PALL CORP
Form 10-Q
June 09, 2006
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**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 April 30, 2006**

**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 1- 4311**

# 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.) |
| **2200 Northern Boulevard, East Hills, NY** | **11548** |
| (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 registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 June 5, 2006 was 124,833,255.

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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)**

| | Apr. 30, 2006 | July 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 207,359 | $ 164,928 |
| Accounts receivable | 464,731 | 493,650 |
| Inventories | 438,848 | 365,929 |
| Prepaid expenses | 30,120 | 21,858 |
| Other current assets | 117,316 | 114,027 |
| Total current assets | 1,258,374 | 1,160,392 |
| Property, plant and equipment | 619,898 | 608,758 |
| Goodwill | 246,559 | 252,904 |
| Intangible assets | 52,683 | 50,004 |
| Other non-current assets | 209,815 | 193,243 |
| Total assets | $ 2,387,329 | $ 2,265,301 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and other current liabilities | $ 387,466 | $ 372,553 |
| Income taxes | 59,045 | 58,928 |
| Current portion of long-term debt | 1,463 | 1,359 |
| Notes payable | 27,636 | 24,299 |
| Total current liabilities | 475,610 | 457,139 |
| Long-term debt, net of current portion | 488,807 | 510,161 |
| Deferred taxes and other non-current liabilities | 182,611 | 158,024 |
| Total liabilities | 1,147,028 | 1,125,324 |
| Stockholders equity: | | |
| Common stock, par value $.10 per share | 12,796 | 12,796 |
| Capital in excess of par value | 132,759 | 121,934 |
| Retained earnings | 1,102,089 | 1,066,848 |
| Treasury stock, at cost | (64,292 ) | (90,878 ) |

| | | |
|---|---|---|
| Stock option loans | (1,502) | (1,808) |
| Accumulated other comprehensive income: | | |
| Foreign currency translation | 106,011 | 80,412 |
| Minimum pension liability | (49,353) | (49,353) |
| Unrealized investment gains | 2,132 | 33 |
| Unrealized loss on derivatives | (339) | (7) |
| | 58,451 | 31,085 |
| Total stockholders equity | 1,240,301 | 1,139,977 |
| Total liabilities and stockholders equity | $ 2,387,329 | $ 2,265,301 |

See accompanying notes to condensed consolidated financial statements.

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**PALL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

**(In thousands, except per share data)**

**(Unaudited)**

| | **Three Months Ended** | | **Nine Months Ended** | |
|---|---|---|---|---|
| | **Apr. 30, 2006** | **Apr. 30, 2005** | **Apr. 30, 2006** | **Apr. 30, 2005** |
| Net sales | $509,981 | $493,543 | $1,419,579 | $1,377,748 |
| Cost of sales | 271,388 | 248,554 | 753,491 | 707,955 |
| Gross profit | 238,593 | 244,989 | 666,088 | 669,793 |
| Selling, general and administrative expenses | 157,407 | 161,461 | 466,250 | 464,906 |
| Research and development | 14,511 | 15,498 | 41,975 | 43,118 |
| Restructuring and other charges, net | 7,313 | 4,292 | 10,999 | 15,253 |
| Interest expense, net | 5,091 | 7,084 | 16,472 | 18,937 |
| Earnings before income taxes | 54,271 | 56,654 | 130,392 | 127,579 |
| Income taxes | 29,082 | 12,976 | 47,657 | 30,157 |
| Net earnings | $25,189 | $43,678 | $82,735 | $97,422 |
| Earnings per share: | | | | |
| Basic | $0.20 | $0.35 | $0.66 | $0.78 |
| Diluted | $0.20 | $0.35 | $0.66 | $0.78 |
| Dividends declared per share | $0.11 | $0.10 | $0.32 | $0.29 |
| Average shares outstanding: | | | | |
| Basic | 125,614 | 124,869 | 125,243 | 124,535 |
| Diluted | 126,581 | 125,924 | 126,121 | 125,481 |

See accompanying notes to condensed consolidated financial statements.

