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

FORM 10-Q

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended January 31, 2014

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 001- 04311

PALL CORPORATION

(Exact name of registrant as specified in its charter)

New York	**11-1541330**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25 Harbor Park Drive, Port Washington, NY	**11050**
(Address of principal executive offices)	(Zip Code)

(516) 484-5400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares of the registrant's common stock outstanding as of February 26, 2014 was 109,775,816.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PALL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	Jan 31, 2014	Jul 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	$ 951,834	$ 936,886
Accounts receivable	536,755	566,335
Inventory	394,865	381,047
Prepaid expenses	74,471	72,808
Other current assets	80,924	92,953
Total current assets	2,038,849	2,050,029
Property, plant and equipment	789,342	774,948
Goodwill	348,080	342,492
Intangible assets	137,385	137,243
Other non-current assets	159,858	168,127
Total assets	$ 3,473,514	$ 3,472,839
Liabilities and Stockholders' Equity:		
Current liabilities:		
Notes payable	$ 304,930	$ 169,967
Accounts payable	134,295	157,176
Accrued liabilities	284,099	312,829
Income taxes payable	53,535	60,732
Current portion of long-term debt	405	420
Dividends payable	—	27,947
Total current liabilities	777,264	729,071
Long-term debt, net of current portion	463,674	467,319
Income taxes payable – non-current	145,905	141,843
Deferred taxes and other non-current liabilities	339,643	319,650
Total liabilities	1,726,486	1,657,883
Stockholders' equity:		
Common stock, par value $.10 per share	12,796	12,796
Capital in excess of par value	295,106	298,150
Retained earnings	2,397,826	2,285,031
Treasury stock, at cost	(943,739)	(740,229)
Accumulated other comprehensive income/(loss):		
Foreign currency translation	105,887	84,598
Pension liability adjustment	(125,876)	(125,211)
Unrealized investment gains	1,749	2,123
Unrealized gains/(losses) on derivatives	3,279	(2,302)
Total accumulated other comprehensive income/(loss)	(14,961)	(40,792)
Total stockholders' equity	1,747,028	1,814,956
Total liabilities and stockholders' equity	$ 3,473,514	$ 3,472,839

See accompanying notes to condensed consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	**Jan 31, 2013**	**Jan 31, 2014**	**Jan 31, 2013**
Net sales	$ 676,969	$ 662,455	$ 1,306,748	$ 1,290,055
Cost of sales	332,710	320,492	636,775	621,009
Gross profit	344,259	341,963	669,973	669,046
Selling, general and administrative expenses	196,299	206,009	391,183	401,974
Research and development	24,979	23,399	48,246	45,974
Restructuring and other charges, net	9,170	4,399	18,368	8,673
Interest expense, net	5,195	6,017	11,172	5,449
Earnings from continuing operations before income taxes	108,616	102,139	201,004	206,976
Provision for income taxes	24,950	21,820	45,825	37,492
Net earnings from continuing operations	$ 83,666	$ 80,319	$ 155,179	$ 169,484
Earnings/(loss) from discontinued operations, net of income taxes	$ —	$ (3,549)	$ —	$ 246,758
Net earnings	$ 83,666	$ 76,770	$ 155,179	$ 416,242
Earnings per share from continuing operations:				
Basic	$ 0.76	$ 0.71	$ 1.39	$ 1.49
Diluted	$ 0.75	$ 0.70	$ 1.38	$ 1.48
Earnings/(loss) per share from discontinued operations:				
Basic	$ —	$ (0.03)	$ —	$ 2.18
Diluted	$ —	$ (0.03)	$ —	$ 2.15
Earnings per share:				
Basic	$ 0.76	$ 0.68	$ 1.39	$ 3.67
Diluted	$ 0.75	$ 0.67	$ 1.38	$ 3.63
Dividends declared per share	$ —	$ 0.250	$ 0.275	$ 0.500
Average shares outstanding:				
Basic	110,720	112,420	111,263	113,398
Diluted	111,980	113,809	112,532	114,784

See accompanying notes to condensed consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Net earnings	$ 83,666	$ 76,770	$ 155,179	$ 416,242
Other comprehensive income/(loss), net of income taxes:				
Foreign currency translation	(21,938)	7,570	21,289	41,322
Pension liability adjustment	(71)	3,375	(665)	4,563
Unrealized investment gains/(losses)	(292)	(344)	(374)	63
Unrealized gains/(losses) on derivatives	3,126	(1,825)	5,581	(3,777)
Total other comprehensive income/(loss), net of income taxes	(19,175)	8,776	25,831	42,171
Comprehensive income	$ 64,491	$ 85,546	$ 181,010	$ 458,413

See accompanying notes to condensed consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	Jan 31, 2014	**Jan 31, 2013**
Operating activities:		
Net cash provided by operating activities	$ 205,595	$ 89,382
Investing activities:		
Capital expenditures	(34,663)	(42,403)
Acquisition of businesses	(5,299)	—
Purchases of retirement benefit assets	(14,312)	(28,166)
Proceeds from retirement benefit assets	19,946	30,322
Proceeds from sale of assets	1,953	542,088
Other	(3,278)	(1,094)
Net cash provided/(used) by investing activities	(35,653)	500,747
Financing activities:		
Notes payable	134,963	30,024
Dividends paid	(58,408)	(52,634)
Long-term borrowings	—	15
Repayments of short-term debt	(3,927)	—
Repayments of long-term debt	(375)	(239)
Net proceeds from stock plans	7,130	24,623
Purchase of treasury stock	(250,000)	(250,000)
Excess tax benefits from stock-based compensation arrangements	9,444	8,426
Net cash used by financing activities	(161,173)	(239,785)
Cash flow for period	8,769	350,344
Cash and cash equivalents at beginning of year	936,886	500,274
Effect of exchange rate changes on cash and cash equivalents	6,179	19,614
Cash and cash equivalents at end of period	$ 951,834	$ 870,232
Supplemental disclosures:		
Interest paid	$ 11,844	$ 22,612
Income taxes paid (net of refunds)	31,772	103,876

See accompanying notes to condensed consolidated financial statements.

PALL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The condensed consolidated financial information of Pall Corporation and its subsidiaries (hereinafter collectively called the "Company") included herein is unaudited. Such information reflects all adjustments of a normal recurring nature, which are, in the opinion of Company management, necessary to present fairly the Company's consolidated financial position, results of operations and cash flows as of the dates and for the periods presented herein. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes set forth in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2013 ("2013 Form 10-K").

As discussed in Note 16, Discontinued Operations, on August 1, 2012, the Company sold certain assets of its blood collection, filtration and processing product line, which was a component of the Company's Life Sciences segment, and met the criteria for discontinued operations and held for sale presentation during the third quarter of fiscal year 2012. As such, it has been reported as a discontinued operation in the Company's condensed consolidated financial statements for all periods presented.

NOTE 2 – BALANCE SHEET DETAILS

The following tables provide details of selected balance sheet items:

	Jan 31, 2014	Jul 31, 2013
Accounts receivable:		
Billed	$ 482,809	$ 508,448
Unbilled	67,548	72,787
Total	550,357	581,235
Less: Allowances for doubtful accounts	(13,602)	(14,900)
	$ 536,755	$ 566,335

Unbilled receivables principally relate to revenues accrued for long-term contracts recorded under the percentage-of-completion method of accounting.

	Jan 31, 2014	Jul 31, 2013
Inventory:		
Raw materials and components	$ 114,702	$ 94,837
Work-in-process	105,484	94,998
Finished goods	174,679	191,212
	$ 394,865	$ 381,047

	Jan 31, 2014	July 31, 2013
Property, plant and equipment:		
Property, plant and equipment	$ 1,719,826	$ 1,650,274
Less: Accumulated depreciation and amortization	(930,484)	(875,326)
	$ 789,342	$ 774,948

(In thousands, except per share data)

NOTE 3 – GOODWILL AND INTANGIBLE ASSETS

The following table presents goodwill, allocated by reportable segment.

	Jan 31, 2014	Jul 31, 2013
Life Sciences	$ 186,098	$ 180,896
Industrial	161,982	161,596
	$ 348,080	$ 342,492

Intangible assets, net, consist of the following:

	Jan 31, 2014		
	Gross	Accumulated Amortization	Net
Patents and unpatented technology	$ 112,559	$ 62,044	$ 50,515
Customer-related intangibles	106,290	27,354	78,936
Trademarks	13,353	6,573	6,780
Other	3,638	2,484	1,154
	$ 235,840	$ 98,455	$ 137,385

	Jul 31, 2013		
	Gross	Accumulated Amortization	Net
Patents and unpatented technology	$ 123,707	$ 69,992	$ 53,715
Customer-related intangibles	97,016	22,425	74,591
Trademarks	13,291	6,166	7,125
Other	4,425	2,613	1,812
	$ 238,439	$ 101,196	$ 137,243

Goodwill and intangible assets were primarily impacted by changes in the foreign exchange rates used to translate goodwill and intangible assets of foreign subsidiaries. Intangible assets were additionally impacted by immaterial acquisitions of Medistad Holding BV, a European manufacturing entity and SoloHill Engineering, Inc., a United States ("U.S") technology company in the first and second quarters of fiscal year 2014, respectively.

Amortization expense from continuing operations for intangible assets for the three and six months ended January 31, 2014 was $4,655 and $9,379, respectively. Amortization expense from continuing operations for intangible assets for the three and six months ended January 31, 2013 was $4,857 and $10,135, respectively. Amortization expense is estimated to be approximately $9,296 for the remainder of fiscal year 2014, $17,011 in fiscal year 2015, $15,744 in fiscal year 2016, $15,662 in fiscal year 2017, $15,493 in fiscal year 2018, and $13,170 in fiscal year 2019.

(In thousands, except per share data)

NOTE 4 – TREASURY STOCK

The following table highlights the share repurchase authorizations in effect during fiscal year 2014:

	Date of Authorization		
	Sep 26, 2011	**Jan 17, 2013**	**Total**
Amount available for repurchases as of July 31, 2013	$ 81,873	$ 250,000	$ 331,873
New authorizations	—	—	—
Utilized	(81,873)	(168,127)	(250,000)
Amount available for repurchases as of January 31, 2014	$ —	$ 81,873	$ 81,873

The Company's shares may be purchased over time as market and business conditions warrant. There is no time restriction on these authorizations. In September 2013, the Company entered into an Accelerated Share Repurchase ("ASR") agreement with a third-party financial institution to repurchase $125,000 of the Company's common stock. This transaction was completed in the second quarter of fiscal year 2014. Under the agreement, the Company paid $125,000 to the financial institution. Upon completion of the transaction, the Company received a total of 1,573 shares with an average price per share of $79.45.

In December 2013, the Company entered into a second ASR agreement with a third-party financial institution to repurchase $125,000 of the Company's common stock. Under the agreement, the Company paid $125,000 to the financial institution and received an initial delivery of 1,249 shares at an aggregate cost of $106,250, with an average price per share of $85.05. These shares were included in treasury stock in the accompanying condensed consolidated balance sheet as of January 31, 2014. The remaining $18,750 was included in additional paid in capital in the accompanying condensed consolidated balance sheets as of January 31, 2014. The December 2013 ASR agreement will be settled during the third quarter of fiscal year 2014. The final number of shares delivered upon settlement of the December 2013 ASR agreement will be determined with reference to the average price of the Company's common stock over the term of the ASR agreement.

During the six months ended January 31, 2014, 694 shares were issued under the Company's stock-based compensation plans. At January 31, 2014, the Company held 18,298 treasury shares.

NOTE 5 – CONTINGENCIES AND COMMITMENTS

With respect to the matters described in Note 14, Contingencies and Commitments, to the Company's consolidated financial statements included in the Company's 2013 Form 10-K and below, the Company has assessed the ultimate resolution of these matters and has reflected appropriate contingent liabilities in the condensed consolidated financial statements as of January 31, 2014 and July 31, 2013.

The Company and its subsidiaries are subject to certain other legal actions that arise in the normal course of business. Other than those legal proceedings and claims discussed in the 2013 Form 10-K and this Note, the Company is not facing any other legal proceedings and claims that would individually or in the aggregate have a reasonably possible material adverse effect on its financial condition or operating results. As such, any reasonably possible loss or range of loss, other than those legal proceedings discussed in the 2013 Form 10-K and this Note, is immaterial. However, the results of legal proceedings cannot be predicted with certainty. If the Company failed to prevail in several of these legal matters in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

(In thousands, except per share data)

Environmental Matters:

With respect to the environmental matters at the Company's Pinellas Park, Florida site, previously disclosed in Note 14, Contingencies and Commitments, to the Company's consolidated financial statements included in the Company's 2013 Form 10-K, the Florida Department of Environmental Protection approved the remedial action plan in September 2013. As a result of this, the Company added $4,440 to its environmental reserves in the first quarter of fiscal year 2014.

The Company's condensed consolidated balance sheet at January 31, 2014 includes liabilities for environmental matters of approximately $21,402 which relate primarily to the environmental proceedings discussed in the 2013 Form 10-K and as updated in this Note. In the opinion of management, the Company is in substantial compliance with applicable environmental laws and its current accruals for environmental remediation are adequate. However, as regulatory standards under environmental laws are becoming increasingly stringent, there can be no assurance that future developments, additional information and experience gained will not cause the Company to incur material environmental liabilities or costs beyond those accrued in its condensed consolidated financial statements.

NOTE 6 – RESTRUCTURING AND OTHER CHARGES, NET

The following tables summarize the restructuring and other charges ("ROTC") recorded in the three and six months ended January 31, 2014 and January 31, 2013:

	Three Months Ended Jan 31, 2014			Six Months Ended Jan 31, 2014		
	Restructuring (1)	Other (Gains)/ Charges (2)	Total	Restructuring (1)	Other (Gains)/ Charges (2)	Total
Severance benefits and other employment contract obligations	$ 7,347	$ (844)	$ 6,503	$ 10,462	$ (402)	$ 10,060
Professional fees and other costs, net of receipt of insurance claim payments	894	2,053	2,947	2,137	2,195	4,332
(Gain)/loss on sale and impairment of assets, net	—	—	—	—	160	160
Environmental matters	—	—	—	—	4,440	4,440
Reversal of excess restructuring reserves	(280)	—	(280)	(624)	—	(624)
	$ 7,961	$ 1,209	$ 9,170	$ 11,975	$ 6,393	$ 18,368
Cash	$ 7,961	$ 1,209	$ 9,170	$ 11,975	$ 6,233	$ 18,208
Non-cash	—	—	—	—	160	160
	$ 7,961	$ 1,209	$ 9,170	$ 11,975	$ 6,393	$ 18,368

(In thousands, except per share data)

	Three Months Ended Jan 31, 2013			Six Months Ended Jan 31, 2013		
	Restructuring (1)	Other (Gains)/ Charges (2)	Total	Restructuring (1)	Other (Gains)/ Charges (2)	Total
Severance benefits and other employment contract obligations	$ 1,916	$ 1,451	$ 3,367	$ 5,195	$ 1,451	$ 6,646
Professional fees and other costs, net of receipt of insurance claim payments	345	887	1,232	788	1,586	2,374
(Gain)/loss on sale and impairment of assets, net	(49)	—	(49)	(6)	—	(6)
Reversal of excess restructuring reserves	(151)	—	(151)	(341)	—	(341)
	$ 2,061	$ 2,338	$ 4,399	$ 5,636	$ 3,037	$ 8,673
Cash	$ 1,705	$ 1,825	$ 3,530	$ 5,237	$ 2,524	$ 7,761
Non-cash	356	513	869	399	513	912
	$ 2,061	$ 2,338	$ 4,399	$ 5,636	$ 3,037	$ 8,673

(1) Restructuring:

In fiscal year 2012, the Company announced a multi-year strategic cost reduction initiative ("structural cost improvement initiative"). This initiative impacts both segments as well as the Corporate Services Group. The goal of this initiative is to properly position the Company's cost structure globally to perform in the current economic environment without adversely impacting its growth or innovation potential.

Key components of the structural cost improvement initiative include:

- the strategic alignment of manufacturing, sales and R&D facilities to cost-effectively deliver high-quality products and superior service to the Company's customers worldwide,
- creation of regional shared financial services centers for the handling of accounting transaction processing and other accounting functions,
- reorganization of sales functions, to more cost-efficiently deliver superior service to the Company's customers globally, and
- reductions in headcount across all functional areas, enabled by efficiencies gained through the Company's ERP systems, as well as in order to align to economic conditions.

Restructuring charges recorded in the three and six months ended January 31, 2014 and January 31, 2013 primarily reflect the expenses incurred in connection with the Company's structural cost improvement initiative as discussed above.

(2) Other (Gains)/Charges:

Severance benefits and other employment contract obligations: In the three months ended January 31, 2013, the Company recorded charges related to certain employment contract obligations.

Professional fees and other: In the three months ended January 31, 2014, the Company recorded acquisition related legal and other professional fees. In the three and six months ended January 31, 2013, the Company recorded settlement related costs as well as legal and other professional fees, related to the Federal Securities Class Actions, Shareholder Derivative Lawsuits and Other Proceedings (see Note 14, Contingencies and Commitments, in the 2013 Form 10-K). The receipt of insurance claim payments partly offset these costs for the six months ended January 31, 2013.

Environmental matters: As discussed in Note 5, Contingencies and Commitments, in the six months ended January 31, 2014, the Company increased its previously established environmental reserve related to a matter in Pinellas Park, Florida.

(In thousands, except per share data)

The following table summarizes the activity related to restructuring liabilities recorded for the Company's structural cost improvement initiative which began in fiscal year 2012:

	Severance	Other	Total
Original charge	$ 61,852	$ 3,448	$ 65,300
Utilized	(27,365)	(2,798)	(30,163)
Translation	(123)	(47)	(170)
Balance at Jul 31, 2012	$ 34,364	$ 603	$ 34,967
Additions	21,637	2,840	24,477
Utilized	(29,574)	(1,936)	(31,510)
Reversal of excess reserves	(500)	(57)	(557)
Translation	313	23	336
Balance at Jul 31, 2013	$ 26,240	$ 1,473	$ 27,713
Additions	10,462	2,137	12,599
Utilized	(12,787)	(1,592)	(14,379)
Reversal of excess reserves	(506)	(118)	(624)
Translation	306	36	342
Balance at Jan 31, 2014	$ 23,715	$ 1,936	$ 25,651

Excluded from the table above are restructuring liabilities relating to restructuring plans initiated in fiscal year 2010. At January 31, 2014, the balance of these liabilities was $216.

NOTE 7 – INCOME TAXES

The Company's effective tax rates on continuing operations for the six months ended January 31, 2014 and January 31, 2013 were 22.8% and 18.1%, respectively. For the six months ended January 31, 2014, the effective tax rate varied from the U.S. federal statutory rate primarily due to the benefits of foreign operations. For the six months ended January 31, 2013, the effective tax rate varied from the U.S. federal statutory rate primarily due to the benefits of foreign operations and a net tax benefit of $7,757 primarily from the resolution of a U.S. tax audit partly offset by the establishment of deferred tax liabilities for the repatriation of foreign earnings.

During the six months ended January 31, 2013, the Company reached a final agreement with the Internal Revenue Service ("IRS") resolving the outstanding tax positions for fiscal years ended 2006 through 2008. As a result, the Company reversed $10,193 of previously recorded liabilities related to tax and penalties, as well as $6,704 related to interest ($4,268 net of income tax cost) that were accrued but not assessed as part of the IRS agreement.

At January 31, 2014 and July 31, 2013, the Company had gross unrecognized income tax benefits of $211,463 and $203,376, respectively. During the six months ended January 31, 2014, the amount of gross unrecognized tax benefits increased by $8,087, primarily due to tax positions taken during the current period and the impact of foreign currency translation partially offset by the expiration of various foreign statutes of limitation. As of January 31, 2014, the amount of net unrecognized income tax benefits that, if recognized, would impact the effective tax rate was $163,188.

At January 31, 2014 and July 31, 2013, the Company had liabilities of $20,767 and $18,622, respectively, for potential payment of interest and penalties.

Due to the potential resolution of tax examinations and the expiration of various statutes of limitation, the Company believes that it is reasonably possible that the gross amount of unrecognized tax benefits may decrease within the next twelve months by a range of zero to $66,183.

