

PALL CORP
Form DEF 14A
October 14, 2005

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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PALL CORPORATION

(Name of Registrant as Specified in Its Charter)

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

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October 14, 2005

Dear Valued Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Pall Corporation, which will be held November 16th at 11:00 a.m., EST, at the Garden City Hotel, 45 Seventh Street, Garden City, NY 11530.

The Notice of Annual Meeting and Proxy Statement which follow this letter provide information concerning matters to be considered and acted upon at the annual meeting. We will provide a report on our business followed by a question-and-answer period at the meeting.

We know that many of you, our shareholders, are unable to attend the annual meeting in person. The proxies which we solicit give you the opportunity to vote on all matters that are scheduled to come before the meeting. Whether or not you plan to attend, you can be sure that your shares are represented by promptly voting and submitting your proxy by phone, by Internet or by completing, signing, dating and returning your proxy card in the enclosed postage-paid envelope.

On behalf of your Board of Directors, management and our employees, I would like to express our appreciation for your continued support.

Sincerely,

Eric Krasnoff
Chairman and Chief Executive Officer

PALL CORPORATION

**2200 Northern Boulevard
East Hills, New York 11548**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Owners of the Common Stock of Pall Corporation:

The annual meeting of shareholders of Pall Corporation, a New York corporation (the "Company"), will be held at The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530, on Wednesday, November 16, 2005, at 11:00 a.m., local time, for the following purposes:

- (1) to elect three directors for a three-year term;
- (2) to consider and vote upon a proposal to approve an amendment to the Company's Employee Stock Purchase Plan; and
- (3) to transact such other business as may properly come before the meeting.

The board of directors has set the close of business on September 27, 2005, as the record date for the meeting. This means that owners of Common Stock at the close of business on that date are entitled to notice of and to vote at the meeting.

It is important that your shares be represented at the meeting. We encourage you to sign, date and promptly return the enclosed proxy card in the enclosed business reply envelope or vote using the internet or telephone, whether or not you expect to attend the annual meeting.

Mary Ann Bartlett
*Senior Vice President,
Corporate Secretary and
General Counsel*

October 14, 2005

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PALL CORPORATION

2200 Northern Boulevard
East Hills, New York 11548

PROXY STATEMENT

The enclosed proxy card is solicited by the board of directors of Pall Corporation, a New York corporation (the "Company"), for use at the annual meeting of shareholders to be held on Wednesday, November 16, 2005, at 11:00 a.m., local time, at The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530, and at any adjournments thereof (the "meeting"). A map and directions to The Garden City Hotel are printed on the back cover of this proxy statement.

The proxy materials will be first sent to shareholders on October 14, 2005. The cost of the solicitation of proxies will be paid by the Company. The solicitation is to be made primarily by mail but may be supplemented by telephone calls and personal solicitation by the firm of Georeson Shareholder Communications Inc., which has been retained for this purpose by the Company and will be paid a fee for its services not to exceed \$8,000 plus reasonable out-of-pocket expenses estimated at \$5,000.

Remarks from the meeting will be available on the Company's website at www.pall.com from November 17, 2005 until December 5, 2005.

VOTING

Whether or not you plan to attend the meeting, we request that you date and execute the enclosed proxy card and return it in the enclosed postage-paid return envelope, or use the telephone or the internet to grant your proxy and vote. Telephone and internet voting instructions are provided on the proxy card. A control number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded.

If your shares are registered in the name of a bank, broker or other nominee, follow the voting instructions on the form you receive from the nominee. The availability of telephone and internet voting will depend on the nominee's voting processes.

The shares represented by your properly completed proxy card will be voted in accordance with your instructions marked on it. If you properly sign, date and deliver to us your proxy card but you mark no instructions on it, the shares represented by your proxy will be voted for the election as directors of the three nominees proposed herein (*Proposal 1*) and for approval of the proposed amendment to the Company's Employee Stock Purchase Plan (*Proposal 2*). The board of directors is not aware of any other matters to be presented for action at the meeting, but if other matters are properly brought before the meeting, shares represented by properly completed proxies received by mail, telephone or the internet will be voted in accordance with the judgment of the persons named as proxies.

Shareholders have the right to revoke their proxies at any time before a vote is taken (1) by notifying the corporate secretary of the Company in writing at the Company's address given above, (2) by executing a new proxy card bearing a later date or by voting by telephone or the internet on a later date, provided the new proxy is received by Computershare Shareholder Services, Inc. (which will have a representative present at the meeting) before the vote, (3) by attending the meeting and voting in person, or (4) by any other method available to shareholders by law.

The close of business on September 27, 2005 has been fixed as the record date of the meeting, and only shareholders of record at that time will be entitled to vote. The only capital stock of the Company outstanding is common stock, par value \$.10 per share ("Common Stock"). There were 124,254,141 shares of Common Stock outstanding and entitled to vote on the record date. Each shareholder is entitled to one vote for each share held. The holders of a majority of the shares issued and outstanding on the record date, present in person or represented by proxy received by mail, telephone or the internet, will constitute a quorum at the meeting.

PROPOSAL 1 ELECTION OF DIRECTORS

General Information

At the date of this proxy statement, the board of directors of the Company consists of twelve members, ten of whom are non-employee directors. The board is divided into three classes, each with three-year terms. The terms of the classes are staggered so that one-third of the directors, or as near to one-third as possible, are elected at each annual meeting of the Company's shareholders. However, Abraham Appel, who is presently a director of the Company, has advised the board of his decision not to stand for reelection and has resigned from the board effective just prior to the annual meeting of shareholders. Mr. Appel, who has the title of Founder Director of the Company, has served on the board and many board committees since 1969 with great distinction.

In view of the foregoing, the board of directors has amended the by-laws to reduce the size of the board from twelve to eleven effective just prior to the annual meeting. The nominating/governance committee of the board is actively seeking an outstanding candidate for addition to the board and it is expected that, at such time as a suitable candidate has been identified, the board will act to increase its size from eleven to twelve and will elect the candidate as a director to serve until next year's annual meeting of shareholders, with the expectation that he or she will be a nominee for election by the shareholders at that meeting.

Accordingly, at this year's meeting, three directors are to be elected, for three-year terms. The nominating/governance committee of the board of directors has nominated Marcus Wilson, Ulric Haynes, Jr. and Dr. Edwin W. Martin, Jr., all of whom are presently directors of the Company. Although it is not anticipated that any of the nominees will become unavailable for election before the meeting, in that event the persons named as proxies on the enclosed proxy card will have the right, at their discretion, to vote all properly completed proxies for such substitute candidate, if any, as may be nominated by the nominating/governance committee of the board of directors.

