

BAXTER INTERNATIONAL INC
Form DEF 14A
March 19, 2010

**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
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

BAXTER INTERNATIONAL INC.

(Name of Registrant as Specified In Its Charter)

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

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2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

Baxter International Inc.
One Baxter Parkway
Deerfield, Illinois 60015

March 19, 2010

Dear Shareholder:

You are invited to attend Baxter's Annual Meeting of Shareholders on Tuesday, May 4, 2010 at 9:00 a.m., Central Time, at our corporate headquarters located at One Baxter Parkway, Deerfield, Illinois. Registration will begin at 8:00 a.m., and refreshments will be served.

Details of the business to be conducted at the Annual Meeting are included in the attached Notice of Annual Meeting of Shareholders and Proxy Statement. If you plan to attend the Annual Meeting, please review the information on attendance provided on page 45 of the Proxy Statement.

In accordance with Securities and Exchange Commission rules, Baxter has elected to deliver its proxy materials over the Internet to most shareholders, which allows shareholders to receive information on a more timely basis, while lowering the company's printing and mailing costs and reducing the environmental impact of the Annual Meeting.

Whether or not you plan to attend in person, your vote is important and you are encouraged to vote promptly. You may vote your shares by Internet or by telephone. If you received a paper copy of the proxy card by mail, you may sign, date and return the proxy card in the enclosed envelope. If you attend the Annual Meeting, you may revoke your proxy and vote in person.

Very truly yours,

Robert L. Parkinson, Jr.
*Chairman of the Board
and Chief Executive Officer*

Baxter International Inc.
One Baxter Parkway
Deerfield, Illinois 60015

March 19, 2010

Notice of Annual Meeting of Shareholders

The 2010 Annual Meeting of Shareholders of Baxter International Inc. will be held at our corporate headquarters located at One Baxter Parkway, Deerfield, Illinois, on Tuesday, May 4, 2010 at 9:00 a.m., Central Time, for the following purposes:

1. To elect the four directors named in the attached Proxy Statement to hold office for a term of three years;
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Baxter in 2010;
3. To consider a shareholder proposal relating to simple majority voting if such proposal is properly presented at the annual meeting; and
4. To transact any other business that may properly come before the meeting.

The Board of Directors recommends a vote **FOR** Items 1 and 2 and **AGAINST** Item 3. Shareholders of record at the close of business on March 8, 2010 will be entitled to vote at the meeting.

By order of the Board of Directors,

Stephanie A. Shinn
Corporate Secretary

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY
MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 4, 2010**

This Proxy Statement relating to the 2010 Annual Meeting of Shareholders and the Annual Report to Shareholders for the year ended December 31, 2009 are available at <http://materials.proxyvote.com/071813>.

Proxy Statement

The accompanying proxy is solicited on behalf of the Board of Directors for use at the Annual Meeting of Shareholders to be held on Tuesday, May 4, 2010. On or about March 19, 2010, Baxter began mailing to shareholders a Notice of Internet Availability of Proxy Materials providing instructions on how to access proxy materials via the Internet and how to vote online (www.proxyvote.com). Shareholders who did not receive the Notice of Internet Availability of Proxy Materials as a result of a previous election will receive a paper or electronic copy of the proxy materials, which Baxter also began sending on or about March 19, 2010.

Q: Who is entitled to vote?

A: All record holders of Baxter common stock as of the close of business on March 8, 2010 are entitled to vote. On that day, approximately 599,424,817 shares were issued and outstanding. Each share is entitled to one vote on each matter presented at the Annual Meeting.

Q: How do I vote?

A: Baxter offers registered shareholders three ways to vote, other than by attending the Annual Meeting and voting in person:

By Internet, following the instructions on the Notice or the proxy card;

By telephone, using the telephone number printed on the proxy card; or

By mail (if you received your proxy materials by mail), using the enclosed proxy card and return envelope.

Q: How do I attend the Annual Meeting? What do I need to bring?

A: In order to be admitted to the Annual Meeting, you must bring documentation showing that you owned Baxter common stock as of the record date of March 8, 2010. Acceptable documentation includes (i) your Notice of Internet Availability of Proxy Materials, (ii) the admission ticket attached to your proxy card (if you received your proxy materials by mail), or (iii) any other proof of ownership (such as a brokerage or bank statement) reflecting your Baxter holdings as of March 8, 2010. All attendees must also bring valid photo identification. Shareholders who do not bring this documentation will not be admitted to the Annual Meeting. Please refer to Other Information Attending the Annual Meeting on page 45 of this Proxy Statement for more information.

Q: How do I vote shares that are held by my broker?

A: If you have shares held by a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following instructions that your broker or nominee provides to you. Most brokers offer voting by mail, telephone and the Internet.

Q: What does it mean to vote by proxy?

A: It means that you give someone else the right to vote your shares in accordance with your instructions. In this way, you ensure that your vote will be counted even if you are unable to attend the Annual Meeting. If you give your proxy but do not include specific instructions on how to vote, the individuals named as proxies will vote your shares as follows:

FOR the election of the Board's nominees for director;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Baxter's independent registered public accounting firm; and

AGAINST the shareholder proposal relating to simple majority voting.

Q: What if I submit a proxy and later change my mind?

A: If you have given your proxy and later wish to revoke it, you may do so by giving written notice to the Corporate Secretary, submitting another proxy bearing a later date (in any of the permitted forms), or casting a ballot in person at the Annual Meeting.

Q: What happens if other matters are raised at the meeting?

A: If other matters are properly presented at the meeting, the individuals named as proxies will

have the discretion to vote on those matters for you in accordance with their best judgment. However, Baxter's Corporate Secretary has not received timely and proper notice from any shareholder of any other matter to be presented at the meeting.

Q: How is it determined whether a matter has been approved?

A: Assuming a quorum is present, the approval of the matters specified in the Notice of Annual Meeting will be determined as follows:

Nominees for director receiving the majority of votes cast (number of shares voted for a director must exceed 50% of the number of votes cast with respect to that director) will be elected as a director; and

Each other matter requires the affirmative vote of a majority of the shares of common stock, present in person or by proxy and entitled to vote at the Annual Meeting.

Q: Who will count the vote?

A: Broadridge Financial Solutions, Inc. will tabulate the votes and act as the Inspector of Election at the Annual Meeting.

Q: What constitutes a quorum?

A: A majority of the outstanding shares of common stock entitled to vote, represented at the meeting in person or by proxy, constitutes a quorum. Broker non-votes and abstentions will be counted for purposes of determining whether a quorum is present.

Q: What are broker non-votes?

A: Broker non-votes occur when nominees, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial holders at least ten days before the meeting. If that happens, the nominees may vote those shares only on matters deemed routine by the New York Stock Exchange, such as the ratification of the appointment of the independent registered public accounting firm.

On non-routine matters, such as the election of directors and the shareholder proposal, nominees cannot vote unless they receive voting instructions from beneficial owners, resulting in so called broker non-votes.

Please note that this year the rules that guide how brokers vote your shares have changed. Brokers may no longer vote your shares on the election of directors in the absence of your specific instructions.

Q: What effect does an abstention have?

A: Abstentions or directions to withhold authority will have no effect on the outcome of the election of directors. Abstentions will have the same effect as a vote against any of the other matters specified in the Notice of Annual Meeting.

Q: What is householding and how does it affect me?

A: Baxter has adopted householding, a procedure under which shareholders of record who have the same address and last name and do not receive proxy materials electronically will receive a single Notice of Internet

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Availability of Proxy Materials or set of proxy materials, unless one or more of these shareholders notifies the company that they wish to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards. This procedure can result in significant savings to the company by reducing printing and postage costs.

If you participate in householding and wish to receive a separate Notice of Internet Availability of Proxy Materials or set of proxy materials, or if you wish to receive separate copies of future Notices, annual reports and proxy statements, please call 1-800-542-1061 or write to: Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York 11717. The company will deliver the requested documents to you promptly upon your request.

Any shareholders of record who share the same address and currently receive multiple copies of proxy materials who wish to receive only one copy of these materials per household in the future may contact Broadridge Financial Solutions, Inc. at the address or telephone number listed above. If you hold your shares through a broker, bank or other nominee, please contact your broker, bank, or other nominee to request information about householding.

Q: What shares are covered by the proxy card?

A: The proxy card covers all shares held by you of record (*i.e.*, registered in your name), including those held in Baxter's Dividend Reinvestment Plan, Employee Stock Purchase Plan and any shares credited to your Incentive Investment Plan account or Puerto Rico Savings and Investment Plan account held in custody by the plan trustee. If you hold your shares through a broker, bank or other nominee, you will receive separate instructions from your broker, bank or other nominee describing how to vote your shares.

Q: How do I vote if I hold my shares through the Baxter Incentive Investment Plan or Puerto Rico Savings and Investment Plan?

A: If you are a current or former Baxter employee with shares credited to your account in the Incentive Investment Plan or Puerto Rico Savings and Investment Plan, then your completed proxy card (or vote via the Internet or by telephone) will serve as voting instructions to the plan trustee. The trustee will vote your shares as you direct, except as may be required by the Employee Retirement Income Security Act (ERISA). If you fail to give instructions to the plan trustee, the trustee may vote your shares at its discretion. To allow sufficient time for voting by the plan trustee, your voting instructions must be received by April 27, 2010.

Q: Does the company offer an opportunity to receive future proxy materials electronically?

A: Yes. If you wish to receive future proxy materials over the Internet instead of receiving copies in the mail, follow the instructions provided when you vote through the Internet. If you vote by telephone, you will not have the option to elect electronic delivery while voting.

If you elect electronic delivery, the company will discontinue mailing the proxy materials to you beginning next year and will send you an e-mail message notifying you of the Internet address or addresses where you may access next year's proxy materials and vote your shares. You may discontinue electronic delivery at any time.

Q: What are the benefits of electronic delivery?

A: Electronic delivery reduces the company's printing and mailing costs as well as the environmental impact of the Annual Meeting. It is also a convenient way for you to receive your proxy materials and makes it easy to vote your shares over the Internet.

Proposal 1 Election of Directors

Baxter's Board of Directors currently consists of thirteen members and is divided into three classes. The directors in each class serve three-year terms. The Board has nominated the four current directors of Baxter whose terms expire at the 2010 Annual Meeting for re-election as directors.

Baxter's Bylaws require each director to be elected by the majority of the votes cast with respect to such director in uncontested elections; that is, the number of shares voted for a director must exceed 50% of the number of votes cast with respect to that director. Abstentions will not be considered votes cast. In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. If a nominee who is serving as a director is not elected at an annual meeting, under Delaware law the director would continue to serve on the Board as a holdover director. However, under Baxter's Bylaws, any incumbent director who fails to be elected must offer his or her resignation to the Board. The Corporate Governance Committee would then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board would act on the Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who offers his or her resignation would not participate in the Board's decision.

All of the nominees have indicated their willingness to serve if elected, but if any should be unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by the Board of Directors. No nominations for directors were received from shareholders, and no other candidates are eligible for election as directors at the 2010 Annual Meeting. Unless proxy cards are otherwise marked, the individuals named as proxies intend to vote the shares represented by proxy in favor of all of the Board's nominees.

Set forth below is information concerning the nominees for election as well as the current directors in each class continuing after the Annual Meeting of Shareholders.

The Board of Directors recommends a vote **FOR** the election of each of the director nominees.

Nominees for Election as Directors (Term Expires 2013)

Blake E. Devitt, age 63, has served as a Director of Baxter since 2005. Mr. Devitt retired in 2004 from the public accounting firm of Ernst & Young LLP. During his 33-year career at Ernst & Young, Mr. Devitt held several positions, including Senior Audit Partner and Director, Pharmaceutical and Medical Device Industry Practice, from 1994 to 2004.

John D. Forsyth, age 62, has served as a Director of Baxter since 2003. Mr. Forsyth has been Chairman of Wellmark Blue Cross Blue Shield, a healthcare insurance provider for residents of Iowa and South Dakota, since 2000 and Chief Executive Officer since 1996. Prior to that, he spent more than 25 years at the University of Michigan Health System, holding various positions, including President and Chief Executive Officer.

Gail D. Fosler, age 62, has served as a Director of Baxter since 2001. Ms. Fosler is Senior Advisor of The Conference Board, a global research and business membership organization. Ms. Fosler has held several positions with The Conference Board since 1989, including President, Executive Vice President and Chief Economist. Ms. Fosler is a director of Caterpillar Inc. Ms. Fosler served as a director of Unisys Corporation from 1993 to 2005.

Carole J. Shapazian, age 66, has served as a Director of Baxter since 2003. Ms. Shapazian served as Executive Vice President of Maytag Corporation, a producer of home and commercial appliances, and as President of Maytag's Home Solutions Group, from January 2000 to December 2000. Prior to that, Ms. Shapazian was Executive Vice President and Assistant Chief Operating Officer of Polaroid Corporation, a photographic equipment and supplies corporation, from 1998 to 1999, having previously served as Executive Vice President and President of Commercial Imaging. Ms. Shapazian served as a director of Ceridian Corporation from 1994 to 2005.

Directors Continuing in Office (Term Expires 2011)

Wayne T. Hockmeyer, Ph.D., age 65, has served as a Director of Baxter since September 2007. Dr. Hockmeyer was the founder of MedImmune, Inc., a healthcare company focused on infectious diseases, cancer and inflammatory diseases, and served as Chairman and/or Chief Executive Officer of MedImmune from 1988 to 2007. Prior to that, he was vice president of laboratory research and product development at Praxis Biologics Inc. and chief of the Department of Immunology at Walter Reed Army Institute of Research. Dr. Hockmeyer serves as a director of GenVec Inc. and Idenix Pharmaceuticals Inc. Dr. Hockmeyer also served as a director of Middlebrook Pharmaceuticals, Inc. from 2003 to 2009, MedImmune, Inc. from 1988 to 2007 and Vanda Pharmaceuticals Inc. from 2004 to 2006.