(In thousands, except per share data)

Subsequent to the balance sheet date, the Company received official notification of the resolution of a tax audit in the United Kingdom related to fiscal year 2010. This will result in the recognition of previously unrecognized income tax benefits of approximately $8,000 and a reversal of interest of approximately $1,000 in the Company's third fiscal quarter ending April 30, 2014.

NOTE 8 – COMPONENTS OF NET PERIODIC PENSION COST

Net periodic pension benefit cost for the Company's defined benefit pension plans includes the following components:

	Three Months Ended					
	U.S. Plans		Foreign Plans		Total	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Service cost	$ 2,170	$ 2,647	$ 997	$ 1,161	$ 3,167	$ 3,808
Interest cost	3,027	2,618	4,321	4,048	7,348	6,666
Expected return on plan assets	(2,324)	(2,384)	(3,542)	(4,118)	(5,866)	(6,502)
Amortization of prior service cost/(credit)	395	393	(10)	(15)	385	378
Amortization of actuarial loss	1,345	2,411	1,425	1,412	2,770	3,823
Loss due to curtailments and settlements	—	17	—	—	—	17
Net periodic benefit cost	$ 4,613	$ 5,702	$ 3,191	$ 2,488	$ 7,804	$ 8,190

	Six Months Ended					
	U.S. Plans		Foreign Plans		Total	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Service cost	$ 4,340	$ 5,295	$ 1,993	$ 2,350	$ 6,333	$ 7,645
Interest cost	6,055	5,235	8,525	8,066	14,580	13,301
Expected return on plan assets	(4,649)	(4,767)	(6,980)	(8,221)	(11,629)	(12,988)
Amortization of prior service cost/(credit)	790	786	(21)	(32)	769	754
Amortization of actuarial loss	2,689	4,822	2,811	2,812	5,500	7,634
Loss due to curtailments and settlements	—	33	—	—	—	33
Net periodic benefit cost	$ 9,225	$ 11,404	$ 6,328	$ 4,975	$ 15,553	$ 16,379

NOTE 9 – STOCK–BASED PAYMENT

The Company currently has four stock-based employee and director compensation award types (Restricted Stock Unit, Stock Option Plans, Management Stock Purchase Plan ("MSPP"), and Employee Stock Purchase Plan ("ESPP")), which are more fully described in Note 15, Common Stock, to the consolidated financial statements included in the 2013 Form 10-K.

(In thousands, except per share data)

The detailed components of stock-based compensation expense recorded in the condensed consolidated statements of earnings for the three and six months ended January 31, 2014 and January 31, 2013 are reflected in the table below:

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	**Jan 31, 2013**	**Jan 31, 2014**	**Jan 31, 2013**
Restricted stock units	$ 6,254	$ 4,609	$ 10,447	$ 7,917
Stock options	1,965	1,544	3,486	2,678
MSPP	972	937	1,164	1,787
ESPP	273	302	498	690
Total	$ 9,464	$ 7,392	$ 15,595	$ 13,072

NOTE 10 – EARNINGS PER SHARE

The condensed consolidated statements of earnings present basic and diluted earnings per share. Basic earnings per share is determined by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share considers the potential effect of dilution on basic earnings per share assuming potentially dilutive shares that meet certain criteria, such as those issuable upon exercise of stock options, were outstanding. The treasury stock method reduces the dilutive effect of potentially dilutive securities as it assumes that any cash proceeds (from the issuance of potentially dilutive securities) are used to buy back shares at the average share price during the period. Employee stock options and restricted stock units aggregating 506 and 1,254 shares were not included in the computation of diluted shares for the three months ended January 31, 2014 and January 31, 2013, respectively, because their effect would have been antidilutive. For the six months ended January 31, 2014 and January 31, 2013, 921 and 1,175 antidilutive shares, respectively, were excluded. The following is a reconciliation between basic shares outstanding and diluted shares outstanding:

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	**Jan 31, 2013**	**Jan 31, 2014**	**Jan 31, 2013**
Basic shares outstanding	110,720	112,420	111,263	113,398
Effect of stock plans	1,260	1,389	1,269	1,386
Diluted shares outstanding	111,980	113,809	112,532	114,784

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company records certain of its financial assets and liabilities at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The current authoritative guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Authoritative guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Use of observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Use of inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3: Use of inputs that are unobservable.

(In thousands, except per share data)

The following table presents, for each of these hierarchy levels, the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of January 31, 2014:

	Fair Value Measurements			
	As of Jan 31, 2014	Level 1	Level 2	Level 3
Financial assets carried at fair value				
Money market funds	$ 2,469	$ 2,469	$ —	$ —
Available-for-sale securities:				
Equity securities	203	203	—	—
Debt securities:				
Corporate	30,191	—	30,191	—
U.S. Treasury	10,793	—	10,793	—
Federal agency	18,574	—	18,574	—
Mortgage-backed	8,171	—	8,171	—
Commercial paper	700	—	700	—
Trading securities	216	216	—	—
Derivative financial instruments:				
Foreign exchange forward contracts	4,512	—	4,512	—
Financial liabilities carried at fair value				
Derivative financial instruments:				
Foreign exchange forward contracts	1,683	—	1,683	—

The following table presents, for each of these hierarchy levels, the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of July 31, 2013:

	Fair Value Measurements			
	As of Jul 31, 2013	Level 1	Level 2	Level 3
Financial assets carried at fair value				
Money market funds	$ 6,404	$ 6,404	$ —	$ —
Available-for-sale securities:				
Equity securities	176	176	—	—
Debt securities:				
Corporate	32,393	—	32,393	—
U.S. Treasury	11,543	—	11,543	—
Federal agency	20,642	—	20,642	—
Mortgage-backed	5,990	—	5,990	—
Trading securities	190	190	—	—
Derivative financial instruments:				
Foreign exchange forward contracts	301	—	301	—
Financial liabilities carried at fair value				
Derivative financial instruments:				
Foreign exchange forward contracts	3,066	—	3,066	—

(In thousands, except per share data)

The Company's money market funds and equity securities are valued using quoted market prices and, as such, are classified within Level 1 of the fair value hierarchy.

The fair value of the Company's investments in debt securities are valued utilizing third party pricing services and verified by management. The pricing services use inputs to determine fair value which are derived from observable market sources including reportable trades, benchmark curves, credit spreads, broker/dealer quotes, bids, offers, and other industry and economic events. These investments are included in Level 2 of the fair value hierarchy.

The fair values of the Company's foreign currency forward contracts are valued using pricing models, with all significant inputs derived from or corroborated by observable market data such as yield curves, currency spot and forward rates, and currency volatilities. These investments are included in Level 2 of the fair value hierarchy.

NOTE 12 – INVESTMENT SECURITIES

The following is a summary of the Company's available-for-sale investment securities by category which are classified within other non-current assets in the Company's condensed consolidated balance sheets. Contractual maturity dates of debt securities held by the benefits protection trusts at January 31, 2014 range from 2014 to 2046.

	Cost/ Amortized Cost Basis	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Net Unrealized Holding Gains/(Losses)
January 31, 2014					
Equity securities	$ 197	$ 203	$ 6	$ —	$ 6
Debt securities:					
Corporate	29,452	30,191	1,168	(429)	739
U.S. Treasury	10,741	10,793	206	(154)	52
Federal agency	17,978	18,574	1,002	(406)	596
Mortgage-backed	7,997	8,171	189	(15)	174
Commercial paper	699	700	1	—	1
	$ 67,064	$ 68,632	$ 2,572	$ (1,004)	$ 1,568
July 31, 2013					
Equity securities	$ 176	$ 176	$ —	$ —	$ —
Debt securities:					
Corporate	31,546	32,393	1,274	(427)	847
U.S. Treasury	11,339	11,543	294	(90)	204
Federal agency	19,810	20,642	1,131	(299)	832
Mortgage-backed	5,752	5,990	238	—	238
	$ 68,623	$ 70,744	$ 2,937	$ (816)	$ 2,121

(In thousands, except per share data)

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
January 31, 2014						
Debt securities:						
Corporate	$ 9,685	$ (429)	$ —	$ —	$ 9,685	$ (429)
U.S. Treasury	4,328	(154)	—	—	4,328	(154)
Federal agency	3,785	(406)	—	—	3,785	(406)
Mortgage-backed	2,932	(15)	—	—	2,932	(15)
	$ 20,730	$ (1,004)	$ —	$ —	$ 20,730	$ (1,004)

	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
July 31, 2013						
Debt securities:						
Corporate	10,990	(427)	—	—	10,990	(427)
U.S. Treasury	3,778	(90)	—	—	3,778	(90)
Federal agency	3,701	(299)	—	—	3,701	(299)
	$ 18,469	$ (816)	$ —	$ —	$ 18,469	$ (816)

The following table shows the proceeds and gross gains and losses from the sale of available-for-sale investments for the three and six months ended January 31, 2014 and January 31, 2013:

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Proceeds from sales	$ 2,558	$ 6,689	$ 3,058	$ 12,286
Realized gross gains on sales	84	160	84	352
Realized gross losses on sales	99	3	100	5

The following is a summary of the Company's trading securities by category which are classified within other non-current assets in the Company's condensed consolidated balance sheets.

	Jan 31, 2014	Jul 31, 2013
Equity securities	$ 216	$ 190
Total trading securities	$ 216	$ 190

(In thousands, except per share data)

The following table shows the net gains and losses recognized on trading securities for the three and six months ended January 31, 2014 and January 31, 2013:

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Gains, net recognized for securities held	$ 7	$ —	$ 23	$ —
Gains, net recognized for securities sold	—	—	—	—
Total gains, net recognized	$ 7	$ —	$ 23	$ —

NOTE 13 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company manages certain financial exposures through a risk management program that includes the use of foreign exchange derivative financial instruments. Derivatives are executed with counterparties with a minimum credit rating of “A” by Standard & Poors and “A2” by Moody’s Investor Services, in accordance with the Company’s policies. The Company does not utilize derivative instruments for trading or speculative purposes. As of January 31, 2014, the Company had foreign currency forward contracts outstanding with notional amounts aggregating $477,156, whose fair values were a net asset of $2,829.

Foreign Exchange Related:

a. Derivatives Not Designated as Hedging Instruments

The risk management objective of holding foreign exchange derivatives is to mitigate volatility to earnings and cash flows due to changes in foreign exchange rates. The Company and its subsidiaries conduct transactions in currencies other than their functional currencies. These transactions include non-functional intercompany and external sales as well as intercompany and external purchases. The Company uses foreign exchange forward contracts, matching the notional amounts and durations of the receivables and payables resulting from the aforementioned underlying foreign currency transactions, to mitigate the exposure to earnings and cash flows caused by the changes in fair value of these receivables and payables from fluctuating foreign exchange rates. The notional amount of foreign currency forward contracts not designated as hedging instruments entered into during the three and six months ended January 31, 2014 was $607,273 and $1,181,442, respectively. The notional amount of foreign currency forward contracts outstanding that were not designated as hedging instruments as of January 31, 2014 was $369,219.

b. Cash Flow Hedges

The Company uses foreign exchange forward contracts for cash flow hedging on its future transactional exposure to the Euro due to changes in market rates to exchange Euros for British Pounds. The hedges cover a British subsidiary (British Pound functional) with Euro revenues and a Swiss subsidiary (Euro functional) with British Pound expenses. The probability of the occurrence of these transactions is high and the Company’s assessment is based on observable facts including the frequency and amounts of similar past transactions. The objective of the cash flow hedges is to lock the British Pound equivalent amount of Euro sales for the British subsidiary and the Euro equivalent amount of British Pound expenses for the Swiss subsidiary at the agreed upon exchange rates in the foreign exchange forward contracts. The notional amount of foreign currency forward contracts designated as hedging instruments entered into during the three and six months ended January 31, 2014 was $54,767. The notional amount of foreign currency forward contracts outstanding designated as hedging instruments as of January 31, 2014 was $107,937 and covers certain monthly transactional exposures through February 2015.

c. Net Investment Hedges

The risk management objective of designating the Company’s foreign currency loan as a hedge of a portion of its net investment in a wholly owned Japanese subsidiary is to mitigate the change in the fair value of the Company’s net investment due to changes in foreign exchange rates. The Company uses a JPY loan outstanding to hedge its equity of the same amount in the Japanese wholly owned subsidiary. The hedge of net investment consists of a JPY 9 billion loan.

(In thousands, except per share data)

The fair values of the Company's derivative financial instruments included in the condensed consolidated balance sheets are presented as follows:

	Asset Derivatives		Liability Derivatives	
January 31, 2014	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign exchange forward contracts	Other current assets	$ 3,567	Other current liabilities	$ 4
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	Other current assets	$ 945	Other current liabilities	$ 1,679
Total derivatives		$ 4,512		$ 1,683
Nonderivative instruments designated as hedging instruments				
Net investment hedge			Long-term debt, net of current portion	$ 87,624

	Asset Derivatives		Liability Derivatives	
July 31, 2013	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign exchange forward contracts	Other current assets	$ —	Other current liabilities	$ 1,941
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	Other current assets	$ 301	Other current liabilities	$ 1,125
Total derivatives		$ 301		$ 3,066
Nonderivative instruments designated as hedging instruments				
Net investment hedge			Long-term debt, net of current portion	$ 91,800

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments for the three and six months ended January 31, 2014 and January 31, 2013 are presented as follows:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) [(a)]	
	Three Months Ended			Three Months Ended	
	Jan 31, 2014	Jan 31, 2013		Jan 31, 2014	Jan 31, 2013
Derivatives in cash flow hedging relationships					
Foreign exchange forward contracts	$ 3,489	$ (1,825)	Net sales	$ 113	$ (296)
			Cost of sales	(46)	(170)
Total derivatives	$ 3,489	$ (1,825)		$ 67	$ (466)

(In thousands, except per share data)

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) [(a)]	
	Six Months Ended			Six Months Ended	
	Jan 31, 2014	Jan 31, 2013		Jan 31, 2014	Jan 31, 2013
Derivatives in cash flow hedging relationships					
Foreign exchange forward contracts	$ 5,310	$ (3,777)	Net sales	$ 112	$ (387)
			Cost of sales	(866)	(170)
Total derivatives	$ 5,310	$ (3,777)		$ (754)	$ (557)

(a) There were no gains or losses recognized in earnings related to the ineffective portion of the hedging relationship or related to the amount excluded from the assessment of hedge effectiveness for the three and six months ended January 31, 2014 and January 31, 2013.

The amounts of the gains and losses related to the Company’s derivative financial instruments not designated as hedging instruments for the three and six months ended January 31, 2014 and January 31, 2013 are presented as follows:

	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives			
		Three Months Ended		Six Months Ended	
		Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Derivatives not designated as hedging relationships					
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (2,792)	$ (7,388)	$ (2,343)	$ (9,826)

(In thousands, except per share data)

The amounts of the gains and losses related to the Company's nonderivative financial instruments designated as hedging instruments for the three and six months ended January 31, 2014 and January 31, 2013 are presented as follows:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) (b)	
	Three Months Ended			Three Months Ended	
	Jan 31, 2014	Jan 31, 2013		Jan 31, 2014	Jan 31, 2013
Nonderivatives designated as hedging relationships					
Net investment hedge	$ (3,735)	$ 9,100	N/A	$ —	$ —

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) (b)	
	Six Months Ended			Six Months Ended	
	Jan 31, 2014	Jan 31, 2013		Jan 31, 2014	Jan 31, 2013
Nonderivatives designated as hedging relationships					
Net investment hedge	$ (4,176)	$ 10,437	N/A	$ —	$ —

(b) There were no gains or losses recognized in earnings related to the ineffective portion of the hedging relationship or related to the amount excluded from the assessment of hedge effectiveness for the three and six months ended January 31, 2014 and January 31, 2013.

NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Changes in accumulated other comprehensive income by component are presented below:

	Foreign Currency Translation	Defined Benefit Pension Plan	Unrealized investment gains/(losses)	Unrealized gains/(losses) on derivatives	Accumulated other comprehensive income/(loss)
Balance at July 31, 2013	$ 84,598	$ (125,211)	$ 2,123	$ (2,302)	$ (40,792)
Other comprehensive income/(loss) before reclassifications	21,289	—	(450)	4,817	25,656
Amounts reclassified from accumulated other comprehensive income (loss)	—	4,330	76	764	5,170
Foreign exchange adjustments and other	—	(4,995)	—	—	(4,995)
Balance at January 31, 2014	$ 105,887	$ (125,876)	$ 1,749	$ 3,279	$ (14,961)

(In thousands, except per share data)

Reclassifications out of accumulated other comprehensive income are presented below:

	Three Months Ended Jan 31, 2014	Six Months Ended Jan 31, 2014	Affected line item in the Condensed Consolidated Statement of Earnings
Defined Benefit Pension Plan			
Amortization of prior service cost	$ (385)	$ (769)	Note (a)
Recognized actuarial gain/(loss)	(2,770)	(5,500)	Note (a)
Total before tax	(3,155)	(6,269)	
Tax benefit	974	1,939	
Net of tax	$ (2,181)	$ (4,330)	
Unrealized investment gains/(losses)			
Realized investment gain/(losses)	$ (62)	$ (119)	Selling, general and administrative
Tax (expense)/benefit	23	43	
Net of tax	$ (39)	$ (76)	
Unrealized gains/(losses) on derivatives			
Foreign exchange forward contracts	$ 113	$ 112	Sales
Foreign exchange forward contracts	(46)	(866)	Cost of sales
Total before tax	67	(754)	
Tax benefit	(24)	(10)	
Net of tax	$ 43	$ (764)	

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 8, Components of Net Periodic Pension Cost, for additional details).

(In thousands, except per share data)

NOTE 15 – SEGMENT INFORMATION

The Company's reportable segments, which are also its operating segments, consist of the Company's Life Sciences and Industrial businesses.

The following table presents sales and segment profit from continuing operations by business segment reconciled to earnings from continuing operations before income taxes for the three and six months ended January 31, 2014 and January 31, 2013.

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
SALES:				
Life Sciences	$ 353,230	$ 329,182	$ 672,176	$ 629,133
Industrial	323,739	333,273	634,572	660,922
Total	$ 676,969	$ 662,455	$ 1,306,748	$ 1,290,055
SEGMENT PROFIT:				
Life Sciences	$ 90,856	$ 82,477	$ 163,901	$ 152,319
Industrial	46,891	48,104	97,373	100,870
Total segment profit	137,747	130,581	261,274	253,189
Corporate Services Group	14,766	18,026	30,730	32,091
ROTC	9,170	4,399	18,368	8,673
Interest expense, net	5,195	6,017	11,172	5,449
Earnings from continuing operations before income taxes	$ 108,616	$ 102,139	$ 201,004	$ 206,976

NOTE 16 – DISCONTINUED OPERATIONS

On April 28, 2012, the Company entered into an asset purchase agreement ("APA") to sell certain assets of its blood collection, filtration and processing product line (the "Product Line") to Haemonetics Corporation ("Haemonetics") for approximately $550,000. The transaction involved the transfer of manufacturing facilities and equipment in Covina, California; Tijuana, Mexico; Ascoli, Italy and a portion of the Company's operations in Fajardo, Puerto Rico. In addition to the manufacturing facilities and related equipment, the Company transferred Product Line related inventory and intangible assets. Haemonetics also assumed certain employee-related liabilities. The sale closed on August 1, 2012, and approximately 1,400 employees transitioned to Haemonetics at that time.

Separate from these manufacturing facilities, the Company also agreed to transfer related blood media manufacturing capabilities and assets to Haemonetics. The transfer of the related media lines is expected to be completed by calendar year 2016. Until that time, the Company is providing these media products to Haemonetics under a supply agreement. Under the terms of the APA, approximately $535,000 was paid upon closing, with the balance of the purchase price payable upon the Company's delivery of the aforementioned blood media manufacturing capability and related assets.

The Product Line, which was a component of the Company's Life Sciences segment, met the criteria for discontinued operations and held for sale presentation during the third quarter of fiscal year 2012 and has been reported as a discontinued operation in the Company's condensed consolidated financial statements. The Company did not allocate any portion of the Company's interest expense to discontinued operations.