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**PALL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**(Unaudited)**

| | Nine Months Ended | |
|---|---|---|
| | **Apr. 30, 2006** | **Apr. 30, 2005** |
| **Operating activities:** | | |
| Net earnings | $82,735 | $97,422 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Restructuring and other charges, net | 10,999 | 15,253 |
| Depreciation and amortization of long-lived assets | 70,747 | 67,673 |
| Non-cash stock compensation | 8,769 | 946 |
| Excess tax benefits from stock based compensation arrangements | (723) | |
| Other | 1,060 | 2,580 |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions | (21,920) | (103,760) |
| Net cash provided by operating activities | 151,667 | 80,114 |
| **Investing activities:** | | |
| Acquisitions of businesses, net of disposals and cash acquired | (75) | (30,812) |
| Proceeds from sale of strategic investments | 7,387 | 915 |
| Capital expenditures | (72,784) | (59,361) |
| Proceeds from sale of fixed assets | 6,564 | 3,655 |
| Proceeds from sale of retirement benefit assets | 26,769 | 16,290 |
| Purchases of retirement benefit assets | (44,844) | (16,118) |
| Other | (2,140) | (2,678) |
| Net cash used by investing activities | (79,123) | (88,109) |
| **Financing activities:** | | |
| Notes payable | 2,247 | (767) |
| Long-term borrowings | 139 | 130,575 |
| Repayments of long-term debt | (21,331) | (105,057) |
| Net proceeds from stock plans | 26,795 | 42,597 |
| Excess tax benefits from stock based compensation arrangements | 723 | |
| Purchase of treasury stock | (5,750) | (49,998) |
| Payment to terminate interest rate swaps | | (10,044) |
| Dividends paid | (38,611) | (34,673) |
| Net cash used by financing activities | (35,788) | (27,367) |

| | | |
|---|---|---|
| Cash flow for period | 36,756 | (35,362 ) |
| Cash and cash equivalents at beginning of year | 164,928 | 207,277 |
| Effect of exchange rate changes on cash | 5,675 | 10,382 |
| Cash and cash equivalents at end of period | $ 207,359 | $ 182,297 |
| Supplemental disclosures: | | |
| Interest paid | $ 25,790 | $ 26,928 |
| Income taxes paid (net of refunds) | 45,294 | 57,518 |
| Non-cash investing and financing activities: | | |
| Capital lease entered into for building | | 6,439 |
| Note receivable (Note 4) | 2,539 | |

See accompanying notes to condensed consolidated financial statements.

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**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 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, 2005 ( 2005 Form 10-K ).

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 STOCK-BASED PAYMENT

The Company currently has four stock-based employee compensation plans (collectively, the Stock Plans ), which are described more fully below under the captions Stock Purchase Plans and Stock Option Plans. Prior to August 1, 2005, the Company accounted for stock-based compensation related to those Stock Plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ( APB No. 25 ), and related Interpretations, as permitted by Financial Accounting Standards Board ( FASB ) Statement of Financial Accounting Standards ( SFAS ) No. 123, Accounting for Stock-Based Compensation ( SFAS No. 123 ). As such, there was no stock-based employee compensation cost recognized in net earnings relating to any shares under the Employee Stock Purchase Plan ( ESPP ) or stock options granted under any of the existing or terminated stock option plans prior to August 1, 2005 as all stock options were granted with an exercise price equal to the fair market value on the date of grant. There was, however, stock-based employee compensation cost recognized in net earnings for periods prior to August 1, 2005 resulting from the issuance of restricted stock units under the 2005 Stock Compensation Plan ( 2005 Plan ) and the Management Stock Purchase Plan ( MSPP ).

Effective August 1, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment ( SFAS No. 123(R) ), using the modified-prospective-transition method. Under that transition method, compensation cost recognized for the three and nine months ended April 30, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of, August 1, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for the vested portion of share-based payments granted subsequent to August 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated.

The Company adopted the 2005 Plan (described in more detail below) in contemplation of the change in the accounting for share-based payments required by SFAS No. 123(R). Specifically, the 2005 Plan provides the Company with the ability to award stock units with various restrictions and vesting requirements. The detailed components of stock-based compensation expense recorded in the Statements of Earnings for the three and nine months ended April 30, 2006 and April 30, 2005 are illustrated in the table below.

| | **Three Months Ended** | | **Nine Months Ended** | |
|---|---|---|---|---|
| | **Apr. 30, 2006** | **Apr. 30, 2005** | **Apr. 30, 2006** | **Apr. 30, 2005** |
| Stock options | $ 1,496 | $ | $ 4,517 | $ |
| Restricted stock units | 650 | 390 | 1,703 | 390 |
| ESPP | 590 | | 1,563 | |
| MSPP | 316 | 199 | 986 | 556 |
| Total | $ 3,052 | $ 589 | $ 8,769 | $ 946 |

Stock-based compensation expense related to stock options and the ESPP for the three and nine months ended April 30, 2005 was not recorded in the Statements of Earnings, but had been disclosed in the pro forma disclosures as required by SFAS No. 123 and SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123 ( SFAS No. 148 ).