Joseph B. Martin, M.D., Ph.D., age 71, has served as a Director of Baxter since 2002. Dr. Martin serves as Professor of Neurobiology at Harvard Medical School. From July 1997 to July 2007, Dr. Martin served as Dean of the Harvard Faculty of Medicine. He was Chancellor of the University of California, San Francisco from 1993 to 1997 and Dean of the UCSF School of Medicine from 1989 to 1993. From 1978 to 1989, he was chief of the neurology department of Massachusetts General Hospital and Professor of Neurology at Harvard Medical School. Dr. Martin also served as a director of Cytoc Corporation from 2002 to 2007 and Scientific Learning Corporation from 2000 to 2008.

Robert L. Parkinson, Jr., age 59, is Chairman and Chief Executive Officer of Baxter, having served in that capacity since April 2004. Prior to joining Baxter, Mr. Parkinson was Dean of Loyola University Chicago School of Business Administration and Graduate School of Business from 2002 to 2004. He retired from Abbott Laboratories in 2001 following a 25-year career, having served in a variety of domestic and international management and leadership positions, including as President and Chief Operating Officer. Mr. Parkinson also serves on the boards of directors of Chicago-based Northwestern Memorial Hospital and the Northwestern Memorial Foundation as well as Loyola University Chicago Board of Trustees.

Thomas T. Stallkamp, age 63, has served as a Director of Baxter since 2000.

Mr. Stallkamp has been an Industrial Partner in Ripplewood Holdings L.L.C., a New York private equity group, since 2004. From 2003 to 2004, he served as Chairman of MSX International, Inc., a global provider of technology-driven engineering, business and specialized staffing services, and from 2000 to 2003, he served as Vice-Chairman and Chief Executive Officer of MSX. From 1980 to 1999, Mr. Stallkamp held various positions with DaimlerChrysler Corporation and its predecessor Chrysler Corporation, the most recent of which was Vice Chairman and President. Mr. Stallkamp serves as a director of BorgWarner Inc., Honsel AG and Asahi Tec Corporation. Mr. Stallkamp also served as a director of MSX International, Inc. from 2000 to 2006 and Visteon Corporation from 2002 to 2006.

Albert P.L. Stroucken, age 62, has served as a Director of Baxter since 2004.

Mr. Stroucken has served as Chairman, President and Chief Executive Officer of Owens-Illinois, Inc., a glass packaging company, since 2006 and as director since 2005. From 1998 to 2006, Mr. Stroucken served as President and Chief Executive Officer of H.B. Fuller Company, a manufacturer of adhesives, sealants, coatings, paints and other specialty chemicals. Mr. Stroucken served as Chairman of the Board of H.B. Fuller Company from 1999 to 2006. From 1997 to 1998, he was General Manager of the Inorganics Division of Bayer AG. From 1992 to 1997, Mr. Stroucken was Executive Vice President and President of the Industrial Chemicals Division of Bayer Corporation.

Directors Continuing in Office (Term Expires 2012)

Walter E. Boomer, age 71, has served as a Director of Baxter since 1997 and was appointed lead director in May 2008. From 1997 until his retirement in 2004, General Boomer served as President and Chief Executive Officer of Rogers Corporation, a manufacturer of specialty materials for targeted applications, focused on communications and computer markets. General Boomer also served as Chairman of the Board of Rogers Corporation between April 2002 and April 2004 and continues as director. From 1994 to 1996, he served as Executive Vice President of McDermott International, Inc. and President of the Babcock & Wilcox Power Generation Group. In 1994, General Boomer retired as a General and Assistant Commandant of the United States Marine Corps after 34 years of service. General Boomer also served as a director of Cytoc Corporation from 2000 to 2007.

James R. Gavin III, M.D., Ph.D., age 64, has served as a Director of Baxter since 2003. Dr. Gavin is Chief Executive Officer and Chief Medical Officer of Healing Our Village, Inc., a corporation that specializes in targeted advocacy, training, education, disease management and outreach for health care professionals and minority communities, having previously served as Executive Vice President for Clinical Affairs at Healing Our Village from 2005 to 2007. Dr. Gavin is also Clinical Professor of Medicine and Senior Advisor of Health Affairs at Emory University, a position he has held since 2005. From 2002 to 2005, Dr. Gavin was President of the Morehouse School of Medicine and from 1991 to 2002, he was Senior Science Officer at Howard Hughes Medical Institute, a nonprofit medical research organization. Dr. Gavin serves as a director of Amylin Pharmaceuticals, Inc. Dr. Gavin also served as a director of MicroIslet, Inc. from 2002 to 2007 and Nuvelo Inc. from 2006 to 2009.

Peter S. Hellman, age 60, has served as a Director of Baxter since 2005. From 2000 until his retirement in 2008, Mr. Hellman held various positions at Nordson Corporation, a manufacturer of systems that apply adhesives, sealants and coatings during manufacturing operations, the most recent of which was President and Chief Financial and Administrative Officer. From 1989 to 1999, Mr. Hellman held various positions with TRW Inc., the most recent of which was President and Chief Operating Officer. Mr. Hellman serves as a director of Qwest Communications International Inc. and Owens-Illinois, Inc. Mr. Hellman also served as a director of Nordson Corporation from 2001 to 2008.

K. J. Storm, age 67, has served as a Director of Baxter since 2003. Mr. Storm is a registered accountant (the Dutch equivalent of a Certified Public Accountant) and was Chief Executive Officer of AEGON N.V., an international insurance group, from 1993 until his retirement in 2002. Mr. Storm is chairman of the Supervisory Board of KLM Royal Dutch Airlines, a member of the Supervisory Board of AEGON N.V. and PON Holdings B.V. and a member of the Board of Anheuser-Busch InBev S.A. and Unilever N.V. and Plc.

Board of Directors

Baxter's Board of Directors currently consists of thirteen members. The Board has determined that each of the following twelve current directors satisfies Baxter's independence standards and the New York Stock Exchange's listing standards for independence: Walter E. Boomer, Blake E. Devitt, John D. Forsyth, Gail D. Fosler, James R. Gavin III, M.D., Ph.D., Peter S. Hellman, Wayne T. Hockmeyer, Ph.D., Joseph B. Martin, M.D., Ph.D., Carole J. Shapazian, Thomas T. Stallkamp, K. J. Storm and Albert P.L. Stroucken. Please refer to the section entitled "Corporate Governance - Director Independence" on page 9 of this Proxy Statement for a discussion of Baxter's independence standards.

During 2009, the Board held 8 meetings. All directors attended 94% or more of the aggregate number of meetings of the Board and Board committees on which they served. Average attendance was approximately 99%. In accordance with Baxter's Corporate Governance Guidelines, which express the company's expectation that directors attend the annual meeting of shareholders, all but one of the company's directors attended the annual meeting of shareholders held on May 5, 2009.

Committees of the Board

The standing committees of the Board of Directors are the Audit Committee, Compensation Committee, Corporate Governance Committee, Finance Committee, Public Policy Committee and Science and Technology Committee. Each committee consists solely of independent directors and is governed by a written charter. All required committee charters are available on Baxter's website at www.baxter.com under "About Baxter - Corporate Governance - Board of Directors - Committees of the Board."

Audit Committee

The Audit Committee is currently composed of Blake E. Devitt (Chair), Gail D. Fosler, Thomas T. Stallkamp, K. J. Storm and Albert P.L. Stroucken, each of whom is independent under the rules of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934, as amended. The Board has determined that Messrs. Devitt, Stallkamp, Storm and Stroucken each qualify as an audit committee financial expert as defined by the rules of the Securities and Exchange Commission. The Audit Committee is primarily concerned with the integrity of Baxter's

financial statements, system of internal accounting controls, the internal and external audit process, and the process for monitoring compliance with laws and regulations. Its duties include: (1) reviewing the adequacy and effectiveness of Baxter's internal control over financial reporting with management and the independent and internal auditors, and reviewing with management Baxter's disclosure controls and procedures; (2) retaining and evaluating the qualifications, independence and performance of the independent registered public

accounting firm; (3) approving audit and permissible non-audit engagements to be undertaken by the independent registered public accounting firm; (4) reviewing the scope of the annual internal and external audits; (5) reviewing and discussing earnings press releases prior to their release; (6) holding separate executive sessions with the independent registered public accounting firm, the internal auditor and management; and (7) discussing guidelines and policies governing the process by which Baxter assesses and manages risk. The Audit Committee met 11 times in 2009. The Audit Committee Report appears on page 41.

Compensation Committee

The Compensation Committee is currently composed of John D. Forsyth (Chair), Walter E. Boomer, Peter S. Hellman, Carole J. Shapazian and Thomas T. Stallkamp, each of whom is independent under the rules of the New York Stock Exchange. The Compensation Committee exercises the authority of the Board relating to employee benefit plans and is responsible for the oversight of compensation generally. The Compensation Committee may delegate its authority to subcommittees when appropriate. While the Committee has delegated its authority with respect to day-to-day plan administration and interpretation issues and certain off-cycle equity grants, no authority for the compensation of executive officers or directors has been delegated by the Committee. The Committee's duties include: (1) making recommendations for consideration by the Board, in executive session, concerning the compensation of the Chief Executive Officer; (2) determining the compensation of executive officers (other than the Chief Executive Officer) and advising the Board of such determination; (3) making recommendations to the Board with respect to incentive compensation plans and equity-based plans and exercising the authority of the Board concerning benefit plans; (4) serving as the administration committee of the company's equity plans; and (5) making recommendations to the Board concerning director compensation. The Corporate Governance and Compensation Committees work together to establish a link between Mr. Parkinson's performance and decisions regarding his compensation. All compensation actions relating to Mr. Parkinson are subject to the approval of the independent directors of the Board. The Compensation Committee met 5 times in 2009. The Compensation Committee Report appears on page 23.

The Compensation Committee has directly engaged George B. Paulin, Chairman and Chief Executive Officer of Frederic W. Cook & Co., Inc., as its compensation consultant. Additionally, Hewitt Associates assists the Committee with the compilation of market data from time to time. Mr. Paulin reports directly and exclusively to the Committee and his firm provides no other services to Baxter except advising on executive and Board compensation matters. He provides analyses and recommendations that inform the Committee's decisions, but he does not decide or approve any compensation actions. During 2009, he advised the Committee Chairman on setting agenda items for Committee meetings; reviewed management proposals presented to the Committee; evaluated market data compiled by Hewitt Associates; conducted a review of the structure and level of compensation for non-employee directors; and performed a review of the overall effectiveness of the executive officer compensation program.

Corporate Governance Committee

The Corporate Governance Committee is currently composed of James R. Gavin III, M.D., Ph.D. (Chair), Blake E. Devitt, John D. Forsyth and Joseph B. Martin, M.D., Ph.D., each of whom is independent under the rules of the New York Stock Exchange. The Corporate Governance Committee assists and advises the Board on director nominations, corporate governance and general Board organization and planning matters. Its duties include: (1) developing criteria, subject to approval by the Board, for use in evaluating and selecting candidates for election or re-election to the Board and assisting the Board in identifying and attracting qualified director candidates; (2) selecting and recommending that the Board approve the director nominees for the next annual meeting of shareholders and recommending persons to fill any vacancy on the Board; (3) determining Board committee structure and membership; (4) reviewing at least annually the adequacy of Baxter's Corporate Governance Guidelines; (5) overseeing the succession planning process for management, including the Chief Executive Officer; (6) developing and implementing an annual process for

evaluating the performance of the Chief Executive Officer; and (7) developing and implementing an annual process for evaluating Board and committee performance. The Corporate Governance Committee met 3 times in 2009.

Finance Committee

The Finance Committee is currently composed of K. J. Storm (Chair), Gail D. Fosler, Peter S. Hellman, Wayne T. Hockmeyer, Ph.D. and Albert P.L. Stroucken. The Finance Committee assists the Board in fulfilling its responsibilities in connection with the company's financial affairs. The Finance Committee reviews and, subject to the limits specified in its charter, approves or makes recommendations or reports to the Board regarding: (1) proposed financing transactions, capital expenditures, acquisitions, divestitures and other transactions; (2) dividends; (3) results of the management of pension assets; and (4) risk management relating to the company's hedging activities, use of derivative instruments and insurance coverage. The Finance Committee met 6 times in 2009.

Public Policy Committee

The Public Policy Committee is currently composed of Wayne T. Hockmeyer, Ph.D. (Chair), Walter E. Boomer, James R. Gavin III, M.D., Ph.D., Joseph B. Martin, M.D., Ph.D. and Carole J. Shapazian. The Public Policy Committee is primarily concerned with the review of the policies and practices of Baxter to ensure that they are consistent with Baxter's social responsibility to act with integrity as a global corporate citizen to employees, customers and society. The Committee's duties include: (1) addressing the company's responsibilities with respect to the health and safety of employees, consumers and the environment; (2) overseeing, reviewing and making recommendations to the Corporate Responsibility Office as set forth in the company's Code of Conduct; (3) reviewing and making recommendations regarding Baxter's Quality and Regulatory programs and performance; and (4) reviewing and making recommendations on the company's Government Affairs Program, including the company's political contributions and positions with respect to pending legislative and other initiatives, and political advocacy activities. The Public Policy Committee met 3 times in 2009.

Science and Technology Committee

The Science and Technology Committee is currently composed of Joseph B. Martin, M.D., Ph.D. (Chair), James R. Gavin III, M.D., Ph.D., Wayne T. Hockmeyer, Ph.D. and Carole J. Shapazian. The Science and Technology Committee was formed in May 2009 to review and assist in the oversight of Baxter's long-term research and development (R&D) strategies and objectives, R&D pipeline and technology platforms. The Committee is also responsible for identifying and discussing significant emerging issues and trends in science and technology applicable to the company's business. The Science and Technology Committee met for 2 extended sessions in 2009.