Directors will be elected by a plurality of the votes properly cast (in person or by proxy) at the meeting. This means that a person will be elected who receives the first, second or third highest number of votes, even if he or she receives less than a majority of the votes cast. Therefore, shareholders who do not vote, or who withhold their vote from one or more of the three nominees proposed herein and do not vote for another person, will not affect the outcome of the election provided that a quorum is present at the meeting. A broker who is the record owner of shares of Common Stock beneficially owned by a customer will have discretionary authority to vote such shares in the election of directors if the broker has not received voting instructions from the beneficial owner by the tenth day before the meeting, provided that this proxy statement has been transmitted to the beneficial owner at least 15 days before the meeting.

Information Regarding Directors and Nominees

Set forth below is information with respect to the nominees and each other present director of the Company continuing in office after the meeting. Such information includes the principal occupation of each director during at least the past five years.

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Nominees for Election to the Board of Directors for a Three-Year Term Expiring at the 2008 Annual Meeting of Shareholders

Marcus Wilson, age 50, has been president of the Company since August 3, 2003. In 1998, Mr. Wilson became managing director in charge of the Company's Pall Europe subsidiary and a group vice president of the Company, and from July 2001 until August 2003, he was an executive vice president of the Company. Mr. Wilson has been a director of the Company since 2003.

Ulrich Haynes, Jr., age 74, was the U.S. Ambassador to Algeria from 1977 to 1981. He was executive dean for university international relations at Hofstra University, Hempstead, New York, from September 1996 until his retirement on August 31, 2003. Prior to September 1996, Mr. Haynes was dean of the Business School at Hofstra University. Mr. Haynes is a director of Reliastar Life Insurance Company of New York, an affiliate of ING. He serves as a Director of the Council of American Ambassadors. He has been a director of the Company since 1994.

Edwin W. Martin, Jr., age 74, was associate and deputy U.S. commissioner of education from 1969 to 1979 and assistant secretary of education from 1979 to 1981. Dr. Martin was president and chief executive officer of the National Center for Disability Services until November 1994 and since then has been president-emeritus and a trustee. Dr. Martin serves as a director on an advisory board of the Roslyn Bank Division of New York Community Bank. He has been a director of the Company since 1993.

Members of the Board of Directors Continuing in Office for a Term Expiring at the 2006 Annual Meeting of Shareholders

Daniel J. Carroll, Jr., age 60, has been since September 1, 2005, the chief executive officer of Telcordia Technologies, Piscataway, NJ, a global provider of telecommunications network software and services for IP, wireline, wireless and cable customers. Mr. Carroll held a number of executive positions with AT&T Corp. until its spin-off of Lucent Technologies Inc. He retired from his employment as an officer of Lucent in 2000. He has been a director of the Company since 1999 and the presiding independent director since July 2003 and is the chairperson of the compensation committee.

Eric Krasnoff, age 53, has been chairman and chief executive officer of the Company since July 1994. He has also been a director of the Company since 1994 and is the chairperson of the executive committee.

Edward L. Snyder, age 59, is professor of laboratory medicine and vice chairman/associate chair for clinical affairs of the Department of Laboratory Medicine at Yale University School of Medicine. He is also director of Blood Bank/Apheresis Service and assistant chief/associate chair for clinical affairs at the Department of Laboratory Medicine at Yale-New Haven Hospital. Dr. Snyder has appointed consultant status with the Food and Drug Administration Medical Devices Advisory Committee Hematology and Pathology Devices Panel, and is a past president of the American Association of Blood Banks. He is a vice-chairman of the volunteer board of directors, National Marrow Donor Program. Dr. Snyder has been a director of the Company since 2000.

James D. Watson, age 77, has been chancellor and a member of the Board of Trustees of Cold Spring Harbor Laboratory, a biomedical research institution specializing in genetics, since November 2003. Previously he had been, for more than five years, president of Cold Spring Harbor Laboratory. Dr. Watson and a colleague won the Nobel Prize in medicine in 1962 for determining that the molecular structure of DNA is a double-helix. He was a prime mover in the establishment of the federal government's human genome project and headed that project for a number of years from its inception. Dr. Watson has been a director of the Company since 1988. He is also a director of Diagnostic Products Corporation.

Members of the Board of Directors Continuing in Office for a Term Expiring at the 2007 Annual Meeting of Shareholders

John H. F. Haskell, Jr., age 73, was for more than the past five years, until his retirement on March 31, 2004, an investment banker and advisor with the investment banking firm of UBS Securities LLC, New York, New York, and its predecessors. From March 31, 2004 until May 31, 2005, he was a non-employee advisor for UBS. Mr. Haskell is a director of Security Capital Corporation; he is also co-chair of the board of the French Institute Alliance Française and serves as a board director of other not-for-profit organizations. Mr. Haskell has been a director of the Company since 1998 and is the chairperson of the nominating/governance committee.

Katharine L. Plourde, age 53, was a principal and analyst at the investment banking firm of Donaldson, Lufkin & Jenrette, Inc., New York, New York, until November 1997. Since that time, she has engaged in private investing and serving on the boards of directors of several not-for-profit organizations. Since February 2002, she has also served on the board of directors of OM Group Inc. Ms. Plourde has been a director of the Company since 1995.

Heywood Shelley, age 78, has been a practicing attorney with the firm of Carter Ledyard & Milburn LLP, New York, New York for more than the past five years. This firm acts as legal counsel to the Company. Mr. Shelley has been a director of the Company since 1990.

Edward Travaglianti, age 57, has been since February 2004 the president of Commerce Bank, Long Island, which is part of Commerce Bancorp. Mr. Travaglianti was president of Commercial Markets at Citibank, N.A. from July 2001, when Citibank acquired European American Bank (EAB), until his retirement in October 2002. Prior to that acquisition, Mr. Travaglianti was, from July 1995, chairman and chief executive officer of EAB. Mr. Travaglianti chairs and serves as a board director of several not-for-profit organizations. He has been a director of the Company since 2001 and is the chairperson of the audit committee.

Compensation of Directors

Directors who are not employees of the Company are paid (i) \$2,000 a month; (ii) \$2,500 for each meeting of the board and board committees he or she personally attends; (iii) \$2,500 for telephone participation in one regularly scheduled board of directors meeting per year; (iv) \$2,500 for telephone participation in one regularly scheduled committee meeting per year; and (v) \$1,000 for participation in each meeting of the board or a board committee held by telephone conference call. Each member of the audit committee is paid an additional \$500 a month, and Mr. Shelley is paid an additional \$750 a month for his service on the executive committee. The chairperson of the audit committee and the presiding independent director each receive an additional annual retainer of \$4,000. Directors who are Company employees receive no compensation for serving as directors or as members of board committees.