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**PALL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(In thousands, except per share data)**

**(Unaudited)**

The following table illustrates the impact of adopting SFAS No. 123(R) on August 1, 2005 on the Company s earnings before income taxes, net earnings and earnings per share (which excludes the effect of certain changes to the Company s stock plans under the 2005 Plan such as restricted stock units granted in contemplation of the change in accounting):

| | Three Months Ended Apr. 30, 2006 | Nine Months Ended Apr. 30, 2006 |
|---|---|---|
| Impact on earnings before income taxes | $2,086 | $6,080 |
| Impact on net earnings | 1,855 | 5,395 |
| Impact on basic earnings per share | $0.01 | $0.04 |
| Impact on diluted earnings per share | $0.01 | $0.04 |

SFAS No. 123(R) also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows. For the nine months ended April 30, 2006, this treatment resulted in cash flows from financing activities of $723. The tax benefit recognized related to the total compensation cost for stock-based payment arrangements totaled $556 and $1,576 for the three and nine months ended April 30, 2006, respectively, and totaled $141 and $227 for the three and nine months ended April 30, 2005, respectively. The actual tax benefit realized for the tax deductions from option exercise of the stock-based payment arrangements totaled $1,669 and $3,462 for the three and nine months ended April 30, 2006, respectively.

The following table illustrates the effect on net earnings and earnings per share for the three and nine months ended April 30, 2005 as if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company s stock plans prior to adoption of SFAS No. 123(R) on August 1, 2005. No pro forma disclosure has been made for periods subsequent to August 1, 2005 as all stock-based compensation has been recognized in net earnings. For purposes of this pro forma disclosure and compensation cost recorded in the Company s condensed consolidated financial statements, the value of the options is estimated using a Black-Scholes-Merton option-pricing formula and amortized to expense over the options service periods.

| | Three Months Ended Apr. 30, 2005 | Nine Months Ended Apr. 30, 2005 |
|---|---|---|
| Net earnings, as reported | $43,678 | $97,422 |
| Pro forma stock compensation expense, net of tax benefit | 2,934 | 8,668 |
| Pro forma net earnings | $40,744 | $88,754 |
| Earnings per share: | | |
| Basic as reported | $0.35 | $0.78 |
| Basic pro forma | $0.33 | $0.71 |
| Diluted as reported | $0.35 | $0.78 |
| Diluted pro forma | $0.32 | $0.71 |

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**PALL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(In thousands, except per share data)**

**(Unaudited)**

The following weighted average assumptions were used in estimating the fair value of stock options granted during the three and nine months ended April 30, 2006 and April 30, 2005 (there were no stock options granted during the three months ended April 30, 2006):

| | **Three Months Ended** | | **Nine Months Ended** | |
|---|---|---|---|---|
| | **Apr. 30, 2006** | **Apr. 30, 2005** | **Apr. 30, 2006** | **Apr. 30, 2005** |
| Average fair value of stock-based compensation awards granted | $ | $7.47 | $7.43 | $7.67 |
| Valuation assumptions: | | | | |
| Expected dividend yield | | 1.8 % | 1.9 % | 1.8 % |
| Expected volatility | | 31.0 % | 27.0 % | 31.1 % |
| Expected life (years) | | 5.0 | 5.0 | 5.0 |
| Risk-free interest rate | | 3.8 % | 4.3 % | 3.7 % |

The Company has placed exclusive reliance on historical volatility in its estimate of expected volatility. The Company used a sequential period of historical data equal to the expected term (or expected life) of the options using a simple average calculation based upon the daily closing prices of the aforementioned period.

The expected life (years) represents the period of time for which the options granted are expected to be outstanding. This estimate was derived from historical share option exercise experience, which management believes provides the best estimate of the expected term.

