

BAXTER INTERNATIONAL INC

Form S-3ASR

November 04, 2015

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As filed with the Securities and Exchange Commission on November 4, 2015

Registration No. 333-

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

FORM S-3  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**BAXTER INTERNATIONAL INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-0781620  
(I.R.S. Employer  
Identification Number)

**One Baxter Parkway**

**Deerfield, Illinois 60015**

**(224) 948-2000**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**James K. Saccaro**

**Corporate Vice President and Chief Financial Officer**

**Baxter International Inc.**

**One Baxter Parkway**

**Deerfield, Illinois 60015**

**(224) 948-2000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**David P. Scharf**

**Corporate Vice President, General Counsel and Corporate Secretary**

**One Baxter Parkway**

**Deerfield, Illinois 60015**

**(224) 948-2000**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

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

**CALCULATION OF REGISTRATION FEE**

| <b>Title of each class of securities to be registered</b> | <b>Amount to be registered</b> | <b>Proposed maximum offering price per unit</b> | <b>Proposed maximum aggregate offering price</b> | <b>Amount of registration fee(1)</b> |
|---|--------------------------------|---|--|--------------------------------------|
| Debt Securities   | (2)                            | (2)   | (2)  | (2)                                  |

(1) In accordance with Rules 456(b) and 457(r), the registrant is deferring payment of all of the registration fee.

(2)

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An indeterminate aggregate principal amount and number of the debt securities is being registered as may from time to time be offered in unspecified numbers and at indeterminate prices.

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**PROSPECTUS**

**Baxter International Inc.**

**Debt Securities**

By this prospectus, we may offer debt securities from time to time.

This prospectus describes some of the general terms that may apply to these debt securities. We will provide you with the specific terms and the offering prices of these debt securities in supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement, as well as the documents incorporated and deemed to be incorporated by reference in this prospectus, carefully before you invest. This prospectus may not be used to offer and sell debt securities unless accompanied by a prospectus supplement or a free writing prospectus.

We may sell these securities on a continuous or delayed basis directly, through agents, dealers or underwriters as designated from time to time, or through a combination of these methods. We reserve the sole right to accept, and together with any agents, dealers and underwriters, reserve the right to reject, in whole or in part, any proposed purchase of securities. If any agents, dealers or underwriters are involved in the sale of any securities, the applicable prospectus supplement will set forth any applicable commissions or discounts. Our net proceeds from the sale of securities also will be set forth in the applicable prospectus supplement.

**Investing in our debt securities involves risks. You should carefully read the risk factors included in the applicable prospectus supplement and in the periodic reports and other information we file with the Securities and Exchange Commission before investing in our debt securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

Baxter's corporate offices are located at One Baxter Parkway, Deerfield, Illinois 60015, and the telephone number is (224) 948-2000.

This prospectus is dated November 4, 2015.

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You should rely only on the information incorporated by reference or provided in this prospectus. Baxter International Inc. has not authorized anyone to provide you with different information. You should not assume that the information provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents, as applicable. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of an automatic shelf registration statement that we have filed with the Securities and Exchange Commission (the SEC) as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended (the Securities Act). Under the shelf registration process, we may, at any time and from time to time, in one or more offerings, sell debt securities under this prospectus.

The exhibits to our registration statement contain the full text of certain contracts and other important documents we have summarized in this prospectus. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities we offer, you should review the full text of these documents. The registration statement and the exhibits can be obtained from the SEC as indicated under the heading **Where You Can Find More Information**.

This prospectus only provides you with a general description of the debt securities we may offer. Each time we sell debt securities, we will provide a prospectus supplement that contains specific information about the terms of the offering, including the specific amounts, prices and terms of the debt securities offered. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described below under the heading **Where You Can Find More Information** before making an investment decision.

Except as otherwise indicated, references in this prospectus to Baxter, we, us and our are to Baxter International Inc. and its subsidiaries. Baxalta Incorporated (Baxalta) and its subsidiaries are included in those terms for periods prior to the completion of the Distribution as described under the heading **The Company Recent Developments** on July 1, 2015, and are excluded for subsequent periods.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Information about us, including our SEC filings, is also available through our website at <http://www.baxter.com>. However, information on our website is not a part of this prospectus or any accompanying prospectus supplement.

This prospectus is part of a registration statement on Form S-3 filed by us with the SEC under the Securities Act. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits filed with the SEC. You may refer to the registration statement and its exhibits for more information.