Corporate Governance

Director Independence

To be considered independent, the Board must affirmatively determine that a director does not have any direct or indirect material relationship with Baxter (either directly or as a partner, shareholder or officer of an organization that has a relationship with Baxter). Baxter's Corporate Governance Guidelines require that the Board be composed of a majority of directors who meet the criteria for independence established by rules of the New York Stock Exchange.

In making its independence determinations, the Board considers transactions, relationships and arrangements between Baxter and entities with which directors are associated as executive officers, directors and trustees. When these transactions, relationships and arrangements exist, they are in the ordinary course of business and are of a type customary for a global diversified company such as Baxter. More specifically, with respect to each of the three most recent fiscal years, the Board evaluated for directors Fosler and Stroucken the annual amount of purchases by Baxter from the company where he or she served as an executive officer, and determined that the amount of purchases in each fiscal year was below two percent of the consolidated gross revenues of each of those companies during the

companies last completed fiscal year.

Director Qualifications

As discussed below in Nomination of Directors, directors are selected on the basis of the specific criteria set forth in Baxter's Corporate Governance Guidelines. The experience, expertise and knowledge represented by the Board of Directors as a collective body allows the Board to lead Baxter in a manner that serves its shareholders' interests appropriately. Set forth below is a discussion of the key qualifications for each of the directors.

General Boomer Superior leadership skills as a result of his 34 years of service in the United States Marine Corps as well as significant financial and business experience gained as President and Chief Executive Officer of Rogers Corporation and through his roles at McDermott International, Inc. and Babcock & Wilcox Power Generation Group

Mr. Devitt Significant accounting expertise and knowledge of the healthcare industry through his 33-year career at Ernst & Young, including his service as Director of the Pharmaceutical and Medical Device Industry Practice

Mr. Forsyth Extensive experience in the healthcare industry as well as an understanding of the challenges associated with leading and operating within large, complex organizations as current Chairman and Chief Executive Officer of Wellmark Blue Cross Blue Shield and given his 25 years of management experience at the University of Michigan Health System

Ms. Fosler Substantial experience with respect to corporate best practices as well as significant global economic expertise, with an emphasis on emerging markets, especially China, as a result of her more than 20-year leadership career at The Conference Board and her other public-company board service

Dr. Gavin Extensive medical and scientific expertise and knowledge of the healthcare industry as a result of the positions he has held at Emory University, the Morehouse School of Medicine and Howard Hughes Medical Institute as well as leadership experience given his service as Chief Executive Officer and Chief Medical Officer of Healing Our Village, Inc.

Mr. Hellman Significant financial and operational expertise and experience leading complex, multi-faceted corporations with a considerable global presence as a result of the various senior positions held at Nordson Corporation and TRW Inc. as well as extensive experience serving on public-company boards

Dr. Hockmeyer Substantial experience developing and running a significant healthcare company as founder and Chairman and Chief Executive Officer of MedImmune and significant scientific and clinical expertise as a result of his roles at Praxis Biologics Inc. and Walter Reed Army Institute of Research

Dr. Martin Extensive medical, scientific and organizational expertise as a result of his experience in leading two major medical and educational institutions at Harvard University and the University of California, San Francisco and as a result of his experience as a physician and academic investigator at McGill University, the Massachusetts General Hospital, the University of California, San Francisco, and Harvard Medical School

Mr. Parkinson Substantial knowledge of the healthcare industry and extensive experience leading and operating within global, multi-faceted corporations as a result of his roles at Baxter and Abbott Laboratories as well as an understanding of the complexities involved in managing large not-for-profit organizations through his service as Dean of Loyola University Chicago School of Business Administration and Graduate School of Business and other directorships

Ms. Shapazian Significant experience with, and insight into, global supply and service operations, manufacturing and distribution practices, research, product development and quality systems and organizational change as a result of

her senior management positions with both Maytag Corporation and Polaroid Corporation

Mr. Stallkamp Significant experience leading complex organizations through his senior management roles at DaimlerChrysler Corporation and its predecessor Chrysler Corporation and MSX International, Inc. as well as financial and business development expertise as an Industrial Partner in Ripplewood Holdings L.L.C.

Mr. Storm Extensive international business experience and established leadership skills gained as Chief Executive Officer of AEGON N.V. and through his board service at global organizations such as KLM Royal Dutch

Airlines, PON Holdings B.V., Anheuser-Busch InBev S.A. and Unilever N.V. and Plc., as well as significant accounting expertise as a registered accountant

Mr. Stroucken Substantial experience leading and operating large, multi-faceted corporations and financial expertise as a result of serving as Chairman, President and Chief Executive Officer of Owens-Illinois, Inc. and H.B. Fuller Company as well as experience in the healthcare and chemical industries through his roles at Bayer

Corporate Governance Guidelines

Baxter's Board of Directors has long adhered to corporate governance principles designed to ensure effective corporate governance. Since 1995, the Board of Directors has had in place a set of corporate governance guidelines reflecting these principles. Baxter's current Corporate Governance Guidelines cover topics including, but not limited to, director qualification standards, director responsibilities (including those of the lead director), director access to management and independent advisors, director compensation, director orientation and continuing education, succession planning and the annual evaluations of the Board and its committees. Baxter's Corporate Governance Guidelines are available on Baxter's website at www.baxter.com under About Baxter Corporate Governance Guidelines.

Code of Conduct

Baxter has adopted a code of conduct that applies to all members of Baxter's Board of Directors and all employees of the company, including the Chief Executive Officer, Chief Financial Officer, Controller and other senior financial officers. Any amendment to, or waiver from, a provision of the Code of Conduct that applies to Baxter's Chief Executive Officer, Chief Financial Officer, Controller or persons performing similar functions will be disclosed on the company's website, at www.baxter.com under About Baxter Corporate Governance. The Code of Conduct is available on Baxter's website at www.baxter.com under About Baxter Corporate Governance Guidelines Code of Conduct.

Executive Sessions

The independent directors of the Board met in executive session without management at every regularly scheduled meeting during 2009 pursuant to Baxter's Corporate Governance Guidelines. The Audit Committee is required by its charter to hold separate sessions during at least five committee meetings with each of the internal auditor, the independent registered public accounting firm and management. The Corporate Governance and Compensation Committees also meet in executive session as deemed appropriate.

Board Leadership Structure; Lead Director

Mr. Parkinson serves as Chairman of the Board and Chief Executive Officer. General Boomer serves as the lead director. As Chairman of the Board and pursuant to Baxter's Bylaws, Mr. Parkinson presides at all Board and shareholder meetings; serves as the primary spokesperson for Baxter; and acts as a liaison between the Board and the directors. As Chief Executive Officer and pursuant to Baxter's Bylaws, Mr. Parkinson supervises the business of the company, subject to the direction of the Board. As lead director and pursuant to Baxter's Corporate Governance Guidelines, General Boomer presides at all executive sessions of the Board and acts as the liaison between non-management directors and the Chairman of the Board. In addition, General Boomer serves as the contact person to facilitate communications by Baxter employees and shareholders directly with the non-management members of the Board. The full Board annually assesses Mr. Parkinson's performance as Chairman of the Board and as Chief Executive Officer. The Corporate Governance Committee recommends a lead director to the full Board for approval on an annual basis.

The Board has determined that this structure is appropriate in light of the requirements for these roles as set forth in Baxter's Bylaws and Corporate Governance Guidelines and the skills and experience that Mr. Parkinson and General Boomer bring to these roles. The positions of Chairman of the Board and Chief Executive Officer are currently held by the same person because the Board believes that the unification of these positions provides a single vision for the company and results in an effective and efficient organizational structure.

Board's Oversight of Risk

Baxter's risk management activities include the identification and assessment of the key risks facing the company among the universe of business risks (*i.e.*, strategic, operational, financial and regulatory/compliance). These risks are identified across the organization from multiple businesses, regions and functions. The Board reviews these risks on an annual basis after they have been identified and assessed by management and regularly reviews the initiatives put in place to mitigate the effects of these risks. These reviews include updates throughout the year from the businesses, regions and functions from which the key risks arise. Depending on the risk, the update may be presented to the full Board or if appropriate to a committee. For example, the Audit Committee regularly reviews internal audit's financial risk assessment process and findings while the Public Policy Committee regularly reviews updates from the ethics and compliance and governmental affairs functions. Some risks are reviewed by the Board as well as a committee. For example, regulatory updates are provided at least annually to the full Board although more frequently provided to the Public Policy Committee. The oversight of risk within the organization is an evolving process requiring the company to continually look for opportunities to further embed systematic enterprise risk management into ongoing business processes across the organization. The Board actively encourages management to continue to drive this evolution.

In addition to the Board's role in enterprise risk management, various committees of the Board are also expressly tasked by their charters to be responsible for the oversight of certain risks. More specifically, the Audit Committee is charged with oversight of the process by which management assesses and manages risk as well as the company's major financial risk exposures and the steps taken to monitor and control these exposures, while the Finance Committee is charged with oversight of risk management relating to the company's hedging activities, use of derivative instruments and insurance coverage.

Nomination of Directors

It is the policy of the Corporate Governance Committee to consider candidates for director recommended by shareholders, members of the Board and management. The Corporate Governance Committee also considers directors recommended by the independent search firm retained by the Board to help identify and evaluate potential director nominees. The Corporate Governance Committee evaluates all candidates for director in the same manner regardless of the source of the recommendation. Shareholder recommendations for candidates for director should include the information required by Baxter's Bylaws and be sent to the Corporate Governance Committee, c/o Corporate Secretary, Baxter International Inc., One Baxter Parkway, Deerfield, Illinois 60015.

Pursuant to Baxter's Corporate Governance Guidelines, nominees for director must:

Possess fundamental qualities of intelligence, honesty, perceptiveness, good judgment, maturity, high ethics and standards, integrity, fairness and responsibility.

Have a genuine interest in the company and recognition that as a member of the Board, each director is accountable to all shareholders of the company, not to any particular interest group.

Have a background that demonstrates an understanding of business and financial affairs and the complexities of a large, multifaceted, global business, governmental or educational organization.

Be or have been in a senior position in a complex organization such as a corporation, university or major unit of government or a large not-for-profit institution.

Have no conflict of interest or legal impediment that would interfere with the duty of loyalty owed to the company and its shareholders.

Have the ability and be willing to spend the time required to function effectively as a director.

Be compatible and able to work well with other directors and executives in a team effort with a view to a long-term relationship with the company as a director.

Have independent opinions and be willing to state them in a constructive manner.

The Corporate Governance Guidelines also provide that directors are selected on the basis of talent and experience. Diversity of background, including diversity of gender, race, ethnic or national origin, age, and experience (including in business, government and education as well as healthcare, science and technology) is a relevant factor in the selection process. This factor is relevant as a diverse Board of Directors is likely to be a well-balanced Board with varying perspectives and a breadth of experience that will positively contribute to robust discussion at Board meetings. A nominee's ability to meet the independence criteria established by the New York Stock Exchange is also a factor in the nominee selection process.

Once a candidate has been identified, the Corporate Governance Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Corporate Governance Committee or its Chair determines that the candidate warrants further consideration, the Corporate Governance Committee and the external search firm retained by the Committee will engage in a process that includes a thorough investigation of the candidate, an examination of his or her business background and education, research on the individual's accomplishments and qualifications, an in-person interview and reference checking. If this process generates a positive indication, the lead director, the members of the Committee and the Chairman of the Board will meet separately with the candidate and then confer with each other regarding their respective impressions of the candidate. If the individual was positively received, the Committee will then recommend the individual to the full Board for further meetings and evaluation and ultimately election. If the full Board agrees, the Chairman of the Board is then authorized to extend an offer to the individual candidate.

Communicating with the Board of Directors

Shareholders and other interested parties may contact any of Baxter's directors, including the lead director or the non-management directors as a group, by writing a letter to Baxter Director c/o Corporate Secretary, Baxter International Inc., One Baxter Parkway, Deerfield, Illinois 60015 or by sending an e-mail to boardofdirectors@baxter.com. Baxter's Corporate Secretary will forward communications directly to the lead director, unless a different director is specified.

Executive Compensation

Compensation Discussion and Analysis

The Compensation Committee has designed a compensation program that is straightforward and driven by a few key principles and objectives, with pay for performance being the most significant structural element of the program. The compensation package awarded to each named executive officer consists primarily of a base salary, a cash bonus and equity awards.

Year in Review

Despite the challenging global economic and regulatory environment, Baxter delivered strong financial results in 2009. Baxter reported net income for 2009 of \$2.2 billion, or \$3.59 per diluted share, an increase of 9% and 14%, respectively, over 2008. Baxter also generated record operating cash flows of \$2.9 billion in 2009, with cash flow from operations improving by approximately \$400 million. Due to the strong cash flow generated from the company's operations in 2009, Baxter was able to invest more than \$900 million in research and development while returning value to shareholders with the repurchase of approximately \$1.2 billion of common stock and the payment of \$632 million in dividends, representing a 16% increase from the prior year. Baxter exceeded the guidance it issued for full year 2009 for adjusted sales growth and adjusted diluted earnings per share. This strong financial performance was a significant factor in the compensation decisions that were made with respect to the company's 2009

performance.

A comparison of the performance of Baxter's common stock against the performance of its peers provides another perspective on Baxter's overall performance over the last five years and is another factor that the Committee considered when making compensation decisions. The following graph compares the change in Baxter's cumulative total shareholder return (including reinvested dividends) on Baxter's common stock with the Standard & Poor's 500 Composite Index and the Standard and Poor's 500 Health Care Index over the past five years.

