PALL CORP
Form DEF 14A
October 25, 2002

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
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[X] Definitive Proxy Statement
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PALL CORPORATION

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

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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, New York 11548

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 20, 2002

To the Holders of Common Stock:

PLEASE TAKE NOTICE that the annual meeting of shareholders of Pall Corporation, a New York corporation (the Company), will be held at The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530, on Wednesday, November 20, 2002 at 11:00 a.m., local time, for the following purposes:

(1) to elect four directors for a three-year term; and

(2) to transact such other business as may properly come before the meeting.

The close of business on October 4, 2002 has been fixed as the record date for the meeting; only shareholders of record at that time are entitled to notice of and to vote at the meeting.

Registered shareholders have the choice of voting their shares either by returning their proxy card by mail or by granting their proxy by telephone or on the internet. Instructions for voting by telephone and the internet are printed on the enclosed proxy card. Shareholders who hold their shares through a nominee, such as a bank or broker, may be able to vote via the internet or telephonically, as well as by mail. These shareholders should follow the instructions they receive from their nominee.

Mary Ann Bartlett
Corporate Secretary and
Assistant General Counsel

October 25, 2002

YOUR VOTE IS IMPORTANT.

Whether or not you plan to attend the meeting, please grant your proxy.

Remarks from the annual meeting will be available on the Company s web site at http://www.pall.com from November 21, 2002 until December 4, 2002.

PALL CORPORATION

2200 Northern Boulevard
East Hills, New York 11548

October 25, 2002

PROXY STATEMENT

The enclosed proxy card is solicited by the Board of Directors of Pall Corporation, a New York corporation (the Company), for use at the annual meeting of shareholders to be held on Wednesday, November 20, 2002, at 11:00 a.m., local time, at The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530, and at any adjournments thereof (the meeting). A map and directions to The Garden City Hotel are printed on the back cover of this proxy statement. 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.

The approximate date on which this proxy statement and the enclosed proxy card will be first sent to shareholders is October 25, 2002. The cost of the solicitation of proxy cards in the enclosed form will be borne by the Company. The solicitation is to be made primarily by mail but may be supplemented by telephone calls and personal solicitation by full-time regular employees of the Company, who will not be specially compensated therefor, and by the firm of Georgeson Shareholder Communications Inc., which has been retained for this purpose by the Company and will be paid a fee not to exceed $7,500 for its services plus reasonable out-of-pocket expenses.

VOTING

Registered shareholders can grant a proxy and vote telephonically or via the internet. Telephone and internet voting instructions are provided on the enclosed proxy card. A control number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded. If you do not choose to vote by telephone or the internet, you may mail your proxy card in the enclosed envelope.

If your shares are held 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 marked on it. If your proxy card is properly signed, dated and delivered to us but contains no instructions, the shares represented by your proxy will be voted for the election as directors of the nominees proposed herein. The Board of Directors 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, by notifying the Corporate Secretary of the Company in writing at the address given above. In addition, a shareholder may revoke a proxy (1) by executing a new proxy card bearing a later date or by voting by telephone or the internet at a later date, provided the new proxy is received by Equiserve (which will have a representative present at the meeting) before the vote, (2) by attending the meeting and voting in person, or (3) by any other method available to shareholders by law.

The close of business on October 4, 2002 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 (the Common Stock). There were 122,835,795 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.

ELECTION OF DIRECTORS

Four directors are to be elected at the meeting for a three-year term. The Nominating Committee of the Board of Directors has nominated Abraham Appel, Ulric Haynes, Jr., Jeremy Hayward-Surry and Dr. Edwin W. Martin, Jr. for three-year terms. All of the nominees are presently directors of the Company. **The Board of Directors recommends to shareholders that these nominees be elected**. Although it is not anticipated that any of the nominees will become unavailable for election before the meeting, in that event the persons named as proxies on the enclosed proxy card will have the right, at their discretion, to vote all properly completed proxies (received by mail, telephone or the internet) for such substitute candidate, if any, as may be nominated by the Board of Directors.

Directors will be elected by a plurality of the votes properly cast (in person or by proxy) at the meeting. Thus, shareholders who do not vote, or who withhold their vote from one or more of the nominees named above and do not vote for another person, will not affect the outcome of the election provided that a quorum is present at the meeting. A broker who is the record owner of shares of Common Stock beneficially owned by a customer will have discretionary authority to vote such shares if the broker has not received voting instructions from the beneficial owner by the tenth day before the meeting, provided that this proxy statement has been transmitted to the beneficial owner at least 15 days before the meeting.

Set forth below is information with respect to the nominees and each other present director of the Company continuing in office after the meeting. The principal occupations of each director and nominee during at least the past five years are described in the paragraphs following the table.