As noted above, the following paragraphs describe each of the aforementioned stock-based compensation plans in detail:

Stock Purchase Plans

During fiscal year 2000, the Company s shareholders approved two stock purchase plans, the MSPP and the ESPP. Participation in the MSPP is limited to certain executives as designated by the Compensation Committee of the Board of Directors, which also established common stock ownership targets for participants. Participation in the ESPP is available to all employees except those that are included in the MSPP.

The purpose of the MSPP is to encourage key employees of the Company to increase their ownership of shares of the Company 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, to make cash purchases of restricted units and to earn additional matching restricted units which vest over a three year period for matches prior to August 1, 2003 and vest over four years for matches made thereafter. Such restricted units aggregated 715 and 622 as of April 30, 2006 and April 30, 2005, respectively. No vested restricted units were distributed during the three months ended April 30, 2006 and April 30, 2005. During the nine months ended April 30, 2006 and April 30, 2005, approximately 58 and 65 vested restricted units, respectively, were distributed. There was no participants deferred compensation and cash payments for the three months ended April 30, 2006 and April 30, 2005. For the nine months ended April 30, 2006 and April 30, 2005, participants deferred compensation and cash payments amounted to $3,165 and $2,260, respectively. Dividends are paid on unvested restricted units (in the form of additional restricted units) and vest over the remaining service period of the restricted units for which the dividends were recorded. Dividends are paid on vested restricted units (in the form of additional restricted units) and are vested upon grant. As of April 30, 2006, there was $3,619 of total unrecognized compensation cost related to nonvested restricted stock units granted under the MSPP, which is expected to be recognized over a weighted-average period of 3.1 years. A total of 25 restricted stock units vested during the nine months ended April 30, 2006.

The ESPP enables participants to purchase shares of the Company s common stock through payroll deductions at a price equal to 85% of the lower of the market price at the beginning or end of each semi-annual stock purchase period. The semi-annual offering periods end in April and October. A total of 265 and 207 shares were purchased under the ESPP during the semi-annual stock purchase periods ended April 30, 2006 and October 31, 2005, respectively.

Both plans provide for accelerated vesting if there is a change in control (as defined in the plans). All of the above shares were issued from treasury stock.

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**PALL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(In thousands, except per share data)**

**(Unaudited)**

Stock Option Plans

The Company has adopted several plans that provide for the granting of stock options to employees and non-employee directors at option prices equal to the market price of the common stock at the date of grant. On November 17, 2004, the Company s shareholders approved the 2005 Plan, which had been developed in contemplation of adopting the provisions of SFAS No. 123(R). As a result of such approval, the Compensation Committee of the Board of Directors (a) amended the 2001 Stock Option Plan for non-employee directors to reduce the total number of shares remaining available for grants from 261 to 150, and (b) terminated all other stock plans, except that options then outstanding thereunder remained in effect in accordance with their terms. Up to 5,000 shares are issuable under the 2005 Plan. Both plans provide for accelerated vesting if there is a change in control (as defined in the plans). The 2005 Plan permits the Company to grant to its employees and non-employee directors other forms of equity compensation in addition to stock options (that is, restricted shares, restricted units, performance shares and performance units).

The fair value of the restricted unit awards are determined by reference to the closing price of the stock on the date of the award, and are charged to earnings over the service periods during which the awards are deemed to be earned; one year, in the case of the annual award units to non-employee directors, and four years, in the case of units awarded to employees. The annual award units granted to non-employee directors of the Company (and any related dividends paid in the form of additional units) are converted to shares once the director ceases to be a member of the Board. A total of 14 annual award units were granted during the nine months ended April 30, 2006, with a weighted-average fair market value of $27.89 per share. Restricted stock units granted to employees cliff-vest after the fourth anniversary of the date of grant. Dividends paid on unvested restricted stock units vest at the same time as the restricted units for which the dividends were recorded.