For his service as Baxter's Chief Executive Officer and Chairman of the Board in 2009, Mr. Parkinson received total compensation of \$14,361,305, primarily driven by strong company and individual performance in 2009 and 2008 (as equity awards were made in early 2009 based, in part, on 2008 performance). Mr. Parkinson's compensation reflects the role he plays in establishing Baxter's strategic agenda and long-range plan, meeting the challenges that arise in the day-to-day operations of a company as large and diverse as Baxter and leading the company in a challenging global economic and regulatory environment. Mr. Parkinson's 2009 compensation also reflects the Board's annual review of competitive market data. Although his compensation is determined using the same methodology as used for each of the other named executive officers, Mr. Parkinson's compensation is significantly higher than the compensation paid to any of the other named executive officers as his responsibilities and obligations at Baxter are significantly greater than those of any of the other named executive officers.

Each of the other named executive officers received total compensation for his or her 2009 performance as follows: Mr. Davis, \$3,342,327; Ms. Amundson, \$3,433,735; Mr. Arduini, \$3,029,627; Mr. Greisch, \$2,657,249; Ms. Lichtenstein, \$2,802,915; and Mr. McGillivray, \$2,201,673. The compensation paid to Ms. Amundson, Mr. Arduini and Mr. McGillivray reflects the relative performances of the segments of the business for which these officers were responsible during 2009 and 2008 (as equity awards were made in early 2009 based, in part, on 2008 performance). The compensation paid to Mr. Davis reflects the performance of the function within the organization for which he was responsible during 2009 and 2008. The compensation paid to Mr. Greisch and Ms. Lichtenstein, who resigned from their respective positions as Corporate Vice President and President, International and Corporate Vice President and General Counsel during 2009, reflects the relative performances of the functions of the business for which these officers were responsible during 2008 and 2009 up to the date of their respective resignations. This compensation also includes certain payments made to Mr. Greisch and Ms. Lichtenstein after their resignations pursuant to the agreements entered into between Baxter and such former officers as of the date of their resignations and as approved by the Compensation Committee. For additional discussion of these agreements, please see [Separation Agreements](#) below.

Consistent with past years, the most significant component of the total compensation paid to the named executive officers in 2009 was in the form of equity. The grant-date fair value of the equity awards granted to Mr. Parkinson in 2009 represented approximately 54% of his overall compensation. The grant-date fair value of the equity awards granted to the other named executive officers in 2009 (except for Mr. Greisch and Ms. Lichtenstein) represented approximately 49% of their overall compensation. The greater emphasis on equity awards in Mr. Parkinson's compensation is consistent with the Committee's view that with his greater responsibilities more of his compensation should be based on the company's future performance. These grants are described below.

Compensation Philosophy

Baxter's compensation program is designed to:

Recognize company and individual performance;

Drive the long-term financial performance of the company (and in doing so, encourage innovation and appropriate levels of risk-taking); and

Reflect the value of each officer's position in the market and within the company.

The objective of the program is to compensate Baxter's executive officers in a manner that is consistent with these principles, aligns the interests of management and shareholders and drives sustained and superior performance relative to the company's peers. The program is also designed to be competitive with companies with which Baxter competes for executive talent in order to attract, retain and motivate high-performing executives.

Structure of Compensation Program

Pay for Performance

Pay for performance is the most significant structural element of Baxter's compensation program. Annual performance against financial targets (adjusted earnings per share, adjusted sales and return on invested capital) drives the payout of cash bonuses. Baxter's three-year growth in shareholder value relative to the company's peer group determines the payout under 50% of the company's annual equity awards, which are granted in the form of performance share units. The overall performance of Baxter's common stock determines the value of the remainder, which is granted in the form of stock options. The Committee's assessment (or the Board's in the case of Mr. Parkinson) of how each officer performs his or her job impacts earned cash bonuses and equity awards.

Financial Targets

For the last three years, the Committee selected adjusted earnings per share, adjusted sales and return on invested capital as the financial measures on which to assess the company's performance for purposes of funding the cash bonus pool. The relative weight assigned to each of these measures was 50%, 25%, and 25%, respectively, for each of the last three years. If each financial measure is met in a given year, then the cash bonus pool is funded at two times the base salary for each executive officer covered by the bonus pool (other than Mr. Parkinson, for whom the bonus pool is funded at two times his target cash bonus).

The Committee selected adjusted earnings per share (EPS) and adjusted sales, as these are of immediate interest to shareholders and are the primary two measures as to which Baxter regularly provides guidance to the market. Adjusted EPS is the most heavily weighted measure, as the Committee believes it is a straightforward measure of the company's current ability to generate value that is well understood by shareholders. The table below provides adjusted EPS and adjusted sales targets for 2009, 2008 and 2007 as well as actual results in these years.

	2009			2008			2007		
	Target	Actual	Achievement %	Target	Actual	Achievement %	Target	Actual	Achievement %
Adjusted EPS(1)	\$3.74	\$3.80	101.5%	\$3.14	\$3.38	107.6%	\$2.53	\$2.79	110.3%
Adjusted Sales in millions(2)	\$12,097	\$12,130	100.3%	\$11,445	\$11,574	101.1%	\$10,552	\$10,844	102.8%

- (1) Adjusted EPS is earnings per share (as calculated in accordance with generally accepted accounting principles (GAAP)) of \$3.59 for 2009, \$3.16 for 2008 and \$2.61 for 2007, after adjusting earnings for special items. Special items included for 2009 a \$79 million charge for costs and asset impairments associated with the company's optimization of its manufacturing and business operations (\$0.09 per share), a \$54 million charge related to the

discontinuation of the company's SOLOMIX drug delivery system in development (\$0.08 per share) and a \$27 million charge primarily related to planned retirement costs associated with the SYNDEO PCA Syringe Pump (\$0.04 per diluted share); for 2008 a \$125 million charge related to infusion pumps (\$0.17 per share), a \$31 million charge relating to an impairment charge associated with the discontinuation of the CLEARSHOT pre-filled syringe program (\$0.03 per share) and \$19 million of charges relating to acquired in-process and collaboration research and development (\$0.02 per share); and for 2007 a \$70 million charge for restructuring (\$0.07 per share), a \$56 million charge relating to litigation (\$0.05 per share) and \$50 million of charges relating to acquired in-process and collaboration research and development (\$0.06 per share).

- (2) Adjusted Sales is reported net sales (as calculated in accordance with generally accepted accounting principles (GAAP)) of \$12.6 billion for 2009, \$12.3 billion for 2008 and \$11.3 billion for 2007, after adjusting for foreign currency fluctuations calculated using budgeted exchange rates.

The company calculates adjusted EPS for purposes of funding the cash bonus pool the same way it calculates adjusted EPS when it publicly announces its results that is, the special items that are excluded from EPS to arrive at adjusted EPS are the same regardless of how the company is using the measure. Adjusted sales is net sales excluding the impact of foreign currency fluctuations using budgeted exchange rates. Baxter uses adjusted sales (rather than sales) as a target for the same reason that Baxter provides sales guidance excluding the impact of foreign currency fluctuations that is, the company believes it provides a better perspective on underlying sales growth. The use of budgeted exchange rates allows Baxter to evaluate final performance on the same foreign currency basis that was used for setting the target and establishing the budget.

Return on invested capital (ROIC) is the internal cash earnings measure that the company uses to assess how effectively it is allocating and utilizing capital in its operations. ROIC is calculated by dividing cash flows from operations (excluding the impact of interest expense) by average invested capital. Baxter does not provide guidance on ROIC nor does it disclose ROIC in its public filings; however, for years 2009, 2008 and 2007, Baxter achieved 108.5%, 100.0% and 104.7% of its respective ROIC targets. The Committee selected ROIC as the third measure in order to balance the more immediate EPS and sales goals, helping to ensure a focus on efficient and value-maximizing investment and appropriate long-term management of capital. Improving ROIC requires disciplined management of working capital and is inherently challenging because of the measure's focus on increasing cash flows relative to improved retained earnings. As the company becomes more profitable it becomes more difficult to show significant ROIC improvement due to the impact of increases in retained earnings on the denominator of the measure that is, as the denominator grows the company is required to generate more cash flows from operations than in the prior year to improve its ROIC.

Performance Against Peers

As a healthcare company, Baxter operates in a rapidly changing and heavily regulated environment. Accordingly, encouraging its officers to focus on the long-term performance of the company is particularly important to Baxter. The performance share units that were awarded to named executive officers in March 2009 were designed to reward strong long-term performance by the company relative to the healthcare companies in its peer group. These grants focus on the healthcare companies in the peer group, as these are the primary companies with which Baxter competes for talent, investor capital and market position.

The payout of shares of Baxter common stock resulting from the vesting of the performance share units granted in 2009 will be based on Baxter's change in total shareholder value versus the change in total shareholder value of the healthcare companies included in Baxter's peer group during the three-year performance period commencing with the year in which the performance share units are awarded (January 1, 2009 – December 31, 2011). Growth in shareholder value will be measured based on the following formula:

Average Closing Stock Price Over the Last Twenty Days of the Performance Period
minus Average Closing Stock Price Over the Last Twenty Days Immediately
Preceding the Commencement of the Performance Period
plus Reinvested Dividends

Divided (,) by

Average Closing Stock Price Over the Last Twenty Days Immediately Preceding the
Commencement of the Performance Period

The performance share units will pay out in shares of Baxter common stock in a range of 0% to 200% of the number of performance share units awarded. The table below shows how the company's growth in shareholder value against its peers correlates with the 0% to 200% range of payouts.

Performance	Payout
Below 25 th Percentile Rank	0%
25 th Percentile Rank	25%
60 th Percentile Rank	100%
75 th Percentile Rank	150%
85 th Percentile Rank or Above	200%

The performance share units will pay out linearly between each set of data points above the 25th percentile and below the 85th percentile. For example, if Baxter performs at a 40th percentile rank, each named executive officer will receive the number of shares equal to 57% of his or her award of performance share units. As it is possible that there will be no payout under the performance share units, these awards are completely at-risk compensation. Further, in order to pay out at the 100% target level, Baxter must outperform its peers at the 60th percentile.

Performance of Baxter Common Stock

The performance of Baxter common stock determines the value of the stock options that have been granted to the named executive officers.

Individual Performance

The Committee (or the full Board in the case of Mr. Parkinson) assesses the individual performance of each executive officer in making compensation decisions related to cash bonuses and equity awards. The Committee's assessment of individual performance is inherently subjective and requires significant input from Mr. Parkinson. Essentially the Committee (or the Board in the case of Mr. Parkinson) assesses how well an officer fulfilled his or her obligations in the past year. This assessment focuses on how well the operations or function for which an officer is responsible performed during the year. One factor that the Committee (or the Board in the case of Mr. Parkinson) considers in making assessments of individual performance is how well an officer performed against the performance goals set for such officer for the relevant year. Mr. Parkinson's goals and his self-evaluation are reviewed with the Committee and the full Board. Mr. Parkinson reviews the performance goals and self-evaluations of each of the other executive officers and shares his insights and recommendations with the Committee. The goals set for each named executive officer for 2009 reflected the diversity of the company's business and the wide range of responsibilities that are attributed to each of these officers. For example, Mr. Parkinson had approximately 50 performance goals for 2009 covering the following areas: financial performance, organizational development/human resources, corporate strategy/business development, innovation/R&D, quality/regulatory, operational excellence, board relations/governance, constituent relations and leadership. In evaluating each officer's performance against his or her goals, consideration is given not only to whether an objective was met but most significantly how the objective was met including how appropriately the officer prioritized meeting an objective relative to the officer's other responsibilities. Accordingly, the adjustments that are made to such officer's compensation based on his or her performance are not directly correlated to the number of goals that an officer achieved. The Committee believes that this type of rigid correlation could motivate an officer to focus on achieving his or her performance goals rather than on fulfilling his or her job responsibilities in a manner that is in the best interest of the company and its shareholders. The Committee (or the Board in the case of Mr. Parkinson) adjusts cash bonuses and equity grants for individual performance on a discretionary basis in light of the Committee's (or the Board's in the case of Mr. Parkinson) overall assessment of how well an officer fulfilled his or her obligations to the company in the past year.

Baxter's Peer Group and Use of Peer Group Data

Use of survey data from Baxter's peers plays a significant role in the structure of the compensation program as it is a primary input in setting target levels for base salaries, cash bonuses and equity awards and helps us to ensure that compensation is market competitive in order to retain and attract talent. Baxter uses data from companies that the Committee has selected as comparable companies (collectively, the peer group) to help identify a reasonable starting point for base salaries, cash bonuses and equity awards and then analyzes company and individual performance to determine whether it is appropriate to move away from this baseline. Peer group data also plays a role in what non-cash compensation is paid to the named executive officers as the market data the company obtains regarding companies in its peer group helps determine what types and amounts of non-cash compensation are appropriate for competitive purposes. If survey data is not available for a particular officer's position at the company, the Committee

utilizes internal equity principles to set an officer's compensation targets at levels that are competitive with other officers at Baxter.

Baxter's use of peer group data is consistent among the named executive officers in that the baseline (*i.e.*, percentile target) that is set for an element of compensation applies to all officers regardless of position. However,

differences in the compensation paid to comparable officers at companies in the peer group do result in higher target amounts for officers depending on their position. For example, the compensation targets set for Mr. Parkinson based on peer group data are significantly higher than those set for any of the other named executive officers despite being set using the same percentile targets.

Since October 2006, Baxter's peer group has included other companies of similar size and selected healthcare peers. These selected healthcare peers include all of the companies in the Standard & Poor's 500 Health Care Index for which data is available, except for distribution companies, insurance providers, hospitals, nursing homes and consultants. The target peer group is comprised of approximately 115 companies (of which approximately 40 are healthcare companies). The actual number of companies in the peer group fluctuates from year to year based on the number of companies for which information is available to Hewitt Associates. In November 2009, the Committee determined that beginning in 2010, Baxter's peer group would be composed solely of healthcare companies. This decision reflects the Committee's view that such peer group composition is more consistent with market practice.