Name	Age	Position and offices with the Company**	Service as director since	Present term expires
Eric Krasnoff	50	Chairman and Chief Executive Officer and Director	1994	2003
Jeremy Hayward-Surry*	59	President and Director	1993	2002
Abraham Appel*	87	Founder Director	1969	2002
Daniel J. Carroll, Jr.	57	Director	1999	2003
John H.F. Haskell, Jr.	70	Director	1998	2004
Ulric Haynes, Jr.*	71	Director	1994	2002
Edwin W. Martin, Jr.*	71	Director	1993	2002
Katharine L. Plourde	50	Director	1995	2004
Heywood Shelley	75	Director	1990	2004
Edward L. Snyder	56	Director	2000	2003
Edward Travaglianti	54	Director	2001	2004
James D. Watson	74	Director	1988	2003

* Nominee for election at the meeting.

** Messrs. Appel and Carroll are members of the Audit, the Compensation and the Planning and Governance Committees of the Board of Directors. Mr. Haskell is a member of the Nominating and the Planning and Governance Committees. Mr. Haynes is a member of the Compensation and the Planning and Governance Committees. Mr. Krasnoff and Mr. Hayward-Surry are members of the Executive Committee. Dr. Martin is a member of the Compensation and the Nominating Committees. Ms. Plourde is a member of the Audit and the Planning and Governance Committees. Mr. Shelley is a member of the Executive and the Nominating Committees. Dr. Snyder is a member of the Nominating Committee. Dr. Watson was a member of the Audit Committee until October 3, 2002; on that date, Dr. Watson retired from that Committee and Mr. Travaglianti was elected his successor.

Mr. Krasnoff has been Chairman and Chief Executive Officer of the Company since July 1994.

Mr. Hayward-Surry has been President of the Company since July 1994. He was also Treasurer and Chief Financial Officer of the Company from November 1992 to January 1998. Mr. Hayward-Surry is a director of V.I. Technologies, Inc.

Mr. Appel is President and Chief Executive Officer of A. Bram Appel Consultants Inc., located in Toronto, Ontario, which manages family investments in private companies and equity securities. Mr. Appel was a major source of financing of the Company in the early years after its founding in 1946.

Mr. Carroll was Chief Operating Officer from January 1998 to November 2000, and also Vice President Business Operations from May 1999 to November 2000, of the Business Communications Systems Unit of Lucent Technologies Inc., Basking Ridge, New Jersey. Before January 1998, he held a number of executive positions with AT&T Corp. until the spin-off of Lucent Technologies Inc. from AT&T Corp. in October 1996. Thereafter, Mr. Carroll was Vice President Product Realization of the Business Communications Systems Unit of Lucent Technologies Inc. until December 1996, and Vice President Large Business Markets and Global Provisioning Organization of the Business Communications Systems Unit of Lucent Technologies Inc. from December 1996 until January 1998. Mr. Carroll retired from his employment with Lucent in November 2000.

Mr. Haskell has been, for more than the past five years, an investment banker and advisor with the investment banking firm of UBS Warburg LLC and its predecessors. UBS Warburg acts as financial advisor to the Board of Directors of the Company from time to time, most recently in connection with the Company s acquisition of the Filtration & Separations Group of United States Filter Corporation. Mr. Haskell is a director of AXA Financial, Inc. and of The Equitable Life Assurance Society of the United States, Inc., a wholly-owned subsidiary of AXA Financial, Inc. He is also a director of Security Capital Corporation.

Mr. Haynes, who was the U.S. Ambassador to Algeria in 1977-1981, has been Executive Dean for University International Relations at Hofstra University, Hempstead, New York, since September 1996. Prior thereto, he was Dean of the Business School at Hofstra University.

Dr. Martin was Associate and Deputy U.S. Commissioner of Education from 1969 to 1979 and Assistant Secretary of Education from 1979 to 1981. He was President and Chief Executive Officer of the National Center for Disability Services, a complex of non-profit agencies, until November 1994 and since then has been President-Emeritus and a Trustee. He is a Director of Roslyn Bancorp and Interboro Indemnity Mutual Insurance Company.

Ms. Plourde 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 serving on the board of directors of the Company and of several not-for-profit organizations. Ms. Plourde is also a director of OM Group Inc.

Mr. Shelley has been a practicing attorney with the firm of Carter, Ledyard & Milburn, New York, New York for more than the past five years. The firm acts as legal counsel to the Company.

Dr. Snyder s principal occupations are with the Yale University School of Medicine and Yale-New Haven Hospital, both in New Haven, Connecticut. At the University, Dr. Snyder is Professor of Laboratory Medicine and Vice Chairman/ Associate Chair for Clinical Affairs of the Department of Laboratory Medicine. At the Hospital, Dr. Snyder is director of Blood Bank/ Apheresis Service and Assistant Chief/ Associate Chair for Clinical Affairs at the Department of Laboratory Medicine. Dr. Snyder also 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.