The SEC allows us to incorporate by reference in this prospectus information that we file with it, which means that we are disclosing important business and financial information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus. This prospectus incorporates by reference the documents filed by us listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) prior to the termination of the offering under this prospectus; provided, however, that we are not incorporating, in each case, any documents or information deemed to have been furnished and not filed in accordance with SEC rules:

Annual Report on Form 10-K for the year ended December 31, 2014;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015; and

Current Reports on Form 8-K filed with the SEC on January 9, 2015, March 25, 2015, May 7, 2015, June 10, 2015, June 23, 2015, July 7, 2015, September 30, 2015, October 21, 2015, October 27, 2015 (solely with respect to the 8-K dated October 26, 2015 and solely with respect to Item 1.01 and Exhibits 10.1 and 10.2 of Item 9.01 thereof), October 29, 2015, and October 30, 2015.

You may also request a copy of those filings, excluding exhibits unless such exhibits are specifically incorporated by reference, at no cost by writing or telephoning us at the following address:

Corporate Secretary  
Baxter International Inc.  
One Baxter Parkway  
Deerfield, Illinois 60015  
  
(224) 948-2000





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**THE COMPANY**

Baxter International Inc. was incorporated under Delaware law in 1931. Baxter, through its subsidiaries, develops, manufactures and markets products that save and sustain the lives of people with kidney disease, trauma and other medical conditions. As a global, diversified healthcare company that manufactures products in over 20 countries and sells them in over 100 countries, Baxter applies a unique combination of expertise across drug, device, software and service platforms to create products that advance patient care worldwide. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices, clinical and medical research laboratories, and by patients at home under physician supervision.

*Recent Developments.* On July 1, 2015, Baxter completed the distribution of approximately 80.5% of the outstanding common stock of Baxalta Incorporated to Baxter shareholders (the "Distribution"). Baxalta, which prior to the Distribution was a wholly owned subsidiary of Baxter, was formed to hold Baxter's biopharmaceuticals business. The Distribution was made to Baxter's shareholders of record as of the close of business on June 17, 2015 (the "Record Date"), who received one share of Baxalta common stock for each Baxter common share held as of the Record Date. The Distribution was intended to take the form of a tax-free distribution for federal income tax purposes in the United States. As a result of the Distribution, Baxalta became an independent public company trading under the symbol "BXLT" on the New York Stock Exchange.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES****(unaudited)**

The following table sets forth our ratio of earnings from continuing operations to fixed charges for the years and period indicated:

|   | <b>Six Months Ended</b> |             | <b>Years Ended December 31,</b> |             |             |             |
|---|-------------------------|-------------|---------------------------------|-------------|-------------|-------------|
|   | <b>June 30,</b>         |             |                                 |             |             |             |
|   | <b>2015</b>             | <b>2014</b> | <b>2013</b>                     | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| Ratio of earnings from continuing operations to fixed charges (1) | 7.14                    | 8.14        | 9.28                            | 13.01       | 14.76       | 9.88        |

(1) For purposes of computing the ratios, (i) earnings consist of income from continuing operations before income taxes, plus fixed charges less capitalized interest costs, as adjusted for net losses or net gains of less than majority-owned affiliates, net of dividends and (ii) fixed charges consist of interest costs and estimated interest in rentals and exclude interest on uncertain tax positions.

Please refer to the financial statements and financial information incorporated by reference in this prospectus for more information relating to the foregoing. See [Where You Can Find More Information](#) for guidance.

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**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA**

The following unaudited pro forma condensed consolidated statement of earnings of Baxter for the six months ended June 30, 2015 is presented as if the Distribution had occurred on January 1, 2015. The following unaudited pro forma condensed consolidated balance sheet of Baxter as of June 30, 2015 is presented as if the Distribution and related events had occurred on June 30, 2015. Beginning in the third quarter of 2015, Baxalta's historical financial results for periods prior to the Distribution will be reflected in Baxter's consolidated financial statements as discontinued operations.

The statements have been derived from historical financial statements prepared in accordance with generally accepted accounting principles in the United States of America ( GAAP ), are presented based on information currently available, are intended for informational purposes only, and do not purport to represent what Baxter's financial position and results of operations actually would have been had the Distribution and related events occurred on the dates indicated, or to project Baxter's financial performance for any future period. The unaudited pro forma condensed consolidated financial data includes adjustments to reflect the following:

the Distribution; and

the company's debt tender offers completed on July 6, 2015 and July 21, 2015.