Under the Company's stock compensation plans approved by shareholders, as amended or adopted last year, on January 5th of each year, beginning in 2005, each director who is not an employee of the Company receives (i) an option to purchase 3,000 shares, at the fair market value of the Common Stock on the grant date, becoming exercisable in four equal installments on each of the first four anniversaries of the grant date and expiring on the seventh anniversary, and (ii) 1,000 restricted stock units ("Annual Award Units") which are converted into 1,000 shares of Common Stock promptly following the date on which the director leaves the board (for any reason except removal for cause). On each date on which dividends are paid to shareholders, the account of each non-employee director is credited with "dividend equivalent units" covering the number of shares which could be purchased at the market price with the cash dividend amount per share being paid to shareholders multiplied by the number of Annual Award Units in his or her account on that date. A new director, on the date on which he or she is elected at an annual meeting of shareholders for the first time, is granted an option on 3,000 shares, in addition to and on the same terms as the 3,000-share option which is granted to each non-employee director on January 5th each year as described above.

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On January 5, 2005 directors Appel, Carroll, Haskell, Haynes, Martin, Plourde, Shelley, Travagianti and Watson were each granted an option to purchase 3,000 shares of Common Stock, or 27,000 shares in the aggregate, and each were granted 1,000 Annual Award Units, or 9,000 Annual Award Units in the aggregate. Dr. Snyder has elected not to receive any stock options or Annual Awards Units (see footnote (h) to the table under *Beneficial Ownership of Common Stock and Restricted Stock Units* below).

The Company's officers and directors are insured under four insurance policies with respect to the liabilities arising from the performance of the officers and directors in their status as such. These four policies are written by Vigilant Insurance Company, National Union Insurance Company of Pittsburgh, PA, Allied World Assurance Company and Federal Insurance Company, all effective August 1, 2005. The Company pays the annual premiums for all these policies, that total \$902,384 this year.

*The board of directors unanimously recommends a vote
FOR the election as directors of the three nominees named above*

STRUCTURE AND PRACTICES OF THE BOARD OF DIRECTORS

Corporate Governance Policy

The board of directors has adopted a corporate governance policy that provides the framework for the governance of the Company. It is available at www.pall.com or by sending a request in writing to the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548. The governance rules for companies listed on the New York Stock Exchange and those contained in the Sarbanes-Oxley Act of 2002 are reflected in the policy. The board reviews these principles and other aspects of governance periodically.

The corporate governance policy addresses the role of the board of directors, the composition and selection of directors, the responsibilities of management and the board, the relationship between the board and senior management, the committees of the board and their meeting procedures, the compensation of directors, and the compensation and performance evaluation of the "elected officers" of the Company.

Meetings of the Board

The board of directors has six regularly scheduled meetings each year and special meetings are held as necessary. In addition, management and the directors communicate informally on a variety of topics, including suggestions for board or committee agenda items, recent developments, and other matters of interest to the directors. Each director has full access to management.

The Company's non-employee directors meet at regularly scheduled executive sessions, without any employee directors or members of management present. During fiscal year 2005, the non-employee directors met once in executive session. Currently, Daniel J. Carroll, Jr., who was elected by the board of directors the presiding independent director, is the chairperson for all non-employee and independent director sessions.

Directors are expected to attend all meetings of the board and each committee on which they serve. In fiscal 2005, the board of directors held seven meetings and committees of the board of directors held a total of fourteen meetings. Each director attended all meetings of the board of directors. No director attended less than 95% percent of the total number of meetings of the board and committees of the board on which they served.

Although the Company does not have a formal policy with respect to director attendance at annual meetings of shareholders, all directors are expected to attend, and all of the Company's directors then in office attended the Company's 2004 annual meeting of shareholders.

Communication with the Board

Shareholders may initiate in writing any communication with the board of directors or any individual director and send it to the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548. This centralized process will assist the board in reviewing and responding to shareholder communications in an appropriate manner. The name of any specific intended board recipient should be noted in the communication. The corporate secretary will forward such correspondence only to the intended recipients. However, prior to forwarding any correspondence, the corporate secretary will review such correspondence and, in her discretion, not forward certain items if they are deemed of a commercial nature.

Director Independence

The corporate governance policy provides independence standards consistent with the New York Stock Exchange listing standards. These standards specify the criteria by which the independence of the Company's directors will be determined, and require the board to affirmatively determine that each director has no material relationship with the Company other than as a director. The board has adopted the standards set out in Appendix A hereto for its evaluation of the materiality of director relationships with the Company. The board has determined that the following directors are "independent" as required by the New York Stock Exchange listing standards and the board's corporate governance policy: Abraham Appel, Daniel J. Carroll, Jr., John H. F. Haskell, Jr., Ulric Haynes, Jr., Edwin W. Martin, Jr., Katharine L. Plourde, Edward L. Snyder, Edward Travaglianti, and James D. Watson.

All members of the audit committee, the compensation committee and the nominating/governance committee are independent directors as defined in the New York Stock Exchange listing standards and in the standards in the Company's governance policy.

Code of Conduct

The Company has codes of conduct that apply to every employee and to its directors. These codes are designed to ensure that the Company's business is conducted in a consistently legal and ethical manner. The employee codes pertaining to ethics and compliance matters include policies on employment, conflicts of interest and the protection of confidential information, and require strict adherence to all laws and regulations applicable to the conduct of our business. The directors' code of business conduct and ethics includes policies on conflict of interest, corporate opportunities and insider trading. The Company will disclose any waivers of the directors' code of conduct relating to its directors, on its website at www.pall.com in accordance with applicable law and the requirements of the New York Stock Exchange corporate governance standards. To date, no waivers have been requested or granted. Lastly, the financial code of ethics specifically addresses the requirements and obligations applicable to officers and employees with important roles in the financial reporting process. These aforementioned codes are available at www.pall.com, or by sending your request in writing to the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548.

Board Committees

The board of directors has an audit committee, a compensation committee, an executive committee and a nominating/governance committee. (On January 20, 2005, the board of directors voted to merge the nominating committee and the planning & governance committee.) The board has adopted a written charter for each of these committees. The full text of each charter is available on the Company's website located at www.pall.com or by sending your request in writing to the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548.