Mr. Travaglianti brings 32 years of commercial banking experience to the Company. Most recently, he was President of Commercial Markets at Citibank, N.A., with responsibility for the bank s nationwide Middle Market and Small Business activities. He joined Citibank in July 2001 when Citibank acquired European American Bank (EAB). Prior to the acquisition, Mr. Travaglianti was, from July 1995, Chairman and Chief Executive Officer of EAB, a $16 billion commercial bank headquartered in Uniondale, Long Island, with approximately 100 branches throughout the greater New York metropolitan area. In October 2002, Mr. Travaglianti retired from Citibank. In addition to serving on the Board of Directors of the Company, Mr. Travaglianti chairs and serves as a board director of several not-for-profit organizations.

Dr. Watson has been, for more than the past five years, President of the Cold Spring Harbor Laboratory, a biomedical research institution specializing in genetics. Dr. Watson and a colleague won the Nobel Prize in medicine in 1962 for determining that the molecular structure of DNA is a double-helix, which made possible the dramatic developments relating to DNA which have followed that discovery. Dr. Watson was a prime mover in the establishment of the federal government s human genome project and headed that project for a number of years from its inception. Dr. Watson is a director of Diagnostic Products Corporation.

There were seven meetings of the Board of Directors of the Company in fiscal 2002. During fiscal 2002, each director attended not less than 75% of the aggregate number of meetings of the Board and of the Board committee or committees on which he or she served.

Board Committees

The Executive Committee of the Board is authorized to act on most Board matters during the intervals between meetings of the full Board. The Executive Committee did not meet in fiscal 2002 but took a number of actions by unanimous written consent.

The Compensation Committee has the power and duty to adopt, amend and terminate any management employee benefit plan (subject to shareholder approval when required), to fix the compensation of senior officers of the Company and to authorize and approve the making of employment contracts between the Company and its senior officers. The Committee also administers the Company s stock option plans, Management Stock Purchase Plan and Executive Incentive Bonus Plan. The Compensation Committee met once in fiscal 2002 and in addition took a number of actions by unanimous written consent.

The Nominating Committee has the power and duty to develop policy on the size and composition of the Board of Directors and criteria for director nomination, to establish procedures for the nomination process, to identify and recommend candidates for election to the Board, and to evaluate the participation and contribution of Board members. The Nominating Committee met once in fiscal 2002. The Nominating Committee will consider nominees for director recommended by shareholders. The procedure to be followed by a shareholder in submitting such recommendations is to send the Corporate Secretary a letter making the recommendation and describing fully the education, business experience and other qualifications of the person recommended.

The Planning and Governance Committee has the power and the duty to study and make recommendations to the Board and/or management with respect to planning, including but not limited to long-range or strategic planning; corporate governance issues, including the organization, practices and performance of the Board and its committees, and the performance of directors in both their Board and any executive capacity with the Company, as well as the Company s executive resources and management development and succession plans. The Planning and Governance Committee met three times in fiscal 2002.

The duties and responsibilities of the Audit Committee include, among other things, oversight of the Company s Compliance and Ethics Program, identification of significant public policy issues and the Company s policy and practices with respect thereto to ensure that they are consistent with the Company s social responsibility, review of the Company s financial statements, consideration of the nature and scope of the work to be performed by the Company s independent auditors, oversight of the results of such work, review of such auditors letters to management which evaluate (as part of their annual audit of the Company s financial statements) the internal control systems of the Company, discussions with management of particular areas of the Company s operations, and meeting with the Company s internal audit managers to review their plans and to discuss internal audit reports. The duties and responsibilities of the Audit Committee are set forth in greater detail in the Audit Committee Charter, which was adopted by the Board and was appended to the Company s 2001 annual meeting proxy statement.

The Board of Directors, in its business judgment, has determined that all members of the Audit Committee are independent, as required by applicable listing standards of the New York Stock Exchange. The Audit Committee met eight times during fiscal 2002, including four meetings by telephone conference call.

Audit Committee Report

Management is responsible for the preparation, presentation and integrity of the Company s 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 auditors, is responsible for auditing the Company s financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States.

In the performance of its duties for fiscal 2002, the Audit Committee reviewed and discussed the audited financial statements with management and the independent auditors. The Committee also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 (Communications with Audit Committees), as amended by SAS No. 90 (Audit Committee Communications). In addition, the Committee has received written disclosures and the letter from the independent auditors as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has considered whether the provision of certain non-audit services to the Company by the independent auditors (see *Information Concerning Independent Auditors* below) is compatible with maintaining the auditors independence, and has discussed with KPMG LLP that firm s independence.

Based upon the review and discussions described in this report, the Committee has recommended to the Board that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended August 3, 2002 to be filed with the Securities and Exchange Commission.

Respectfully submitted,

Abraham Appel
Daniel J. Carroll, Jr.
Katharine L. Plourde
James D. Watson

Compensation of Directors

For serving on the Board of Directors, each director of the Company who is not an employee of the Company is paid $2,000 a month plus $2,500 for each meeting of the Board and Board committees personally attended and, effective January 28, 2002, $1,000 for participation in each meeting of the Board and Board committees held by telephone conference call. Each member of the Audit Committee is paid an additional $500 a month, and Mr. Shelley is paid an additional $750 a month for his service on the Executive Committee. The two directors who are Company employees receive no additional compensation for serving as directors.