(In thousands, except per share data)

The key components of discontinued operations for the three and six months ended January 31, 2013 were as follows:

	Three Months Ended Jan 31, 2013	Six Months Ended Jan 31, 2013
Net sales	$ 5,496	$ 8,523
Earnings/(loss) from discontinued operations before income taxes	$ (5,663)	$ 394,321
Provision/(benefit) for income taxes	(2,114)	147,563
Earnings/(loss) from discontinued operations, net of income taxes	$ (3,549)	$ 246,758

Included in earnings from discontinued operations before income taxes above are a (loss)/gain on the sale of the Product Line of $(2,945) and $397,338, respectively, for the three and six months ended January 31, 2013.

NOTE 17 - SUBSEQUENT EVENT

On February 20, 2014 (the "Closing Date"), the Company acquired the Life Sciences business of ATMI, Inc ("ATMI LifeSciences"). ATMI LifeSciences is a technology leader in the field of single-use bioprocess equipment and consumables for the biopharmaceutical and biotechnology industries. The acquisition includes the ATMI LifeSciences portfolio of custom-engineered, flexible packaging solutions, single-use storage systems, mixers and bioreactors. On the Closing Date, the Company paid a cash purchase price of $185,000, subject to a post closing working capital adjustment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read together with the accompanying condensed consolidated financial statements and notes thereto and other financial information in this Form 10-Q and in the Pall Corporation and its subsidiaries (hereinafter collectively referred to as the "Company", "we" and "our") Annual Report on Form 10-K for the fiscal year ended July 31, 2013 ("2013 Form 10-K"). Certain information is presented below excluding the impact of foreign exchange translation ("translational FX") (i.e., had exchange rates not changed year over year). We consider year over year change excluding translational FX to be an important measure because by excluding the impact of volatility of exchange rates, underlying impact of volume and rate changes are evident. United States ("U.S.") Dollar amounts discussed below are in thousands, unless otherwise indicated, except per share dollar amounts. In addition, per share dollar amounts are discussed on a diluted basis. Our gross margin is impacted by the fluctuation of the costs of products that are sourced in a currency different from the currency they are sold in ("transactional FX") and our discussion of gross margin below may include references to this. We utilize certain estimates and assumptions that affect the reported financial information as well as to quantify the impact of various significant factors that contribute to the changes in our periodic results included in the discussion below.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

The matters discussed in this Quarterly Report contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. All statements regarding future performance, earnings projections, earnings guidance, management's expectations about our future cash needs and effective tax rate, and other future events or developments are forward-looking statements. Forward-looking statements are those that use terms such as "may," "will," "expect," "believe," "intend," "should," "could," "anticipate," "estimate," "forecast," "project," "plan," "predict," "potential," and similar expressions. Forward-looking statements contained in this and other written and oral reports are based on management's assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors.

Our forward-looking statements are subject to risks and uncertainties and are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by our forward-looking statements. Such risks and uncertainties include, but are not limited to, those discussed in Part I-Item 1A.-Risk Factors in the 2013 Form 10-K, and other reports we file with the Securities and Exchange Commission, including: the impact of disruptions in the supply of raw materials and key components from suppliers, including limited or single source suppliers; the impact of terrorist acts, conflicts and wars or natural disasters; the extent to which special U.S. and foreign government laws and regulations may expose us to liability or impair our ability to compete in international markets; the impact of economic, political, social and regulatory instability in emerging markets, and other risks characteristic of doing business in emerging markets; fluctuations in foreign currency exchange rates and interest rates; the impact of a significant disruption in, or breach in security of, our information technology systems, or the failure to implement, manage or integrate new systems, software or technologies successfully; our ability to successfully complete or integrate acquisitions; our ability to develop innovative and competitive new products; the impact of global and regional economic conditions and legislative, regulatory and political developments; our ability to comply with a broad array of regulatory requirements; the loss of one or more members of our senior management team and our ability to recruit and retain qualified management personnel; changes in the demand for our products and the maintenance of business relationships with key customers; changes in product mix and product pricing, particularly with respect to systems products and associated hardware and devices for our consumable filtration products; product defects and unanticipated use or inadequate disclosure with respect to our products; our ability to deliver our backlog on time; increases in manufacturing and operating costs and/or our ability to achieve the savings anticipated from our structural cost improvement initiatives; the impact of environmental, health and safety laws and regulations and violations; our ability to enforce patents or protect proprietary products and manufacturing techniques; costs and outcomes of pending or future litigation and the availability of insurance or indemnification rights; changes in our effective tax rate; our ability to compete effectively in domestic and global markets; and the effect of the restrictive covenants in our debt facilities. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We make these statements as of the date of this disclosure and undertake no obligation to update them, whether as a result of new information, future developments or otherwise.

OVERVIEW

We are a leading supplier of filtration, separation and purification technologies. Our products are used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, and are principally made by us, using our engineering capability, fluid management expertise, proprietary filter media and manufacturing expertise. Our products primarily consist of consumable filtration products and filtration systems.

We serve customers through two businesses globally: Life Sciences and Industrial. The Life Sciences business group serves customers in the BioPharmaceutical, Food & Beverage and Medical markets. The Industrial business group serves customers in the Process Technologies, Aerospace and Microelectronics markets. We operate globally in three geographic regions: the Americas; Europe (in which we include the Middle East and Africa); and Asia.

Our reporting currency is the U.S. Dollar. Because we operate through subsidiaries or branches that transact in over thirty foreign currencies around the world, our earnings are exposed to translation risk when the financial statements of the subsidiaries or branches, as stated in their functional currencies, are translated into the U.S. Dollar. We estimate that translational FX decreased sales by approximately $13,200 and earnings per share by approximately 4 cents in the three months ended January 31, 2014 when compared to the three months ended January 31, 2013. We estimate that translational FX decreased sales by approximately $20,800 and earnings per share by approximately 6 cents in the six months ended January 31, 2014 when compared to the six months ended January 31, 2013.

On August 1, 2012, we sold our blood collection, filtration and processing product line (the "Blood Product Line") to Haemonetics Corporation for $550,000. We received a total of approximately $535,000 upon closing, with the balance payable upon transfer of related blood media manufacturing capabilities and assets. The Blood Product Line was a component of our Life Sciences segment and has been reported as a discontinued operation for all periods presented.

During the first six months of fiscal year 2014, we completed the acquisitions of Medistad Holding BV ("Medistad") and SoloHill Engineering, Inc. ("SoloHill"). These acquisitions did not have a material impact on our results from operations or financial position.

RESULTS FROM CONTINUING OPERATIONS

Net Sales

	Three Months Ended		Six Months Ended	
By Segment	**Jan 31, 2014**	**Jan 31, 2013**	**Jan 31, 2014**	**Jan 31, 2013**
Life Sciences	$ 353,230	$ 329,182	$ 672,176	$ 629,133
Industrial	323,739	333,273	634,572	660,922
Total Sales	$ 676,969	$ 662,455	$ 1,306,748	$ 1,290,055

	Three Months Ended		Six Months Ended	
By Product	**Jan 31, 2014**	**Jan 31, 2013**	**Jan 31, 2014**	**Jan 31, 2013**
Consumables	$ 589,301	$ 572,224	$ 1,139,970	$ 1,124,654
Systems	87,668	90,231	166,778	165,401
Total Sales	$ 676,969	$ 662,455	$ 1,306,748	$ 1,290,055

The percentage change in sales for the three and six months ended January 31, 2014 compared to the three and six months ended January 31, 2013 by segment, with and without the impact of translational FX, are presented below:

	Three Months			Six Months		
By Segment	**% Change excluding translational FX**	**Translational FX**	**Total % Change**	**% Change excluding translational FX**	**Translational FX**	**Total % Change**
Life Sciences	8.3	(1.0)	7.3	7.5	(0.7)	6.8
Industrial	0.1	(3.0)	(2.9)	(1.5)	(2.5)	(4.0)
Total	4.2	(2.0)	2.2	2.9	(1.6)	1.3

The percentage change in sales for the three and six months ended January 31, 2014 compared to the three and six months ended January 31, 2013 by product, with and without the impact of translational FX, are presented below:

By Product	Three Months % Change excluding translational FX	Translational FX	Total % Change	Six Months % Change excluding translational FX	Translational FX	Total % Change
Consumables	4.7	(1.7)	3.0	2.9	(1.5)	1.4
Systems	0.6	(3.4)	(2.8)	2.7	(1.9)	0.8
Total	4.2	(2.0)	2.2	2.9	(1.6)	1.3

Three Months

Total sales increased approximately 4% (excluding translational FX) reflecting growth in all markets in the Life Sciences segment and in the Microelectronics market in the Industrial segment, partly offset by declines in the Process Technologies and Aerospace markets in the Industrial segment. More details regarding sales by segment can be found in the discussions under the section "Segment Review."

The approximate 5% increase in consumables sales (excluding translational FX) reflects solid growth in the Medical and BioPharmaceuticals markets in the Life Sciences segment, and in the Microelectronics market in the Industrial segment, partly offset by a decline in the Aerospace market in the Industrial segment. Consumables sales in the Food & Beverage market in the Life Sciences segment and in the Process Technologies market in the Industrial segment were flat. Increased pricing contributed approximately $4,300, or about 70 basis points, to consumables sales growth, reflecting increases in both segments.

The slight increase in system sales (excluding translational FX) reflects increases in capital spend in the Life Sciences segment, largely offset by timing of capital projects, principally in the Fuels & Chemicals submarket which is part of the Process Technologies market in the Industrial segment.

Six Months

Total sales increased approximately 3% (excluding translational FX) reflecting the same trend evident in the three months as discussed above.

The approximate 3% increase in consumables sales (excluding translational FX) reflects solid growth in the Life Sciences segment, in all three markets, and in the Microelectronics market in the Industrial segment, partly offset by declines in the Process Technologies and Aerospace markets. Increased pricing contributed approximately $7,400, or about 70 basis points, to consumables sales growth, reflecting increases in both segments.

The increase in system sales of approximately 3% (excluding translational FX) reflects increases in capital spend in the Life Sciences segment, partly offset by a slight decline in the Industrial segment mainly due to timing of projects in the Fuels & Chemicals submarket which is part of the Process Technologies market.

Gross Margin

	Three Months Ended Jan 31, 2014	Three Months Ended Jan 31, 2013	Six Months Ended Jan 31, 2014	Six Months Ended Jan 31, 2013
Gross Profit	$ 344,259	$ 341,963	$ 669,973	$ 669,046
% of sales	50.9	51.6	51.3	51.9
% Change	0.7		0.1	

Three Months

The decrease in overall gross margin of 70 basis points primarily reflects the impact of transactional FX (principally Yen related), lower systems margins and lower gross margin rates from the Medistad acquisition, partly offset by improved pricing. More details regarding gross margin can be found in the discussions under the section "Segment Review."

Six Months

The decrease in overall gross margin of 60 basis points primarily reflects the same factors discussed above for the three months.

Selling, General and Administrative

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Selling, general and administrative	$ 196,299	$ 206,009	$ 391,183	$ 401,974
% of sales	29.0	31.1	29.9	31.2
% Change	(4.7)		(2.7)	

Three Months

The decrease in selling, general and administrative expenses ("SG&A") as a percent of sales of 210 basis points reflects savings generated by our structural cost improvement initiative as well as timing of certain selling expenses. These decreases were partly offset by:

- select investments in high growth markets; and
- inflationary increases in payroll and related costs.

Six Months

The decrease in SG&A as a percent of sales of 130 basis points reflects the same factors as discussed above in the three months.

Research & Development

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Research and development	$ 24,979	$ 23,399	$ 48,246	$ 45,974
% of sales	3.7	3.5	3.7	3.6
% Change	6.8		4.9	

Three Months

The increase in research and development expenses ("R&D"), reflects our strategy to increase innovation investment in the Life Sciences and Industrial segments. This was driven by our focus on new product development and development of our media and instrumentation capabilities.

Six Months

The increase in R&D reflects the same factors as discussed above in the three months.

Restructuring and Other Charges, Net

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Restructuring and other charges, net	$ 9,170	$ 4,399	$ 18,368	$ 8,673

In fiscal year 2012, we announced a multi-year strategic cost reduction initiative ("structural cost improvement initiative"). This initiative impacts both segments as well as the Corporate Services Group. Our goal is to properly position our cost structure globally to perform in the current economic environment without adversely impacting our growth or innovation potential.

Key components of the structural cost improvement initiative include:

- the strategic alignment of our manufacturing, sales and R&D facilities to cost-effectively deliver high-quality products and superior service to our customers worldwide,
- creation of regional shared financial services centers for the handling of accounting transaction processing and other accounting functions,
- reorganization of sales functions, to more cost- efficiently deliver superior service to our customers globally, and
- reductions in headcount across all functional areas, enabled by efficiencies gained through our ERP systems, as well as in order to align to economic conditions.

The structural cost improvement initiative is expected to generate $100,000 in annualized cost savings over a three year period, which will allow us to invest in resources where needed. Approximately half of the targeted $100,000 annualized savings were achieved by the end of fiscal year 2013. We expect to achieve the remainder of our target savings ratably in fiscal years 2014 and 2015. We expect to fund these restructuring activities with cash flows generated from operating activities.

Restructuring and other charges ("ROTC") in the three and six months ended January 31, 2014 primarily reflect the expenses incurred in connection with our structural cost improvement initiative, as discussed above, including severance costs of $7,347 and $10,462 in the three and six months ended January 31, 2014, respectively. In addition, the six months ended January 31, 2014 includes an increase of $4,440 to our previously established environmental reserves related to a matter in Pinellas Park, Florida.

ROTC in the three and six months ended January 31, 2013 primarily reflect the expenses incurred in connection with our structural cost improvement initiative, as discussed above, including severance costs of $1,916 and $5,195 in the three and six months ended January 31, 2013, respectively.

The details of ROTC, as well as the activity related to restructuring liabilities that were recorded related to our structural cost improvement initiative, can be found in Note 6, Restructuring and Other Charges, Net, to the accompanying condensed consolidated financial statements.

Interest Expense, Net

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Interest expense, net	$ 5,195	$ 6,017	$ 11,172	$ 5,449

Three Months

The decrease in net interest expense of $822 in the three months was primarily driven by a reduction in income tax related interest expense.

Six Months

Interest expense, net, in the six months ended January 31, 2013 reflects the reversal of accrued interest of $6,704, related to the resolution of a U.S. tax audit. Excluding this benefit, interest expense, net, in the six months ended January 31, 2013 would have been $12,153. The resulting decrease in net interest expense of $981 was primarily driven by a reduction in other income tax related interest expense (excluding the item referenced above).

Income Taxes

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Income taxes	$ 24,950	$ 21,820	$ 45,825	$ 37,492
Effective tax rate (%)	23.0	21.4	22.8	18.1

Our effective tax rate for the three months ended January 31, 2014 and 2013 was 23.0% and 21.4%, respectively. Our effective tax rate for the six months ended January 31, 2014 and 2013 was 22.8% and 18.1%, respectively. The effective tax rate for the six months ended January 31, 2013 reflects a net tax benefit of $7,757 primarily from the resolution of a U.S. tax audit partly offset by the establishment of deferred tax liabilities for the repatriation of foreign earnings. Excluding these impacts, as well as the impact of ROTC discussed above, the effective tax rate for the six months ended January 31, 2014 and 2013 would have been 22.1% and 22.5%, respectively.

We expect our effective tax rate for the full fiscal year 2014 to be approximately 22.5%, exclusive of the impact of ROTC and discrete items. The actual effective tax rate for the full fiscal year 2014 may differ materially based on several factors, including the geographical mix of earnings in tax jurisdictions, enacted tax laws, the resolution of tax audits, the timing and amount of foreign dividends, state and local taxes, the ratio of permanent items to pretax book income, and the implementation of various global tax strategies as well as other factors.

Net Earnings

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Net Earnings	$ 83,666	$ 80,319	$ 155,179	$ 169,484
Diluted earnings per share	$ 0.75	$ 0.70	$ 1.38	$ 1.48

Three Months

We estimate that translational FX decreased earnings per share by approximately 4 cents in the three months ended January 31, 2014 when compared to the three months ended January 31, 2013. The decrease in share count increased diluted earnings per share by approximately 1 cent.

Six Months

We estimate that translational FX decreased earnings per share by approximately 6 cents in the six months ended January 31, 2014 when compared to the six months ended January 31, 2013. The decrease in share count increased diluted earnings per share by approximately 3 cents.

RESULTS FROM DISCONTINUED OPERATIONS

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Sales	$ —	$ 5,496	$ —	$ 8,523
Net Earnings	$ —	$ (3,549)	$ —	$ 246,758
Diluted Earnings per share	$ —	$ (0.03)	$ —	$ 2.15

Net earnings in the six months ended January 31, 2013 reflects the gain on the sale of the Blood Product Line. More details regarding discontinued operations can be found in Note 16, Discontinued Operations, to the accompanying condensed consolidated financial statements.

SEGMENT REVIEW

	Three Months Ended		Six Months Ended	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Sales:				
Life Sciences	$ 353,230	$ 329,182	$ 672,176	$ 629,133
Industrial	323,739	333,273	634,572	660,922
Total	$ 676,969	$ 662,455	$ 1,306,748	$ 1,290,055
Segment profit:				
Life Sciences segment profit	$ 90,856	$ 82,477	$ 163,901	$ 152,319
Industrial segment profit	46,891	48,104	97,373	100,870
Total segment profit	137,747	130,581	261,274	253,189
Corporate Services Group	14,766	18,026	30,730	32,091
ROTC	9,170	4,399	18,368	8,673
Interest expense, net	5,195	6,017	11,172	5,449
Earnings before income taxes from continuing operations	$ 108,616	$ 102,139	$ 201,004	$ 206,976

Life Sciences

	Three Months Ended				Six Months Ended			
	Jan 31, 2014	% of Sales	Jan 31, 2013	% of Sales	Jan 31, 2014	% of Sales	Jan 31, 2013	% of Sales
Sales	$ 353,230		$ 329,182		$ 672,176		$ 629,133	
Cost of sales	153,167	43.4	137,046	41.6	290,034	43.1	261,043	41.5
Gross margin	200,063	56.6	192,136	58.4	382,142	56.9	368,090	58.5
SG&A	92,959	26.3	94,414	28.7	187,050	27.8	185,319	29.5
R&D	16,248	4.6	15,245	4.6	31,191	4.6	30,452	4.8
Segment profit	$ 90,856	25.7	$ 82,477	25.1	$ 163,901	24.4	$ 152,319	24.2

	Three Months Ended		Six Months Ended	
SALES:	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
By Market and Product				
BioPharmaceuticals	$ 218,625	$ 201,657	$ 414,743	$ 388,898
Food & Beverage	44,054	45,287	87,623	86,833
Medical	56,660	53,292	112,377	100,874
Total Consumables sales	$ 319,339	$ 300,236	$ 614,743	$ 576,605
Systems Sales	33,891	28,946	57,433	52,528
Total Life Sciences Sales	$ 353,230	$ 329,182	$ 672,176	$ 629,133
By Region				
Americas	$ 102,313	$ 104,018	$ 200,089	$ 201,816
Europe	186,825	159,360	348,755	303,025
Asia	64,092	65,804	123,332	124,292
Total Life Sciences Sales	$ 353,230	$ 329,182	$ 672,176	$ 629,133

The percentage change in sales for the three and six months ended January 31, 2014 compared to the three and six months ended January 31, 2013, with and without the impact of translational FX, are presented below:

SALES % CHANGE	Three Months			Six Months		
	% Change excluding translational FX	Translational FX	Total % Change	% Change excluding translational FX	Translational FX	Total % Change
By Market and Product						
BioPharmaceuticals	9.1	(0.7)	8.4	7.3	(0.7)	6.6
Food & Beverage	(0.4)	(2.3)	(2.7)	2.7	(1.8)	0.9
Medical	6.6	(0.3)	6.3	11.3	0.1	11.4
Total Consumables sales	7.2	(0.8)	6.4	7.3	(0.7)	6.6
Systems Sales	20.0	(2.9)	17.1	10.5	(1.2)	9.3
Total Life Sciences Sales	8.3	(1.0)	7.3	7.5	(0.7)	6.8
By Region						
Americas	0.7	(2.3)	(1.6)	1.0	(1.9)	(0.9)
Europe	14.2	3.0	17.2	11.4	3.7	15.1
Asia	6.3	(8.9)	(2.6)	8.9	(9.7)	(0.8)
Total Life Sciences Sales	8.3	(1.0)	7.3	7.5	(0.7)	6.8

Three Months

The acquisitions of Medistad and SoloHill contributed approximately 160 basis points to Life Sciences consumables sales growth compared to last year.

BioPharmaceuticals consumables sales growth reflect overall market strength, particularly in Europe and Asia, growth in single use systems and new products, augmented by acquisitions as discussed above.

Food & Beverage consumables sales were flat (excluding translational FX) primarily due to softness in beer and wine production in Europe, offset by strong sales across Asia.

Medical consumables sales growth reflects the impact of the acquisition of Medistad, as discussed above and growth in the Hospital Critical Care market driven by water products, partly offset by lower blood media sales.

Life Sciences systems sales growth reflects increased capital spending by BioPharmaceuticals and Food & Beverage customers .

Life Sciences segment profit grew 10.2%. Translational FX negatively impacted the segment profit growth by approximately 210 basis points. Segment profit margin increased 60 basis points driven by the benefit from increased leverage of fixed cost SG&A on an increasing sales base, partly offset by a decline in gross margin. The 180 basis point decline in gross margin is primarily due to unfavorable transactional FX (principally Yen related), lower systems margin rates and lower gross margin rates from the Medistad acquisition, partly offset by the benefit of favorable pricing.

Six Months

The acquisitions of Medistad and SoloHill contributed approximately 190 basis points to Life Sciences consumables sales growth compared to last year.

BioPharmaceuticals consumables sales growth reflect overall market strength, particularly in Europe and Asia, growth in single use systems and new products, augmented by acquisitions as discussed above.

Food & Beverage consumables sales growth (excluding translational FX) was driven by strength in Asia.

Medical consumables sales growth reflects an increase in sales to OEMs, augmented by the acquisition of Medistad as discussed above, and growth in the Hospital Critical Care market driven by water products. These factors were partly offset by lower blood media sales.

Life Sciences systems sales growth reflects increased capital spending by BioPharmaceuticals and Food & Beverage customers .

Life Sciences segment profit grew 7.6%. Translational FX negatively impacted the segment profit growth by approximately 170 basis points. Segment profit margin increased 20 basis points driven by the benefit from increased leverage of fixed cost SG&A and R&D on an increasing sales base, partly offset by a decline in gross margin. The 160 basis point decline in gross margin is primarily due to unfavorable transactional FX (principally Yen related) and lower gross margin rates from our recent acquisition Medistad, partly offset by the benefit of favorable pricing.

Industrial

	Three Months Ended				Six Months Ended			
	Jan 31, 2014	% of Sales	Jan 31, 2013	% of Sales	Jan 31, 2014	% of Sales	Jan 31, 2013	% of Sales
Sales	$ 323,739		$ 333,273		$ 634,572		$ 660,922	
Cost of sales	179,543	55.5	183,446	55.0	346,741	54.6	359,966	54.5
Gross margin	144,196	44.5	149,827	45.0	287,831	45.4	300,956	45.5
SG&A	88,574	27.4	93,569	28.1	173,403	27.3	184,564	27.9
R&D	8,731	2.7	8,154	2.4	17,055	2.7	15,522	2.3
Segment profit	$ 46,891	14.5	$ 48,104	14.4	$ 97,373	15.3	$ 100,870	15.3

	Three Months Ended		Six Months Ended	
SALES:	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
By Market and Product				
Process Technologies	$ 139,664	$ 143,146	$ 264,742	$ 293,115
Aerospace	53,322	60,578	112,093	116,488
Microelectronics	76,976	68,264	148,392	138,446
Total Consumables sales	$ 269,962	$ 271,988	$ 525,227	$ 548,049
Systems Sales	53,777	61,285	109,345	112,873
Total Industrial Sales	$ 323,739	$ 333,273	$ 634,572	$ 660,922
By Region				
Americas	$ 107,843	$ 105,636	$ 208,418	$ 210,309
Europe	96,805	105,502	195,501	204,179
Asia	119,091	122,135	230,653	246,434
Total Industrial Sales	$ 323,739	$ 333,273	$ 634,572	$ 660,922

The percentage change in sales for the three and six months ended January 31, 2014 compared to the three and six months ended January 31, 2013, with and without the impact of translational FX, are presented below:

	Three Months			Six Months		
SALES % CHANGE:	% Change excluding translational FX	Translational FX	Total % Change	% Change excluding translational FX	Translational FX	Total % Change
By Market and Product						
Process Technologies	(0.3)	(2.1)	(2.4)	(8.0)	(1.7)	(9.7)
Aerospace	(12.3)	0.3	(12.0)	(4.1)	0.3	(3.8)
Microelectronics	19.5	(6.7)	12.8	14.0	(6.8)	7.2
Total Consumables sales	2.0	(2.7)	(0.7)	(1.6)	(2.6)	(4.2)
Systems Sales	(8.5)	(3.8)	(12.3)	(1.0)	(2.1)	(3.1)
Total Industrial Sales	0.1	(3.0)	(2.9)	(1.5)	(2.5)	(4.0)
By Region						
Americas	3.3	(1.2)	2.1	0.1	(1.0)	(0.9)
Europe	(10.0)	1.8	(8.2)	(6.7)	2.4	(4.3)
Asia	6.0	(8.5)	(2.5)	1.4	(7.8)	(6.4)
Total Industrial Sales	0.1	(3.0)	(2.9)	(1.5)	(2.5)	(4.0)

Three Months

Process Technologies consumables sales were flat (excluding translational FX) mainly as a result of weakness in the Fuels & Chemicals submarket. The sales results by key submarkets are discussed below:

- Consumables sales in the Machinery & Equipment submarket, which represented a little over 20% of total Industrial consumables sales in the quarter, increased almost 2%. Growth was driven by the automotive and in-plant sectors partly offset by continued weakness in the primary metals and mining sectors.
- Consumables sales in the Fuels & Chemicals submarket, which represented almost 20% of total Industrial consumables sales in the quarter, were down 5% on low-entering backlog and continued softness in emerging markets particularly China, Venezuela and Russia.
- Consumables sales in the Power Generation submarket, which represented almost 10% of total Industrial consumables sales in the quarter, increased approximately 10% driven by growth in the nuclear and wind sectors.

Aerospace consumables sales decreased on declines in both Commercial and Military Aerospace sales.

- Sales to the Commercial Aerospace submarket, which represented approximately 10% of total Industrial consumables sales in the quarter, decreased about 10%. The decline primarily reflects a tough comparative as last year included the fulfillment of past due backlog in the quarter and large aftermarket sales that did not repeat this year.
- Sales in the Military Aerospace submarket, which represented almost 10% of total Industrial consumables sales in the quarter, were down 14%. This primarily reflects a tough comparative, as last year included the fulfillment of past due backlog in the quarter and large helicopter program sales that did not repeat this year.

Microelectronics consumables sales were up in all three regions on continued market strength and new business wins. Strong consumer tablet demand is also driving growth in the display and electronic component sectors.

The decrease in Industrial systems sales primarily reflects timing of capital spending in the Fuels & Chemicals submarket.

Industrial segment profit decreased 2.5%, with translational FX negatively impacting segment profit growth by approximately 700 basis points. Excluding translational FX, segment profit grew 4.5% in spite of flat sales. Segment profit margin increased 10 basis points driven by a 70 basis point decline in SG&A that was primarily attributable to our structural cost improvement initiative, partly offset by increased R&D and a decline in gross margin. The 50 basis point decline in gross margin is primarily due to unfavorable transactional FX (principally Yen related).

Six Months

Process Technologies consumables sales decreased in all submarkets, with the Fuels & Chemicals submarket having the most significant impact. The sales results by key submarkets are discussed below:

- Consumables sales in the Machinery & Equipment submarket, which represented a little over 20% of total Industrial consumables sales in the six months, decreased almost 4% on weakness in primary metals and mining.
- Consumables sales in the Fuels & Chemicals submarket, which represented almost 20% of total Industrial consumables sales in the six months, were down about 13% on low-entering backlog and continued softness in emerging markets particularly China, Venezuela and Russia.
- Consumables sales in the Power Generation submarket, which represented almost 10% of total Industrial consumables sales in the six months, declined approximately 6% primarily on market softness in Europe.

Aerospace consumables sales decreased primarily driven by a decline in Military Aerospace sales.

- Sales to the Commercial Aerospace submarket, which represented a little over 10% of total Industrial consumables sales in the six months, decreased about 1%. This primarily reflects the same factors as discussed in the three months above.
- Sales in the Military Aerospace submarket, which represented approximately 10% of total Industrial consumables sales in the six months, were down about 7%. This primarily reflects a decline in the Americas related to large helicopter program sales that did not repeat this year.

Microelectronics consumables sales were up in all three regions on continued market strength and new business wins.

The decrease in Industrial systems sales primarily reflects timing of capital spending in the Fuels & Chemicals submarket.

Industrial segment profit decreased 3.5%, with translational FX negatively impacting segment profit growth by approximately 570 basis points. Excluding translational FX, segment profit was up 2.2% on lower sales. Segment profit margin of 15.3% was on par with last year as a decline in SG&A was offset by increased R&D spend and a slight decline in gross margin. The 60 basis point decline in SG&A was primarily attributable to our structural cost improvement initiative.

Corporate Services Group

	Three Months		Six Months	
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Corporate Services Group expenses	$ 14,766	$ 18,026	$ 30,730	$ 32,091
% Change	(18.1)		(4.2)	

The decrease in Corporate Services Group expenses in the three and six months primarily reflects a decrease in legal and other professional fees as well as the timing of other expenses.

Liquidity and Capital Resources

We utilize cash flow generated from operations and our commercial paper program to meet our short-term liquidity needs. We consider our cash balances, lines of credit and access to the commercial paper and other credit markets, along with the cash typically generated from operations, to be sufficient to meet our anticipated liquidity needs.

Our cash position, net of debt, was approximately $182,800 at January 31, 2014, compared to $299,200 at July 31, 2013, a decrease of $116,400. The impact of translational FX increased net cash by about $6,900. Excluding this impact, net cash decreased by $123,300 reflecting an increase in gross debt of $135,600, principally to fund share repurchase in the U.S. This was partly offset by an increase in cash and cash equivalents of $12,300, principally offshore.

As of January 31, 2014, the amount of cash and cash equivalents held by foreign subsidiaries was $942,672. Repatriation of cash held outside the U.S. could be subject to restrictions in the host countries as well as both local and U.S. taxes. However, we do not expect these to have a material effect on our overall liquidity.

We have a five-year $1,200,000 unsecured senior revolving credit facility (the "Facility") with a syndicate of banks, which expires on April 11, 2018. Borrowings under the Facility bear interest at either a variable rate based upon the London InterBank Offered Rate (U.S. Dollar, British Pound, Euro, Swiss Franc and Japanese Yen borrowings) or the European Union Banking Federation Rate (Euro borrowings) or at the prime rate of the Facility Agent (U.S. Dollar borrowing only). The Facility does not permit us to exceed a maximum consolidated leverage ratio of 3.5:1, based upon the trailing four quarters' results. In addition, the Facility includes other covenants that under certain circumstances may restrict our ability to incur additional indebtedness, make investments and other restricted payments, enter into sale and leaseback transactions, create liens and sell assets. As of January 31, 2014, we did not have any outstanding borrowings under our Facility. As of January 31, 2014, we were in compliance with all related financial and other restrictive covenants, including limitations on indebtedness.

As of January 31, 2014, we had approximately $305,000 of outstanding commercial paper, which is recorded as notes payable in the current liability section of our accompanying condensed consolidated balance sheet. Commercial paper outstanding at January 31, 2014 carry interest rates ranging between 0.31% and 0.37% and maturities between 28 and 90 days. Commercial paper outstanding at any one time during the quarter had balances ranging from $260,000 to $495,000, carried interest rates ranging between 0.27% and 0.38% and original maturities between 4 and 90 days.

Cash Flow - Operating Activities

	Six Months Ended	
By Segment	**Jan 31, 2014**	**Jan 31, 2013**
Net cash provided by operating activities	$ 205,595	$ 89,382
Less capital expenditures	34,663	42,403
Free cash flow	$ 170,932	$ 46,979

Six Months ended January 31, 2014

The major items impacting net cash provided by operating activities include:

- net earnings from continuing operations of $155,179;
- non-cash reconciling items in net earnings from continuing operations, such as depreciation and amortization of long-lived assets of $55,215 and non-cash stock compensation of $15,595;
- payments related to our Structural Cost Improvement initiative of $14,400; and
- annual performance based compensation payments.

Improved working capital management, particularly improvement in days sales outstanding, benefited net cash provided by operating activities in the six months.

Six Months ended January 31, 2013

The major items impacting net cash provided by operating activities include:

- net earnings from continuing operations of $169,484;
- non-cash reconciling items in net earnings from continuing operations, such as depreciation and amortization of long-lived assets of $54,452 and non-cash stock compensation of $13,072;
- income tax and tax-related payments of approximately $82,000 related to the settlement of, and deposits for, several years of U.S. tax audits and payments for the gain on the sale of the Blood Product Line;
- payments related to our Structural Cost Improvement initiative of $19,958; and
- annual performance based compensation payments.

Discontinued operations had an immaterial impact on net cash provided by operating activities in the period.

Free Cash Flow

We utilize free cash flow as one way to measure our current and future financial performance. Free cash flow is a non-GAAP financial measure and is not intended as an alternative measure of cash flow from operations as determined in accordance with GAAP. In addition, our calculation of free cash flow is not necessarily comparable to similar measures as calculated by other companies that do not use the same definition or implementation guidelines. The table above reconciles net cash provided by operating activities, inclusive of discontinued operations, to free cash flow.

The increase in free cash flow in the six months ended January 31, 2014 compared to the six months ended January 31, 2013 reflects the increase in net cash provided by operating activities and a decrease in capital expenditures.

Depreciation and Amortization

Depreciation expense and amortization expense are presented below:

	Six Months Ended	
	Jan 31, 2014	Jan 31, 2013
Depreciation expense	$ 45,836	$ 44,317
Amortization expense	$ 9,379	$ 10,135

Cash Flow - Investing Activities

	Six Months Ended	
	Jan 31, 2014	Jan 31, 2013
Net cash (used)/provided by investing activities	$ (35,653)	$ 500,747

Six Months ended January 31, 2014

The most significant driver of net cash used by investing activities was:

- Capital expenditures of $34,663.

Six Months ended January 31, 2013

The most significant drivers of net cash provided by investing activities include:

- Proceeds from the sale of assets of $542,088, primarily related to the sale of our Blood Product Line, and
- Capital expenditures of $42,403, which partly offset the above.

Cash Flow - Financing Activities

	Six Months Ended	
	Jan 31, 2014	Jan 31, 2013
Net cash used by financing activities	$ (161,173)	$ (239,785)

Share repurchases in the six months ended January 31, 2014 and January 31, 2013, are presented below. For further information on the Company's share buyback programs, see Note 4, Treasury Stock, to the accompanying condensed consolidated financial statements.

	Six Months Ended	
	Jan 31, 2014	Jan 31, 2013
Share repurchases	$ 250,000	$ 250,000
Number of shares	2,822	3,971

In the three months ended October 31, 2013, we paid $125,000 under an accelerated share repurchase agreement ("ASR"). Upon completion of the transaction, we received a total of 1,573 shares. In the three months ended January 31, 2014, we paid $125,000 under another ASR agreement and received an initial delivery of 1,249 shares. See Note 4, Treasury Stock, to the accompanying condensed consolidated financial statements for further details.

We increased our quarterly dividend by 10% from 25 cents per share to 27.5 cents per share, effective with the dividend declared on September 24, 2013. In six months ended January 31, 2013, the board of directors declared a dividend in both the first and second quarters. In the six months ended January 31, 2014, the board of directors declared a dividend in the first quarter, no dividend was declared in the second quarter. On February 21, 2014, the board of directors declared its second dividend of fiscal year 2014 of $0.275 per share. Dividends paid in the six months ended January 31, 2014 and January 31, 2013, are presented below:

	Six Months Ended	
	Jan 31, 2014	Jan 31, 2013
Dividends paid	$ 58,408	$ 52,634
Dividends declared per share	$ 0.275	$ 0.50

Net proceeds from equity compensation plans were $7,130 and $24,623 in the six months ended January 31, 2014 and January 31, 2013, respectively.

Non-Cash Working Capital

Non-cash working capital, which is defined as working capital excluding cash and cash equivalents, notes receivable, notes payable and the current portion of long-term debt, was approximately $615,100 at January 31, 2014 as compared with $554,500 at July 31, 2013. Excluding the impact of translational FX (discussed below), non-cash working capital increased approximately $60,300 compared to July 31, 2013 principally reflecting the timing of dividends declared and the payments of annual incentive compensation.

Our balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. Dollars. In comparing spot exchange rates at January 31, 2014 to those at July 31, 2013, the Euro and the British Pound have strengthened against the U.S. Dollar, and the Japanese Yen has weakened against the U.S. Dollar. The impact of translational FX, increased net inventory, net accounts receivable and other current assets by approximately $1,029, $1,516 and $260, respectively, as compared to July 31, 2013. Additionally, the impact of translational FX increased accounts payable, accrued liabilities and income tax payable collectively by $2,524. The combination of these translational FX impacts increased non-cash working capital by approximately $281.

Derivatives

We manage certain financial exposures through a risk management program that includes the use of foreign exchange derivative financial instruments. Derivatives are executed with counterparties with a minimum credit rating of “A” by Standard and Poor’s and “A2” by Moody’s Investor Services, in accordance with our policies. We do not utilize derivative instruments for trading or speculative purposes.

We conduct transactions in currencies other than their functional currency. These transactions include non-functional currency intercompany and external sales as well as intercompany and external purchases. We use foreign exchange forward contracts, matching the notional amounts and durations of the receivables and payables resulting from the aforementioned underlying foreign currency transactions, to mitigate the exposure to earnings and cash flows caused by changing foreign exchange rates. The risk management objective of holding foreign exchange derivatives is to mitigate volatility to earnings and cash flows due to changes in foreign exchange rates.

The notional amount of foreign currency forward contracts entered into during the three and six months ended January 31, 2014 was $662,040 and 1,236,209, respectively. The notional amount of foreign currency forward contracts outstanding as of January 31, 2014 was $477,156 of which $107,937 are for cash flow hedges that cover monthly transactional exposures through February 2015. Our foreign currency balance sheet exposures resulted in the recognition of a gain within SG&A of approximately $3,016 in the three months ended January 31, 2014, before the impact of the measures described above. Including the impact of our foreign exchange derivative instruments, the net recognition within SG&A was a gain of approximately $ 224 in the three months ended January 31, 2014.

Adoption of New Accounting Pronouncements

In February 2013, the FASB issued new accounting guidance which amended Accounting Standards Codification ("ASC") 220, "Comprehensive Income." The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under US generally accepted accounting principles ("GAAP") to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures in the financial statements. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The adoption of this disclosure-only guidance did not have an impact on our condensed consolidated financial results.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued new accounting guidance which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The new guidance is effective prospectively to all existing unrecognized tax benefits, but entities can choose to apply it retrospectively. The guidance will be effective for us in our first quarter of fiscal year 2015, with early adoption permitted. We are currently assessing the impact this guidance will have on our consolidated statements of financial position and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There is no material change in the market risk information disclosed in Item 7A of the 2013 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

There were no changes in the Company's internal control over financial reporting during the Company's second quarter of fiscal year 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

(In thousands)

As previously disclosed in the 2013 Form 10-K, the Company is subject to various regulatory proceedings and litigation, including with respect to various environmental matters. Reference is also made to Note 5, Contingencies and Commitments, to the accompanying condensed consolidated financial statements.

