6,040,641 shares and sole power to dispose or to direct the disposition of 8,094,951 shares.
- (c) In an amended Schedule 13G filed with the SEC on February 7, 2011, BlackRock, Inc. ("BlackRock") reported beneficial ownership of 6,006,491 shares. BlackRock reported sole power to vote or direct the voting and sole power to dispose or to direct the disposition of such shares.
- (d) In a Schedule 13G filed with the SEC on February 10, 2011, The Vanguard Group ("Vanguard") reported beneficial ownership of 5,784,890 shares. Vanguard reported sole power to vote or direct the voting of 147,399 shares, sole power to dispose or to direct the disposition of 5,637,491 shares and shared power to dispose or to direct the disposition of 147,399 shares.

BENEFICIAL OWNERSHIP OF COMMON STOCK  
AND RESTRICTED STOCK UNITS OF  
DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information as of October 7, 2011 with respect to the beneficial ownership of common stock and restricted stock units acquired under the Management Stock Purchase Plan and the Stock Plan, by (a) each current director and director nominee of the Company, (b) each executive officer included in the Summary Compensation Table below, except as noted below, and (c) all current directors and executive officers of the Company as a group as of October 7, 2011, except as noted below. The percentages in the third column are based on the 115,042,742 shares outstanding on October 7, 2011. 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 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 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.

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Name of Beneficial Owner	Common Shares		Restricted Stock
	No. of Shares(1)	Percent of Class(2)	Units(3)
Amy E. Alving	1,500	—	3,445
Yves Baratelli	25,357	—	24,822
Daniel J. Carroll, Jr.	25,750	—	17,037
Robert B. Coutts	2,500	—	7,717 (4)
Cheryl W. Gris�	5,500	—	13,184
Ronald L. Hoffman	3,250	—	11,311
Lawrence D. Kingsley	0	—	246,800
Eric Krasnoff (5)	438,376 (6)	.38%	254,126
Dennis N. Longstreet	11,050	—	15,094
Edwin W. Martin, Jr.	18,951	—	17,037
Lisa McDermott	69,947	—	97,082
B. Craig Owens	0	—	0
Roberto Perez	27,250	—	69,373
Wolfgang Platz	20,162	—	9,387
Katharine L. Plourde	19,750	—	17,037
Edward L. Snyder	6,250	—	14,013
Edward Travaglianti	12,870	—	17,037
17 current directors, director nominee and executive officers of the Company as a group	688,463	.60%	834,502

- (1) Includes shares covered by stock options currently exercisable or becoming exercisable within 60 days of October 7, 2011 as follows: Mr. Baratelli—12,122 shares; Mr. Carroll—15,750 shares; Mr. Coutts—1,500 shares; Ms. Gris —4,500 shares; Mr. Hoffman—2,250 shares; Mr. Krasnoff—345,559 shares; Mr. Longstreet—8,250 shares; Dr. Martin—11,250 shares; Ms. McDermott—57,686 shares; Mr. Platz—15,594 shares; Ms. Plourde—18,750 shares; Dr. Snyder—5,250 shares; Mr. Travaglianti—5,250 shares; and the 17 current directors, director nominee and executive officers of the Company as a group— 503,711 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 Stock Purchase Plan and the Stock Plan. With respect to each non-employee director, each restricted stock 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.
- (4) Includes 903 phantom stock units and related dividends under the Director Deferred Fee Plan. Each phantom stock unit is converted into one share of common stock upon the director leaving the board.
- (5) All amounts reported for Mr. Krasnoff are as of October 2, 2011.
- (6) Includes 12,966 shares owned by trusts established for the benefit of Mr. Krasnoff’s children. Mr. Krasnoff serves as the trustee under 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 as to which Mr. Krasnoff disclaims voting or dispositive power.

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 and persons who own more than 10% of our common stock ("Reporting Persons") to file reports of their ownership and changes in ownership of common stock with the SEC. Reporting Persons are also required by SEC Rules to furnish us with copies of the reports they file with the SEC. Personnel of the Company generally prepare these reports for directors and executive officers 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 Reporting Persons during fiscal year 2011 were filed on time with the following exceptions:

- An amended Form 4 was filed on October 26, 2010 on behalf of Yves Baratelli, president, Pall Life Sciences, to reflect the correct number of shares beneficially owned by Mr. Baratelli. Such filing amended the Form 4 originally filed on October 1, 2010.
- An amended Form 4 was filed late on March 22, 2011 on behalf of Roberto Perez, chief operating officer, to report Mr. Perez's sale of 6,000 shares on January 7, 2011. Such filing amended a Form 4 originally filed on January 11, 2011 and a Form 4 originally filed on February 2, 2011.
- A Form 4 was filed late on March 17, 2011 on behalf of Robert B. Coutts, a director, to report his purchase of 312.1 phantom share units on January 27, 2011.

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, director nominees, Company executive officers, beneficial owners of more than 5% of Company common stock, the immediate family members of any of the foregoing individuals, 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 on a regular basis 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 receives information pertaining to each related person transaction that is required to be disclosed by Item 404 of Regulation S-K and evaluates those related person transactions involving \$120,000 or more for purposes of recommending to the disinterested members of the board that such 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 charitable 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 at 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 and any conditions to or requirements for approval 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

During fiscal year 2011, Roberto Perez, the Company's chief operating officer, 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 1.97% and deemed compensation to him. This loan was granted prior to the enactment of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

#### 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 Company's 2007 Annual Report on Form 10-K. These actions purported 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 alleged 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. The complaints sought 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,