The Company and its officers and directors are insured under an insurance policy dated August 1, 2002 with Vigilant Insurance Company with respect primarily to liability arising from the performance by officers and directors of their corporate duties. The Company pays the premium, which is currently $310,000 per year. The Company and its officers and directors are also insured under three excess insurance policies, each dated August 1, 2002, with National Union Fire Insurance Company of Pittsburgh, Pennsylvania, Twin City Fire Insurance Company and Lumberman s Mutual Casualty Company with respect to liability arising from the performance by officers and directors of their corporate duties. The total annual premium paid by the Company for these three policies is currently $573,500 per year.

Under the Company s 2001 Stock Option Plan for Non-Employee Directors approved by shareholders at last year s annual meeting (the 2001 Director Plan), the Granting Date is January 5th in each year (or if

January 5th is not a trading day on the New York Stock Exchange, then the first trading day thereafter). On each Granting Date, each Non-Employee Director who was elected a director of the Company by shareholders for the first time at the annual meeting of shareholders next preceding such Granting Date is automatically granted an option on 12,000 shares. On the Granting Date in 2002 and in every second year thereafter, each person who is a Non-Employee Director on such Granting Date and who is not entitled to a 12,000-share grant on such Granting Date as a newly elected director is granted an option on 7,500 shares. The exercise price of each option granted under the 2001 Director Plan is the fair market value, on the date of the grant, of the shares of Common Stock subject to such option. Each option becomes exercisable in four substantially equal installments on each of the first four anniversary dates of the date of grant and expires on the tenth anniversary of the date of grant.

On January 7, 2002 (the Granting Date in 2002) an initial option to purchase 12,000 shares of Common Stock was granted to Mr. Travaglianti, and options to purchase 7,500 shares of Common Stock were granted to Ms. Plourde and Messrs. Appel, Carroll, Haskell, Haynes, Martin, Shelley and Watson. The per share exercise price of all these options is $24.27.

COMPENSATION AND OTHER BENEFITS OF SENIOR MANAGEMENT

The following table sets forth information concerning the total compensation of the Chief Executive Officer of the Company and the four other executive officers who had the highest individual aggregates of salary and bonus (whether paid in cash or restricted stock units) during the Company s fiscal year ended August 3, 2002. These five persons are hereinafter referred to collectively as the Named Executive Officers.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation		
Name and Principal Position	Fiscal Year	Salary(a)	Bonus(b)	Restricted Stock Units(c)	Securities Underlying Options(#)	All Other Compensa-tion(d)
Eric Krasnoff	2002	$679,778	$169,945	$ 33,340		$48,215
Chairman and	2001	640,068	556,859	36,214	180,000	85,958
Chief Executive Officer	2000	581,880	581,880	351,933		45,414
Jeremy Hayward-Surry	2002	464,492	87,092	14,347		27,915
President	2001	437,372	285,385	15,584	75,000	57,628
	2000	371,644	298,233	179,161		37,153
Donald Stevens	2002	309,142	-0-	170,797		20,291
Executive Vice President	2001	245,828	89,485	197,050	50,000	32,677
	2000	163,000	72,800	251,885		23,412
John Adamovich, Jr.	2002	292,626	55,761	44,450		12,251
Group Vice President, Chief	2001	274,040	182,724	44,371	45,000	27,162
Financial Officer and Treasurer	2000	260,000	200,200	112,114		13,079
Samuel Wortham	2002	286,783	50,187	7,959		28,019
Group Vice President	2001	270,036	148,574	8,646	35,000	45,314
	2000	237,588	166,312	58,497		37,878

(a) The dollar amounts in this column do not include the following amounts of salary which the Named Executive Officers elected to receive in the form of restricted stock units under the Management Stock Purchase Plan (the Management Plan) as follows: In fiscal 2000, Mr. Hayward-Surry $26,000, Mr. Stevens $45,000 and Mr. Adamovich $26,000; in fiscal 2001, Mr. Stevens $48,048 and Mr. Adamovich $26,000; and in fiscal 2002, Mr. Stevens $52,000 and Mr. Adamovich $26,000. These amounts are included in the dollar amounts shown in the Restricted Stock Units column of the table for the respective fiscal years. (See *Compensation Committee Report on Executive Compensation The Management Stock Purchase Plan* for information about the Management Plan.)

(b) The dollar amounts in this column do not include the amounts of bonuses that Mr. Stevens elected to receive in the form of restricted stock units under the Management Plan, as follows: $72,800 in fiscal 2000; $89,485 in fiscal 2001 and $63,200 in fiscal 2002. These amounts are included in the dollar amounts shown in the Restricted Stock Units column of the table for the respective fiscal years.