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

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The following table shows the current members (indicated by an "X" or "Chair") of each of the board committees and the number of committee meetings held and number of actions taken by unanimous written consents during fiscal 2005:

	<u>Audit</u>	<u>Compensation</u>	<u>Executive</u>	<u>Nominating</u>	<u>Planning & Governance</u>	<u>Nominating/ Governance</u>
Abraham Appel*	X	X			X	
Daniel J. Carroll, Jr.*(1)	X	Chair				
John H.F. Haskell, Jr.*				X	Chair	Chair
Ulric S. Haynes, Jr.*		X			X	X
Eric Krasnoff			Chair			
Edwin W. Martin, Jr.*		X		Chair		X
Katharine L. Plourde*	X				X	X
Heywood Shelley			X			
Edward L. Snyder*				X		X
Edward Travaglianti*	Chair					
James D. Watson*						
Marcus Wilson			X			
Number of meetings	8	3	0	0	1	2
Number of consents	0	11	39	0	0	0

* Independent director.

(1) Presiding independent director.

The Audit Committee

The audit committee assists the board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the performance of the Company's internal audit function, the annual independent audit of the Company's financial statements, the performance, qualifications and independence of its independent registered accounting firm, and the Company's compliance and ethics program.

Each member of the audit committee meets the independence requirements of the New York Stock Exchange, Rule 10A-3 under the Securities Exchange Act of 1934 and the Company's corporate governance policy. The board of directors in its business judgment has determined that each member of the audit committee is financially literate, knowledgeable and qualified to review financial statements. The board of directors has also determined that at least one member of the audit committee Edward Travaglianti is an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission.

The Compensation Committee

The compensation committee has overall responsibility for evaluating and approving the Company's elected officer compensation plans, policies and programs. Each member of the compensation committee meets the independence requirements of the New York Stock Exchange and the Company's corporate governance policy.

The Executive Committee

The executive committee has the authority to act on most board matters during the intervals between meetings of the full board, except those matters which are reserved for the board of directors by the New York Business Corporation Law.

The Nominating/Governance Committee

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The nominating/governance committee develops policy on the size and composition of the board of directors, criteria for director nomination, and procedures for the nomination process. The committee identifies and recommends candidates for election to the board, and evaluates the participation and

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contribution of board members. The committee reviews and makes recommendations to the board and/or management with respect to corporate governance issues, and the Company's executive resources and management development and succession plans. Each member of the nominating/governance committee meets the independence requirements of the New York Stock Exchange and the Company's corporate governance policy.

Nomination Process

The nominating/governance committee will consider shareholder recommendations for director nominees. A shareholder desiring the committee to consider his or her director nominee should deliver a written submission to the nominating/governance committee in care of the corporate secretary, Pall Corporation, 2200 Northern Boulevard, East Hills, New York 11548. Such submission must include (1) the name of such nominee, (2) the nominee's written consent to serve if elected, (3) documentation demonstrating that the nominating shareholder is indeed a shareholder of the Company, (4) any information relating to the nominee and his or her affiliates which would be required to be disclosed in a proxy solicitation for the election of directors of the Company pursuant to Regulation 14A under the Securities Exchange Act of 1934, including, but not limited to, the information required by Items 103, 401, 403 and 404 of Regulation S-K of the Securities and Exchange Commission, (5) a description of the qualifications of the nominee which, in the view of the nominee or the nominating shareholder, would make the nominee a suitable director of the Company, and (6) a description of the nominee's reasons for seeking election to the Company's board of directors, which description must include any plans or proposals which the nominee or nominating shareholder may have which relate to or would result in any of the actions described in Item 4 of Schedule 13D under the Securities Exchange Act of 1934. Such submission should include an undertaking to submit to the corporate secretary of the Company a statement amending any of the foregoing information promptly after any material change occurs in such information as previously submitted. The committee may require additional information from the nominee to perform its evaluation.

Shareholder submissions for director nominees at the 2006 annual meeting of shareholders must be received by the corporate secretary by June 16, 2006. Nominee recommendations that are made by shareholders in accordance with these procedures will receive the same consideration as recommendations initiated by the nominating/governance committee.

In its assessment of each potential nominee, the nominating/governance committee will review (1) the nominee's judgment, experience, independence and understanding of the Company's business, (2) the range of talent and experience already represented on the board, and (3) such other factors that the nominating/governance committee determines are pertinent in light of the current needs of the Company. Diversity of race, ethnicity and gender among the directors is a factor in evaluating nominees for board membership. The nominating/governance committee will also take into account the ability of a nominee to devote the time and effort necessary to fulfill his or her responsibilities as a Company director.

The nominating/governance committee is using the services of an outside search firm to assist it in identifying and evaluating possible nominees for director.

There are no nominees for director standing for election for the first time at the meeting.

COMPENSATION AND OTHER BENEFITS OF SENIOR MANAGEMENT

The following table sets forth information concerning the total compensation of the chief executive officer of the Company and the four other executive officers who had the highest individual aggregates of salary and bonus (whether paid in cash or restricted stock units) for the Company's fiscal year ended July 31, 2005. These five persons are hereinafter referred to collectively as the "Named Executive Officers."

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		All Other Compensation(e)
		Salary(a)	Bonus(b)	Other Annual Compensation (c)	Restricted Stock Units (d)	Securities Underlying Options(#)	
Eric Krasnoff	2005	\$795,756			\$1,967,629	95,000	\$52,902
Chairman and Chief	2004	759,980	\$ 639,219		20,876		47,130
Executive Officer	2003	700,336	1,000,000		20,507	198,000	12,039
Marcus Wilson	2005	471,172	56,192	\$ 69,846	828,367	30,000	18,489
President and Chief	2004	450,008	85,160	180,718	302,296	27,500	14,665
Financial Officer	2003	335,075	74,946		269,885	55,000	
Donald Stevens	2005	445,016			707,893	27,000	18,696
Chief Operating	2004	373,048			470,802	25,000	16,431
Officer	2003	339,586	208,312		402,649	55,000	7,482
Andrew Denver	2005	336,395	131,194		152,121		1,899
Senior Vice	2004	432,020			312,214		1,310
President	2003	237,961			333,337	38,500	
Heinz Ulrich Hensgen	2005	401,098	35,396		192,443	6,500	
Group Vice	2004	288,362	56,338		111,421		
President	2003	241,663	51,041		80,850	38,500	