Environmental Matters:

The Company's condensed consolidated balance sheet at January 31, 2014 includes liabilities for environmental matters of approximately $21,402, which relate primarily to the environmental proceedings discussed in the 2013 Form 10-K and Note 5, Contingencies and Commitments, to the accompanying condensed consolidated financial statements of this Form 10-Q. In the opinion of management, the Company is in substantial compliance with applicable environmental laws and its current accruals for environmental remediation are adequate. However, as regulatory standards under environmental laws are becoming increasingly stringent, there can be no assurance that future developments, additional information and experience gained will not cause the Company to incur material environmental liabilities or costs beyond those accrued in its condensed consolidated financial statements.

ITEM 1A. RISK FACTORS.

There is no material change in the risk factors reported in Item 1A of the 2013 Form 10-K. This report contains certain forward-looking statements that reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These statements are subject to risks and uncertainties, which could cause actual results to differ materially. For a description of these risks see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements and Risk Factors."

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) During the period covered by this report, the Company did not sell any of its equity securities that were not registered under the Securities Act of 1933, as amended.

(b) Not applicable.

(c) The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" of shares of the Company's common stock.

	(In thousands, except per share data)			
Period	**Total Number of Shares Purchased**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)**
November 1, 2013 to November 30, 2013	—	$ —	—	$ 206,873
December 1, 2013 to December 31, 2013	1,249	85.05	1,249	81,873
January 1, 2014 to January 31, 2014	—	—	—	81,873
Total	1,249		1,249	

(1) As noted in Note 4, Treasury Stock, to the accompanying condensed consolidated financial statements, the board of directors authorized amounts to be used to purchase shares of common stock over time, as market and business conditions warrant. There is no time restriction on these authorizations. In September 2013, the Company entered into an Accelerated Share Repurchase ("ASR") agreement with a third-party financial institution to repurchase $125,000 of the Company's common stock. This transaction was completed in the second quarter of fiscal year 2014. Under the agreement, the Company paid $125,000 to the financial institution. Upon completion of the transaction, the Company had received a total of 1,573 shares with an average price per share of $79.45.

In December 2013, the Company entered into a second ASR agreement with a third-party financial institution to repurchase $125,000 of the Company's common stock. Under the agreement, the Company paid $125,000 to the financial institution and received an initial delivery of 1,249 shares at an aggregate cost of $106,250, with an average price per share of $85.05. These shares were included in treasury stock in the accompanying condensed consolidated balance sheet as of January 31, 2014. The remaining $18,750 was included in additional paid in capital in the accompanying condensed consolidated balance sheets as of January 31, 2014. The December 2013 ASR agreement will be settled during the third quarter of fiscal year 2014. The final number of shares delivered upon settlement of the December 2013 ASR agreement will be determined with reference to the average price of the Company's common stock over the term of the ASR agreement. Repurchased shares are held in treasury for use in connection with the Company's stock plans and for general corporate purposes.

ITEM 6. EXHIBITS.

See the Exhibit Index for a list of exhibits filed herewith or incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Pall Corporation
March 3, 2014	/s/ AKHIL JOHRI
	Akhil Johri
	Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3(i)*	Restated Certificate of Incorporation of the Registrant as amended through September 1, 2010, filed as Exhibit 3.1(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2010.
3(ii)*	By-Laws of the Registrant as amended through December 12, 2012, filed as Exhibit 3.1(i) to the Registrant's Current Report on Form 8-K filed on December 17, 2012.
10.1†‡	Pall Corporation Management Stock Purchase Plan, as amended effective February 21, 2014.
10.2†‡	Pall Corporation 2012 Executive Incentive Bonus Plan, as amended effective February 21, 2014.
31.1†	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†	Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated herein by reference.

† Exhibit filed herewith.

‡ Denotes management contract or compensatory plan or arrangement.

Exhibit 10.1

PALL CORPORATION

MANAGEMENT STOCK PURCHASE PLAN

(as amended February 21st, 2014)

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1. PURPOSE.

This document sets forth the Pall Corporation Management Stock Purchase Plan as amended and restated effective as of September 26, 2011.

The purpose of the Plan is to encourage key employees of the Corporation and its Affiliated Companies to increase their ownership of shares of the Corporation's Common Stock by providing such employees with an opportunity to elect to have portions of their total annual compensation paid in the form of Restricted Units, and to have additional matching Restricted Units credited with respect thereto.

The Plan also provides certain employees with an opportunity to elect to defer payment with respect to the Restricted Units credited to them that become vested. With respect to these provisions, the Plan is intended to constitute an unfunded plan of deferred compensation for "a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

2. DEFINITIONS. As used herein, the following terms shall have the following meanings:

"ACCOUNT" and "SUBACCOUNT" shall mean, respectively, the account, and each Subaccount within such Account, that is established for a Participant pursuant to Section 8.

"AFFILIATED COMPANIES" shall mean members of a controlled group of corporations of which the Corporation is a member. For purposes hereof, a "controlled group of corporations" means a controlled group of corporations as defined in section 1563(a) of the Internal Revenue Code, determined without regard to Section 1563(b)(2)(C).

"BENEFICIARY" shall mean the person or persons designated by a Participant in accordance with Section 12 to receive any payment that is required to be made under the Plan upon the Participant's death.

"BOARD OF DIRECTORS" shall mean the Board of Directors of the Corporation.

"BONUS" shall mean, with respect to any Eligible Employee for any Plan Year, the annual cash bonus payable to such Eligible Employee with respect to such year under any plan, program or arrangement of annual incentive compensation maintained by the Corporation or any of its Affiliated Companies, including without limitation the Corporation's Executive Bonus Plan or under the Eligible Employee's employment agreement with the Corporation or any of its Affiliated Companies, but excluding the SIP.

"BONUS PAYMENT DATE" shall mean each date on which Bonus payments are made by the Corporation or its Affiliated Companies.

“BUSINESS DAY” shall mean any day on which the Corporation’s principal office in the U.S. is open for business.

“CAUSE” shall have the meaning set forth in the Participant’s employment agreement, or, if there is no definition therein, shall arise in the event that the Participant (i) fails or refuses to substantially perform the duties of the Participant’s employment or otherwise violates this Plan or any employment agreement with the Corporation, (ii) fails to comply with the written rules and policies of the Corporation, (iii) engages in willful and serious misconduct in connection with the Participant’s employment that has caused or would reasonably be expected to result in material injury to the Corporation, (iv) engages in dishonesty or fraudulent conduct or (v) is convicted of, or pleads nolo contendere to, a crime that constitutes a felony.

“CEO” shall mean the Chief Executive Officer of the Corporation.

“CHANGE IN CONTROL” shall mean the occurrence of any of the following:

(a) any “Person”, within the meaning of Section 13(d) or 14(d) under the Securities Exchange Act of 1934 (the “Exchange Act”), including any group (within the meaning of Section 13(d)(3) under the Exchange Act), becomes the “Beneficial Owner”, as such term is defined in Rule 13d-3 promulgated under the Exchange Act, of 30% or more of the combined voting power of the Corporation’s outstanding shares, other than beneficial ownership by (i) the Corporation or any subsidiary of the Corporation, (ii) any employee benefit plan of the Corporation or any subsidiary of the Company or (iii) any entity of the Corporation for or pursuant to the terms of any such plan. Notwithstanding the foregoing, a Change in Control shall not occur as the result of an acquisition of outstanding shares of the Corporation by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by a Person to 30% or more of the shares of the Corporation then outstanding; provided, however, that if a Person becomes the Beneficial Owner of 30% or more of the shares of the Corporation then outstanding by reason of share purchases by the Corporation and shall, after such share purchases by the Corporation, become the Beneficial Owner of any additional shares of the Corporation, then a Change in Control shall be deemed to have occurred;

(b) the Corporation shall consummate a merger or consolidation with or consolidate with another entity, or engage in a reorganization with or a statutory share exchange or an exchange offer for the Corporation’s outstanding voting stock of any class with another entity or acquire another entity by means of a statutory share exchange or an exchange offer, or engage in a similar transaction; provided that no Change in Control shall have occurred by reason of this paragraph unless either:

(i) the stockholders of the Corporation immediately prior to the consummation of the transaction would not, immediately after such consummation, as a result of their beneficial ownership of voting stock of the Corporation immediately prior to such consummation (I) be the Beneficial Owners, directly or indirectly, of securities of the resulting or acquiring entity entitled to elect a majority of the members of the Board of Directors or other governing body of the resulting or acquiring entity and (II) be Beneficial Owners of the resulting or acquiring entity in substantially the same proportion as their beneficial ownership of the voting stock of the Corporation immediately prior to such transaction; or

(ii) those persons who were directors of the Corporation immediately prior to the consummation of the proposed transaction would not, immediately after such consummation, constitute a majority of the directors of the resulting entity.

(c) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Corporation to any Person (as defined in paragraph (a) above) other than any of the Affiliated Companies; or

(d) the number of duly elected and qualified directors of the Corporation who were not either elected by the Corporation's Board of Directors or nominated by the Board of Directors or its Nominating/Governance Committee for election by the shareholders shall constitute a majority of the total number of directors of the Corporation as fixed by its by-laws;

provided, however, that in each instance no Change in Control shall be deemed to have occurred, and no rights or obligations arising hereunder upon a Change in Control shall exist, to the extent that the Board of Directors so determines by resolution adopted and not rescinded prior to the Change in Control.

"CLOSING PRICE" shall mean, as of any date, the closing price of a share of Common Stock as reported in the New York Stock Exchange Consolidated Transactions for such date.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMMITTEE" shall mean the CEO and such other officers of the Corporation as the CEO in his discretion may appoint from time to time. The CEO shall have the power to remove any other member of the Committee at any time.

"COMMON STOCK" shall mean the shares of common stock ($0.10 par value) of the Corporation.

"COMPENSATION COMMITTEE" shall mean the Compensation Committee of the Board of Directors.

"CORPORATION" shall mean Pall Corporation.

"CREDITING DATE" shall mean, with respect to any Initial Award Restricted Unit Subaccount, Purchased Restricted Unit Subaccount or Matching Restricted Unit Subaccount maintained for a Participant under Section 8, the date(s) as of which Restricted Units, or Matching Restricted Units, are credited to such Subaccount pursuant to Section 5(a), (b), (c), (d), (e) or (f).

"DEFERRED VESTED UNITS" shall mean Vested Units with respect to which the Participant has elected to defer payment in accordance with the provisions of Section 7(d) hereof.

"DELAYED PAYMENT DATE" shall mean the date on which payment with respect to a Participant's Post-2004 Bonus, SIP and Base Salary Units is to be made pursuant to Section 7(f)(i) or Section 7(f)(ii), or the date on which payment with respect to a Participant's Deferred Vested Units is to be made pursuant to Section 7(f)(iii).

"DISABLED" shall mean, with respect to any Participant on or after January 1, 2005, that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan maintained by the Corporation or any of its Affiliated Companies for its employees.

"DIVIDEND EQUIVALENT UNITS" shall mean additional Restricted Units or additional Deferred Vested Units credited to a Participant's Account pursuant to Section 5(g), Section 7(d)(vi) or Section 7(f)(vi).

"DIVIDEND PAYMENT DATE" shall mean each date on which the Corporation pays a cash dividend on its Common Stock.

"ELIGIBLE EMPLOYEE" shall mean, with respect to any Plan Year, any Employee who has been designated under Section 4 as eligible to be credited with Restricted Units for such Plan Year.

"EMPLOYEE" shall mean any person employed by the Corporation or any of its Affiliated Companies.

"INVOLUNTARY TERMINATION" shall mean a Participant's Termination of Employment initiated by the Corporation, or by any of its Affiliated Companies, for any reason other than for becoming Disabled or for Cause.

"MATCHING RESTRICTED UNITS" shall mean Restricted Units that are credited to a Participant's Account pursuant to Section 5(f), to match Restricted Units that are credited to the Participant's Account under Section 5(b), (c), (d) or (e).

"PARTICIPANT" shall mean any Employee for whom an Account has been established, and is being maintained, pursuant to Section 8 hereof.

"PLAN" shall mean the Pall Corporation Management Stock Purchase Plan as set forth herein and as amended from time to time.

"PLAN YEAR" shall mean the period beginning on August 1 of each calendar year and ending on July 31 of the following calendar year.

"POST-2004 BONUS, SIP AND BASE SALARY UNITS" shall mean, with respect to any Participant, (i) all Restricted Units credited to the Participant after January 31, 2005 pursuant to elections made by the Participant under Section 5(b), (c) and/or (d), and (ii) all Dividend Equivalent Units credited to the Participant with respect to the Restricted Units described in clause (i) of this paragraph.

"RESTRICTED UNIT" shall mean a Unit credited to a Participant pursuant to Section 5 that has not yet become vested in accordance with the provisions of Section 6.

"RETIREMENT" shall mean a Participant's Termination of Employment for any reason prior to the Participant becoming Disabled (other than death or for Cause) if at the time of such Termination of Employment the Participant has attained age 62 and is eligible to receive (i) a "Retirement Benefit" under the Pall Corporation Cash Balance Pension Plan, as defined therein, or (ii), in the case of any Participant who is not a resident of the U.S., a similar type of benefit under any plan or program maintained by the Corporation or any of its Affiliated Companies (or to which the Corporation or any of its Affiliated Companies makes contributions) that provides benefits to Employees upon their retirement.

"SECTION 409A" shall mean Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"SIP" shall mean the Corporation's Sales Incentive Plans, as may be amended from time to time, and any other plan, program or arrangement maintained by the Corporation or any of its Affiliated Companies that provides for incentive cash compensation with respect to a period of less than one year.

"SIP PAYMENT(S)" shall mean, with respect to any Eligible Employee, each bonus, if any, that is payable to such Eligible Employee under an SIP.

"TERMINATION OF EMPLOYMENT" shall mean (i) the cessation of a Participant's employment with the Corporation and all of its Affiliated Companies irrespective of the reason therefor and irrespective of whether initiated by the Corporation, an Affiliated Company, the Participant or otherwise, and (ii) for employees subject to taxation in the United States, a "separation from service," as defined in Section 409A.

"TRADING DAY" shall mean any day on which the New York Stock Exchange is open for trading.

"UNIT" shall mean a unit of measurement equivalent to one share of Common Stock, with none of the attendant rights of a shareholder of such share, including, without limitation, the right to vote such share and the right to receive dividends thereon, except to the extent otherwise specifically provided herein.

"VESTED UNIT" shall mean a Unit credited to a Participant pursuant to Section 5 that has become vested in accordance with the provisions of Section 6.

"VESTING DATE" shall mean, with respect to any Restricted Units credited to a Participant's Account, the date on which such Restricted Units become vested in accordance with the provisions of Section 6.

3. MAXIMUM NUMBER OF SHARES OF COMMON STOCK AVAILABLE.

The number of shares of Common Stock that may be distributed under the Plan for the period commencing January 24, 1999, with respect to Restricted Units and Deferred Vested Units credited to Participants under the Plan, (including Dividend Equivalent Units credited with respect to such Units) shall be limited to 3,800,000 shares of Common Stock. If any Restricted Units initially credited to a Participant shall be forfeited, the number of shares of Common Stock no longer payable with respect to the Restricted Units so forfeited shall thereupon be released and shall thereafter be available for the crediting of new Restricted Units under the Plan. The limitation provided under this Section 3 shall be subject to adjustment as provided in Section 9.

The shares of Common Stock distributed under the Plan may be authorized and unissued shares, shares held in the treasury of the Corporation, or shares purchased on the open market by the Corporation at such time or times and in such manner as it may determine. The Corporation shall be under no obligations to acquire shares of Common Stock for distribution to Participants before payment in Common Stock is due.

4. ELIGIBILITY.

An Employee shall be eligible to be credited with Restricted Units under Section 5 during any Plan Year only if he or she has been designated by the Compensation Committee as an Eligible Employee with respect to such year.

Upon the recommendation of the CEO, the Compensation Committee may select as an Eligible Employee for any Plan Year any Employee who is expected to make significant contributions during the course of such year to the success of the Corporation and its Affiliated Companies and to the growth of their businesses.

Any person who has been selected as an Eligible Employee for any Plan Year shall continue to be an Eligible Employee in the Plan for each subsequent Plan Year prior to Termination of Employment, subject, however, to the Compensation Committee's right to terminate such individual's eligibility effective beginning as of the first base salary payment date or, if earlier, the first Bonus Payment Date or date of a SIP payment occurring after the date on which the Compensation Committee makes its determination to terminate such individual's eligibility, provided that any elections made by the Participant under Section 5 or 7 of the Plan prior to such termination of eligibility shall remain in effect.

Notwithstanding anything contained herein to the contrary, "named executive officers" of the Corporation (within the meaning of Item 402 of Regulation S-K promulgated by the Securities and Exchange Commission), as identified by the Compensation Committee, shall not be eligible to be credited with Units (other than Dividend Equivalent Units) under the Plan effective on and after August 1, 2011.

5. CREDITING OF RESTRICTED UNITS. For each Plan Year, Eligible Employees shall be credited with Restricted Units in accordance with the following provisions:

(a) INITIAL AWARD UNITS. To the extent that the Compensation Committee in its sole discretion so determines, any Employee who is designated as an Eligible Employee for the first time shall be credited, as of the date specified by the Compensation Committee in such determination, with such number of Restricted Units as the Compensation Committee may determine for such Employee, or the Compensation Committee may determine not to grant any Initial Award Units to such Eligible Employee.

(b) BONUS UNITS. Each Eligible Employee may elect to have any part or all of any Bonus that may become payable to the Participant during such year paid in the form of Restricted Units that will be credited to his or her Account hereunder and distributed in accordance with the provisions of this Plan, instead of being paid to the Eligible Employee in cash. If an Eligible Employee has so elected, the Eligible Employee's Account shall be credited as of the applicable Bonus Payment Date(s) during such year with a number of Restricted Units determined by dividing the total amount of the portion of such Eligible Employee's Bonus which the Eligible Employee elected to have paid in the form of Restricted Units, by (i) for Bonus Payment Dates occurring prior to August 1, 2011, the Closing Price of a share of Common Stock on such Bonus Payment Date or, if such date is not a Trading Day, as of the next following day that is a Trading Day, and (ii) for Bonus Payment Dates occurring on or after August 1, 2011, the average of the high and low selling prices of a share of Common Stock on the Bonus Payment Date and each of the four Trading Days preceding the Bonus Payment Date (or if the Bonus Payment Date is not a Trading Day, then each of the five Trading Days preceding the Bonus Payment Date). In the event that an Eligible Employee's Bonus is payable in a unit of currency other than U.S. dollars, the portion of the bonus which the Eligible Employee has elected to have paid in the form of Restricted Units shall be converted to U. S. dollars as of the applicable Crediting Date (the Bonus Payment Date during the Plan Year in which such Bonus is payable) at a rate equal to the exchange rate of such currency and U. S. dollars on such Crediting Date as reported in The Wall Street Journal in its issue following the Crediting Date.

(c) BASE SALARY UNITS. Each Eligible Employee may elect to have up to 50% of the amount of the base salary otherwise payable to the Eligible Employee on each payday during such year paid in the form of Restricted Units that will be credited to his or her Account hereunder and distributed in accordance with the provisions of this Plan, instead of being paid to the Eligible Employee in cash. If an Eligible Employee has so elected, the amount specified in such election shall be withheld from the payment of base salary otherwise required to be made to the Eligible Employee on each payday during such year, and the Eligible Employee's Account shall be credited as of January 31 and July 31 of such year or such other Crediting Date(s) during such year as the Compensation Committee shall designate, with a number of Restricted Units determined by dividing the aggregate amount so withheld from the start of such year, or from the preceding Crediting Date if later, by (i) for Crediting Dates occurring prior to August 1, 2011, the Closing Price of a share of Common Stock as of the applicable Crediting Date or, if such date is not a Trading Day, as of the next following day that is a Trading Day, and (ii) for Crediting Dates occurring on or after August 1, 2011, the average of the high and low selling prices of a share of Common Stock on the Crediting Date and each of the four Trading Days preceding the Crediting Date (or if the Crediting Date is not a Trading Day, then each of the five Trading Days preceding the Crediting Date). In the event that an Eligible Employee's base salary is payable in a unit of currency other than U.S. dollars, the aggregate amount withheld shall be converted to U. S. dollars as of each such applicable Crediting Date at a rate equal to the exchange rate of such currency and U.S. dollars on such Crediting Date as reported in The Wall Street Journal in its issue following the Crediting Date.