As discussed above under "Pay for Performance - Performance Against Peers," payouts under the performance share units granted in 2009 will be determined based on Baxter's change in total shareholder value versus the change in total shareholder value of the healthcare companies included in Baxter's peer group. As of December 31, 2009, the healthcare companies that will be used to determine the payout under the performance share units granted in 2009 are set forth below.

Abbott Laboratories	Eli Lilly and Company	Mylan Inc.
Allergan, Inc.	Forest Laboratories, Inc.	PerkinElmer, Inc.
Amgen Inc.	Genzyme Corporation	Pfizer Inc.
Becton, Dickinson and Company	Gilead Sciences, Inc.	Quest Diagnostics Incorporated
Biogen Idec Inc.	Hospira, Inc.	St. Jude Medical, Inc.
Boston Scientific Corporation	Intuitive Surgical, Inc.	Stryker Corporation
Bristol-Myers Squibb Company	Johnson & Johnson	Thermo Fisher Scientific Inc.
Celgene Corporation	King Pharmaceuticals, Inc.	Varian Medical Systems, Inc.
Cephalon, Inc.	Laboratory Corporation of America Holdings	Waters Corporation
Covidien Public Limited Company	Life Technologies Corporation	Watson Pharmaceuticals, Inc.
C.R. Bard, Inc.	Medtronic, Inc.	Zimmer Holdings, Inc.
DaVita Inc.	Merck & Co., Inc.	
DENTSPLY International Inc.	Millipore Corporation	

Elements of Executive Compensation

Base Salaries

Base salaries are paid in order to provide a fixed component of compensation for the named executive officers. For each of the last three years, base salary target levels for all named executive officers were set within a range that is competitive with the 50th percentile of salaries paid to comparable officers at companies in the peer group. The Committee selected the 50th percentile as the positioning for base salaries because, as they are the only fixed component of compensation, they are less appropriately used to motivate performance and thus, the Committee determined to set them at a reasonably competitive mid-point.

The Committee sets actual individual base salaries higher or lower than targeted base salaries for any reason that the Committee deems relevant. Factors that the Committee considered for 2009 base salaries included how long an officer has been at Baxter and in his or her current role, the impact of his or her position on the company's results and the quality of the overall experience an officer brings to his or her role. Base salaries for all of the named executive officers were generally at or below the 50th percentile of salaries paid to comparable officers in the peer group.

Cash Bonuses

Cash bonuses are intended to reward company and individual performance by providing officers with an opportunity to receive additional cash compensation based on both the company's performance relative to the financial targets described above and the Committee's assessment of how well an officer performed his or her role during the applicable year. In assessing an individual officer's performance, the Committee considers the individual's present and potential contribution to Baxter, in addition to various performance criteria which include, but are not limited to, implementation of critical projects (*e.g.*, acquisitions or divestitures), product development, regulatory or quality performance and innovation or research goals. Baxter believes it is important to consider an individual's performance in assessing compensation and not just the company's overall performance relative to the financial targets discussed above.

Target Setting

For each of the last three years, cash bonus targets for all named executive officers were set within a range that is competitive with the 60th percentile of cash bonuses paid to comparable officers at companies in Baxter's peer group. As the ultimate payout of a cash bonus is driven primarily by achievement of financial targets, the Committee sets the target amounts at the 60th percentile to further motivate officers to meet the financial targets. The Committee has the discretion to adjust each officer's target as it deems appropriate. Typical reasons for adjusting cash bonus targets are how long an officer has been in his or her current role and how the officer's role fits within the structure of the organization. Cash bonus targets for all of the named executive officers were at or modestly below the 60th percentile of cash bonuses paid to comparable officers in the peer group.

Determination of 2009 Payouts

As the company met each of its financial targets for its 2009 performance, the bonus pool was funded at two times the base salary for each executive officer covered by the bonus pool (other than Mr. Parkinson, for whom the bonus pool was funded at two times his target cash bonus). The Committee then used negative discretion to determine the actual cash bonus amount that was paid to each named executive officer. The negative discretion that was used took into account the Committee's view of how well each officer performed his or her responsibilities during 2009. More specifically, in applying its negative discretion, the Committee adjusted each officer's cash bonus target for company performance and then individual performance. As a result, the actual cash bonus paid to each named executive officer (other than Mr. Greisch and Ms. Lichtenstein) was calculated using the following formula: (x) the product of such officer's cash bonus target and the company performance adjustment percentage multiplied by (y) an officer's individual performance adjustment percentage. For example, Mr. Parkinson's bonus of \$2,500,560 is equal to (x) the product of \$1,812,000 and 120% multiplied by (y) 115%. Mr. Greisch and Ms. Lichtenstein each received a cash bonus payment in an amount equal to the pro-rata portion of his or her respective cash bonus target for the period during which he and she served as an executive officer during the year.

Company Performance. As discussed above, Baxter outperformed its adjusted EPS, adjusted sales and ROIC financial targets for 2009 by 101.5%, 100.3% and 108.5% respectively. Given the relative weighting of these targets (50%, 25% and 25%, respectively) and the associated funding schedule for each metric, this performance translated into an adjustment to each officer's cash bonus of 120% of target. The funding schedule associated with each metric ranges from 0% to 150% with the baseline for each metric being 100% (*i.e.*, the company must achieve a given financial target for the funding for such metric to be 100% and funding can range from 0% to 150%). The band of funding around the baseline varies by metric. This variation reflects the probability of achievement of a given target based on historical performance data as well as the scope of the given metric. Accordingly, the adjustment for 2009 performance of 120% was lower than the adjustment of 130% made in the prior year based on how the company performed against its 2009 financial targets and the relative weighting of, and funding schedule associated with, each

metric. This reduced adjustment percentage led to a decrease in cash bonuses paid to all of the named executive officers, which is consistent with the company's pay for performance philosophy.

Individual Performance. Based on the Committee's assessment of the performance of each officer of the company, each officer's cash bonus target was adjusted further in a range of 90% to 130%. Mr. Parkinson was paid a cash bonus of \$2,500,560, which represented a decrease of 8% as compared to his 2008 cash bonus and included an

upward adjustment of 115%. This amount reflects the company's strong financial performance in 2009, Mr. Parkinson's contributions to this performance as well as his other leadership contributions (as discussed above under "Year in Review"), the fact that the company continues to address certain quality issues and the amounts he is paid through other components of his compensation package. Mr. Davis was paid a cash bonus of \$814,320, which represented a decrease of 6% as compared to his 2008 cash bonus and included an upward adjustment of 130%. This amount reflects Mr. Davis's contributions to the company's strong 2009 financial performance as well as his role in addressing the issues associated with the challenging global economic environment. Ms. Amundson was paid a cash bonus of \$814,320, which represented a decrease of 6% as compared to her 2008 cash bonus and included an upward adjustment of 130%. This amount reflects the leadership she provided as President of BioScience, a business that generated 44% of Baxter's 2009 revenues and continued to deliver strong growth in 2009. Mr. Arduini was paid a cash bonus of \$723,840, which represented an increase of 37% over his 2008 cash bonus and included an upward adjustment of 130%. This amount reflects the leadership he provided as President of Medication Delivery, a business that generated 37% of Baxter's revenues in 2009 and developed solid growth across its global portfolio in 2009. Mr. McGillivray was paid a cash bonus of \$496,080, which represented an increase of 36% over his 2008 cash bonus and included an upward adjustment of 130%. This amount reflects Mr. McGillivray's contributions to the company as President of Renal, a business that generated 18% of Baxter's revenues in 2009, as well as the leadership he provided in advancing this business's R&D pipeline. For more information on how performance was assessed, see "Pay for Performance - Financial Targets and Individual Performance" above. The Committee believes that the methodology it uses in paying cash bonuses is consistent with providing compensation that reflects how an officer is valued within the company and the market place.

Equity Awards

Equity awards are the most significant components of each named executive officer's compensation package. The company's compensation program emphasizes equity awards to motivate the named executive officers to drive the long-term performance of the company and to align their interests with those of the company's shareholders. This emphasis is appropriate as these officers have the greatest role in establishing the company's direction and should have the greatest proportion of their compensation aligned with the long-term interests of shareholders. This alignment is furthered by requiring officers to satisfy the stock ownership guidelines discussed below under "Baxter's Stock Ownership Guidelines for Executive Officers."

Structure of Equity Compensation Program

In February 2007, the Committee restructured its equity compensation program to provide for annual equity grants to executive officers of performance share units and stock options rather than restricted stock units and stock options. The Committee also reduced the proportion of stock options from 70% to 50%. The replacement of restricted stock units with performance share units was driven by the Committee's belief that as the recipients of these awards have the most responsibility for Baxter's performance, the payout of a portion of their equity awards should be completely at-risk. As there are factors beyond the control of the officers that affect the company's performance as measured against its peers, the Committee did retain stock options as an annual grant to recognize that it is in the best interest of the company to provide a certain amount of equity to officers that will vest as long as the officer continues to serve at Baxter, and will only have value as long as Baxter's value continues to increase from the date of grant. The reduction in stock options in 2007 was influenced by market data that showed that companies were shifting away from stock options in favor of alternative performance-based awards and the Committee's judgment regarding the appropriate balance between absolute and relative shareholder value in the executive officers' total rewards.

2009 Equity Grants

In order to determine the size of equity grants to be awarded to each named executive officer during the 2009 annual grant process, the Committee reviewed market data on how much equity similarly situated officers were receiving at companies in Baxter's peer group. This review focused on how much equity should be granted to each officer in order to be competitive with the 60th percentile of equity awards provided to similarly situated officers at

companies in Baxter's peer group. The Committee (or the Board in the case of Mr. Parkinson) set targets that were in line with what was competitive for the 60th percentile of the peer group for each of the named executive officers, except for Mr. Davis and Mr. McGillivray whose targets were in line with those set for such officers in the prior year and reflective of the internal equity principles established within the organization. In determining the actual amounts of the grants, the Committee (or the Board in the case of Mr. Parkinson) then used its discretion to increase certain named executive officer's 2009 target grant as follows: Ms. Amundson, 20%; Mr. Arduini, 10%; Mr. Davis, 20%; and Mr. Parkinson, 10%. These adjustments were made primarily to reflect the Committee's expectations of such officer's future contributions to the company, although the Committee's assessment of such officer's individual performance during 2008 was also a factor. As discussed below, Mr. Greisch and Ms. Lichtenstein forfeited their 2009 equity grants upon their resignations.

Perquisites

Baxter provides a very limited range of perquisites to its named executive officers. In 2009, the aggregate incremental cost associated with providing these perquisites was less than \$10,000 for each named executive officer. Baxter permits limited personal travel on company aircraft due to the potential efficiencies associated with such use. All personal aircraft usage must be pre-approved by the Chief Executive Officer and any such aircraft usage, including by the Chief Executive Officer, is reviewed annually by the Compensation Committee. Baxter reimburses business-related spousal travel expenses and other incidentals, and pays related entertainment and other incidental costs for executive officers and their spouses when such executive officers and spouses are invited to attend Board meetings or other business-related activities where the attendance of a spouse is expected. Baxter pays these expenses and costs as the business purpose served by having executive officers attend such meetings is closely related to the benefits received. Baxter also pays for an annual physical exam for executive officers and believes this practice to be in the best interest of the company and its shareholders as the health of an executive officer is critical to an officer's performance. Baxter reimburses executive officers for the tax payments related to business-related spousal travel (however, such gross-up payments have been discontinued effective as of January 1, 2010). No named executive officer received reimbursements for taxes on an aggregate basis in an amount greater than \$10,000 in 2009.

Retirement and Other Benefits

Baxter allows the named executive officers to participate in a pension program and deferred compensation plan in order to provide compensation that is reflective of such officers' value in the market as well as to facilitate retirement savings as part of the total compensation program in a cost- and tax-effective way for the company. The pension plan was closed to new participants effective as of December 31, 2006.

Mr. Parkinson's employment agreement provides for additional pension benefits tied to the number of years he remains employed at Baxter. In April 2009, Mr. Parkinson received an additional two years of service under the pension program upon his fifth anniversary of employment based on the terms of his employment agreement. These additional years of service are in addition to the two years of service received by Mr. Parkinson upon his third anniversary of employment in April 2007. This additional service is credited under the supplemental pension plan. Mr. Parkinson's employment agreement also provides that he is eligible for unreduced early retirement upon his termination of employment prior to age 65. Mr. Parkinson will not be eligible for an unreduced early retirement benefit, if his employment is terminated for cause (as defined in his employment agreement). The additional service credited to Mr. Parkinson in 2009 accounted for approximately 70% of the change in Mr. Parkinson's accumulated pension value between December 31, 2008 and 2009. The other named executive officers participate in the applicable pension program to the same extent and on the same terms as any other eligible Baxter employee. The distinction between the pension benefits available to Mr. Parkinson versus the other named executive officers is consistent with his level of responsibility within the company and how his position is valued in the market as determined at the time his agreement was originally negotiated. A more detailed discussion of the pension program is provided under the caption

Pension Benefits on page 31 of this Proxy Statement. Each of the named executive officers also is eligible to participate in Baxter's deferred compensation plan (which permits the officer to defer the

receipt of covered compensation and receive a 3.5% company match, the terms of which are more fully described under the caption "Nonqualified Deferred Compensation" on page 33 of this Proxy Statement).

Risk Assessment of Compensation Policies and Practices

With the assistance of the Committee's independent compensation consultant, the Compensation Committee reviewed Baxter's material compensation policies and practices applicable to its employees, including its executive officers, and concluded that these policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company. The key features of the executive compensation program that support this conclusion include:

appropriate pay philosophy, peer group and market positioning;

effective balance in cash and equity mix, short and long term focus, corporate, business unit and individual performance focus and financial and non-financial performance measurement and discretion; and

meaningful risk mitigants, such as the stock ownership guidelines and executive compensation recoupment policy discussed below.