- (a) The dollar amounts in this column do not include amounts of salary that the Named Executive Officers elected to receive in the form of restricted stock units under the Management Stock Purchase Plan (the "Management Plan"), as follows: in fiscal 2003, Mr. Stevens \$57,200 and Mr. Denver \$55,852; in fiscal 2004, Mr. Stevens \$52,000; Mr. Denver \$74,054 and Mr. Hensgen \$73,380; and in fiscal 2005, Mr. Denver \$91,431. These amounts are included in the dollar amounts shown in the "Restricted Stock Units" column of the table for the respective fiscal years. (See *Compensation Committee Report on Executive Compensation in Fiscal 2005 The Management Stock Purchase Plan* for information about the Management Plan.)
- (b) Annual bonuses are determined by a formula based on the Company's return on equity. See *Compensation Committee Report on Executive Compensation in Fiscal 2005 Annual Incentive Bonuses*. The dollar amounts in this column do not include amounts of bonuses that the Named Executive Officers elected to receive in the form of restricted stock units under the Management Plan, as follows: in fiscal 2003, Mr. Wilson \$174,877, Mr. Stevens 208,313, Mr. Denver \$150,000, and Mr. Hensgen \$53,790; in fiscal 2004, Mr. Wilson \$198,705, Mr. Stevens \$250,226, and Mr. Denver \$127,925; and in fiscal 2005, Mr. Krasnoff \$632,626, Mr. Wilson \$224,768, Mr. Stevens \$247,651, and Mr. Hensgen \$33,474. These amounts are included in the dollar amounts shown in the "Restricted Stock Units" column of the table for the respective fiscal years.
- (c) Includes \$88,417 paid to Mr. Wilson during fiscal 2004 as a relocation bonus in connection with the change of his residence from the United Kingdom to the United States at the Company's request. In fiscal 2005, consists of a car allowance of \$18,720, a housing allowance of \$17,746 and personal family travel of \$33,380.
- (d) Each dollar amount in this column for a fiscal year is the sum of (1) the amount shown in footnote (a) of the Named Executive Officer's salary for the same fiscal year which he elected to receive in the form of restricted stock units under the Management Plan, (2) the amount of his bonus shown in footnote (b) for the same fiscal year which he elected to receive in the form of restricted stock units under the Management Plan, (3) the aggregate of the dollar values on the dates of grant (based on the closing prices for a share of Common Stock on those dates) of additional restricted stock units awarded to such Named Executive Officer under the Management Plan during the same fiscal year as matching units for units he purchased, and as dividend equivalent units on all of his restricted stock

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units outstanding on the payment dates of dividends on the Common Stock and (4) the dollar value on the date of grant (based on the closing price for a share of Common Stock on that date) of the restricted stock units granted to such Named Executive Officer under the Stock Plan and dividend equivalent units thereon. The aggregate number of restricted stock units held by each Named Executive Officer at July 31, 2005, the Company's fiscal 2005 year-end (exclusive of units purchased by officers with after-tax dollars), and the value of such units (based on the \$30.97 closing price of a share of Common Stock on July 29, 2005) were as follows: Mr. Krasnoff 117,328 units (\$3,633,648); Mr. Wilson 55,996 units (\$1,734,196); Mr. Stevens 80,306 units (\$2,487,077); Mr. Denver 40,009 units (\$1,239,079); and Mr. Hensgen 15,182 units (\$470,187).

(e)

Includes amounts which, under regulations of the Securities and Exchange Commission, are deemed to be compensation by reason of interest-free loans made by the Company for the payment of the exercise price of options under the Company's employee stock option plans (see *Indebtedness of Executive Officers and Directors under Stock Option Plans* below). Such amounts in fiscal 2005, computed under rates prescribed by the Internal Revenue Service to determine "imputed interest", were as follows: Mr. Krasnoff \$12,143; and Mr. Stevens \$2,194. Also includes employer contributions under the Company's Profit Sharing Plan and Supplementary Profit-Sharing Plan, which contributions in fiscal 2005 were as follows: Mr. Krasnoff \$40,759, Mr. Wilson \$18,489, Mr. Stevens \$16,502, and Mr. Denver \$1,899.

Options

The following tables set forth information concerning grants of stock options to, and exercises of stock options by, the Named Executive Officers during fiscal 2005, and the number and value of unexercised options held by each of them at July 31, 2005:

Option Grants in Last Fiscal Year

Name	Individual grants				Potential realizable value at assumed annual rates of stock price appreciation for option term (7 years)	
	Number of securities underlying options granted	% of total options granted to employees in fiscal year	Exercise Price(1)	Expiration date	5%	10%
Eric Krasnoff	95,000	22.5%	\$27.00	01/19/12	\$1,044,213	\$2,433,459
Marcus Wilson	30,000	7.1%	27.00	01/19/12	329,751	768,461
Donald Stevens	27,000	6.4%	27.00	01/19/12	296,776	691,615
Andrew Denver	-0-	-0-	27.00	01/19/12	-0-	-0-
Heinz Ulrich Hensgen	6,500	1.5%	27.00	01/19/12	71,446	166,500

(1)

Fair market value of a share of the Company's Common Stock on the date of grant.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares acquired on exercise(#)	Value realized(1)	Number of securities underlying unexercised options at fiscal year-end		Value of unexercised in-the-money options at fiscal year-end(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Eric Krasnoff	-0-	-0-	279,000	194,000	\$3,067,560	\$1,846,310
Marcus Wilson	5,000	45,924	75,625	81,875	833,547	731,191
Donald Stevens	37,802	318,282	45,948	73,250	489,968	669,696
Andrew Denver	31,750	317,108	6,250	25,500	64,781	350,451
Heinz Ulrich Hensgen	28,000	142,036	54,250	25,750	596,470	311,475

(1)

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

(2)

Value of unexercised options is the difference between the aggregate market value of the underlying shares (based on the closing price on July 29, 2005, which was \$30.97 per share) and the aggregate exercise price for such shares.

Contracts with Named Executive Officers

The Company has an employment contract with each of Messrs. Krasnoff, Wilson and Stevens. Each of these contracts provides for annual base salaries equal to the greater of (i) the base salary for the preceding fiscal year adjusted for the annual change in the consumer price index or (ii) an amount fixed by the board of directors (which acts for this purpose by its compensation committee, consisting entirely of independent

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directors). The base salaries payable for fiscal 2006, as fixed by the compensation committee, are as follows: Mr. Krasnoff \$815,900; Mr. Wilson \$483,800 and Mr. Stevens \$480,000. These contracts also provide for annual incentive bonuses determined by a formula under which a bonus equal in amount to a percentage of base salary becomes payable if the Company's return on equity (after-tax consolidated net income, as defined, as a percentage of average shareholders' equity, as defined) exceeds a certain percentage; the bonus increases to reflect increases in return on equity up to a maximum bonus

payable when return on equity equals or exceeds a certain percentage. See *Compensation Committee Report on Executive Compensation in Fiscal 2005 Annual Incentive Bonuses*.