(d) SIP UNITS. Each Eligible Employee may elect to have up to 75% of the amount of any SIP Payment otherwise payable to the Eligible Employee during such year paid in the form of Restricted Units that will be credited to his or her Account hereunder and distributed in accordance with the provisions of this Plan, instead of being paid to the Eligible Employee in cash. If an Eligible Employee has so elected, the Eligible Employee's Account shall be credited as of January 31 and July 31 of such year or such other Crediting Date(s) during such year as the Compensation Committee shall designate with a number of Restricted Units determined by dividing the total amount of the portion of such Eligible Employee's SIP Payment which the Eligible Employee elected to have paid in the form of Restricted Units, by the average of the high and low selling prices of a share of Common Stock on the Crediting Date and each of the four Trading Days preceding the Crediting Date (or if the Crediting Date is not a Trading Day, then the five Trading Days preceding the Crediting Date). In the event that an Eligible Employee's SIP Payment is payable in a unit of currency other than U. S. dollars, the portion of the SIP Payment which the Eligible Employee has elected to have paid in the form of Restricted Units shall be converted to U.S. dollars as of the applicable Crediting Date at a rate equal to the exchange rate of such currency and U. S. dollars on such Crediting Date as reported in The Wall Street Journal in its issue following the Crediting Date.

(e) CASH PAYMENT UNITS. Prior to January 31, 2009, for any Plan Year each Eligible Employee may make a direct, after-tax, cash payment to the Corporation at least seven days prior to (i) the first Bonus Payment Date during such Plan Year and/or (ii) January 31 of such Plan Year, and the Crediting Dates with respect to such direct cash payments shall be (x) the first Bonus Payment Date of the Plan Year with respect to cash payments made at least seven days prior to such Bonus Payment Date and (y) January 31 with respect to cash payments made at least seven days prior to that date. On and after January 31, 2009 but prior to January 31, 2012, each Eligible Employee may make a direct, after-tax, cash payment to the Corporation within seven days following (a) the first Bonus Payment Date during such Plan Year and/or (b) January 31 of such Plan Year, and the Crediting Dates with respect to such direct cash payments shall be (1) the eighth day following the first Bonus Payment Date of the Plan Year with respect to cash payments made within the seven days following such Bonus Payment Date and (2) the eighth day following January 31 with respect to cash payments made within the seven days following that date. On and after January 31, 2012, each Eligible Employee may make a direct, after-tax, cash payment to the Corporation once during any Plan Year within seven days following the annual Bonus Payment Date for such Plan Year, and the Crediting Date with respect to such direct cash payments shall be the eighth day following such annual Bonus Payment Date. If an Eligible Employee makes a cash payment pursuant to this Section 5(e), the Eligible Employee's Account shall be credited as of the applicable Crediting Date with a number of Restricted Units determined by dividing the total amount of such Eligible Employee's cash payment on such Crediting Date, by (i) for Crediting Dates occurring prior to January 31, 2012, the Closing Price of a share of Common Stock on such Crediting Date or, if such date is not a Trading Day, as of the next following day that is a Trading Day, and (ii) for Crediting Dates occurring on or after January 31, 2012, the average of the high and low selling prices of a share of Common Stock on the Crediting Date and each of the four Trading Days preceding the Crediting Date (or if the Crediting Date is not a Trading Day, then each of the five Trading Days preceding the Crediting Date). In the event that an Eligible Employee's direct cash payment is made in a unit of currency other than U.S. dollars, the amount of such payment shall be converted to U.S. dollars as of the relevant Crediting Date, at a rate equal to the exchange rate of such currency and U.S. dollars on such Crediting Date as reported in The Wall Street Journal in its issue following the Crediting Date.

The aggregate amount of the direct cash payments that an Eligible Employee may make under this Section 5(e) during any Plan Year (the "Cash Purchase Year") shall not exceed the sum of (I) the amount by which the Bonus payable to the Eligible Employee during the Cash Purchase Year (based on results of operations for the immediately preceding Plan Year) exceeds the portion thereof which the Eligible Employee elected under Section 5(b) to have paid in the form of Restricted Units, plus (II) the amount by which 50% of the Eligible Employee's base salary for the Plan Year immediately preceding the Cash Purchase Year exceeds the portion thereof which the Eligible Employee has elected under Section 5(c) to have paid in the form of Restricted Units, plus (III) the amount by which 75% of the Eligible Employee's SIP Payments during the Cash Purchase Year exceeds the portion thereof which the Eligible Employee has elected under Section 5(d) to have paid in the form of Restricted Units.

On and after January 1, 2017, no Eligible Employee shall be permitted to make a direct, after-tax, cash payment to the Corporation pursuant to this Section 5(e), unless the Compensation Committee determines otherwise.

(f) MATCHING UNITS. On each date on which any Restricted Units are credited to an Eligible Employee's Account pursuant to the provisions of paragraphs (b), (c), (d) or (e) of this Section 5, there shall also be credited to the Eligible Employee's Account on that date a number of Matching Restricted Units equal to 100% of the number of Restricted Units of all kinds (other than Dividend Equivalent Units).

Effective with respect to Restricted Units credited to an Eligible Employee's Account pursuant to paragraphs (b), (c) or (d) of Section 5 of the Plan pursuant to elections made in December 2014 or thereafter, and with respect to Restricted Units credited to an Eligible Employee's Account *pursuant to paragraph (e) of Section 5 of the Plan pursuant to payments made in October 2016 or thereafter, Section 5(f) of the Plan shall be amended in its entirety to read as follows*:

(f) MATCHING UNITS. On each date on which any Restricted Units are credited to an Eligible Employee's Account pursuant to the provisions of paragraphs (b), (c), (d) or (e) of this Section 5, there shall also be credited to the Eligible Employee's Account on that date a number of Matching Restricted Units equal to 50% of the number of Restricted Units of all kinds (other than Dividend Equivalent Units).

(g) DIVIDEND EQUIVALENTS. Until the Vesting Date for the Restricted Units that have been credited to a Participant's Account pursuant to paragraphs (a), (b), (c), (d), (e) and (f) of this Section 5, additional Restricted Units shall be credited to the Participant's Account, with respect to the Restricted Units so credited, as of each Dividend Payment Date. The number of additional Restricted Units to be so credited shall be determined separately for each Initial Award Restricted Unit Subaccount, for each Purchased Restricted Unit Subaccount, and for each Matching Restricted Unit Subaccount, maintained for a Participant pursuant to Section 8. The number of additional Restricted Units to be credited to each such Subaccount shall be determined by first multiplying (A) the total number of Restricted Units standing to the Participant's credit in such Subaccount as of the day immediately preceding such Dividend Payment Date (including all Dividend Equivalent Units credited to such Subaccount on all previous Dividend Payment Dates), by (B) the per-share dollar amount of the dividend paid on such Dividend Payment Date and then, dividing the resulting amount by the Closing Price of one share of Common Stock on such Dividend Payment Date.

(h) ELECTION PROCEDURES. Any election made by an Eligible Employee under paragraph (b), (c) or (d) of this Section 5 shall be made in accordance with, and shall be subject to, the provisions set forth below.

(i) Any such election shall be made in writing, on a form furnished to the Eligible Employee for such purpose by the Committee and filed by the Eligible Employee with the Committee.

(ii) An election under Section 5(b) with respect to any Bonus earned for a Plan Year beginning on or after August 1, 2012 shall be made by no later than December 31st of the calendar year ending before the beginning of the Plan Year with respect to which the services for such Bonus are performed.

(iii) An election under Section 5(c) with respect to base salary payable to an Eligible Employee for services performed during any calendar year commencing on or after January 1, 2012 shall be made by no later than December 31st of the preceding calendar year, except as otherwise provided under subparagraph (vi) below. For purposes of such an election, base salary payable after such December 31 solely for services performed during the final payroll period of the calendar year that includes such December 31 shall be treated as base salary for services performed in the subsequent calendar year in which such base salary is paid.

(iv) An election under Section 5(d) with respect to SIP Payments shall be made by no later than December 31st of the calendar year before the beginning of the calendar year with respect to which any services relating to such SIP Payments are performed.

(v) Notwithstanding anything contained herein to the contrary, deferral elections for amounts relating to any period before the effectiveness of subparagraphs (ii) and (iii) shall be made in accordance with the Plan as in effect at the time of such election.

(vi) Any Employee who is hired after the start of a calendar year but who is designated under Section 4 as an Eligible Employee during such year may make an election under Section 5(c) or 5(d) with respect to his or her base salary and/or SIP Payments for such year at any time during the 30-day period commencing on his or her date of hire; provided, however, that any election so made shall be effective only with respect to base salary and/or SIP Payments payable to the Eligible Employee for periods of service beginning after the date on which he or she files such election with the Committee.

(vii) In his or her election form, the Eligible Employee shall specify, by dollar amount (which shall be an even multiple of $100) or by percentage (which shall be an even multiple of 1%), the portion of his or her Bonus, SIP Payment and/or base salary that the Eligible Employee wishes to have paid in the form of Restricted Units credited to his or her Account, instead of in cash. The dollar amount or percentage so specified shall be at least equal to any minimum amount or percentage which the Committee in its discretion may have determined to be applicable to elections under Section 5(b), 5(c) and/or 5(d) for the period to which such election relates.

(viii) Any election made under Section 5(b), (c) or (d) shall be irrevocable.

(i) OTHER ELECTION RULES. Elections made under Section 5(b), (c) or (d) shall be subject to the following rules:

(i) If an Eligible Employee who has made an election under Section 5(b) with respect to the Bonus payable to the Eligible Employee during any Plan Year has a Termination of Employment for any reason prior to any Bonus Payment Date for such Bonus, but is nevertheless entitled to receive a Bonus payment on such date, the portion of such payment that is required to be paid by means of the crediting of Restricted Units to the Eligible Employee's Account pursuant to his or her election under Section 5(b) shall be paid in such form subject to the terms of his or her applicable election.

(ii) If an Eligible Employee who has made an election under Section 5(c) or 5(d) with respect to the base salary or SIP Payments payable to the Eligible Employee for services rendered with respect to any calendar year has a Termination of Employment for any reason prior to any date on which Restricted Units are to be credited to his or her Account with respect to amounts withheld from his or her base salary or SIP Payments pursuant to such election, Restricted Units shall be so credited on such date subject to the terms of his or her election.

(iii) Any election made by an Eligible Employee under Section 5(b), (c) or (d) shall not be given effect if, at any time during the 12-month period ending on the date as of which any Restricted Units are otherwise required to be credited to his or her Account pursuant to such election, the Eligible Employee received a hardship withdrawal under Section 7.2 of the Pall Corporation 401(k) Plan (effective October

1, 2011, “6-month period” shall be substituted for “12-month period” for purposes of the foregoing).

6. VESTING OF UNITS.

Restricted Units credited to a Participant’s Account, and Dividend Equivalent Units credited with respect thereto, shall become vested in accordance with the provisions set forth below.

(a) All Restricted Units standing to a Participant’s credit in any Initial Award Restricted Unit Subaccount, Purchased Restricted Unit Subaccount or Matching Restricted Unit Subaccount maintained for the Participant under Section 8 (including, in each case, all such Units that are Dividend Equivalent Units) shall become vested as of the earliest to occur of the following dates:

(i) the fourth anniversary of the respective Crediting Date with respect to each such Unit,

(ii) the date of the Participant’s death,

(iii) the date on which the Participant becomes Disabled,

(iv) the date on which a Change in Control occurs.

(b) If a Participant’s Termination of Employment occurs as a result of Retirement or Involuntary Termination prior to the fourth anniversary of a Crediting Date and prior to (1) the Participant’s death, (2) the Participant becoming Disabled, or (3) the occurrence of a Change in Control, then for any Initial Award Restricted Unit Subaccount, Purchased Restricted Unit Subaccount or Matching Restricted Unit Subaccount maintained for the Participant under Section 8 as of the date of the Participant’s Termination of Employment:

(i) all Units in any such Purchased Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units), shall become vested;

(ii) the Earned Portion (as defined below) of all Units in any such Initial Award Restricted Unit Subaccount and in any such Matching Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units), shall become vested; and

(iii) the Unearned Portion (as defined below) of all Units in any such Initial Award Restricted Unit Subaccount and in any such Matching Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units) shall be forfeited, and the Participant shall have no further rights with respect thereto.

For purposes of the foregoing, the “Earned Portion” of the Units in any Initial Award Restricted Unit Subaccount and in any Matching Restricted Unit Subaccount maintained for a Participant shall mean the percentage of such Units determined by dividing by 48 the number of months in the period beginning as of the Crediting Date for such Subaccount and ending as of the date of the Participant’s Termination of Employment, with any fraction of a month included in such period treated as a full month; and the “Unearned Portion” of the Units in any such Subaccount shall mean the percentage of such Units determined by subtracting from 100% the Earned Portion of such Units, as determined under the preceding clause.

(c) If a Participant's Termination of Employment occurs for any reason other than Retirement or Involuntary Termination prior to the fourth anniversary of a Crediting Date and prior to the Participant's death, the Participant becoming Disabled, or the occurrence of a Change in Control, then for any Initial Award Restricted Unit Subaccount, Purchased Restricted Unit Subaccount or Matching Restricted Unit Subaccount maintained for the Participant under Section 8 as of the date of the Participant's Termination of Employment:

(i) all Units in any such Initial Award Restricted Unit Subaccount and in any such Matching Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units), shall be forfeited, and the Participant shall have no further rights with respect thereto; and

(ii) all Units in any such Purchased Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units) shall become vested.

7. PAYMENT FOR VESTED UNITS.

Payment with respect to a Participant's Vested Units shall be made in accordance with the provisions set forth below.

(a) TIME FOR PAYMENT. Payment with respect to a Participant's Vested Units shall be made to the Participant or, in the event of the Participant's death, to his or her Beneficiary, within 30 days after the Vesting Date for such Units, except as otherwise provided in paragraph (d), (f)(i) or (f)(ii) below.

(b) FORM AND AMOUNT OF PAYMENT. Except as provided in paragraph (c) below, payment to be made with respect to any of a Participant's Vested Units at the time specifiedin paragraph (a) above, or at the time specified in paragraph (f)(i) below, shall be made in the form of a single lump sum payment consisting of a number of whole and fractional shares of Common Stock equal to the total number of whole and fractional Vested Units payment for which is to be made at such time (including, in the case of any Vested Units payment for which is to be made under paragraph (f)(i), all Dividend Equivalent Units credited with respect to such Vested Units pursuant to paragraph (f)(vi) below). Notwithstanding the foregoing, in the event that it is administratively impracticable to make payment in respect of a fractional Vested Unit in the form of a fractional share of Common Stock, payment in respect of such fractional Vested Unit may be made in cash. The amount of such cash payment shall be determined by multiplying such fractional Vested Unit by the Closing Price of a share of Common Stock on the Vesting Date (but if payment is deferred pursuant to Section 7(d), then the Closing Price of a share of Common Stock on the date of payment shall be used). Any amount of such cash payment determined to be less than $5 shall be forfeited and the Participant shall have no further rights with respect thereto.

(c) PAYMENT ON ACCOUNT OF CERTAIN TERMINATIONS. Payment to be made at the time specified in paragraph (a) above, or at the time specified in paragraph (f)(ii) below, with respect to a Participant's Units that become vested pursuant to Section 6(c)(ii) shall be made, in either case, in the form of a single lump sum payment of a number of whole and fractional shares of Common Stock equal to the number of whole and fractional Units credited to the Participant's Purchased Restricted Unit Subaccount (including all such Units that are Dividend Equivalent Units). If payment for any of such Units is to be made at the time specified in paragraph (f)(ii) below, such lump sum payment with respect to such Units shall consist of the number of whole and fractional shares of Common Stock determined in accordance with the preceding sentence, plus the number of Dividend Equivalent Units credited with respect to such Units pursuant to paragraph (f)(vi) below. Notwithstanding the foregoing, in the event that it is administratively impracticable to make payment in the form of a fractional share of Common Stock, payment with respect to such fractional part may be made in cash and the amount of such cash payment shall be determined by multiplying such fractional part by the Closing Price of a share of Common Stock on the Vesting Date. Any amount of such cash payment determined to be less than $5 shall be forfeited and the Participant shall have no further rights with respect thereto.

(d) DEFERRED PAYMENT. Subject to the provisions of paragraph (e) below, payment with respect to part or all of a Participant's Restricted Units that become vested on any Vesting Date pursuant to Section 6(a)(i) shall be deferred, and shall be made at the time and in the manner hereinafter set forth, if the Participant so elects in accordance with the following provisions:

(i) An election by the Participant hereunder with respect to any Restricted Units that become vested on any Vesting Date shall be made in writing, on a form furnished to the Participant for such purpose by the Committee. The form shall be filed with the Committee at least one year prior to such Vesting Date.

(ii) In the Participant's election form, the Participant shall specify the number of such Restricted Units with respect to which the Participant wishes to defer payment, and the date on which payment with respect to such Units shall be made (the "Payment Date").

(iii) The Participant may select, as the Payment Date for such Units,

(A) the first Business Day of any calendar year or month after the fifth anniversary of the Vesting Date for such Units;

(B) the later of (x) the first Business Day of the calendar year following the date on which the Participant's Termination of Employment occurs for any reason or (y) the first Business Day of the calendar month following the fifth anniversary of the Vesting Date for such Units; or

(C) the earlier of (A) or (B).

(iv) any election made hereunder by the Participant shall be irrevocable.

(v) As of the Vesting Date for any Restricted Units covered by a deferral election made by a Participant hereunder, the number of such Units shall be transferred from the Restricted Unit Subaccount or Matching Restricted Unit Subaccount in which such Units were recorded to the appropriate Deferred Vested Unit Subaccount established for the Participant under Section 8.

(vi) Until payment has been made with respect to all of the Units in any Deferred Vested Unit Subaccount maintained for the Participant under Section 8, there shall be credited to each such Subaccount, as of each Dividend Payment Date, a number of additional Deferred Vested Units determined by first multiplying (A) the total number of Deferred Vested Units standing to the Participant's credit in such Subaccount as of the Dividend Payment Date (including all Dividend Equivalent Units credited to such Subaccount on all previous Dividend Payment Dates), by (B) the per-share dollar amount of the dividend paid on such Dividend Payment Date and then, dividing the resulting amount by the Closing Price of one share of Common Stock on such Dividend Payment Date.

(vii) Except as provided in subparagraph (viii) below, payment with respect to the Deferred Vested Units in any Deferred Vested Unit Subaccount maintained for the Participant shall be made on the Payment Date specified by the Participant in his or her deferral election with respect to such Units or, if applicable, on the Delayed Payment Date for such Units provided in paragraph (f)(iii) below. Payment with respect to the Deferred Vested Units payable on any Payment Date or Delayed Payment Date shall be made in a single lump sum by the issuance of a whole share of Common Stock for each whole Deferred Vested Unit payable on such Payment Date or Delayed Payment Date and a fractional share of Common Stock for each fractional part of a Deferred Vested Unit payable on such Payment Date or Delayed Payment Date, provided however, in the event that it is administratively impracticable to make payment in the form of a fractional share of Common Stock, payment with respect to such fractional part may be made in cash and the amount of such cash payment shall be determined by multiplying such fractional part by the Closing Price of a share of Common Stock on the date of payment. Any amount of such cash payment determined to be less than $5 shall be forfeited and the Participant shall have no further rights with respect thereto.

(viii) Notwithstanding any other provision in this Section 7 to the contrary, payment with respect to any part or all of any Deferred Vested Unit Subaccount maintained for a Participant may be made to the Participant on any date earlier than the Payment Date specified by the Participant in his or her deferral election for such Units if (A) the Participant requests such early payment and (B) the Committee, in its sole discretion, determines that such early payment is necessary to help the Participant meet an "unforeseeable emergency" within the meaning of Section 409A of the Code. The amount that may be so paid may not exceed the amount permitted to be paid under Section 409A of the Code.

(e) LIMITATIONS ON DEFERRALS. A deferral election otherwise permitted to be made under paragraph (d) above shall be subject to the following limitations:

(i) The Committee may deny any Participant the right to make such election if it determines, in its sole discretion prior to such election becoming irrevocable, that such deferral election by the Participant might cause the Plan to fail to be treated as a plan of deferred compensation "for a select group of management or highly compensated employees" for purposes of ERISA.