(c) Each dollar amount in this column for a fiscal year is the sum of (1) the amount shown in footnote (a) of the Named Executive Officer s salary for the same fiscal year which he elected to receive in the form of restricted stock units under the Management Plan, (2) the amount of his bonus shown in footnote (b) for the same fiscal year which he elected to receive in the form of restricted stock units under the Management Plan, and (3) the aggregate of the dollar values on the dates of grant (based on the closing prices for a share of Common Stock on those dates) of additional restricted stock units awarded to such Named Executive Officer under the Management Plan during the same fiscal year as one-time initial awards, as matching units for units he purchased, and as dividend equivalent units on all restricted stock units outstanding on the payment dates of dividends on the Common Stock. The aggregate number of restricted stock units held by each Named Executive Officer at the Company s fiscal 2002 year-end (August 3, 2002), and the value of such units (based on the $16.49 closing price of a share of Common Stock on August 2, 2002) were as follows: Mr. Krasnoff 56,521 units ($932,031); Mr. Hayward-Surry 24,322 units ($401,070); Mr. Stevens 38,338 units ($632,189); Mr. Adamovich 18,001 units ($296,236); and Mr. Wortham 13,492 units ($222,483).

(d) Includes amounts which, under regulations of the Securities and Exchange Commission, are deemed to be compensation by reason of interest-free loans made by the Company for the payment of the exercise price of options under the Company s employee stock option plans (see *Indebtedness of Executive Officers and Directors under Stock Option Plans* below). Such amounts, computed under rates prescribed by the Internal Revenue Service to determine imputed interest , were as follows in fiscal 2002: Mr. Krasnoff $10,317; Mr. Hayward-Surry $6,995; Mr. Stevens $6,450; and Mr. Wortham $18,070. Also includes employer contributions under the Company s Profit-Sharing Plan and Supplementary Profit-Sharing Plan, which contributions for fiscal 2002 were as follows: Mr. Krasnoff $37,898; Mr. Hayward-Surry $20,920; Mr. Stevens $13,841; Mr. Adamovich $12,251; and Mr. Wortham $9,949.

Options

No options were granted to the Named Executive Officers during fiscal 2002. The following table sets forth information concerning exercises of stock options by the Named Executive Officers during fiscal 2002, and the number and value of unexercised options held by each of them at August 3, 2002:

Aggregated Option Exercises in Last Fiscal

Year and Fiscal Year-End Option Values

Name	Shares acquired on exercise(#)	Value realized(1)	Number of securities underlying unexercised options at fiscal year-end		Value of unexercised in-the-money options at fiscal year-end	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Eric Krasnoff	-0-	-0-	360,000	180,000	-0-	-0-
Jeremy Hayward-Surry	-0-	-0-	150,000	75,000	-0-	-0-
Donald Stevens	-0-	-0-	68,750	46,250	-0-	-0-
John Adamovich, Jr.	67,500	$213,094	22,500	45,000	-0-	-0-
Samuel T. Wortham	-0-	-0-	65,000	35,000	-0-	-0-

(1) Value realized is the aggregate market value, on the date of exercise, of the shares acquired less the aggregate exercise price paid for such shares.

Contracts with Named Executive Officers

The Company has employment contracts with each of the Named Executive Officers. Each of these contracts provides for annual base salaries equal to the greater of (i) the base salary for the preceding fiscal year adjusted for the annual change in the consumer price index or (ii) an amount fixed by the Board of Directors (which acts for this purpose by its Compensation Committee, consisting entirely of Non-Employee Directors). The base salaries payable for fiscal 2003, as fixed by the Compensation Committee, are as follows: Mr. Krasnoff $700,262; Mr. Hayward-Surry $473,958; Mr. Stevens $368,481; Mr. Adamovich $331,356; and Mr. Wortham $292,594. These contracts also provide for annual incentive bonuses determined by a formula under which a bonus equal in amount to a percentage of base salary becomes payable if the Company s return on equity (after-tax consolidated net income, as defined, as a percentage of average shareholders equity, as defined) exceeds a certain percentage; the bonus increases to reflect increases in return on equity up to a maximum bonus payable when return on equity equals or exceeds a certain percentage. Mr. Wortham s bonus also includes a component based on the results of operations of the business segment of the Company for which he is responsible. See *Compensation Committee Report on Executive Compensation   Annual Incentive Bonuses*.