Each of these three employment contracts is for a term of employment which continues until terminated by either party on not less than two years notice, and unless the parties agree otherwise, the term of employment ends at age 65. In addition, Mr. Krasnoff has the right to terminate his employment on not less than 30 days notice if at any time he no longer has the title, authority and duties of chief executive officer. Under each of these three employment contracts, in the event of a "change in control" of the Company (as defined), the officer has the right to terminate his employment effective immediately or effective on a date specified in his notice of termination that is not more than one year from the date of giving of such notice. Upon any such termination, the officer would be entitled to his salary and bonus compensation prorated to the effective date of termination. In addition, in the event of termination of Mr. Krasnoff's contract (i) by Mr. Krasnoff because he is no longer chief executive officer or in the event of a change in control of the Company or (ii) by the Company on notice as described in the first sentence of this paragraph, Mr. Krasnoff would become entitled to severance pay. In the event that Mr. Wilson terminates his employment following a change in control he would become entitled to severance pay. The amount of the severance pay to Mr. Krasnoff and Mr. Wilson would be the present value, determined as of the date on which the term of employment ends as specified in the notice of termination of the contract, of (i) the base salary that would have been paid to him during the 24-month period following the end of the term of employment, at the rate of his base salary immediately prior to the end of term of employment (the "Base Salary Severance Component") plus (ii) an amount equal to the Base Salary Severance Component multiplied by the maximum bonus percentage specified in his employment contract (currently 150% as to Mr. Krasnoff and 112.5% as to Mr. Wilson).

The contract with Mr. Krasnoff also provides for an "annual contract pension" beginning at the end of the term of employment and continuing for a term of ten years in an annual amount equal to 60% of "Final Pay" (as defined) less the maximum pension payable under a qualified pension plan in accordance with Section 415 of the Internal Revenue Code, currently \$170,000 a year. Final Pay is defined as the average of Mr. Krasnoff's cash compensation (base salary plus incentive compensation and any other bonus payments) for the three years in which his compensation was highest out of the five years preceding the end of his employment with the Company. Based on fiscal years through fiscal 2005, Final Pay for the purpose of determining the amount of Mr. Krasnoff's annual contract pension would be \$1,509,387. After the first year, the annual contract pension is adjusted annually for inflation. Mr. Krasnoff's annual contract pension is payable in monthly installments but by virtue of Section 409A of the Internal Revenue Code payment of the first six installments may have to be delayed to the date six months after the end of the term of employment, in which event those six installments would be paid at the end of the six-month period in a lump sum with interest. The contract with Mr. Krasnoff also provides for lifetime medical coverage for him and his spouse and minor children, consisting of the same coverage and benefits as are provided under the hospitalization, medical and dental plans maintained by the Company for its U.S. employees who are not covered by a collective bargaining agreement. Also, at the start of the 30-day period preceding the end of the term of employment under Mr. Krasnoff's contract, the exercisability of any employee stock options that are not yet fully vested is accelerated and such options can be exercised in full during such 30-day period and thereafter until they expire by their terms.

By amendment dated June 21, 2005, the employment contract between the Company and Mr. Denver dated May 1, 2003 has been terminated effective December 1, 2006 (the "Termination Date") and Mr. Denver has resigned as a Senior Vice President of the Company effective August 31, 2005. After that date and until the Termination Date Mr. Denver must make himself available for assistance to the Company when reasonably requested by the Company but otherwise has no required duties or required assignment and he is permitted to engage in outside business activities provided that they are compliant with the non-compete and confidentiality provisions of his employment contract. Mr. Denver's base salary for the fiscal year ending July 31, 2006 will be at the annual rate of \$437,827 and from that date until the

Termination Date will be at that rate as increased (or decreased) by the same percentage as the Consumer Price Index for all Urban Consumers published by the Bureau of Labor Statistics for New York-Northern N.J.-Long Island, NY-NJ-CT-PA has increased (or decreased) from the month of June 2005 to the month of June 2006. Pursuant to the June 21, 2005 amendment of the employment contract, Mr. Denver will be entitled to a bonus in accordance with the terms of his employment contract and the Executive Incentive Bonus Plan, in the maximum amount of 20% of his base salary, for fiscal 2006 but not for fiscal 2007.

The employment contract between the Company's subsidiary Pall GmbH and Mr. Hensgen is terminable on two years notice and Pall GmbH has given a notice of termination effective July 31, 2007 (the "Termination Date"). Pursuant to the terms of the contract, Mr. Hensgen has been relieved of his duties as Managing Director of Pall GmbH and has resigned as an officer of the Company. Mr. Hensgen will continue to receive remuneration from Pall GmbH through July 31, 2007, as provided under his employment contract, consisting of continuation of his salary of \$349,834 from August 2005 through July 2006 and \$355,135 from August 2006 through July 2007, holiday bonuses of \$33,465 for 2005 and \$33,967 for 2006, and bonuses earned through the date of his termination of services equal to \$33,348 payable in 2006 and \$63,487 payable in 2007 (all dollar amounts based on current exchange rates). The non-compete and non-solicitation provisions of his employment contract continue for a period of two years following the effective date of termination of his contract in July 2007. The breach of either provision results in contractual penalties of three month's salary for each breach, plus, in the case of a breach of the non-compete provision, such other damages as the Company may pursue. For the period during which such non-competition and non-solicitation terms apply, the Company will pay Mr. Hensgen 50% of his final contractual remuneration in monthly installments, offset by any other income he earns, including unemployment benefits. Pursuant to the Pall Germany Pension Plan (the "Plan"), Mr. Hensgen will receive from the Company, at the applicable retirement age, an approximate annual benefit of \$90,500 (at current exchange rates), based on service with the Company through December 2004 (under the defined benefit portion of the Plan) plus a pro-rated portion of contributions to the Plan for his period of service in 2004 (under the defined contribution portion of the Plan). Retirement payments are made in the form of monthly installments, or, at Mr. Hensgen's option, a single lump sum payment.

Pension Benefits

Under the Company's Supplementary Pension Plan (which is not a qualified plan under the Internal Revenue Code), pension benefits are provided to certain employees, including three of the Named Executive Officers Messrs. Krasnoff, Wilson and Stevens. The Supplementary Pension Plan provides lifetime pension payments which, when added to primary Social Security benefits and assumed straight-life-annuity payments from the Company's cash balance pension plan, will on an annual basis equal 50% of a participant's "Final Average Compensation", which is defined as the average of the three highest of the participant's last five years of cash compensation (salary and bonus). If a participant vested under the Supplementary Pension Plan dies before retirement, his surviving spouse receives a lifetime pension equal to 50% of the straight-life-annuity pension which the participant would have been entitled to receive upon retirement. Currently, final average compensation (based on fiscal years through fiscal 2005) for the Named Executive Officers would be as follows: Mr. Krasnoff \$1,509,387; Mr. Wilson \$743,417 and Mr. Stevens \$728,567.