A summary of restricted stock unit activity, excluding annual award units, for the 2005 Stock Plan during the nine months ended April 30, 2006, is presented below:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at August 1, 2005 | 261 | $ 30.07 |
| Granted | 4 | 28.71 |
| Exercised | | |
| Forfeited | (4 ) | 30.83 |
| Nonvested at October 31, 2005 | 261 | 30.04 |
| Granted | 55 | 28.66 |
| Exercised | | |
| Forfeited | (3 ) | 30.83 |
| Nonvested at January 31, 2006 | 313 | 29.79 |
| Granted | | |
| Exercised | | |
| Forfeited | (10 ) | 29.12 |
| Nonvested at April 30, 2006 | 303 | $ 29.81 |

As of April 30, 2006, there was $7,313 of total unrecognized compensation cost related to nonvested restricted stock units granted under the 2005 Stock Plan, which is expected to be recognized over a weighted-average period of 3.3 years. None of the restricted stock units vested during the nine months ended April 30, 2006.

The forms of options adopted provide that the options may not be exercised within one year from the date of grant, and expire if not completely exercised within 7 years from the date of grant. Generally, in any year after the first year, the options can be exercised with respect to only up to 25% of the shares subject to the option, computed cumulatively. The Company s shareholders have approved all of the Company s stock option plans.

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**PALL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(In thousands, except per share data)**

**(Unaudited)**

A summary of option activity for all stock option plans during the nine months ended April 30, 2006 is presented below:

| **Options** | **Shares** | **Weighted -Average Exercise Price** | **Weighted-Average Remaining Contractual Term** | **Aggregate Intrinsic Value** |
|---|---|---|---|---|
| Outstanding at August 1, 2005 | 4,302 | $20.27 | | |
| Granted | 16 | 28.41 | | |
| Exercised | (120) | 18.86 | | |
| Forfeited or Expired | (26) | 19.76 | | |
| Outstanding at October 31, 2005 | 4,172 | 20.34 | | |
| Granted | 225 | 28.53 | | |
| Exercised | (252) | 18.40 | | |
| Forfeited or Expired | (56) | 20.77 | | |
| Outstanding at January 31, 2006 | 4,089 | 20.91 | | |
| Granted | | | | |
| Exercised | (350) | 18.95 | | |
| Forfeited or Expired | (33) | 20.49 | | |
| Outstanding at April 30, 2006 | 3,706 | $21.10 | 5.9 | $32,042 |
| Vested or Expected to Vest at April 30, 2006 | 3,587 | $21.05 | 5.9 | $31,168 |
| Exercisable at April 30, 2006 | 2,220 | $20.17 | 5.6 | $21,125 |

As of April 30, 2006, there was $6,362 of total unrecognized compensation cost related to nonvested stock options, which is expected to be recognized over a weighted-average period of 2.2 years. The total intrinsic value of options exercised during the three and nine months ended April 30, 2006 was $3,758 and $6,952, respectively. The total intrinsic value of options exercised during the three and nine months ended April 30, 2005 was $1,083 and $9,569, respectively.

The Company currently uses treasury shares that have been repurchased through the Company s stock repurchase program to satisfy share award exercises (see Note 7).

NOTE 3 ACQUISITIONS

On November 30, 2004, the Company acquired the BioSepra Process Division ( Biosepra ) from Ciphergen Biosystems, Inc. The purchase price was approximately $32,000, net of cash and debt assumed, subject to a post closing adjustment of the purchase price based upon certain quantitative thresholds as defined in the purchase agreement. The adjustment to the purchase price was finalized on April 11, 2005, resulting in a reduction in the purchase price of approximately $1,100. Biosepra develops, manufactures and markets chromatography sorbents for use in the purification of protein in drug development and production.

On January 21, 2005, the Company acquired the remaining interest in Euroflow (UK) of Stroud, England ( Euroflow ) which it did not already own. The purchase price was $1,466, net of cash. Euroflow manufactures pilot and production scale chromatography columns for the biotechnology industry. The Company has held exclusive global marketing and distribution rights to Euroflow chromatography columns and associated technologies since 2002. In addition, the Company had loans and advances totaling $9,255 outstanding from Euroflow at the date of acquisition.

The acquisitions were accounted for using the purchase method of accounting in accordance with SFAS No. 141, Business Combinations ( SFAS No. 141 ). SFAS No. 141 requires that the total cost of the acquisition be allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the date of acquisition. The April 30, 2006 condensed consolidated balance sheet reflects the final allocation of the purchase prices and non-deductible goodwill of $9,900 related to these acquisitions.

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**PALL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(In thousands, except per share data)**

**(Unaudited)**

The following table summarizes the final allocation of the purchase prices to the assets acquired and liabilities assumed at the dates of the acquisitions: