

BAXTER INTERNATIONAL INC

Form 11-K

June 29, 2006

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 11-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-4448

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Baxter International Inc. and Subsidiaries
Incentive Investment Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Baxter International Inc.
One Baxter Parkway
Deerfield, IL 60015
(847) 948-2000**

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and Subsidiaries
Incentive Investment Plan
Financial Statements and Supplemental Schedules
December 31, 2005 and 2004**

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrative Committee of
the Baxter International Inc. and Subsidiaries Incentive Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Baxter International Inc. and Subsidiaries Incentive Investment Plan (the Plan) at December 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

June 26, 2006

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004**

	2005	2004
Assets		
Investments		
At fair value		
Cash and cash equivalents	\$ 31,118,478	\$ 17,031,156
Common stock (including securities on loan of \$19,097,230 in 2005 and \$4,588,738 in 2004)	461,907,223	443,706,240
U.S. government and government agency issues	35,492,806	20,894,961
Corporate and other obligations (including securities on loan of \$11,742,965 in 2005 and \$27,263,093 in 2004)	38,886,788	54,313,548
Commingled funds	298,634,721	278,844,419
Registered investment companies	11,663,581	14,471,958
Participant loans	29,575,488	28,645,973
Collateral held on loaned securities	126,971,898	179,421,136
	1,034,250,983	1,037,329,391
At contract value		
Synthetic guaranteed investment contracts (including securities on loan of \$93,799,223 in 2005 and \$144,401,414 in 2004)	571,960,001	556,651,032
Total investments	1,606,210,984	1,593,980,423
Receivables		
Accrued interest and dividends	2,984,702	3,611,550
Due from brokers for securities sold	235,820	879,289
	3,220,522	4,490,839
Total assets	1,609,431,506	1,598,471,262
Liabilities		
Accounts payable	2,747,092	2,522,813
Due to brokers for securities purchased	493,675	1,903,664
Collateral to be paid on loaned securities	126,971,898	179,421,136
Total liabilities	130,212,665	183,847,613
Net assets available for benefits	\$ 1,479,218,841	\$ 1,414,623,649

The accompanying notes are an integral part of these financial statements.

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2005 and 2004**

	2005	2004
Additions to net assets attributed to		
Investment income		
Interest	\$ 35,005,489	\$ 33,257,675
Participant loan interest	1,619,102	1,710,343
Dividends	5,890,923	6,821,490
Net appreciation in fair value of investments	58,542,900	76,889,214
	101,058,414	118,678,722
Contributions		
Employer s	22,051,130	22,282,826
Participant s	59,325,689	56,024,604
	81,376,819	78,307,430
Transfers from other plans	3,123,809	2,694,678
Total additions	185,559,042	199,680,830
Deductions from net assets attributed to		
Benefits paid	116,792,825	109,774,106
Plan expenses	4,171,025	4,335,381
Total deductions	120,963,850	114,109,487
Net increase	64,595,192	85,571,343
Net assets available for benefits		
Beginning of year	1,414,623,649	1,329,052,306
End of year	\$1,479,218,841	\$1,414,623,649

The accompanying notes are an integral part of these financial statements.

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Notes to Financial Statements
December 31, 2005 and 2004**

1. General Description of the Plan

The following description of the Baxter International Inc. and Subsidiaries Incentive Investment Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan allows tax deferred contributions in compliance with Section 401(k) of the Internal Revenue Code. Eligible participants may make pre-tax contributions up to 20% of their eligible annual compensation within certain limitations. The Plan sponsor, Baxter International Inc. (Baxter), matches participant contributions up to a maximum of 3% of the employees' compensation. Participant contributions and Plan sponsor matching contributions are fully vested and nonforfeitable at all times. Participants may borrow up to the lesser of \$50,000 or 50% of their account balance. The loans are secured by the balance in the participant's account and bear interest at variable rates as outlined in the Plan agreement.

Participants, or their beneficiaries, may elect lump-sum benefit payments or benefits may be paid in installments. Subject to certain provisions specified in the Plan agreement, employed participants may withdraw their pre-tax contributions and related earnings in cases of financial hardship.

Upon enrollment in the Plan, a participant may direct contributions in any of eight investment options: Stable Income Fund, Baxter Common Stock Fund, Composite Fund, General Equity Fund, S&P 500 Equity Index Fund, International EAFE Equity Index Fund, Small Cap Fund and the Self-Managed Fund. In addition, certain participants may maintain shares received in connection with Baxter's 1996 spin-off of Allegiance Corporation (Allegiance), which were subsequently converted into common shares of Cardinal Health Inc. (Cardinal) upon Cardinal's acquisition of Allegiance in 1999. These shares are maintained in the Cardinal Health Common Stock Fund. Additionally, certain participants maintain shares in Edwards Lifesciences Corporation. These shares were placed into the Edwards Lifesciences Common Stock Fund in connection with Baxter's 2000 spin-off of its cardiovascular business. Participants are not able to make contributions to the Cardinal Health Common Stock Fund or the Edwards Lifesciences Common Stock Fund.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting. Accordingly, investment income is recognized when earned and expenses are recognized when incurred.

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

Valuation of Investments

The valuation of Plan investments is determined as follows:

U.S. government and government agency issues	Value based on the last reported sale price from a national security exchange on the valuation date
Corporate and other obligations	Value based on the last reported sale price from a national security exchange on the valuation date
Common stock:	
Traded on national exchanges	Value based on composite pricing of all national closing sales prices on the valuation date
Traded on over-the-counter market	Value based on last reported sale price defaulting to bid quotations
Commingled investments	Value based on closing prices of the underlying securities on the valuation date
Guaranteed investment contracts	Value based on contract value
Short-term investments	Value based on cost which approximates fair value
Participant loans	Valued based on outstanding principal balance which approximates fair value
Collateral	Value based on cost which approximates fair value

Income Recognition

Plan investment return includes dividend and interest income, gains and losses on sales of investments and unrealized appreciation or depreciation of investments. Purchases and sales of investments are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. The financial statements reflect the net appreciation or depreciation in the fair value of the Plan's investments. This net appreciation or depreciation consists of realized gains and losses calculated as the difference between proceeds from a sales transaction and cost determined on a moving average basis, and unrealized gains and losses calculated as the change in the fair value between beginning of the year (or purchase date if later) and the end of the year.

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

Synthetic Guaranteed Investment Contracts

The Plan's synthetic guaranteed investment contracts (GICs) provide for a fixed return on principal over a specified period of time through fully benefit-responsive wrapper contracts issued by third parties which are backed by the underlying assets owned by the Plan. The portfolio of assets underlying the synthetic GICs primarily includes U.S. government and government agency issues, corporate and other bonds, and commingled trust funds. The contract value of the synthetic GICs was \$571,960,001 and \$556,651,032 at December 31, 2005 and 2004, respectively. The fair value of the investments underlying the synthetic GICs was \$621,691,044 and \$637,367,509 and the fair value of the wrapper contracts was (\$49,731,043) and (\$80,716,477) at December 31, 2005 and 2004, respectively. There are no reserves for credit risk of the contract issuers or any other risk. The Plan's two contracts, Baxter Global Wrap Account and Pacific Investment Management Company, utilize wrapper contracts issued by Aegon Institutional Markets and Bank of America NT & SA, respectively. The average yield was 5.3% and 4.4% and the average crediting interest rate was 5.4% and 5.5% for the investment contracts for 2005 and 2004, respectively. The crediting interest rates are based on an agreed-upon formula with the issuers, which are reset quarterly or monthly. These crediting interest rates cannot be less than zero percent.

Payment of Benefits

Benefits are recorded when paid.

Other

Due from or due to brokers for securities sold or purchased, respectively, represent the net cash value of security trades initiated but not yet settled at each respective year-end.

Reclassifications

Certain amounts from the 2004 financial statements have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Changes in such estimates may affect amounts reported in future periods.

Risks and Uncertainties

The Plan provides for various investment options which invest in any combination of registered investment companies, U.S. government and government agency issues, corporate and other obligations, common stock, commingled funds, synthetic guaranteed investment contracts and short-term investments. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits. Individual participants' accounts bear the risk of loss resulting from fluctuations in fund values.

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Incentive Investment Plan
Notes to Financial Statements
December 31, 2005 and 2004****3. Eligibility Requirements**

Employees become eligible to participate in the Plan as of the first day of the month following the completion of thirty days of employment. Eligible employees are those who meet the following requirements:

1. U.S. employees of Baxter or its subsidiaries which have adopted the Plan.
2. U.S. employees not covered by a collective bargaining agreement unless the agreement provides for coverage under the Plan.
3. U.S. employees who are not leased employees.

4. Administration of the Plan

State Street Bank and Trust Company (the Trustee) serves as trustee and Citistreet LLC serves as recordkeeper for the Plan.

The Administrative Committee administers the Plan. The Investment Committee has authority, responsibility and control over the management of the assets of the Plan. Members of both committees are appointed by the Board of Directors of Baxter and are employees of Baxter.

Substantially all investment manager, trustee and administrative fees incurred in the administration of the Plan were paid from the assets of the Plan.

5. Investments

Investments representing five percent or more of the Plan's net assets available for benefits at December 31, 2005 and 2004 are summarized as follows:

	2005	2004
Baxter Common Stock, 3,387,837 shares and 3,670,951 shares at December 31, 2005 and 2004, respectively	\$ 127,552,068	\$ 126,794,642
S&P500 Flagship Fund	171,590,245	170,580,611

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Incentive Investment Plan
Notes to Financial Statements
December 31, 2005 and 2004**

Investments as of December 31, 2005 and 2004 are segregated into various investment fund options as follows:

	2005	2004
Cash (available for investment)	\$ 2,277,049	\$ 1,352,665
Stable Income Fund	577,369,567	562,575,780
Baxter Common Stock Fund	134,101,457	129,561,504
Composite Fund	168,713,436	167,332,809
General Equity Fund	203,616,384	185,698,581
Cardinal Health Common Stock Fund	15,656,923	14,874,428
S&P 500 Flagship Fund	171,590,245	170,580,611
International EAFE Equity Index Fund	67,137,153	50,754,913
Edwards Lifesciences Common Stock Fund	11,239,586	12,637,409
Small Cap Fund	60,019,682	57,508,895
Self-Managed Fund	37,942,116	33,035,719
Loan Fund	29,575,488	28,645,973
Collateral held on loaned securities	126,971,898	179,421,136
Total Investments	\$ 1,606,210,984	\$ 1,593,980,423

The fund amounts above include \$28,841,429 and \$15,678,491 of cash and cash equivalents at December 31, 2005 and 2004, respectively, which are awaiting investment in their respective portfolios. These amounts are primarily maintained in the State Street Bank Short-Term Investment Fund.

Net appreciation (depreciation) in fair value for each significant class of investment, which includes realized and unrealized gains and losses, is as follows:

	2005	2004
U.S. government and government agency issues	\$ (472,779)	\$ (194,059)
Corporate and other obligations	(900,695)	2,537
Baxter common stock	11,180,872	14,837,077
Other common stock	29,349,284	29,633,772
Registered investment companies	380,801	2,328,259
Commingled funds	19,005,417	30,281,628
	\$ 58,542,900	\$ 76,889,214

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
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December 31, 2005 and 2004**

6. Securities Lending Transactions

The Plan participates in a securities lending program with the Trustee. The program allows the Trustee to loan securities, which are assets of the Plan, to approved brokers (the Borrowers). The Trustee requires Borrowers, pursuant to a security loan agreement, to deliver collateral to secure each loan. The Plan bears the risk of loss with respect to any unfavorable change in fair value of the invested cash collateral. However, the Borrower bears the risk of loss related to the decrease in the fair value of the securities collateral and, therefore, would have to deliver additional securities to maintain the required collateral. In the event of default by the Borrower, the Trustee shall indemnify the Plan by purchasing replacement securities equal to the number of unreturned loaned securities or, if replacement securities are not able to be purchased, the Trustee shall credit the Plan for the market value of the unreturned securities. In each case, the Trustee would apply the proceeds from the collateral for such a loan to make the Plan whole.

The collateral received pursuant to securities lending transactions is reflected on the Statements of Net Assets Available for Benefits as both an asset and a liability, and has no effect on the net assets available for benefits of the Plan.

As of December 31, 2005 and 2004, the Plan had securities on loan with a market value of \$124,639,418 and \$176,253,245, respectively, with cash collateral held of \$126,971,898 and \$179,421,136, respectively. Non-cash collateral of \$260,330 and \$147,600 received for securities on loan at December 31, 2005 and 2004, respectively, consisted of U.S. government and government agency issues held by the Trustee on behalf of the Plan. A portion of the income generated upon investment of cash collateral is remitted to the Borrowers, and the remainder is allocated between the Plan and the Trustee in its capacity as a security agent. Securities lending income allocated to the Plan amounted to \$143,310 and \$79,541 for 2005 and 2004, respectively. Securities lending income allocated to the Trustee amounted to \$112,186 and \$79,666 for 2005 and 2004, respectively. Securities lending income is classified as interest income in the Statements of Changes in Net Assets Available for Benefits.

7. Plan Termination

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to reduce, suspend or discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In the event of Plan termination, such termination would not reduce the interest of any participating employee or their beneficiaries accrued under the Plan up to the date of such termination.

8. Tax Status of the Plan

The Internal Revenue Service has determined and informed the Plan sponsor by a letter dated December 13, 2005 that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (the IRC). The Plan has been amended since the date of the determination letter. The Plan sponsor believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

9. Related Parties

At December 31, 2005 and 2004, the Plan held units of participation in certain common/collective trust funds and short-term investment funds of State Street Bank and Trust Company, the Plan trustee, shares of common stock of Baxter, the Plan sponsor, loans with participants, and shares of common stock and fixed income securities in CitiGroup Inc., CitiBank Mortgage Securities Inc., CitiBank Credit Card Issuance Trust, Travelers Property Casualty Corporation, and CitiBank Credit Card Master Trust I, which are all affiliated with Citistreet LLC, the recordkeeper. These transactions are allowable party-in-interest transactions under ERISA and the regulations promulgated thereunder.

10. Plan Mergers

During 2000, Baxter acquired North American Vaccine, Inc. The North American Vaccine, Inc. Retirement and Savings 401(k) Plan and Trust was merged into the Plan effective November 2004. As a result of this merger, total assets of approximately \$2.7 million were transferred into the Plan.

During 2001, Baxter acquired Sera-Tec Biologicals, L.P. The Sera-Tec Biologicals 401(k) Plan was merged into the Plan effective July 2005. As a result of this merger, total assets of approximately \$3.1 million were transferred into the Plan.

11. New Accounting and Disclosure Standard

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-1-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP), which will be effective for the Plan year ending December 31, 2006. The FSP clarifies the definition of fully benefit-responsive investment contracts and establishes new financial statement presentation and disclosure requirements for these contracts. Management is in the process of analyzing the impact of the FSP on the accounting, presentation and disclosure of the Plan's guaranteed investment contracts.

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SUPPLEMENTAL SCHEDULES

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Identity of Issue	Description of Investment	Cost**	Current Value
Cash & Cash Equivalents:			
* SSGA MONEY MARKET FUND	Short-Term Investment Fund		5,141,476
* State Street Bank + Trust Co	Short-Term Investment Fund		25,749,598
US Dollar	US Dollar		227,404
Cash and Cash Equivalents			\$ 31,118,478
Common Stock:			
1ST AMERICAN CORP	Common Stock		13,590
3COM CORP	Common Stock		3,960
3DICON CORP	Common Stock		850
3M COMPANY	Common Stock		18,272
8X8 INC NEW	Common Stock		5,550
ABB LTD SPONSORED ADR	Common Stock		9,720
ABBOTT LABORATORIES	Common Stock		733,243
ABERCROMBIE & FITCH CO CL A	Common Stock		22,422
ABERDEEN ASIA PACIFIC INCOME FD INC	Common Stock		5,800
ABIOMED INC	Common Stock		2,449
ABN AMRO HLDG N V SPONSORED ADR	Common Stock		1,307
ACACIA RES CORP AR COMBIMATRIX COM	Common Stock		411
ACCENTURE LTD BERMUDA CL A	Common Stock		7,218
ACCLAIM ENTMT INC	Common Stock		6
ACCO BRANDS CORP COM	Common Stock		172
ACE LTD	Common Stock	979,465	1,155,640
ACME UNITED CO	Common Stock		2,806
ACTIVISION INC	Common Stock		1,484
ACTUATE CORP	Common Stock		25,748
ADAPTIVE BROADBAND CORP	Common Stock		30
ADC TELECOMMUNICATIONS INC	Common Stock	591,739	728,889
ADC TELECOMMUNICATNS INC COM NEW	Common Stock		9,531
ADOBE SYS INC	Common Stock		23,580
ADVANCED DIGITAL INFORMATION CORP	Common Stock		4,895
ADVANCED MICRO DEVICES INC	Common Stock		3,060
ADVANCED PHOTONIX INC CL A	Common Stock		34,334

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AES CORP	Common Stock	1,169,468	1,141,080
AETERNA ZENTARIS INC COM	Common Stock		25,500
AETNA INC	Common Stock	230,444	1,024,384
AFFYMETRIX INC	Common Stock		4,775
AFLAC INC	Common Stock	521,652	609,634
AFLAC INC	Common Stock		31,036
AGERE SYS INC COM	Common Stock		9,804
AGILENT TECH INC	Common Stock		1,997
AGILENT TECHNOLOGIES INC	Common Stock	655,823	892,442
AIM SELECT REAL ESTATE INCOME FUND	Common Stock		14,980
AIRNET COMMUNICATIONS CORP COM NEW	Common Stock		94
AIRTRAN HOLDINGS INC	Common Stock		8,817
AKAMAI TECH	Common Stock		6,637
AKSYS LTD	Common Stock		359
ALBERTSONS INC	Common Stock		12,810
ALCOA INC	Common Stock		33,473
ALCON INC	Common Stock	1,953,257	3,506,451
ALDERWOODS GROUP INC	Common Stock		7,538
ALKERMES INC	Common Stock		21,892
ALLIANCE PHARMACEUTICAL CORP COM NEW	Common Stock		234
ALLOS THERAPEUTICS INC	Common Stock		11,718
ALPHA NAT RES INC	Common Stock		2,882
ALTAIR NANOTECH INC	Common Stock		2,132
ALTEON INC	Common Stock		6,570
ALTRIA GROUP INC	Common Stock	679,818	3,081,147
ALVARION LTD	Common Stock		11,336
AMDOCS LIMITED	Common Stock		5,500
AMER INTL GROUP INC	Common Stock		4,230
AMERICA MOVIL S A DEC V	Common Stock	922,344	889,892
AMERICA MOVIL SERIES L ADR	Common Stock		13,279
AMERICAN CAPITAL STRATEGIES LTD	Common Stock		7,242
AMERICAN EAGLE OUTFITTERS	Common Stock		12,823
AMERICAN ELEC PWR INC	Common Stock	2,760,560	2,477,888
AMERICAN INTL GROUP INC	Common Stock	3,719,098	3,678,580
AMERICAN ORIENTAL BIOENGINEERING INC	Common Stock		14,796
AMERICAN RETIREMENT CORP	Common Stock		2,513
AMERICAN SAFETY INS GROUP LTD	Common Stock		16,580
AMERICAN TOWER CORP	Common Stock	566,050	567,306
AMERICAN WOODMARK CP	Common Stock		7,437
AMERIPRISE FINL INC COM	Common Stock		16,400
AMGEN INC	Common Stock	1,289,730	1,852,242
ANDREA ELECTRONICS CORP	Common Stock		28
ANDREW CORP	Common Stock		268,229
ANHEUSER BUSCH COS	Common Stock		2,578
ANSYS INC	Common Stock		4,269
AON CORP	Common Stock	1,119,291	1,615,186
APPLE COMPUTER	Common Stock	2,461,568	5,309,850
APPLE COMPUTER INC	Common Stock		71,890

APPLERA CORP COM APPLIED BIOSYSTEMS Common Stock
GROUP

5,312

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Table of Contents**Baxter International Inc. and Subsidiaries****Incentive Investment Plan****Schedule H, Line 4i - Schedule of Assets (Held at End of Year)****Schedule I****December 31, 2005**

APPLIED DIGITAL SOLUTIONS INC	Common Stock		26,635
APPLIED MATERIALS INC	Common Stock		45,029
APPLIED MICRO CIRCUITS CORP	Common Stock		1,221
APT SATELLITE HOLDING LTD	Common Stock		780
AQUA AMERICA INC	Common Stock		2,730
ARCHER DANIELS MIDLAND	Common Stock		20,008
ARIBA INC COM NEW	Common Stock		1,220
ARM HOLDINGS PLC SPONS ADR	Common Stock		3,478
ARMOR HLDGS INC COM	Common Stock		2,133
AROTECH CORP	Common Stock		740
ARROW ELECTRS INC	Common Stock	1,013,171	1,151,252
ARROW FINL CORP	Common Stock		4,414
ART TECHNOLOGY GRP INC	Common Stock		9,800
ARTEMIS INTL SOLUTIONS CORP COM NEW	Common Stock		140
ASTA FUNDING INC	Common Stock		13,670
ASTRAZENECA PLC- SPONS ADR	Common Stock		2,187
AT&T INC COM	Common Stock		49,690
ATARI INC	Common Stock		5,184
ATHEROGENICS INC	Common Stock		300
ATLAS AMERICA INC	Common Stock		16,561
ATSI COMMUNICATIONS INC COM NEW	Common Stock		21
AUDICODES LTD	Common Stock		2,220
AUTODESK INC	Common Stock		6,440
AUTOMATIC DATA PROCESSING INC	Common Stock		13,770