Each of these five employment contracts is for a term of employment which will continue until terminated by either party on not less than two years notice except that, unless the parties agree otherwise, the term of employment ends at age 65. In addition, Mr. Krasnoff has the right to terminate his employment on not less than 30 days notice if at any time he no longer has the title, authority and duties of chief executive officer. Under each of these five employment contracts, in the event of a change in control of the Company (as defined), the officer has the right to terminate his employment effective immediately or effective on a date specified in his notice of termination that is not more than one year from the date of giving of such notice. Upon any such termination, the officer would be entitled to his salary and bonus compensation prorated to the effective date of termination. In addition, in the event of termination (i) by Mr. Krasnoff because he is no longer chief executive officer or (ii) by Mr. Krasnoff or Mr. Hayward-Surry in the event of a change in control of the Company or (iii) by the Company on notice as described in the first sentence of this paragraph, Mr. Krasnoff would become entitled to two years severance pay and Mr. Hayward-Surry would become entitled to one year s severance pay. The amount of such severance pay would be the sum of the minimum base salary and the maximum incentive bonus in the fiscal year of termination, determined under the contract provisions described in the preceding paragraph. The officer would have the option of either taking such severance pay in installments at the times at which the base salary and incentive bonus would have been paid had his employment not been terminated, or taking a lump sum equal to the present value of such payments at the effective date of the termination of his employment.

The contracts with Messrs. Krasnoff and Hayward-Surry also provide for an Annual Contract Pension beginning at the end of the term of employment except that if the officer is entitled to severance pay as described in the preceding paragraph, the Annual Contract Pension does not commence until the end of the period covered by such severance pay   two years after the end of the term of employment as to Mr. Krasnoff and one year as to Mr. Hayward-Surry. The Annual Contract Pension is for a term of ten years as to Mr. Krasnoff and five years as to Mr. Hayward-Surry and is in an annual amount equal to 60% of Final Pay (as defined) less (i) in the case of Mr. Krasnoff, the maximum pension payable under a qualified pension plan in accordance with Section 415 of the Internal Revenue Code, currently $160,000 a year, and (ii) in the case of Mr. Hayward-Surry, the amount payable to him annually, as an annuity for his lifetime only, under the Company s Cash Balance Plan, a qualified pension plan described below under *Pension Plans*. Final Pay is defined as the average of the officer s cash compensation (base salary plus incentive compensation and any other bonus payments) for the three years in which his compensation was highest out of the five years preceding the end of his employment with the Company. Based on fiscal years through fiscal 2002, Final Pay would be $1,071,747 as to Mr. Krasnoff and $656,739 as to Mr. Hayward-Surry. After the first year, the Annual Contract Pension is adjusted annually for inflation. The contracts with Messrs. Krasnoff and Hayward-Surry also provide for lifetime medical coverage for the Executive and his spouse consisting of the same coverage and benefits as are provided under the hospitalization, medical and dental plans maintained by the Company for its U.S. employees who are not covered by a collective bargaining agreement (the Company s

Medical Plans), and which are in effect immediately prior to the end of the Executive s term of employment by the Company. However, if prior to the end of the term of employment any of the Company s plans is amended following the occurrence of a change in control to eliminate or reduce the benefits provided thereunder, such elimination or reduction shall not apply to the post-retirement medical coverage provided under these employment contracts. In addition, if at any time after the end of the Executive s term of employment any of the Company s Medical Plans is amended to add any coverage or benefit, such added coverage or benefit shall be included in the medical coverage to be provided to the Executive and his spouse under these employment contracts. Also, at the start of the 30-day period preceding the end of the term of employment under the contracts with Messrs. Krasnoff and Hayward-Surry, the exercisability of any employee stock options that are not yet fully vested is accelerated and such options can be exercised in full during such 30-day period and thereafter until they expire by their terms.

Pension Plans

The Named Executive Officers are participants in the Pall Corporation Cash Balance Pension Plan (the Cash Balance Plan), a defined benefit plan qualified under the Internal Revenue Code. Benefits under the Cash Balance Plan are determined pursuant to a benefit formula under which, at the end of each plan year, each participant s account is credited with two types of credits: (a) interest credits, equal to the rate of interest on one-year Treasury securities for the month of June immediately preceding the calendar year in which the participant s account is to be credited, and (b) for each participant who has 1,000 hours of service with the Company during the year in which his or her account is to be credited, an amount equal to 2.5% to 5% of the participant s covered compensation, the applicable percentage within that range depending on his or her age and years of service to the Company as of the beginning of the plan year. Participants who have attained age 50 and who have at least 10 years of service with the Company as of August 1, 1999 will receive additional transition credits equal to 2% of their compensation each year. Messrs. Hayward-Surry, Stevens and Wortham currently qualify for transition credits. Covered compensation under the Cash Balance Plan is total compensation, including bonuses and overtime but excluding stock options and contributions to all benefit programs. For fiscal 2002, the maximum amount of any participant s covered compensation which could be taken into account under the Cash Balance Plan for the purpose of computing that participant s benefits was limited by the Internal Revenue Code to $170,000.