Baxter's Stock Ownership Guidelines for Executive Officers

In order to drive the long-term performance of the company, executive officers are required to own a certain amount of Baxter stock. The Chief Executive Officer is required to achieve ownership of Baxter common stock valued at six times annual base salary. Each of the other executive officers is required to achieve ownership of Baxter common stock valued at four times annual base salary, in each case within five years of becoming an executive officer. As of December 31, 2009, each named executive officer has satisfied his or her stock ownership requirement, except for Mr. Davis who was appointed to his position in May 2006 and is expected to meet his stock ownership requirements in 2010. This requirement, like the Executive Compensation Recoupment Policy discussed below, helps ensure long-term focus and appropriate levels of risk-taking by executive officers.

Executive Compensation Recoupment Policy

In February 2009, the Board adopted an executive compensation recoupment policy. This policy applies to all cash bonuses paid by Baxter under its 2007 Incentive Plan (or any successor plan) and all grants of equity awarded by the company to any person designated as an officer by the Board. Following any restatement of the company's financial results that requires an amendment to any previously filed results or if an officer violates a restrictive covenant contained in any agreement between the company and such officer, the Board will review the facts and circumstances that led to the requirement for the restatement or the violation and take any actions it deems appropriate with respect to executive incentive compensation. With respect to a restatement, the Board will consider whether an officer received compensation based on performance reported, but not actually achieved, or was accountable for the events that led to the restatement, including any misconduct. Actions the Board may take include: recovery, reduction, or forfeiture of all or part of any bonus, equity, or other compensation previously provided or to be provided in the future; disciplinary actions; and the pursuit of any other remedies.

Post-Termination Compensation

Named executive officers may receive certain payments if Baxter undergoes a change in control and the officer ceases to be employed by the company. Mr. Parkinson would receive payments under his employment agreement and the other named executive officers would receive payments under their severance agreements. Providing for payments in a change in control situation is consistent with market practice and helps ensure that if a change in control is in the

best interest of the shareholders, officers have appropriate incentives to remain focused on their responsibilities before, during and after the transaction without undue concern for their personal circumstances. In addition to change in control payments, Mr. Parkinson would receive certain payments in the event he is terminated for any reason (other than for cause). The Board believes that compensating Mr. Parkinson in these additional circumstances is appropriate in light of the value of his position in the market place, including as reflected in the negotiations accompanying the company's hiring of Mr. Parkinson pursuant to his employment agreement. In

consideration for these benefits, Mr. Parkinson and the named executive officers have agreed to be bound for two years from the date of his or her termination to non-competition, non-solicitation and non-disparagement covenants. The named executive officers' severance benefits were not a significant factor in determining their other compensation elements because the Committee did not believe that such benefits, as provided, exceeded market practices of peer companies in a way that justified a reduction in any other elements or vice versa. For a more detailed discussion of these agreements, including the estimated amounts that would be payable assuming a termination date of December 31, 2009, please refer to the information under the caption "Potential Payments Upon Termination Following A Change in Control" on page 34 of this Proxy Statement.

Compensation Committee Report

The Compensation Committee is responsible for the oversight of Baxter's compensation programs on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth in this Proxy Statement.

Based on the review and discussions referred to above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Baxter's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Proxy Statement for the 2010 Annual Meeting of Shareholders, each of which will be filed with the Securities and Exchange Commission.

Compensation Committee

John D. Forsyth (Chair)

Walter E. Boomer

Peter S. Hellman

Carole J. Shapazian

Thomas T. Stallkamp

Summary Compensation Table

The following table shows for the years indicated below the compensation provided by Baxter and its subsidiaries to its named executive officers.

Position	Year	Salary (\$)	Stock Awards \$(1)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	
Jr., and Officer	2009	\$ 1,342,000	\$ 4,785,304	\$ 2,982,046	\$ 2,500,560	\$2,518,252	\$233,143	\$ 14
	2008	1,339,339	6,084,226	3,569,053	2,708,940	910,946	212,326	14
	2007	1,296,153	7,604,400	4,852,681	3,000,000	2,288,783	153,158	19
Davis, Vice ncial	2009	576,923	1,066,887	668,147	814,320	115,023	101,027	3
	2008	554,769	1,282,296	711,463	866,320	68,406	90,873	3
	2007	506,615	1,848,624	970,536	793,585	46,812	58,591	4
undson, Vice ent, e	2009	576,923	1,066,887	668,147	814,320	204,514	102,944	3
	2008	554,769	1,282,296	711,463	866,320	141,384	109,065	3
	2007	523,077	2,063,706	970,536	907,410	112,036	94,119	4
duini, Vice ent, a	2009	543,538	977,980	612,468	723,840	82,184	89,617	3
	2008	526,923	1,282,296	711,463	527,670	77,797	96,973	3
	2007	505,692	1,966,407	970,536	692,230	69,352	86,529	4
isich, orporate nd al	2009	216,077	1,006,744	623,604	189,000	94,921	526,903	2
	2008	613,462	2,009,211	824,169	937,950	239,823	125,290	4
	2007	595,165	2,223,799	1,122,182	1,089,050	141,068	107,697	5
	2009	385,327	962,291	603,911	309,000	68,840	473,546	2

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 as the
initial
purchasers of
the debentures.
Certain DTC
participants or
their
representatives,
together with
other entities,
own DTC.
Indirect access
to the DTC
system is
available to
others such as
banks, brokers,
dealers and trust
companies that
clear through,
or maintain a
custodial
relationship
with, a
participant,
either directly
or indirectly.

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Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the global debentures among DTC participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will cause debentures to be issued in definitive form in exchange for the global debentures. None of us, the trustee or any of their respective agents will have any responsibility for the performance by DTC, direct or indirect DTC participants of their obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to, or payments made on account of, beneficial ownership interests in global debentures.

According to DTC, the foregoing information with respect to DTC has been provided to its participants and other members of the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Certificated Debentures. The debentures represented by a global debenture are exchangeable for debentures in definitive form of like tenor as that global debenture in denominations of \$1,000 and in any greater amount that is an integral multiple of \$1,000 if:

DTC notifies us in writing that it is unwilling or unable to continue as depository for that global debenture or if at any time DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 days;

we, at our option, notify the trustee in writing that we elect to issue the debentures in definitive form in exchange for all or any part of the debentures represented by the global debentures; or

there is, or continues to be, an event of default and the registrar has received a request from DTC for the issuance of definitive debentures in exchange for the global debentures.

Any debenture that is exchangeable pursuant to the preceding sentence is exchangeable for debentures registered in the names which DTC will instruct the trustee. It is expected that DTC's instructions may be based upon directions received by DTC from its participants with respect to ownership of beneficial interests in that global debenture. Subject to the foregoing, a global debenture is not exchangeable except for a global debenture or global debentures of the same aggregate denominations to be registered in the name of DTC or its nominee.

Notices

Except as otherwise provided in the indenture, notices to holders of debentures will be given by mail to the addresses of holders of the debentures as they appear in the debenture register.

Governing Law

The indenture, the debentures and the registration rights agreement will be governed by, and construed in accordance with, the law of the State of New York.

Information Regarding the Trustee

U.S. Bank National Association, as trustee under the indenture, has been appointed by us as paying agent, conversion agent, registrar and custodian with regard to the debentures. Equiserv is the transfer agent and registrar for our common stock. The trustee or its affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business.

Registration Rights

We have agreed to file with the SEC, at our expense, a shelf registration statement on such form as we deem appropriate covering resales by holders of all debentures and the common stock issuable upon conversion of the debentures. Under the terms of the registration rights agreement, we agreed to use our commercially reasonable best efforts to:

file such shelf registration statement with the SEC within 120 days after the earliest date of original issuance of any of the debentures;

cause such registration statement to become effective as promptly as is practicable, but in no event later than 210 days after the earliest date of original issuance of any of the debentures; and

keep the registration statement effective until such date that is the earliest of (1) the second anniversary of the date of the indenture or, if later, the second anniversary of the last date on which any notes are issued upon exercise of the initial purchasers' option; (2) the date on which all the debentures and the common stock issuable upon conversion of the debentures may be sold by our non-affiliates pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by the SEC under the Securities Act; and (3) the date as of which all the debentures or the common stock issuable upon conversion of the debentures have been sold either under Rule 144 under the Securities Act (or any similar provision then in force) or pursuant to the shelf registration statement.

We also agreed to provide to each registered holder copies of the prospectus contained in the shelf registration statement, notify each registered holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the debentures and the common stock issuable upon conversion of the debentures. A holder who sells those securities pursuant to the shelf registration statement generally will be required to be named as a selling stockholder in the related prospectus and to deliver a prospectus to purchasers and will be bound by the provisions of the registration rights agreement, which are applicable to that holder (including certain indemnification provisions). If a shelf registration statement covering those securities is not effective, they may not be sold or otherwise transferred except pursuant to an exemption from registration under the Securities Act and any other applicable securities laws or in a transaction not subject to those laws.

We may suspend the holder's use of the prospectus for a period not to exceed 45 days in any 90-day period, and not to exceed an aggregate of 90 days in any 12 month period, if (i) we, in our reasonable judgment, believe we may possess material non-public information the disclosure of which would be seriously detrimental to us and our subsidiaries taken as a whole or (ii) the prospectus would, in our judgment, contain a material misstatement or omission as a result of an event that has occurred or is continuing. However, if the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which we determine in good faith would be reasonably likely to impede our ability to consummate such transaction, we may extend the suspension period from 45 days to 60 days. We need not specify the nature of the event giving rise to a suspension in any notice to holders of the Debentures of the existence of such a suspension. Each holder, by its acceptance of a debenture, agrees to hold any communication by us in response to a notice of a proposed sale in confidence.

If,

on the 120th day following the earliest date of original issuance of any of the debentures, the shelf registration statement has not been filed with the SEC; or

on the 210th day following the earliest date of original issuance of any of the debentures, the shelf registration statement is not declared effective; or

the registration statement shall cease to be effective or fail to be usable without being succeeded within five business days by a post-effective amendment or a report filed with the SEC pursuant to the Exchange Act that cures the failure of the registration statement to be effective or usable; or

prior to or on the 45th, 60th or 90th day, as the case may be, of any period that the prospectus has been suspended as described in the preceding paragraph, such suspension has not been terminated

(each, a registration default), additional interest as liquidated damages will accrue on the debentures, from and including the day following the registration default to but excluding the day on which the registration default has been cured. Liquidated damages will be paid semi-annually in arrears, with the first semi-annual payment due on the first interest payment date, as applicable, following the date on which such liquidated damages begin to accrue, and will accrue at a rate per year equal to:

an additional 0.25% of the principal amount to and including the 90th day following such registration default; and

an additional 0.50% of the principal amount from and after the 91st day following such registration default.

In no event will liquidated damages accrue at a rate per year exceeding 0.50%. If a holder has converted some or all of its debentures into common stock, the holder will be entitled to receive equivalent amounts based on the principal amount of the debentures converted.

We have agreed to distribute a questionnaire to each holder to obtain certain information regarding the holder for inclusion in the prospectus. Holders are required to complete and deliver the questionnaire within 20 days after receipt of the questionnaire so that they may be named as selling stockholders in the related prospectus at the time of effectiveness. A holder will not be entitled to sell securities pursuant to the shelf registration statement or to receive liquidated damages unless it has provided all information requested by the questionnaire prior to the deadline. Under the terms of the Registration Rights Agreement we will not be required to supplement the shelf registration statement more than once per quarter for the purpose of including selling stockholders or their transferees.

The specific provisions relating to the registration described above are contained in the registration rights agreement which was entered into on the closing of the initial offering of the debentures.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax considerations relating to the purchase, ownership and disposition of the debentures and common stock into which the debentures are convertible, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in United States federal income tax consequences different from those set forth below. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary is limited to holders who purchase debentures upon their initial issuance at their initial issue price and who hold the debentures and any common stock received in conversion thereof as capital assets. This summary also does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

banks, insurance companies, thrifts, real estate investment trusts, regulated investment companies or other financial institutions;

persons subject to the alternative minimum tax;

partnerships or other entities treated as pass-through entities for U.S. federal income tax purposes;

tax-exempt organizations;

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

foreign persons or entities (except to the extent specifically set forth below);

persons that own, or are deemed to own, more than 5% of our company (except to the extent specifically set forth below);

certain U.S. expatriates or former long-term residents of the United States;

U.S. holders (as defined below) whose functional currency is not the U.S. dollar;

persons who hold the debentures as a position in a hedging transaction, straddle, conversion transaction, synthetic security or other risk reduction transaction; or

persons deemed to sell the debentures or common stock under the constructive sale provisions of the Code.

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In addition, if a holder is an entity treated as a partnership for United States federal income tax purposes, the tax treatment of each partner of such partnership will generally depend upon the status of the partner and upon the activities of the partnership. Partners in partnerships which hold the debentures or common stock should consult their tax advisors.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS

WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE DEBENTURES AND COMMON STOCK ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Consequences Applicable to all Holders

Contingent Payments

In certain circumstances, we may be obligated to pay you amounts in excess of the stated interest and principal payable on the debentures. The obligation to make such additional interest payments, including liquidated damages payable in certain circumstances (as described above under [Description of Debentures Registration Rights](#)), may implicate the provisions of Treasury regulations relating to contingent payment debt instruments. If the debentures were deemed to be contingent payment debt instruments, you might, among other things, be required to treat any gain recognized on the sale or other disposition of a debenture as ordinary income rather than as capital gain. The regulations applicable to contingent payment debt instruments have not been the subject of authoritative interpretation and therefore the scope of the regulations is not certain. We intend to take the position that the likelihood that such payments will be made is remote and therefore the debentures are not subject to the rules governing contingent payment debt instruments. This determination will be binding on you unless you explicitly disclose on a statement attached to your timely filed U.S. federal income tax return for the taxable year that includes the acquisition date of the debenture, or in such other method as may be required, that your determination is different. It is possible, however, that the IRS may take a contrary position from that described above, in which case the timing and character of your income from the debentures and with respect to the payments of additional interest may be different than described herein. If you are considering the purchase of debentures, you should consult your tax advisor regarding the possible application of the contingent payment debt instrument rules to the debentures. This summary assumes that the debentures will not be considered to be contingent payment debt instruments.