Benefits Protection Trust

The Company has established a Benefits Protection Trust to which it makes voluntary contributions to fund, *inter alia*, the Company's obligations under the Supplementary Pension Plan and the Supplementary Profit-Sharing Plan (see *Compensation Committee Report on Executive Compensation in Fiscal 2005 Supplementary Profit-Sharing and Pension Plans*), any severance pay which becomes payable to Mr. Krasnoff or Mr. Wilson under their employment contracts described above and the Company's obligation to pay the annual contract pension provided for under Mr. Krasnoff's employment agreement

described above. In the event of a "change in control" of the Company (as defined in the trust agreement), the trust fund must thereafter be used to satisfy the abovementioned obligations. The balance in the Benefits Protection Trust at the end of fiscal 2005 was \$35,203,279.

Indebtedness of Executive Officers and Directors under Stock Option Plans

Under options granted to executive officers and directors under the Company's stock option plans prior to July 30, 2002 (the date of enactment of the Sarbanes-Oxley Act of 2002), optionees could elect to defer payment of the purchase price of the Common Stock upon their exercise of options and thereby became indebted to the Company for the deferred amounts. The following table sets forth certain information with respect to all executive officers and directors who were indebted to the Company under the stock option plans in an amount in excess of \$60,000 at any time from the start of the Company's 2005 fiscal year (August 1, 2004) to September 27, 2005. The second column of the table shows the largest amount of indebtedness outstanding during that period by each of such executive officers and directors, and the last column shows the principal amount outstanding as of September 27, 2005. All of the indebtedness shown in the table is non-interest-bearing (see footnote (e) to the *Summary Compensation Table* above) and payable on demand.

	Amount of indebtedness	
	Largest	September 27, 2005
Eric Krasnoff	\$720,000	-0-
John Miller	128,407	-0-
Donald Stevens	131,390	\$131,390
James Watson	292,500	-0-
Heywood Shelley	120,400	120,400

**COMPENSATION COMMITTEE REPORT
ON EXECUTIVE COMPENSATION IN FISCAL 2005**

The compensation committee of the board of directors has the power and duty under the Company's by-laws and its corporate governance policy to fix the compensation of the Company's "elected officers" that is, the officers at or above the rank of group vice president plus the corporate secretary and the treasurer. During fiscal 2005, the Company had seven U.S.-based elected officers and two elected officers based overseas. The compensation of the Company's other executive officers (five at July 31, 2005) is fixed by the Company's chief executive officer. The compensation committee also has the power and duty to approve the making of employment contracts between the Company and the elected officers and to administer the Company's Management Stock Purchase Plan, the Executive Incentive Bonus Plan and (with respect to all aspects of awards which are made to elected officers) the Stock Compensation Plan.

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

1. base salaries;
2. annual incentive bonuses;
3. stock-based compensation; and
4. supplementary profit-sharing and pension plans.

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

Base Salaries

The compensation committee's policy on base salaries for elected officers in fiscal 2005 was to target base salaries at the median, or 50th percentile, of salaries paid to officers with comparabONT-FAMILY: times new roman">CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

o

13.

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

36.0%

14.

TYPE OF REPORTING PERSON

IN

* Includes 12,813,755 shares issuable upon conversion of convertible notes and 11,654,079 shares subject to currently exercisable warrants.

1. NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)
Alain Schreiber
 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)o
(b)x
 3. SEC USE ONLY
 4. SOURCE OF FUNDS
AF
 5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) o
 6. CITIZENSHIP OR PLACE OF ORGANIZATION
United States Resident Alien
- | | | | |
|---|-----|--------------------------|-------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7. | SOLE VOTING POWER | |
| | | | 0 |
| | 8. | SHARED VOTING POWER | |
| | | | 30,735,404* |
| | 9. | SOLE DISPOSITIVE POWER | |
| | | | 0 |
| | 10. | SHARED DISPOSITIVE POWER | |
| | | | 30,735,404* |
11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
30,735,404*
 12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES o
 13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
36.0%
 14. TYPE OF REPORTING PERSON
IN

* Includes 12,813,755 shares issuable upon conversion of convertible notes and 11,654,079 shares subject to currently exercisable warrants.

Item 1. Security and Issuer.

This Schedule 13D relates to Common Stock, par value \$0.001 per share (the “Common Stock”), issued by NovaDel Pharma Inc. (the “Issuer”). The Issuer’s principal executive office is located at 25 Minneakoning Road, Flemington, New Jersey 08822.

Item 2. Identity and Background.

- (a)-(c) ProQuest Investments II, L.P. (“Investments II”) is a Delaware limited partnership with its principal office located at 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

ProQuest Investments II Advisors Funds, L.P. (“Advisors Fund”) is a Delaware limited partnership with its principal office located at 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

ProQuest Associates II LLC (“Associates II”) is a Delaware limited liability company and the general partner of Investments II and Advisors Fund, with its principal office located at 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

ProQuest Investments III, L.P. (“Investments III”) is a Delaware limited partnership with its principal office located at 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

ProQuest Associates III LLC (“Associates III”) is a Delaware limited liability company and the general partner of Investments III, with its principal office located at 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

Jay Moorin (“Moorin”) is an individual and Managing Member of Associates II and Associates III. The principal business address for Jay Moorin is c/o ProQuest Investments, 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

Alain Schreiber (“Schreiber”) is an individual and Managing Member of Associates II and Associates III. The principal business address for Alain Schreiber is c/o ProQuest Investments, 90 Nassau Street, Fifth Floor, Princeton, New Jersey 08542.

- (d) During the last five years, none of Investments II, Advisors Fund, Associates II, Investments III, Associates III, Moorin or Schreiber have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e)

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During the last five years, none of Investments II, Advisors Fund, Associates II, Investments III, Associates III, Moorin or Schreiber have

been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

- (f) Investments II, Advisors Fund and Investments III are Delaware limited partnerships. Associates II and Associates III are Delaware limited liability companies. Moorin is a United States citizen. Schreiber is a United States resident alien.

Item 3. Source and Amount of Funds or Other Consideration.