Under the Company s Supplementary Pension Plan (which is not a qualified plan under the Internal Revenue Code), additional pension benefits are provided to certain employees, including the Named Executive Officers. The Supplementary Pension Plan provides lifetime pension payments which, when added to primary Social Security benefits and assumed straight life annuity payments from the Cash Balance Plan, will on an annual basis equal 50% of a participant s Final Average Compensation, which is defined as the average of the three highest of the participant s last five years of cash compensation (salary and bonus). If a participant vested under the Supplementary Pension Plan dies before retirement, his surviving spouse receives a lifetime pension equal to 50% of the straight-life-annuity pension which the participant would have been entitled to receive upon retirement. Currently, Final Average Compensation (based on fiscal years through fiscal 2002) for the Named Executive Officers would be as follows: Mr. Krasnoff $1,071,747; Mr. Hayward-Surry $656,739; Mr. Stevens $420,169; Mr. Adamovich $447,787; and Mr. Wortham $393,596.

Benefits Protection Trust

The Company has established a Benefits Protection Trust to which it makes voluntary contributions to fund, *inter alia,* the Company s obligations under the Supplementary Pension Plan and the Supplementary Profit-Sharing Plan (see *Compensation Committee Report on Executive Compensation Supplementary Profit-Sharing and Pension Plans*) and the Company s obligation to pay the Annual Contract Pension provided for under the employment agreements in effect with Messrs. Krasnoff and Hayward-Surry described above. 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 the abovementioned obligations. The balance in the Benefits Protection Trust at the end of fiscal 2002 was $27,670,494.

Indebtedness of Executive Officers and Directors under Stock Option Plans

Under options granted to executive officers and directors under the Company s stock option plans and exercised prior to July 30, 2002 (the date of enactment of the Sarbanes-Oxley Act of 2002), optionees could elect to make installment payments of the purchase price of the Common Stock upon their exercise of options and thereby became indebted to the Company for unpaid installments. (All of the Company s stock option plans have been approved by shareholders.) The following table sets forth certain information with respect to all executive officers and directors who were indebted to the Company under the stock option plans in an amount in excess of $60,000 at any time from the start of the Company s 2002 fiscal year to October 1, 2002. The second column of the table shows the largest amount of indebtedness outstanding during that period by each of such executive officers and directors, and the last column shows the principal amount outstanding as of October 1, 2002. All of the indebtedness shown in the table is non-interest-bearing and payable on demand.

	Amount of Indebtedness	
	Largest	**October 1, 2002**
Jeremy Hayward-Surry	$282,972	$105,822
Eric Krasnoff	229,780	-0-
John Miller	182,708	182,708
Heywood Shelley	109,533	109,533
Donald Stevens	170,198	117,815
James Watson	523,750	523,750

Compensation Committee Report on Executive Compensation

The Company s compensation program for executive officers consists of four parts:

1. base salary;

2. annual incentive bonus;

3. stock options and other stock-based compensation; and

4. supplementary profit-sharing and pension plans.

The program is based on the Company s overall philosophy of providing a balanced, competitive total compensation package. This Committee believes that such a program enables the Company to attract and retain highly qualified professionals and to reward sustained corporate performance, with the attendant benefit to shareholders.

Base Salary

The Company maintains a conservative policy on base salaries. Overall, base salaries are targeted at the median, or 50th percentile, of those paid by comparable technical/engineering oriented industrial companies of similar size (hereinafter referred to as the market or marketplace). Any significant variation from the median is intended to reflect specific differences in the role and responsibilities of a particular position, as well as the individual s job experience and/or performance.

The Company retains the services of Watson Wyatt Worldwide (Watson Wyatt), an independent executive compensation consultant, to evaluate the cash compensation levels of the Company s executive officers (currently nine U.S.-based and five overseas). Watson Wyatt makes detailed evaluations biennially, in the spring of every second year, utilizing published compensation survey data in assessing the Company s compensation competitiveness relative to the marketplace. Watson Wyatt determines the marketplace by extracting data cuts from broad-based compensation surveys, including surveys conducted by Watson Wyatt and by other executive compensation consulting firms. These surveys provide data for a broad group of comparable general industry companies and technical/engineering oriented manufacturing companies.

Employment contracts with executive officers call for a minimum annual increase in base salary equal to the June-to-June percentage increase in the consumer price index (the CPI). For fiscal 2002, this minimum mandatory increase was 3.462%, based on the CPI increase from June 2000 to June 2001. With the CPI increase as a floor, the Compensation Committee adjusted base salaries for fiscal 2002, as it does each year, to reflect individual performance for the past year, internal relationships and marketplace practices as shown by data supplied by Watson Wyatt. Base salary increases for fiscal 2002 were 4% for three non-U.S. executive officers and 4.2% for nine U.S. executive officers. In addition, one executive officer received an increase of 14% to bring him up to the level of his peer group (group vice presidents), and two executive officers received increases of 13% and 18% to reflect promotions.