Consequences to U.S. Holders

The following is a summary of certain material United States federal income tax consequences that will apply to you if you are a U.S. holder of the debentures or common stock. Certain consequences to non-U.S. holders of the debentures or common stock are described under [Consequences to Non-U.S. Holders](#) below. U.S. holder means a beneficial owner of a debenture that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;

an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust that (1) is subject to the primary supervision of a United States court and the control of one or more United States persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

Interest

You must include interest paid on the debentures as ordinary income at the time it is received or accrued, in accordance with your regular method of accounting for United States federal income tax purposes.

Constructive Dividends

Holders of convertible debt instruments such as the debentures may, in certain circumstances, be deemed to have received distributions of stock if the conversion price of such instruments is adjusted. However, adjustments to

the conversion price made pursuant to a bona fide reasonable adjustment formula which has the effect of preventing the dilution of the interest of the holders of the debt instruments will generally not be deemed to result in a constructive distribution of stock. Certain of the possible adjustments provided in the debentures (including, without limitation, adjustments in respect of taxable dividends to our stockholders) will not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, you will be deemed to have received constructive distributions includible in your income in the manner described under **Dividends** below even though you have not received any cash or property as a result of such adjustments. In certain circumstances, the failure to provide for such an adjustment may also result in a constructive distribution to you.

Sale, Exchange or Other Taxable Disposition of the Debentures

Upon the sale, exchange (other than a conversion) or other taxable disposition of a debenture (including a redemption), you generally will recognize capital gain or loss equal to the difference between (i) the amount of cash proceeds and the fair market value of any property received on the sale, exchange or other taxable disposition (except to the extent such amount is attributable to accrued interest income not previously included in income, which will be taxable as ordinary income) and (ii) your adjusted tax basis in the debenture. Your adjusted tax basis in a debenture generally will equal the cost of the debenture. Such capital gain or loss will be long-term capital gain or loss if you have held the debenture for more than one year at the time of sale, exchange or other disposition. Long-term capital gains recognized by certain noncorporate U.S. holders, including individuals, will generally be subject to a reduced tax rate if the debenture is held for more than one year. The deductibility of capital losses is subject to limitations.

Conversion of the Debentures

You generally will not recognize any income, gain or loss upon conversion of a debenture into shares of common stock except with respect to cash received in lieu of a fractional share of common stock. Your aggregate tax basis in the shares of common stock received on conversion of a debenture will be the same as your aggregate tax basis in the debenture at the time of conversion (reduced by any basis allocable to a fractional share interest for which you received cash), and the holding period for such shares received on conversion will generally include the holding period of the debenture converted.

You will recognize gain or loss for federal income tax purposes upon the receipt of cash in lieu of a fractional share of common stock in an amount equal to the difference between the amount of cash received and the holder's tax basis in such fractional share. This gain or loss should be capital gain or loss and should be taxable as described under **Sale, Exchange or Other Disposition of the Debentures**, above.

Dividends

Distributions, if any, made on our common stock generally will be included in your income as ordinary dividend income to the extent of our current or accumulated earnings and profits. Under recently enacted legislation, however, with respect to noncorporate taxpayers for taxable years beginning after December 31, 2002 and before January 1, 2009, such dividends are generally taxed at the lower applicable capital gains rate provided certain holding period requirements are satisfied. Distributions in excess of our current and accumulated earnings and profits will be treated as a return of capital to the extent of your adjusted tax basis in the common stock and thereafter as capital gain. Dividends received by a corporate U.S. holder may be eligible for a dividends received deduction subject to certain holding period requirements and other requirements and limitations.

Sale, Exchange or Redemption of Common Stock

Upon the sale, exchange or redemption of our common stock, you generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon the sale, exchange or redemption and (ii) your adjusted tax basis in the common stock. Such capital gain or loss will be long-term capital gain or loss if your holding period in the common stock is more than one year at the time of the sale, exchange or redemption. Long-term capital gains recognized by certain non-corporate U.S. holders, including individuals, will generally be subject to a reduced rate of United States federal income tax. Your adjusted tax basis

and holding period in common stock received upon a conversion of a debenture are determined as discussed above under Conversion of the Debentures. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

We are required to furnish to the record holders of the debentures and common stock, other than corporations and other exempt holders, and to the IRS, information with respect to interest paid on the debentures and dividends paid on the common stock.

You may be subject to backup withholding (which is currently imposed at a 28% rate but will increase to a 31% rate in 2011) with respect to interest paid on the debentures, dividends paid on the common stock or with respect to proceeds received from a disposition of the debentures or shares of common stock. Certain holders (including, among others, corporations and certain tax-exempt organizations) are generally not subject to backup withholding provided that they properly certify their qualification for exemption. You will be subject to backup withholding if you are not otherwise exempt and you (i) fail to furnish your taxpayer identification number (TIN), which, for an individual, is ordinarily his or her social security number; (ii) furnish an incorrect TIN; (iii) are notified by the IRS that you have failed to properly report payments of interest or dividends; or (iv) fail to certify, under penalties of perjury, that you have furnished a correct TIN and that the IRS has not notified you that you are subject to backup withholding. Backup withholding is not an additional tax but, rather, is a method of tax collection. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability (or in some cases you may be entitled to a refund) provided that the required information is furnished to the IRS in a timely manner.

Consequences to Non-U.S. Holders

The following is a summary of certain material United States federal income tax consequences that will apply to you if you are a non-U.S. holder of the debentures. For purposes of this discussion, a non-U.S. holder means a beneficial owner of debentures that is a nonresident alien or a corporation, estate or trust that is not a U.S. holder.

In general, subject to the discussion below concerning backup withholding:

Interest

You will not be subject to the 30% United States federal withholding tax with respect to payments of interest on the debentures provided that either such interest is effectively connected with the conduct of a United States trade or business, or it is not effectively connected with the conduct of a United States trade or business and:

you do not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

you are not a controlled foreign corporation with respect to which we are, directly or indirectly, a related person;

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you are not a bank receiving interest pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

you provide your name and address, and certify, under penalties of perjury, that you are not a United States person (which certification may be made on an IRS Form W-8BEN (or successor form)), or that you hold your debentures through certain intermediaries, and you and the intermediaries satisfy the certification requirements of applicable Treasury Regulations.

Special certification rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals. Prospective investors should consult their tax advisors regarding the certification requirements for non-U.S. holders.

If you cannot satisfy the requirements enumerated in the bullet points described above, you will be subject to the 30% United States federal withholding tax with respect to payments of interest on the debentures, unless you provide us with a properly executed (1) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under the benefit of an applicable United States income tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the debenture is not subject to withholding tax because it is effectively connected with the conduct of a United States trade or business.

If you are engaged in a trade or business in the United States and interest on a debenture is effectively connected with your conduct of that trade or business, you will be subject to United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% withholding tax, provided the certification requirements described above are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower rate as may be prescribed under an applicable United States income tax treaty) of your earnings and profits for the taxable year, subject to adjustments, that are effectively connected with your conduct of a trade or business in the United States.

Absent further relevant guidance from the IRS, we intend to treat payments of additional interest made to you as liquidated damages as described above under **Description of Debentures** **Registration Rights** as subject to U.S. federal withholding tax. Therefore, we intend to withhold on such payments at a rate of 30% unless we receive an IRS Form W-8BEN or an IRS Form W-8ECI from you claiming, respectively, that such payments are subject to reduction or elimination of withholding under an applicable treaty or that such payments are effectively connected with the conduct of a U.S. trade or business. If you are considering the purchase of debentures, you should consult your tax advisors regarding whether you can obtain a refund for the withholding tax imposed on payments of additional interest on the grounds that such payments represent interest qualifying for an exemption or some other grounds.

Sale, Exchange or Other Disposition of the Debentures or Common Stock

Any gain realized by you on the sale, exchange or other disposition of a debenture (except with respect to accrued and unpaid interest, which would be taxable as described above) or a share of common stock generally will not be subject to United States federal income tax unless:

the gain is effectively connected with your conduct of a trade or business in the United States;

you are an individual who is present in the United States for 183 days or more in the taxable year of sale, exchange or other disposition and certain conditions are met; or

we are or have been a United States real property holding corporation for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that you held our common stock (such period is referred to herein as the applicable period).

If your gain is described in the first bullet point above, you generally will be subject to United States federal income tax on the net gain derived from the sale. If you are a corporation, then any such effectively connected gain received by you may also, under certain circumstances, be subject to the branch profits tax at a 30% rate (or such lower rate as may be prescribed under an applicable United States income tax treaty).

If you are an individual described in the second bullet point above, you will be subject to a flat 30% United States federal income tax on the gain derived from the sale, which may be offset by United States source capital losses, even though you are not considered a resident of the United States.

We do not believe that we are currently a United States real property holding corporation. However, since our business involves the ownership of significant amounts of property that is considered United States real property, there can be no assurance that we will not become a United States real

property holding corporation in the future. In addition, there is some uncertainty as to whether certain of our assets are considered United States real property. Accordingly, there can be no assurance that the Internal Revenue Service would agree with our determination that we are not currently a United States real property holding corporation. Even if we were, or were to become, a United States real property holding corporation, no adverse tax consequences would apply to you if our common stock remains regularly traded on an established securities market at the time you dispose of debentures or common stock, unless (i) the fair market value of all of your debentures (determined as of any date(s) you purchased any debentures) was more than five percent of the fair market value of our common stock (determined on such date(s)) or (ii) you hold, directly and indirectly, at any time during the applicable period, more than five percent of our common stock.

Conversion of the Debentures

You generally will not recognize any income, gain or loss on the conversion of a debenture into common stock. To the extent you receive cash in lieu of fractional shares of common stock upon conversion of a debenture, you generally would be subject to the rules described under **Consequences to Non-U.S. Holders Sale, Exchange or Other Disposition of the Debentures or Common Stock** above.

Dividends

In general, dividends, if any, received by you with respect to our common stock (and any deemed distributions to you as a debenture holder that result from certain adjustments, or failures to make certain adjustments, to the conversion price of the debentures, see **Consequences to U.S. Holders Constructive Dividends** above) will be subject to withholding of United States federal income tax at a 30% rate, unless such rate is reduced by an applicable United States income tax treaty. Dividends that are effectively connected with your conduct of a trade or business in the United States are generally subject to United States federal income tax on a net income basis and are exempt from the 30% withholding tax (assuming compliance with certain certification requirements). Any such effectively connected dividends received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to the branch profits tax at a 30% rate or such lower rate as may be prescribed under an applicable United States income tax treaty.

In order to claim the benefit of a United States income tax treaty or to claim exemption from withholding because dividends paid to you on our common stock are effectively connected with your conduct of a trade or business in the United States, you must provide a properly executed IRS Form W-8BEN for treaty benefits or W-8ECI for effectively connected income (or such successor form as the IRS designates), prior to the payment of dividends. These forms must be periodically updated. You may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund.

Backup Withholding and Information Reporting

Backup withholding generally will not apply to interest payments made to you in respect of the debentures and dividends paid to you on our common stock if you furnish us or our paying agent with appropriate documentation of your non-U.S. status. However, certain information reporting may still apply with respect to interest and dividend payments even if certification is provided. The payment of proceeds from your disposition of debentures (including a redemption) or common stock to or through the U.S. office of any broker, domestic or foreign, will be subject to information reporting and possible backup withholding unless you certify as to your non-U.S. status under penalties of perjury or otherwise establish an exemption. The payment of the proceeds from your disposition of debentures or common stock to or through a non-U.S. office of either a U.S. broker or a non-U.S. broker that is a U.S.-related person will be subject to information reporting, but not backup withholding, unless such broker has documentary evidence in its files that you are not a U.S. person and the broker has no knowledge to the contrary, or you establish an exemption. For this purpose, a U.S.-related person is (i) a controlled foreign corporation for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively

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connected with the conduct of a U.S. trade or business or (iii) a foreign partnership that is either engaged in the conduct of a trade or business in the U.S. or of which 50% or more of its income or capital interests are held by U.S. persons. Neither information reporting nor backup withholding will apply to a payment of the proceeds of your disposition of debentures or common stock by or through a non-U.S. office of a non-U.S. broker that is not a U.S.-related person.

Copies of any information returns filed with the IRS may be made available by the IRS, under the provisions of a specific treaty or agreement, to the taxing authorities of the country in which you reside.

You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability (or in some cases you may be entitled to a refund), provided that the required information is furnished to the IRS in a timely manner.

The preceding discussion of material U.S. Federal income tax considerations is for general information only. It is not tax advice. You should consult your own tax advisor regarding the particular U.S. Federal, state, local, and foreign tax consequences of any change or proposed change in applicable laws.

SELLING SECURITYHOLDERS

We originally issued the debentures on February 11, 2004 and February 18, 2004. The debentures were resold by the initial purchasers to qualified institutional buyers under Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. Selling securityholders may offer and sell the debentures and the underlying common stock pursuant to this prospectus.

The table below sets forth the name of each selling securityholder and the principal amount of debentures and shares of common stock issuable upon conversion of the debentures owned by each selling securityholder that may be offered pursuant to this prospectus. Because the selling securityholders may offer all or some of their debentures or the underlying common stock from time to time, we cannot estimate the amount of the debentures or underlying common stock that will be held by the selling securityholders upon the termination of any particular offering. The column showing ownership after completion of the offering assumes that the selling securityholders will sell all of the securities offered by this prospectus. The selling securityholders listed in the table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their debentures since the date on which the information in table is presented. Information about the selling securityholders may change over time. Any change in this information will be set forth in prospectus supplements, if required. To our knowledge and based on representations made by the selling securityholders, none of the selling securityholders (other than Citigroup Global Markets Inc.) has had any material relationship with us or any of our affiliates within the past three years. Citigroup Global Markets Inc. and its affiliates have engaged in various general financing and banking transactions with us and our affiliates in the past and may do so from time to time in the future.

We have prepared the table below based on information given to us by the selling securityholders on or prior to June 9, 2004.

NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD	NUMBER OF SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF DEBENTURES THAT MAY BE SOLD ⁽¹⁾
Advent Convertible Master (Cayman) L.P.	\$ 6,202,000	157,013
Alexandra Global Master Fund, LTD	\$ 2,500,000	63,291
Alpha U.S. Sub. Fund 4 LLC	\$ 240,000	6,076
Arbitex Master Fund L.P.	\$ 6,000,000	151,899
BNP Paribus Equity Strategies, SNC	\$ 1,092,000	27,646
Calamos® Market Neutral Fund Calamo® Investment Trust	\$ 1,500,000	37,975
Citigroup Global Markets Inc.	\$ 11,150,000	291,139
CNH CA Master Account, L.P.	\$ 500,000	12,658
CooperNeff Convertible Strategies (Cayman) Master Fund, LP	\$ 1,179,000	29,848
DKR SoundShare Strategic Holding Fund Ltd.	\$ 500,000	12,658
Geode U.S. Convertible Arbitrage Fund, a series of Geode Investors LLC	\$ 5,000,000	126,582
Grace Convertible Arbitrage Fund, Ltd.	\$ 4,500,000	113,924
Hamilton Multi-Strategy Master Fund	\$ 3,507,000	88,785
HFR Arbitrage	\$ 354,000	8,962
JMG Triton Offshore Fund, LTD	\$ 600,000	15,190
KBC Financial Products	\$ 1,500,000	37,975
LDG Limited	\$ 268,000	6,785
Lexington Vantage Fund	\$ 83,000	2,101
Lyxor	\$ 635,000	16,076
Lyxor/Convertible Arbitrage Fund Limited	\$ 198,000	5,013
ManMAC 2 Limited	\$ 3,093,000	78,304
Morgan Stanley Convertible Securities Trust	\$ 600,000	15,190

NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF DEBENTURES THAT MAY BE SOLD	NUMBER OF SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF DEBENTURES THAT MAY BE SOLD ⁽¹⁾
National Bank of Canada c/o Putnam Lovell NBF Securities Inc.	\$ 3,500,000	88,608
Radcliffe SPC, Ltd for and on behalf of the Class A Convertible Crossover Segregated Portfolio	\$ 2,500,000	63,291
Singlehedge US Convertible Arbitrage Fund	\$ 1,179,000	29,848
Sphinx Fund	\$ 246,000	6,228
Sturgeon Limited	\$ 281,000	7,114
Sunrise Partners Limited Partnership	\$ 12,000,000	303,798
TAG Associates	\$ 69,000	1,747
TQA Master Fund, Ltd.	\$ 3,534,000	89,469
TQA Master Plus Fund, Ltd.	\$ 5,493,000	139,064
Tribeca Investments LTD	\$ 4,000,000	101,266
Van Kampen Harbor Fund	\$ 450,000	11,392
Wachovia Bank National Association	\$ 1,000,000	25,317
Xavex-Convertible Arbitrage 7 Fund	\$ 1,035,000	26,203
Zurich Institutional Benchmarks Master Fund, Ltd.	\$ 747,000	18,911
Any other holder of debentures or future transferees, pledgee, donee or successor ⁽²⁾⁽³⁾	\$ 5,217,000	115,216
Total	\$ 86,250,000	2,183,547

(1) Includes only full shares of common stock issuable upon conversion of the debentures based on an initial conversion price of approximately \$39.50 per share (initially equivalent to a conversion price of 25.3165 shares per \$1,000 principal amount of debentures). A cash payment will be made instead of any fractional interest upon conversion. The conversion price and, therefore, the number of shares of common stock issuable upon conversion of the debentures is subject to adjustment in certain events.

(2) Information about other selling securityholders will be set forth in prospectus supplements, if required.

(3) Assumes that any other holders of debentures, or any future transferees, pledgees, donees or successors of or from another such holders of debentures, do not beneficially own any common stock other than the common stock issuable upon conversion of the debentures at the initial conversion price.

We prepared this table based on the information supplied to us by the selling securityholders named in the table. The selling securityholders listed in the above table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their notes since the date on which the information is presented in the above table. Information about the selling securityholders may change over time. Any changed information will be set forth in prospectus supplements.

Because the selling securityholders may offer all or some of their notes or the underlying common stock from time to time, we cannot estimate the amount of the notes or the underlying common stock that will be held by the selling securityholders upon the termination of any particular offering. See Plan of Distribution.

PLAN OF DISTRIBUTION

We will not receive any of the proceeds of the sale of the debentures and the underlying common stock offered by this prospectus. The debentures and the underlying common stock may be sold from time to time to purchasers:

directly by the selling securityholders; or

through underwriters, broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling securityholders or the purchasers of the debentures and the underlying common stock.

The selling securityholders and any such broker-dealers or agents who participate in the distribution of the debentures and the underlying common stock may be deemed to be underwriters. As a result, any profits on the sale of the debentures and the underlying common stock by selling securityholders and any discounts, commissions or concessions received by any such broker-dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act. If the selling securityholders were deemed to be underwriters, the selling securityholders may be subject to certain statutory liabilities of, including, but not limited to, Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

If the debentures and the underlying common stock are sold through underwriters or broker-dealers, the selling securityholders will be responsible for underwriting discounts or commissions or agents' commissions.

The debentures and the underlying common stock may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

varying prices determined at the time of sale; or

negotiated prices.

These sales may be effected in transactions:

on any national securities exchange or quotation service on which the debentures and underlying common stock may be listed or quoted at the time of the sale, including the Nasdaq National Market in the case of the common stock;

in the over-the-counter market;

in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

through the writing of options.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with sales of the debentures and the underlying common stock or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers or other financial institutions that in turn may engage in short sales of the debentures and the underlying common stock in the course of hedging their positions. The selling securityholders also may deliver the debentures and the underlying common stock to close out short positions, or loan or pledge debentures and the underlying common stock to broker-dealers or other financial institutions that in turn may sell the debentures and the underlying common stock.

The selling securityholders also may transfer and donate shares in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling securityholders for purposes of this prospectus.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the debentures and the underlying common stock by the selling securityholders. Selling securityholders may not sell any, or may not sell all, of the debentures and the underlying common stock offered by them pursuant to this prospectus. In addition, we cannot assure you that any such selling securityholder will not transfer, devise or gift the debentures and the underlying common stock by other means not described in this prospectus. Moreover, any debentures or underlying common stock covered by this prospectus that qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

Our common stock is quoted on the Nasdaq National Market under the symbol EQIX. The debentures are currently designated for trading on the PORTAL market. Debentures sold by means of this prospectus will not be eligible for trading in the PORTAL market. We do not intend to apply for listing of the debentures on any securities exchange or for quotation through Nasdaq. Accordingly, no assurance can be given as to the development of liquidity or any trading market for the debentures.

The selling securityholders and any other person participating in the distribution of the debentures and the underlying common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the debentures and the underlying common stock by the selling securityholders and any such other person. In addition, under Regulation M, any person engaged in the distribution of the debentures and the underlying common stock may not engage in market-making activities with respect to the debentures and the underlying common stock for certain periods prior to the commencement of such distribution. The foregoing may affect the marketability of the debentures and the underlying common stock and the ability of any person or entity to engage in market-making activities with respect to the debentures and the underlying common stock.

To the extent required, the specific debentures or common stock to be sold, the names of the selling securityholders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment, to the registration statement of which this prospectus forms a part.

Pursuant to the registration rights agreement that has been filed as an exhibit to the registration statement, of which this prospectus is a part, we and the selling securityholders have agreed to indemnify each other against certain liabilities, including certain liabilities under the Securities Act, and that each is entitled to contribution from the others in connection with these liabilities.

We have agreed to pay substantially all of the expenses incidental to the issuance, registration, offering and sale of the debentures and the underlying common stock to the public other than commissions, fees and discounts of underwriters, brokers, dealers and agents. We estimate these expenses to be approximately \$53,428.

LEGAL MATTERS

The validity of the debentures and shares of common stock issuable upon conversion of the debentures have been passed upon for us by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California and Willkie Farr & Gallagher LLP, New York, New York.

EXPERTS

The financial statements incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

SEC registration fee	\$ 10,928
Fees and expenses of counsel	25,000
Fees and expenses of accountants	7,500
Miscellaneous	10,000
Total	\$ 53,428

Except for the SEC registration fee, all of the foregoing expenses have been estimated. All of such expenses will be paid by the Company.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's board of directors to grant indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933 (the "Act"). Article VI of the Registrant's Bylaws provides for mandatory indemnification of its directors and officers and those serving at the Registrant's request as directors, officers, employees or agents of other organizations to the maximum extent permitted by the Delaware General Corporation Law. The Registrant's Amended and Restated Certificate of Incorporation provides that, pursuant to Delaware law, its directors shall not be liable for monetary damages for breach of the directors' fiduciary duty as directors to the Registrant and its stockholders. This provision in the Amended and Restated Certificate of Incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Registrant for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. The Registrant has entered into Indemnification Agreements with its officers and directors. The Indemnification Agreements provide the Registrant's officers and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. The Registrant maintains liability insurance for its directors and officers. Reference is also made to Section 3.1 of the Registration Rights Agreement contained in Exhibit 4.10 hereto and Section 6 of the Registration Rights Agreement contained in Exhibit 4.12 hereto, each indemnifying certain of the Company's stockholders, including controlling stockholders, against certain liabilities.

ITEM 16. EXHIBITS.**Exhibit****Number****Description of Document**

2.1(8)	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.
3.1(10)	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2(10)	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.

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- 3.3(9) Bylaws of the Registrant.
- 3.4(13) Certificate of Amendment of the Bylaws of the Registrant.

Exhibit	
Number	Description of Document
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.
4.2(2)	Form of Registrant's Common Stock certificate.
4.10(9)	Registration Rights Agreement (See Exhibit 10.75).
4.11	Indenture (see Exhibit 10.99).
4.12	Registration Rights Agreement (see Exhibit 10.100).
5.1	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP.
5.2	Opinion of Willkie Farr & Gallagher LLP.
10.2(1)	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).
10.5(1)	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.8(1)	The Registrant's 1998 Stock Option Plan.
10.9(1)+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10(1)+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
10.11(1)+	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998.
10.12(1)+	Lease Agreement with Rose Ventures II, Inc., dated as of June 10, 1999.
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10.23(1)	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.
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10.25(2)	2000 Director Option Plan.
10.26(2)	2000 Employee Stock Purchase Plan.
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10.29(3)+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30(3)+	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 24, 2000.
10.31(3)+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.42(4)+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001.

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10.43(4)+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.
10.44(4)+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.
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10.76(9)	Securities Purchase Agreement by and among Equinix, the Guarantors and the Purchasers, dated as of October 2, 2002.
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10.84(12)	Sublease by and between Electronics for Imaging as Landlord and Equinix Operating Co., Inc. as Tenant dated February 12, 2003.
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16.1(1)	Letter regarding change in certifying accountant.
21.1(9)	Subsidiaries of Equinix.
23.1	Consent of PricewaterhouseCoopers LLP.

(1) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-93749).

(2) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-1 (Commission File No. 333-39752).

(3) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

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 - (7) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
 - (8) Incorporated herein by reference to Annex A of Equinix's Definitive Proxy Statement filed with the Commission December 12, 2002.
 - (9) Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
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- + Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix's application for confidential treatment.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price

set forth in the Calculation of Registration Fee table in the effective registration statement; (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES FORM S-3

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Foster City, State of California, on this 9th day of June, 2004.

EQUINIX, Inc.

By: /s/ PETER F. VAN CAMP
Peter F. Van Camp

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Peter F. Van Camp and Renee F. Lanam, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective on filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ PETER F. VAN CAMP	Chief Executive Officer and Director	June 9, 2004
Peter F. Van Camp	(Principal Executive Officer)	
/s/ RENEE F. LANAM	Chief Financial Officer and Secretary	June 9, 2004
Renee F. Lanam	(Principal Financial Officer)	
/s/ KEITH D. TAYLOR	Vice President, Finance	June 9, 2004
Keith D. Taylor	(Principal Accounting Officer)	

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/s/ LEE THENG KIAT

Chairman of the Board

June 9, 2004

Lee Theng Kiat

/s/ SCOTT KRIENS

Director

June 9, 2004

Scott Kriens

/s/ ANDREW S. RACHLEFF

Director

June 9, 2004

Andrew S. Rachleff

/s/ MICHELANGELO VOLPI

Director

June 9, 2004

Michelangelo Volpi

/s/ JEAN F.H.P. MANDEVILLE

Director

June 9, 2004

Jean F.H.P. Mandeville

/s/ STEVEN POY ENG

Director

June 9, 2004

Steven Poy Eng

/s/ GARY HROMADKO

Director

June 9, 2004

Gary Hromadko

/s/ DENNIS RANEY

Director

June 9, 2004

Dennis Raney

INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.1(8)	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.
3.1(10)	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2(10)	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.
3.3(9)	Bylaws of the Registrant.
3.4(13)	Certificate of Amendment of the Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.
4.2(2)	Form of Registrant's Common Stock certificate.
4.10(9)	Registration Rights Agreement (See Exhibit 10.75).
4.11	Indenture (see Exhibit 10.99).
4.12	Registration Rights Agreement (see Exhibit 10.100).
5.1	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP.
5.2	Opinion of Willkie Farr & Gallagher LLP.
10.2(1)	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).
10.5(1)	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.8(1)	The Registrant's 1998 Stock Option Plan.
10.9(1)+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10(1)+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
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