(ii) No deferral election shall be effective hereunder if, at any time during the 12-month period ending on the Vesting Date, the Participant received a hardship withdrawal under Section 7.2 of the Pall Corporation 401(k) Plan.

(iii) No amount may be deferred with respect to the Participant's Vested Units pursuant to a Participant's deferral election hereunder to the extent that any tax is required to be withheld with respect to such amount pursuant to applicable federal, state or local law.

(f) DELAY IN TIME FOR PAYMENT. To the extent provided in subparagraph (i), (ii) or (iii) below, payment otherwise required to be made with respect to any of a Participant's Vested Units at the time specified in paragraph (a) above, and payment otherwise required to be made with respect to any of Participant's Deferred Vested Units on the Payment Date for such Units determined under clause (B) or (C) of paragraph (d)(iii) above, shall not be made at such times but shall be made, instead, at the times provided in subparagraph (i), (ii) or (iii) below.

(i) Payment with respect to any of a Participant's Post-2004 Bonus, SIP and Base Salary Units that become vested pursuant to Section 6(a)(iv) by reason of the occurrence of a Change in Control shall be made within 30 days after (A) the earliest date on which such Units otherwise would become vested under Section 6(a) in the absence of the occurrence of a Change in Control, or (B) if earlier, the date of the Participant's Termination of Employment for any reason prior to the Participant's death or the Participant's having become Disabled; provided, however, that if the Participant was a Key Employee (as defined in subparagraph (iv) below) immediately prior to such Termination of Employment, payment pursuant to this clause (B) shall be made on the day that is 6 months after the date of such Termination of Employment or, if the Participant dies before that day, shall be deemed paid into a constructive trust for the benefit of the Beneficiary upon the Participant's death, and distributed from such trust to such Beneficiary within 7 days after the Corporation receives written notice of the Participant's death.

(ii) In the case of a Participant whose Termination of Employment occurs for any reason prior to the Participant's death or the Participant having become Disabled, and who was a Key Employee immediately prior to his or her Termination of Employment, payment with respect to any of the Participant's Post-2004 Bonus, SIP and Base Salary Units that become vested pursuant to Section 6(b) or (c) by reason of the Participant's Termination of Employment shall be made on the day which is 6 months after the date of the Participant's Termination of Employment or, if the Participant dies before such day, shall be deemed paid into a constructive trust for the benefit of the Beneficiary upon the Participant's death, and distributed from such trust to such Beneficiary within 7 days after the Corporation receives written notice of the Participant's death.

(iii) In any case where (A) any of a Participant's Deferred Vested Units that became vested on or after January 1, 2005 have a Payment Date determined by reference to the date of the Participant's Termination of Employment pursuant to clause (B) or (C) under paragraph (d)(iii) above, (B) the Payment Date for such Units, as so determined, is earlier than 6 months after the date of the Participant's Termination of Employment, (C) the Participant's Termination of Employment occurs for any reason prior to the Participant's death or the Participant having becoming Disabled, and (D) the Participant is a Key Employee immediately prior to the Participant's Termination of Employment, payment with respect to such Deferred Vested Units shall be made on the day which is 6 months after the date of the Participant's Termination of Employment or, if the Participant dies before such day, shall be deemed paid into a constructive trust for the benefit of the Beneficiary upon the Participant's death, and distributed from such trust to such Beneficiary within 7 days after the Corporation receives written notice of the Participant's death.

(iv) For purposes of this paragraph (f), the term "Key Employee" shall mean a Participant who, as of any date of reference, is a "specified employee" within the meaning of Section 409A.

(v) The provisions of subparagraph (i) and (ii) above shall not apply to the payment required to be made under this Section 7 with respect to a Participant's Units that become vested upon the occurrence of a Change in Control, or to the payment required to be made under this Section 7 with respect to a Participant's Units that become vested upon the Participant's Termination of Employment, if in either case the Participant would not be required to include such payment in his or her gross income for federal income tax purposes if such payment were made to the Participant at the time specified in paragraph (a) above. The provisions of subparagraph (iii) above shall not apply to the payment required to be made under this Section 7 with respect to any of a Participant's Deferred Vested Units if the Participant would not be required to include such payment in his or her gross income for federal income tax purposes if such payment were made to the Participant on the Payment Date for such Units determined under paragraph (d)(iii) above.

(vi) If payment with respect to any of a Participant's Post-2004 Bonus, SIP and Base Salary Units is delayed pursuant to subparagraph (i) or subparagraph (ii) above, Dividend Equivalent Units shall be credited to the Participant's Account with respect to such Units, in the same manner as provided in paragraph (d)(vi) above, on each Dividend Payment Date occurring during the period from the Vesting Date for such Units to the Delayed Payment Date for such Units.

(h) 409A COMPLIANCE. This Plan and all Units hereunder are intended to comply with the requirements of Section 409A or an exception to the requirements of Section 409A and shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A. In the event that any provision of the Plan or any election made hereunder is determined by the Committee to not comply with the applicable requirements of Section 409A, the Committee shall have the authority to take such actions and to make such interpretations or changes to the Plan or such instrument as the Committee deems necessary to comply with such requirements. Each "payment" (as defined by Section 409A) made under this Plan shall be considered a "separate payment" for purposes of Section 409A, and in no event may a Participant, directly or indirectly, designate the calendar year of any payment hereunder.

Notwithstanding anything contained in the Plan to the contrary, to the extent that any amount payable under the Plan does not meet an exception to Section 409A (a "409A Amount"), the following shall apply:

(i) If any 409A Amount becomes payable to a Participant by reason of his or her retirement or other termination of employment or service that does not constitute a "separation from service" within the meaning of Section 409A, the Participant's right to such payment shall be deferred (subject to clause (iii) below) until the earlier of the date that such a "separation from service" occurs or the earliest date on which the 409A Amount may be paid without being subject to an additional tax under Section 409A.

(ii) If any 409A Amount becomes payable to a Participant solely by reason of a Change in Control, and a Change in Control occurs as defined by the Plan that is not, with respect to the Corporation, a change in ownership or effective control of the Corporation or a change in ownership of a substantial portion of the assets of the Corporation (each within the meaning of Section 409A), then the Participant's right to such payment shall be deferred until the earliest date on which the 409A Amount may be paid without being subject to an additional tax under Section 409A.

(iii) No portion of a 409A Amount that is payable by reason of a Participant's separation from service will be made to a Participant who is a "specified employee" (as defined by Section 409A) until the earlier of: (x) the first day following the sixth month anniversary of the Participant's separation from service, (y) the Participant's date of death, or (z) the earliest date on which the 409A Amount may be paid without being subject to an additional tax under Section 409A.

Notwithstanding anything contained herein to the contrary, in no event shall the Corporation or any officer, director, employee or agent of the Corporation be liable to any Participant or Beneficiary for any tax or penalty imposed on such Participant or Beneficiary under Section 409A or otherwise. For purposes of Section 409A, each payment made under this Plan shall be treated as a separate payment. In no event may a Participant or Beneficiary, directly or indirectly, designate the calendar year of any payment.

8. ACCOUNTS.

There shall be established on the books and records of the Corporation, for bookkeeping purposes only, a separate Account for each Participant, to reflect the Participant's interest under the Plan.

Within each Account so established for each Participant there shall be established and maintained the following Subaccounts: an "Initial Award Restricted Unit Subaccount" to reflect all Restricted Units to be credited to the Participant's Account on any Crediting Date pursuant to Section 5(a); a "Purchased Restricted Unit Subaccount" to reflect all Restricted Units to be credited to the Participant's account on any Crediting Date pursuant to Section 5(b), (c), (d) or (e); a "Matching Restricted Unit Subaccount" to reflect all Matching Restricted Units to be credited to the Participant's Account on any Crediting Date pursuant to Section 5(f); and a "Deferred Vested Unit Subaccount" to reflect all Vested Units with respect to which a Participant has elected to defer payment, and for which the Participant has selected the same Payment Date, pursuant to Section 7(d).

A Participant's Account and Subaccounts shall be adjusted from time to time to reflect all Dividend Equivalent Units to be credited thereto pursuant to Section 5(g) and Section 7(d)(vi), all payments made with respect to the Units reflected therein pursuant to Section 7, and, in the case of any Initial Award Restricted Unit Subaccount, Purchased Restricted Unit Subaccount or Matching Restricted Unit Subaccount maintained for a Participant, any forfeitures of Units reflected therein pursuant to Section 6.

A Participant's interest in any Deferred Vested Unit Subaccount maintained for the Participant shall be fully vested and nonforfeitable at all times.

9. CERTAIN ADJUSTMENTS TO PLAN SHARES.

In the event of any change in the shares of Common Stock by reason of any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase shares of Common Stock at a price substantially below fair market value, or any similar change affecting the shares of Common Stock, the number and kind of shares represented by Units credited to Participants' Accounts shall be appropriately adjusted consistent with such change in such manner as the Compensation Committee, in its sole discretion, may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participants hereunder. The Committee shall give notice to each Participant of any adjustment made pursuant to this Section and, upon such notice, such adjustment shall be effective and binding for all purposes.

10. LISTING AND QUALIFICATION OF COMMON STOCK.

The Corporation, in its discretion, may postpone the issuance, delivery, or distribution of shares of Common Stock with respect to any Vested Units until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Corporation may consider appropriate, and may require any Participant or Beneficiary to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations; provided, however, in the event any such postponement would cause a violation of Section 409A, the Corporation shall make payment in such manner (including in cash rather than shares of Common Stock) as will avoid such a violation.

11. TAXES.

The Corporation or any of its Affiliated Companies may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state, local and foreign taxes required by law to be withheld with respect to any payments to be made under the Plan including, but not limited to (i) deducting the amount so required to be withheld from any other amount then or thereafter payable to a Participant or Beneficiary, and/or (ii) requiring a Participant or Beneficiary to pay to the Corporation or any of its Affiliated Companies the amount so required to be withheld as a condition of the issuance, delivery, or distribution of any shares of Common Stock. With the approval of the Compensation Committee, the Committee may permit such amount to be paid in shares of Common Stock previously owned by the Participant, or a portion of the shares of Common Stock that otherwise would be distributed to such Participant in respect to his or her Vested Units, or a combination of cash and shares of Common Shares.

12. DESIGNATION AND CHANGE OF BENEFICIARY.

Each Participant shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive any amount, or any shares of Common Stock, payable under the Plan upon his or her death. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any previously designated Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If at the date of a Participant's death, there is no designation of a Beneficiary in effect for the Participant pursuant to the provisions of this Section

12, or if no Beneficiary designated by the Participant in accordance with the provisions hereof survives to receive any amount, or any shares of Common Stock, payable under the Plan by reason of the Participant's death, the Participant's estate shall be treated as the Participant's Beneficiary for purposes of the Plan.

13. RIGHTS OF PARTICIPANTS.

A Participant's rights and interests under the Plan shall be subject to the following provisions:

(a) A Participant shall have the status of a general unsecured creditor of the Corporation with respect to his or her right to receive any payment under the Plan. The Plan shall constitute a mere promise by the Corporation or the applicable Affiliated Company to make payments in the future of the benefits provided for herein. It is intended that the arrangements reflected in the Plan be treated as unfunded for tax purposes, as well as for purposes of any applicable provisions of Title I of ERISA.

(b) A Participant's rights to payments under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or his or her Beneficiary. The payment of an amount shall not result in an actual or potential reduction of, or current or future offset to, an amount of deferred compensation, and the Participant shall receive no loan the repayment of which is secured by or may be accomplished through an offset of or a reduction in an amount deferred under the Plan.

(c) Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employment of the Corporation or any of its Affiliated Companies.

(d) No Participant shall have the right, by virtue of having been selected as an Eligible Employee with respect to any Plan Year, to be automatically treated as an Eligible Employee with respect to any subsequent Plan Year.

(e) No Restricted Units credited to a Participant's Account, and no payments made with respect to such Units upon or after they become vested, shall be considered as compensation under any employee benefit plan of the Corporation or any of its Affiliated Companies, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

14. ADMINISTRATION.

The Plan shall be administered by the Committee. A majority of the members of the Committee shall constitute a quorum. The Committee may act at a meeting, including a telephone meeting, by action of a majority of the members present, or without a meeting by unanimous written consent. In addition to the responsibilities and powers assigned to the Committee elsewhere in the Plan, the Committee shall have the authority, in its discretion, to establish from time to time guidelines or regulations for the administration of the Plan, interpret the Plan, and make all determinations considered necessary or advisable for the administration of the Plan; provided, however, that any questions as to the rights under the Plan of any person who is an Elected Officer under Section 4.01(a) of the By-Laws of the Corporation, as amended on July 15, 2003 or thereafter, shall be determined by the Compensation Committee instead of by the Committee. The Committee may delegate any ministerial or nondiscretionary function pertaining to the administration of the Plan to any one or more officers of the Corporation.

All decisions, actions or interpretations of the Committee or the Compensation Committee under the Plan shall be final, conclusive and binding upon all parties. Notwithstanding the foregoing, any determination made by the Committee or the Compensation Committee after the occurrence of a Change in Control that denies in whole or in part any claim made by any individual for benefits under the Plan shall be subject to judicial review, under a “de novo”, rather than a deferential standard.

15. AMENDMENT OR TERMINATION.

The Board of Directors may, with prospective or retroactive effect, amend, suspend or terminate the Plan or any portion thereof at any time; provided, however, that (a) no amendment, suspension or termination of the Plan shall adversely affect the rights of any Participant with respect to any Units previously credited to the Participant’s Account, without his or her written consent and (b) no amendment which constitutes a “material revision” of the Plan, as the term material revision is defined in the applicable rules of the New York Stock Exchange, shall be effective unless approved by the shareholders in the manner required by such rules and by applicable law, and (c) no amendment, suspension, or termination may change the time and form of payment of any outstanding Units except in accordance with Section 409A. Subject to the provisos in the foregoing sentence, the Board may, in its discretion, delegate to the Compensation Committee the ability to amend the Plan or any portion thereof for clarificatory or ministerial reasons or reasons relating to convenience in administration of the Plan.

16. SUCCESSOR CORPORATION.

The obligations of the Corporation under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Corporation, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Corporation. The Corporation agrees that it will make appropriate provision for the preservation of Participants’ rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

17. STOCK CERTIFICATES; BOOK ENTRY PROCEDURES.

(a) Notwithstanding anything herein to the contrary, the Corporation shall not be required to issue or deliver any certificates evidencing shares of Common Stock to be issued under the Plan, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded. All Common Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Common Stock is listed, quoted, or traded. The Committee may place legends on any Common Stock certificate to reference restrictions applicable to the Common Stock. In addition to the terms and conditions provided herein, the Committee may require that a Participant or Beneficiary make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant or Beneficiary to comply with any timing or other restrictions with respect to the settlement of any Units, including a window-period limitation, as may be imposed in the discretion of the Committee.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee or required by any applicable law, rule or regulation, the Corporation shall not deliver to any Participant or Beneficiary certificates evidencing shares of Common Stock issued under the Plan and instead such shares of Common Stock shall be recorded in the books of the Corporation (or, as applicable, its transfer agent or stock plan administrator).

18. PAPERLESS DOCUMENTATION

Notwithstanding anything contained herein to the contrary, any agreement, document, notice or other instrument necessary or appropriate to carry out the purposes of the Plan, including any agreement, document, notice or other instrument expressly stated by the Plan to be in writing, may, to the extent permitted by the Committee, be provided, transmitted or delivered in electronic format, including via facsimile or by use of the internet. Any such agreement, document, notice or other instrument provided or delivered in such manner shall have the same legal effect as if provided in writing.

19. GOVERNING LAW.

The Plan shall be governed by and construed in accordance with the laws of the State of New York.

20. EFFECTIVE DATE.

The Plan was adopted effective as of June 29, 1999 by the Board of Directors, acting by the Compensation Committee, and approved by the shareholders of the Corporation by a majority of the votes cast in person or by proxy at the 1999 annual meeting of the Corporation's shareholders. Amendments approved by the Board of Directors on October 16, 2008 are effective as of January 1, 2008, with respect to all outstanding Units as of that date and any outstanding Units granted thereafter, other than any Units that were outstanding and vested prior to January 1, 2005 and not materially modified thereafter. Amendments approved by the Board of Directors on July 16, 2009 were effective as of November 19, 2009 (the date they were adopted by the Corporation's Shareholders) and amendments approved by the Board of Directors on July 15, 2010 were effective as of December 15, 2010 (the date they were adopted by the Corporation's Shareholders). The Plan, as amended and restated as presented herein, was approved by the Board of Directors on September 26, 2011.

Exhibit 10.2

PALL CORPORATION

2012 EXECUTIVE INCENTIVE BONUS PLAN

(as amended February 21st, 2014)

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1. Purpose

This document sets forth the Pall Corporation 2012 Executive Incentive Bonus Plan as adopted by the Compensation Committee of the Board of Directors on September 26, 2011, effective for the fiscal year beginning August 1, 2011 and subsequent fiscal years, and approved by shareholders at the Annual Meeting on December 14, 2011.

The purpose of the Plan is to promote the success of the Corporation by providing Participants with bonus incentives that qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

2. Certain Definitions

As used herein with initial capital letters, the following terms shall have the following meanings:

"**Affiliate**" shall mean any corporation or other entity (including, but not limited to, partnerships, limited liability companies and joint ventures) controlled by the Corporation.

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Bonus" shall mean the bonus payable to a Participant under this Plan for any Performance Period.

"**Cause**" shall mean, unless otherwise specifically defined in the instrument evidencing an Award, a Participant's (i) conviction of, or the entry of a plea of guilty or no contest to, a felony or any other crime that causes the Corporation or any of its Affiliates public disgrace or disrepute, or materially and adversely affects the Corporation's or its Affiliates' operations or financial performance or the relationship the Corporation or any of its Affiliates has with its customers, (ii) gross negligence or willful misconduct with respect to the Corporation or any of its Affiliates, including, without limitation fraud, embezzlement, theft or dishonesty in the course of his or her employment; (iii) alcohol abuse or use of controlled drugs other than in accordance with a physician's prescription; (iv) refusal to perform any lawful, material obligation or fulfill any duty (other than any duty or obligation of the type described in clause (vi) below) to the Corporation or any of its Affiliates (other than due to a Disability), which refusal, if curable, is not cured within 15 days after delivery of written notice thereof; (v) material breach of any agreement with or duty owed to the Corporation or any of its Affiliates, which breach, if curable, is not cured within 15 days after the delivery of written notice thereof; or (vi) breach of any obligation or duty to the Corporation or any of its Affiliates (whether arising by statute, common law or agreement) relating to confidentiality, noncompetition, nonsolicitation, proprietary rights or other policies and procedures of the Corporation or any of its Affiliates. Notwithstanding the foregoing, if a Participant and the Corporation (or any of its Affiliates) have entered into an employment agreement or other similar agreement that specifically defines "cause," then with respect to such Participant, "Cause" shall in all instances have the meaning defined in that employment agreement or other agreement. Further, notwithstanding anything herein to the contrary, following a Change in Control, "Cause" shall be limited to the matters set forth in clause (i) and (ii) above.

"Change in Control" shall mean the occurrence of any of the following:

(a) any "Person", within the meaning of Section 13(d) or 14(d) under the Securities Exchange Act of 1934 (the "Exchange Act"), including any group (within the meaning of Section 13(d)(3) under the Exchange Act), becomes the "Beneficial Owner", as such term is defined in Rule 13d-3 promulgated under the Exchange Act, of 30% or more of the combined voting power of the Corporation's outstanding shares, other than beneficial ownership by (i) the Corporation or any subsidiary of the Corporation, (ii) any employee benefit plan of the Corporation or any subsidiary of the Company or (iii) any entity of the Corporation for or pursuant to the terms of any such plan. Notwithstanding the foregoing, a Change in Control shall not occur as the result of an acquisition of outstanding shares of the Corporation by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by a Person to 30% or more of the shares of the Corporation then outstanding; provided, however, that if a Person becomes the Beneficial Owner of 30% or more of the shares of the Corporation then outstanding by reason of share purchases by the Corporation and shall, after such share purchases by the Corporation, become the Beneficial Owner of any additional shares of the Corporation, then a Change in Control shall be deemed to have occurred;

(b) the Corporation shall consummate a merger or consolidation with or consolidate with another entity, or engage in a reorganization with or a statutory share exchange or an exchange offer for the Corporation's outstanding voting stock of any class with another entity or acquire another entity by means of a statutory share exchange or an exchange offer, or engage in a similar transaction; provided that no Change in Control shall have occurred by reason of this paragraph unless either:

i. the stockholders of the Corporation immediately prior to the consummation of the transaction would not, immediately after such consummation, as a result of their beneficial ownership of voting stock of the Corporation immediately prior to such consummation (I) be the Beneficial Owners, directly or indirectly, of securities of the resulting or acquiring entity entitled to elect a majority of the members of the Board of Directors or other governing body of the resulting or acquiring entity and (II) be Beneficial Owners of the resulting or acquiring entity in substantially the same proportion as their beneficial ownership of the voting stock of the Corporation immediately prior to such transaction; or

ii. those persons who were directors of the Corporation immediately prior to the consummation of the proposed transaction would not, immediately after such consummation, constitute a majority of the directors of the resulting entity.

(c) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Corporation to any Person (as defined in paragraph (a) above) other than any of the Affiliates; or

(d) the number of duly elected and qualified directors of the Corporation who were not either elected by the Corporation's Board of Directors or nominated by the Board of Directors or its Nominating/Governance Committee for election by the shareholders shall constitute a majority of the total number of directors of the Corporation as fixed by its by-laws;

provided, however, that in each instance no Change in Control shall be deemed to have occurred, and no rights arising upon a Change in Control as provided in Section 5 hereof shall exist (other than the rights provided for in Section 5 hereof), to the extent that the Board of Directors so determines by resolution adopted and not rescinded prior to the Change in Control.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Compensation Committee of the Board of Directors.

“Corporation” shall mean Pall Corporation.

“**Disability**” shall mean, with respect to any Participant, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. The determination of a Participant’s Disability shall be made by the Committee in its sole discretion.

“**Eligible Compensation**” shall mean, with respect to any Participant and for any Performance Period, the Participant’s annualized gross base salary as of the commencement of such Performance Period; provided, however, that if the Participant’s annualized rate of base salary changes during the Performance Period, then the Participant’s Eligible Compensation shall be equal to the sum of the Participant’s annualized rate of gross base salary for each day in the Performance Period to which such annualized rate of gross base salary applies.

“**Eligible Executive**” shall mean, with respect to any Performance Period, each individual who is a “Covered Employee” of the Corporation for any or all of such Performance Period for purposes of Section 162(m) of the Code, the Corporation’s Chief Financial Officer, and each other officer or executive of the Corporation who is selected for eligibility to participate in the Plan by the Committee.

“Fiscal Year” shall mean the fiscal year of the Corporation ending on July 31, 2012, and each subsequent fiscal year of the Corporation.

“**Maximum Bonus Award**” shall mean, as to any Participant for a Performance Period, 260% of the Participant’s annualized rate of base salary in effect at the commencement of such Performance Period determined without regard to any increases in base salary that may occur thereafter, but in any event not more than three million dollars ($3,000,000).

“**MSPP**” shall mean the Pall Corporation Management Stock Purchase Plan, as amended from time to time.

“**Pall 401(k) Plan**” shall mean the Pall Corporation 401(k) Plan, as amended from time to time.

“**Participant**” shall mean each Eligible Executive who is selected to participate in the Plan by the Committee. If an employee is hired as an Eligible Executive or first becomes an Eligible Executive after the beginning of a Performance Period, the Committee shall have discretion to determine whether he or she will be eligible to participate in the Plan with respect to that Performance Period.

“**Performance Criteria**” shall mean any one or any combination of any of the following performance criteria as the Committee deems appropriate, which may be applied to the Corporation as a whole, or to an individual Participant, or to a department, unit, division or function within the Corporation or an Affiliate, and which may be applied on a pre- or post-tax basis, either alone or relative to past, present or future performance of other businesses or individuals (including industry or general market indices): (a) consolidated earnings, net income or net profit (either in the aggregate or on a per-share basis, reflecting dilution of shares as the Committee deems appropriate and, if the Committee so determines, net of or including dividends) before or after interest and taxes or before or after interest, taxes, depreciation, and amortization; (b) return on equity; (c) return on assets; (d) gross or net revenue or changes in annual revenues; (e) cash flow(s) (including either operating or net cash flows); (f) financial return ratios; (g) total stockholder return, stockholder return based on growth measures or the attainment of a specified share price, or share price appreciation; (h) earnings per share or earnings growth or growth in earnings per share; (i) return measures, including return or net return on assets, net assets, equity, capital, investment, or gross sales; (j) adjusted pre-tax margin; (k) pre-tax profits; (l) operating margins; (m) operating profits; (n) operating expenses; (o) dividends; (p) net income or net operating income; (q) growth in operating earnings or growth in earnings per share; (r) value of assets; (s) market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas; (t) aggregate product price and other product measures; (u) expense or cost levels, in each case, where applicable, determined either on a Corporation-wide basis or in respect of any one or more specified divisions; (v) reduction of losses, loss ratios or expense ratios; (w) reduction in fixed costs; (x) operating cost management; (y) cost of capital; (z) debt reduction; (aa) productivity improvements; (bb) average inventory turnover; or (cc) satisfaction of specified business expansion goals or goals relating to acquisitions or divestitures. In addition, for purposes of determining the amount of any Bonus payable to a Participant with respect to a Performance Period under Section 3(b) hereof (but not with respect to the determination of the Threshold Goal), the Committee may apply any other performance criteria as it deems appropriate in its sole discretion.

"**Performance Period**" shall mean the Fiscal Year or Fiscal Years with respect to which the Performance Criteria or Threshold Goal(s) are set by the Committee.

"Plan" shall mean the Pall Corporation 2012 Executive Incentive Bonus Plan, as set forth herein and as amended from time to time.

"**Section 409A**" shall mean Section 409A of the Code and regulations promulgated thereunder.

"**Target Bonus Award**" shall mean the target award payable under the Plan to a Participant for a Performance Period, as determined by the Committee in it sole discretion. The Target Bonus Award shall be expressed as a percentage of a Participant's Eligible Compensation.

"**Threshold Goal(s)**" shall mean the level(s) of performance under Performance Criteria that must be achieved with respect to a Participant in order for a Participant to earn any bonus under the Plan as further described in Section 3(a) below

3. Determination of Bonus Opportunities

(a) Subject to potential reduction pursuant to Section 3(b) below, the provisions of Section 3(d), and all other terms and conditions of the Plan, each Participant shall be paid the Maximum Bonus Award with respect to a Performance Period provided that (i) the Committee certifies that the Threshold Goal(s) for that Performance Period has/have been achieved, and (ii) except as provided in Section 3(d), the Participant remains continuously employed by the Corporation or an Affiliate through the last day of such Performance Period. Notwithstanding anything contained herein to the contrary, the Committee shall have authority to make equitable adjustments to any Performance Criteria and the corresponding level(s) of performance thereunder so as to eliminate, consistent with generally accepted accounting principles, the effects of (i) the translational effect of foreign currency exchange rates, (ii) any acquisitions, divestitures, discontinuance of business operations, restructuring or any other unusual or non-recurring or extraordinary charges, or (iii) the cumulative effect of any accounting changes, provided that such adjustment would not cause a Bonus to be non-deductible under Section 162(m) of the Code.

(b) Notwithstanding Section 3(a), the Bonus payable to a Participant with respect to a Performance Period may, in the sole discretion of the Committee, be reduced (including to zero) based on any factors that the Committee deems appropriate, including without limitation (i) the relative achievement of such Performance Criteria for the Performance Period as the Committee in its sole discretion deems appropriate, (ii) to reflect the Committee's evaluation of the Participant's individual performance, and/or (iii) to reflect any other events, circumstances or factors which the Committee believes to be appropriate in determining the amount of the Bonus to be paid to the Participant for the Performance Period. The Committee shall not have any discretion to increase the amount of the Bonus payable to any

Participant with respect to a Performance Period above the Participant's Maximum Bonus Award determined under Section 3(a) with respect to the Performance Period.

(c) The specific Threshold Goal(s) with respect to a Performance Period shall be established by the Committee in writing no later than ninety (90) days after the commencement of such Performance Period and while attainment of the Threshold Goal(s) remain(s) substantially uncertain within the meaning of Section 162(m) of the Code. At the time the Threshold Goal(s) is/are selected, the Committee shall provide a Target Bonus Award for each Participant, and for any person who may become a Participant after the Threshold Goal(s) is/are set, and such additional Performance Criteria as may be required to be achieved in order to earn the Target Bonus Award; provided that no Bonus shall be payable unless the Threshold Goal(s) is/are achieved.

(d) In order to receive a Bonus with respect to a Performance Period, a Participant must remain continuously employed by the Corporation or an Affiliate through the last day of such Performance Period. Notwithstanding the foregoing, in the event a Participant terminates employment at least five days after a Performance Period begins due to death or Disability, or retirement on or after attaining age 65 or if the Participant is involuntary discharged (other than for Cause, death or Disability) such that he or she is no longer in the employ of the Corporation or any of its Affiliates, the Participant (or his or her estate in the event of death) shall be entitled to receive the Bonus, if any, that he or she would have received had he or she not terminated employment; provided that, unless otherwise determined by the Committee, such Bonus shall be prorated by multiplying such Bonus by a fraction, the numerator of which is the number of days that the Participant was employed by the Corporation or an Affiliate during the Performance Period and the denominator of which is the number of days in such Performance Period. Such Bonus, if any, will be paid at the same time as other Bonuses for the Performance Period are paid, subject to the Committee's certification set forth in Section 4(a).

4. Payment of Bonuses

(a) The Bonus payable to a Participant for any Performance Period shall be paid in a single lump sum cash payment, reduced by the amount of all federal, state, local and foreign taxes required by law to be withheld therefrom, following the date on which the Committee has certified in writing that all conditions for the payment of such Bonus to the Participant for such Performance Period have been satisfied, but no later than 2-1/2 months following the end of such Performance Period unless payment is delayed in order to ensure the deductibility of the payment under Section 162(m) of the Code or under such other circumstances as will not cause the payment to fail to be treated as a "short-term deferral" for purposes of Section 409A. No Participant shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately determined in accordance with the terms, conditions and limits of the Plan and that the Threshold Goal(s) and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

(b) To the extent that a Participant has elected under the applicable provisions of the Pall 401(k) Plan to have any part of the Bonus payable to the Participant for any Performance Period reduced, and to have an amount equal to such part of the Participant's Bonus contributed to the Pall 401(k) Plan as a 401(k) contribution on the Participant's behalf, an amount equal to such part of the Participant's Bonus shall be contributed to the Pall 401(k) Plan on behalf of the Participant, and thereupon, the obligation of the Corporation under this Plan with respect to payment of such part of the Participant's Bonus shall be fully discharged. However, no such contribution shall be made to the extent it would cause any limitation applicable under the Pall 401(k) Plan to be exceeded.

(c) To the extent that a Participant has elected under the applicable provisions of the MSPP to have any part of the Bonus payable to the Participant for any Fiscal Year paid in the form of

Restricted Units to be credited to the Participant's account under the MSPP, no cash payments shall be made to the Participant pursuant to (a) above with respect to the part of the Participant's Bonus that is subject to such election, and the obligation of the Corporation under this Plan with respect to payment of such part of the Participant's Bonus shall be fully discharged upon the crediting of Restricted Units to the Participant's account under the MSPP in accordance with the applicable provisions of the MSPP.

5. Change in Control

Notwithstanding any other provision in the Plan to the contrary (but subject to the "provided, however" clause contained in the definition of "Change in Control" in Section 2), in the event of a Change in Control, the amount of the Bonus payable to any Participant for the Performance Period in which such Change in Control occurs shall be at least equal to the Participant's Target Bonus Award for such year or, in the case of any Participant whose employment commences after the start of such year or ends prior to the close of such year, a pro rata portion thereof determined on the basis of the number of days of such Performance Period that fall within the Participant's period of employment. The entire amount of such Bonus, reduced by the amount of all federal, state and local taxes required to be withheld therefrom, shall be paid to the Participant in a single cash lump sum within ten (10) business days following the date of such Change in Control.

6. Rights of Executives

A Participant's rights and interests under the Plan shall be subject to the following provisions:

(a) A Participant's rights to payments under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant.

(b) Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employment of the Corporation or any Affiliate.

7. Administration

The Plan shall be administered by the Committee. In addition to the responsibilities and powers assigned to the Committee elsewhere in the Plan, the Committee shall have the authority, in its discretion, to establish from time to time guidelines or regulations for the administration of the Plan, to construe and interpret the Plan, to adopt such rules and regulations as it deems necessary or appropriate for the proper administration of the Plan, and to make all determinations considered necessary or advisable for the administration of the Plan.

The Committee may delegate any ministerial or nondiscretionary function pertaining to the administration of the Plan to any one or more officers of the Corporation, to the extent not inconsistent with Section 162(m) of the Code.

All decision, actions or interpretations of the Committee under the Plan shall be final, conclusive and binding upon all parties. Notwithstanding the foregoing, any determination made by the Committee after the occurrence of a Change in Control that denies in whole or in part any claim made by any individual for benefits under the Plan shall be subject to judicial review, under a "de novo", rather than a deferential standard.

8. Amendment or Termination

The Board of Directors may (acting by the Committee if the by-laws of the Corporation so provide), with prospective or retroactive effect, amend, suspend or terminate the Plan or any portion thereof at any time; provided, however, that (a) no amendment, suspension or termination of the Plan shall adversely affect the rights of any Participant with respect to any Bonus that has become payable to the Participant under the Plan, without his or her written consent, and (b) following a Change in Control, no amendment to Section 5, and no termination of the Plan, shall be effective if such amendment or termination adversely affects the rights of any Participant under the Plan; provided, further, that, the Board may, in its discretion, delegate to the Committee the ability to amend the Plan or any portion thereof for clarificatory or ministerial reasons or reasons relating to convenience in administration of the Plan.

9. Successor Corporation

The obligation of the Corporation under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Corporation, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Corporation. The Corporation agrees that it will make appropriate provision for the preservation of Participants' rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

10. Recoupment of Awards

Notwithstanding anything contained in the Plan, each Bonus paid or payable under the Plan (without regard to any deferral of such Bonus under the Pall 401(k) Plan, the MSPP or any other arrangement) shall be subject, in the discretion of the Committee, to forfeiture, cancelation and/or repayment to the Corporation if –

(a) the payment of such Bonus (or portion thereof) was predicated upon the achievement of certain financial results or other performance criteria;

(b) in the Committee's view, the Participant either benefited from a calculation that later proves to be materially inaccurate, or engaged in one or more material acts of fraud or misconduct that caused or partially caused the need for a financial restatement by the Corporation; and

(c) in the Committee's view, a lesser payment (or no payment) of such Bonus would have occurred based on a correct calculation or upon restated financial results or other performance criteria .

In addition and without limitation of the foregoing, any amounts paid hereunder shall be subject to recoupment in accordance with The Dodd –Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Corporation or as is otherwise required by applicable law or stock exchange listing conditions.

11. Non-Transferability of Bonuses

Except as expressly provided by the Committee, no amount payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action be void and no such benefit shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Participant.

12. **Section 162(m) Conditions**.

It is the intent of the Corporation that the Plan and Bonuses paid hereunder satisfy and be interpreted in a manner that satisfies any applicable requirements as performance-based compensation for purposes of Section 162(m) of the Code. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) of the Code shall be disregarded.

13. **Section 409A**

It is the intent of the Corporation that all Bonuses payable hereunder be exempt from the requirements of Section 409A (based on the "short-term deferral" exception set forth in regulations of the U.S. Department of Treasury promulgated under Section 409A). The Plan shall be interpreted in a manner consistent with such intent.

Notwithstanding the foregoing, to the extent that any Bonus hereunder does not meet an exception to Section 409A (a "409A Bonus"), this Plan is intended to comply with respect to such 409A Bonus with the requirements of Section 409A and shall in all respects be administered and interpreted in accordance with Section 409A with respect to such 409A Bonus. To the extent that any provision in this Plan is ambiguous as to its compliance with Section 409A, the provision shall be interpreted in a manner so that no amount payable hereunder shall be subject to an "additional tax" within the meaning of Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each Bonus payment made under this Plan shall be treated as a separate payment. In no event may a Participant, directly or indirectly, designate the calendar year of any payment hereunder.

If any 409A Bonus becomes payable to a Participant by reason of his or her retirement or other termination of employment that does not constitute a "separation from service" within the meaning of Section 409A, the Participant's right to such payment shall be deferred (subject to the second following paragraph hereof) until the earlier of the date that such a "separation from service" occurs or the earliest date on which the 409A Bonus may be paid without being subject to an additional tax under Section 409A.

If any 409A Bonus becomes payable to a Participant solely by reason of a Change in Control, and a Change in Control occurs as defined by the Plan that is not, with respect to the Corporation, a change in ownership or effective control of the Corporation or a change in ownership of a substantial portion of the assets of the Corporation (each within the meaning of Section 409A), then the Participant's right to such payment shall be deferred until the earliest date on which the 409A Bonus may be paid without being subject to an additional tax under Section 409A.

Notwithstanding anything contained herein to the contrary, no amount of a 409A Bonus that is payable by reason of a Participant's separation from service will be made to a Participant who is a "specified employee" (as defined by Section 409A) until the earlier of: (i) the first day following the sixth month anniversary of the Participant's separation from service, (ii) the Participant's date of death, or (iii) the earliest date on which the 409A Bonus may be paid without being subject to an additional tax under Section 409A .

Notwithstanding anything contained herein to the contrary, in no event shall the Corporation or any officer, director, employee or agent of the Corporation be liable to any Participant for any tax or penalty imposed on such Participant under Section 409A or otherwise.

14. **No Funding of Plan**

The Corporation shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to Participants under the Plan. The Plan shall constitute an "unfunded" plan of the Corporation. The Corporation shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any obligations of the Corporation to any Participant under the Plan shall be those of a debtor and any rights of any Participant shall be limited to those of a general unsecured creditor.

15. Impact on Employment Agreements

Notwithstanding anything contained herein to the contrary, to the extent that any employment agreement between the Corporation and any Participant makes reference to the Pall Corporation 2004 Executive Incentive Bonus Plan, such reference shall, for Fiscal Years of the Company beginning on and after August 1, 2011, be deemed to refer to the Pall Corporation 2012 Executive Incentive Bonus Plan, as such Plan may be amended from time to time, or any successor thereto. In addition, to the extent that any such employment agreement makes reference to the Participant's “Target Bonus Percentage”, such reference shall (unless such employment agreement is amended) continue to mean the percentage designated under such employment agreement.

16. Governing Law

The Plan shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law or choice of law principles.

17. Effective Date

The Plan was adopted by the Compensation Committee on September 26, 2011, effective for the Fiscal Year beginning August 1, 2011, subject, however, to approval by the shareholders of the Corporation at the 2011 annual meeting of the shareholders, including any adjournment thereof. Unless reapproved by shareholders of the Corporation, no Bonuses shall be paid under this Plan with respect to Performance Periods for which the Committee approves the applicable Threshold Goal(s) after the first shareholder meeting that occurs in 2016.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lawrence D. Kingsley, certify that:

1. I have reviewed this report on Form 10-Q of Pall Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2014

/s/ LAWRENCE D. KINGSLEY

Lawrence D. Kingsley

Chairman and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Akhil Johri, certify that:

1. I have reviewed this report on Form 10-Q of Pall Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2014

/s/ AKHIL JOHRI

Akhil Johri

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Pall Corporation (the "Company") on Form 10-Q for the quarterly period ending January 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence D. Kingsley, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 3, 2014

/s/ LAWRENCE D. KINGSLEY
Lawrence D. Kingsley
Chairman and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Pall Corporation (the “Company”) on Form 10-Q for the quarterly period ending January 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Akhil Johri, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 3, 2014

/s/ AKHIL JOHRI
Akhil Johri
Chief Financial Officer