Annual Incentive Bonuses

On July 17, 2001 the Compensation Committee adopted the Executive Incentive Bonus Plan (the Bonus Plan or the Plan), subject to shareholder approval, which was obtained at the Annual Meeting of Shareholders held on November 14, 2001. The impetus for the Bonus Plan was Section 162(m) of the Internal Revenue Code (the Code), which provides that compensation of a Named Executive Officer (the chief executive officer and the next four most highly compensated officers) is not deductible by a corporation for federal income tax purposes to the extent that such officer s compensation exceeds $1 million for any fiscal year. However, performance-based compensation that meets certain requirements of Section 162(m) and the regulations thereunder is exempt from the $1 million limitation on deductibility for tax purposes. See *Policy Regarding $1,000,000 Limit on Deductible Compensation* below.

The Bonus Plan covers those senior officers of the Company who have employment agreements with the Company which provide that the officer is eligible to receive annual bonuses under the Bonus Plan. During fiscal 2002, there were ten officers participating in the Bonus Plan, consisting of the Company s Chairman and Chief Executive Officer, President, Chief Financial Officer, one Executive Vice President, one Group Vice President, and five Senior Vice Presidents who are members of the Company s Operating Committee. In the future, officers who are promoted or hired to these positions will be eligible to receive annual bonuses under the Bonus Plan.

The first element for determining the amount of the bonus payable to an executive for a fiscal year under the Bonus Plan is the executive s Target Bonus Percentage, which is the maximum bonus payable to the executive for the year, expressed as a percentage of the executive s base salary. Such percentage is specified in the executive s employment agreement. During fiscal 2002, the Target Bonus Percentages were 100% for the Chief Executive Officer, 75% for the President and 70% for the Chief Financial Officer, the Executive Vice Presidents, the Group Vice President and the Senior Vice Presidents. However, the Target Bonus Percentage for executives who were in charge of a segment of the Company s business was 28% of base salary. These executives were entitled to an additional business segment bonus of up to 42% of base salary as described below. Business segment bonuses are not calculable or payable under the Bonus Plan. Among the current Named Executive Officers, only Mr. Wortham has a business segment bonus.

Base salaries of executives participating in the Bonus Plan are fixed annually by the Compensation Committee. The base salaries for fiscal 2002 of the five Named Executive Officers are shown in the *Summary Compensation Table* above (see the Salary column and the footnote thereto). Employment agreements with executives may be amended or replaced from time to time with the approval of the Compensation Committee. Thus, both the amount of annual base salaries and any amendments to employment agreements, including Target Bonus Percentages therein, require approval of the Compensation Committee. However, the Bonus Plan as in effect for fiscal 2002 provided that the amount of the bonus otherwise payable under the Plan to any executive for any fiscal year could not exceed the lesser of $1.0 million or 100% of the executive s base salary for the year.

The second element for determining bonus amounts under the Plan is the establishment by the Compensation Committee for each fiscal year of a Minimum R.O.E. Target and a Maximum R.O.E. Target . The Minimum R.O.E. Target for a fiscal year is the Return On Equity (as defined below) that must be exceeded in order for any bonus to be paid at all to each executive for that year. The Maximum

R.O.E. Target means the Return On Equity that must be achieved in order for each executive to receive his maximum bonus based on his Target Bonus Percentage.

If Return On Equity is more than the Minimum R.O.E. Target and less than the Maximum R.O.E. Target, the bonus payable is a pro rata amount of the executive s Target Bonus Percentage (subject to the Committee s discretion to adjust the bonus amount as described below).

Return On Equity means the percentage determined by dividing Net Earnings for a fiscal year by Average Equity for that year. Net Earnings for any fiscal year is the after-tax consolidated net earnings of the Company and its subsidiaries as certified by the Company s auditors for inclusion in the annual report to shareholders, adjusted to eliminate any decreases in or charges to earnings for (a) the effect of foreign currency exchange rates, (b) any acquisitions, divestitures, discontinuance of business operations, restructuring or any other special charges, (c) the cumulative effect of any accounting changes, and (d) any extraordinary items as determined under generally accepted accounting principles, to the extent that such decreases or charges referred to in clauses (a) through (d) of this paragraph are separately disclosed in the Company s annual report for the year.

Average Equity for any fiscal year means the average of shareholders equity as shown in the annual report in the fiscal year-end consolidated balance sheet of the Company and its subsidiaries as of the end of such fiscal year and as of the end of the immediately preceding fiscal year, except that any amounts shown on those balance sheets as accumulated other comprehensive income or loss are disregarded.

The Compensation Committee may, in its discretion, reduce the amount of the bonus otherwise payable to any executive in accordance with the formula described in the preceding paragraphs

to reflect any decreases in or charges to earnings that were eliminated in determining Net Earnings for the year pursuant to clause (a), (b), (c) or (d) in the definition of Net Earnings above,

to reflect any credits to earnings for extraordinary items of income or gain that were taken into account in determining Net Earnings for the year,

to reflect the Committee s evaluation of the executive s individual performance, or

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 that executive for the year.

The Committee may also, in its discretion, increase the amount of the bonus otherwise payable to any executive who is not a Named Executive Officer to reflect the Committee s evaluation of the executive s individual perfor