As of May 6, 2008, the Reporting Persons owned 6,267,570 shares of Common Stock and warrants to purchase 2,207,270 shares of Common Stock (shares issuable upon exercise of warrants are referred to as "warrant shares") as follows: Investments II directly owned 1,262,747 shares and 444,704 warrant shares; Advisors Fund directly owned 30,397 shares and 10,704 warrant shares; Associates II indirectly owned 1,293,144 shares and 455,408 warrant shares; Investments III directly, and Associates III indirectly, owned 4,974,426 shares and 1,751,862 warrant shares; and each of Moorin and Schreiber indirectly owned 6,267,570 shares and 2,207,270 warrant shares. On May 6, 2008, Investments II, Advisors Fund and Investments III entered into a Securities Purchase Agreement with the Issuer pursuant to which they agreed to purchase up to \$4,000,000 of secured convertible notes (the "Convertible Notes"), and accompanying warrants (the "Warrants") in two separate closings. On May 30, 2008, the initial closing occurred and Investments II acquired 1,007,365 shares issuable upon the conversion of Convertible Notes and 604,419 warrant shares; Advisors Fund acquired 24,251 shares issuable upon the conversion of Convertible Notes and 14,551 warrant shares; and Investments III acquired 3,968,384 shares issuable upon the conversion of Convertible Notes and 2,381,030 warrant shares. These acquisitions were financed by working capital.

On October 17, 2008, the second closing occurred and Investments II acquired 2,164,764 shares issuable upon the conversion of Convertible Notes and 1,298,858 warrant shares; Advisors Fund acquired 52,114 shares issuable upon the conversion of Convertible Notes and 31,268 warrant shares; and Investments III acquired 8,527,803 shares issuable upon the conversion of Convertible Notes and 5,116,683 warrant shares. These acquisitions were financed by working capital.

On April 29, 2009, the Issuer made cash payments for interest and part of the outstanding principal of some of the May 30, 2008 Convertible Notes. Accordingly, the number of shares underlying the May 30, 2008 Convertible Notes was reduced as follows: Investments II disposed of 590,492 shares; Advisors Fund disposed of 14,215 shares; and Investments III disposed of 2,326,219 shares.

Item 4. Purpose of Transaction.

The Reporting Persons do not at the present time have any plans or proposals which relate to or would result in:

- (a) The acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer, except the acquisition of shares underlying warrants directly or indirectly owned by him as of the date hereof;
- (b) An extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries;
- (c) A sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries;
- (d) Any change in the present Board of Directors or management of the Issuer, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the Board;
- (e) Any material change in the present capitalization or dividend policy of the Issuer;
- (f) Any other material change in the Issuer's business or corporate structure;
- (g) Changes in the Issuer's Certificate of Incorporation, by-laws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person;
- (h) Causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association;
- (i) A class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934; or
- (j) Any action similar to any of those enumerated above.

Item 5. Interest in Securities of the Issuer.

As of the date hereof and as more fully described in Item 3 above, the Reporting Persons may be deemed to be the direct and indirect beneficial owners of an aggregate of 6,267,570 shares of Common Stock; an aggregate of 12,813,755 shares issuable upon conversion of Convertible Notes; and 11,654,079 currently exercisable warrant shares, over all of which securities they have shared voting and shared dispositive power.

The 30,735,404 shares of Common Stock beneficially owned by the Reporting Persons represent 36.0% of the issued and outstanding shares of Common Stock based on 60,911,374 shares of Common Stock outstanding as of April 24, 2009 as reported by the Issuer in its Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2008. Of such 30,735,404 shares, 6,192,365, or 9.4%, are beneficially owned by Investments II; 149,070, or .2%, are beneficially owned by Advisors Fund; 6,341,435, or 9.6%, are beneficially owned by Associates II; 24,393,969, or 30.4%, are beneficially owned by Investments III and by Associates III; and 30,735,404, or 36.0%, are beneficially owned by Moorin and Schreiber.

The following sets forth certain information regarding all transactions in the Common Stock that were effected by the Reporting Persons during the past sixty days:

Entity	Date	Amount Acquired (Disposed Of)	Price Per Security	Where and How Effected
Investments II	04/29/2009	(590,492) shares underlying Convertible Notes	--	Issuer repaid portion of

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Advisors Fund	04/29/2009	(14,215) shares underlying Convertible Notes	--	Issuer repaid portion of Convertible Notes
Investments III	04/29/2009	(2,930,926) shares underlying Convertible Notes	--	Issuer repaid portion of Convertible Notes

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

None.

Item 7. Material to be Filed as Exhibits.

Exhibit No.	Description
4.1	Form of Convertible Note (incorporated by reference to Exhibit 4.1 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
4.2	Form of Warrant (incorporated by reference to Exhibit 4.2 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
10.1	Securities Purchase Agreement, dated May 6, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P. (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
10.2	Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P. (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
24.1	Power of Attorney (previously filed).
99.1	Joint Filing Agreement, dated December 23, 2008, between ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P., ProQuest Associates II LLC, ProQuest Investments III, L.P., ProQuest Associates III LLC, Jay

Moorin and Alain Schreiber relating to the filing of a joint statement on Schedule 13D (previously filed).

SIGNATURES

After reasonable inquiry and to the best knowledge and belief of the undersigned, the undersigned certify that the information set forth in this statement is true, complete and correct.

DATED: May 5, 2009

/s/ Pasquale DeAngelis
Pasquale DeAngelis, as a member of
ProQuest Associates III LLC and on behalf
of ProQuest Investments III, L.P., and as a
member of ProQuest Associates II LLC and
on behalf of ProQuest Investments II, L.P.
and ProQuest Investments II Advisors Fund,
L.P.

*

Jay Moorin, individually

*

Alain Schreiber, individually

*By: /s/ Pasquale DeAngelis
Pasquale DeAngelis, Attorney-in-Fact

Exhibit Index

Exhibit Description
No.

- 4.1 Form of Convertible Note (incorporated by reference to Exhibit 4.1 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
- 4.2 Form of Warrant (incorporated by reference to Exhibit 4.2 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
- 10.1 Securities Purchase Agreement, dated May 6, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P. (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
- 10.2 Amendment No. 1 to the Securities Purchase Agreement, dated May 28, 2008, by and among the Company, ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P. and ProQuest Investments III, L.P. (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K filed by the Issuer on June 3, 2008 (File No. 001-32177))
- 24.1 Power of Attorney (previously filed).
- 99.1 Joint Filing Agreement, dated December 23, 2008, between ProQuest Investments II, L.P., ProQuest Investments II Advisors Fund, L.P., ProQuest Associates II LLC, ProQuest Investments III, L.P., ProQuest Associates III LLC, Jay Moorin and Alain Schreiber relating to the filing of a joint statement on Schedule 13D (previously filed).