The unaudited pro forma condensed consolidated financial data and the accompanying notes should be read in conjunction with the unaudited condensed consolidated GAAP financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Baxter's Form 10-Q for the six months ended June 30, 2015.

**Table of Contents****Baxter International Inc.****Unaudited Pro Forma Condensed Consolidated Statement of Earnings****Six Months Ended June 30, 2015****(dollars and shares in millions except per share data)**

|   | <b>Baxter<br/>Historical (A)</b> | <b>Baxalta<br/>Separation (B)</b> | <b>Baxter<br/>Continuing<br/>Pro Forma</b> |
|---|----------------------------------|-----------------------------------|--|
| Net sales   | \$ 7,657                         | \$ (2,779)                        | \$ 4,878                                   |
| Cost of sales   | 3,936                            | (1,098)                           | 2,838                                      |
| Gross margin  | 3,721                            | (1,681)                           | 2,040                                      |
| Marketing and administrative expenses                 | 2,112                            | (545)                             | 1,567                                      |
| Research and development expenses                     | 688                              | (394)                             | 294  |
| Net interest expense                                  | 64                               | (4)                               | 60   |
| Other income, net                                     | (141)                            | 4                                 | (137)                                      |
| Income from continuing operations before income taxes | 998                              | (742)                             | 256  |
| Income tax expense                                    | 242                              | (194)                             | 48   |
| Income from continuing operations                     | \$ 756                           | \$ (548)                          | \$ 208                                     |
| Income from continuing operations per common share    |                                  |                                   |  |
| Basic   | \$ 1.39                          |                                   | \$ 0.38                                    |
| Diluted   | \$ 1.38                          |                                   | \$ 0.38                                    |
| Weighted-average number of common shares outstanding  |                                  |                                   |  |
| Basic   | 544                              |                                   | 544  |
| Diluted   | 548                              |                                   | 548  |

See accompanying notes to the unaudited pro forma condensed consolidated financial data.

**Table of Contents****Baxter International Inc.****Unaudited Pro Forma Condensed Consolidated Balance Sheet**

As of June 30, 2015

(dollars in millions)

|  | <b>Baxter<br/>Historical (A)</b> | <b>Baxalta<br/>Separation (C)</b> | <b>Other<br/>Adjustments</b> | <b>Notes</b> | <b>Baxter<br/>Continuing Pro<br/>Forma</b> |
|--|----------------------------------|-----------------------------------|------------------------------|--------------|--|
| <i>Current assets</i>  |                                  |                                   |                              |              |  |
| Cash and equivalents   | \$ 6,680                         | \$ (2,122)                        | \$ (2,815)                   | (D)          | \$ 1,743                                   |
| Accounts and other current<br>receivables, net                   | 2,852                            | (689)                             |                              |              | 2,163                                      |
| Inventories  | 3,842                            | (2,023)                           |                              |              | 1,819                                      |
| Prepaid expenses and other                                       | 1,123                            | (335)                             |                              |              | 788  |
| Investment in Baxalta common<br>stock                            |                                  |                                   | 4,292                        | (E)          | 4,292                                      |
| <b>Total current assets</b>                                      | <b>14,497</b>                    | <b>(5,169)</b>                    | <b>1,477</b>                 |              | <b>10,805</b>                              |
| Property, plant and equipment, net                               | 8,967                            | (4,587)                           |                              |              | 4,380                                      |
| <i>Other assets</i>  |                                  |                                   |                              |              |  |
| Goodwill   | 3,792                            | (1,026)                           |                              |              | 2,766                                      |
| Other intangible assets, net                                     | 2,084                            | (614)                             |                              |              | 1,470                                      |
| Other  | 675                              | (429)                             | (49)                         | (D)          | 197  |
| <b>Total other assets</b>  | <b>6,551</b>                     | <b>(2,069)</b>                    | <b>(49)</b>                  |              | <b>4,433</b>                               |
| <b>Total assets</b>  | <b>\$ 30,015</b>                 | <b>\$ (11,825)</b>                | <b>\$ 1,428</b>              |              | <b>\$ 19,618</b>                           |
| <i>Current liabilities</i>                                       |                                  |                                   |                              |              |  |
| Short-term debt  | \$ 1,493                         | \$                                | \$                           |              | \$ 1,493                                   |
| Current maturities of long-term debt<br>and lease obligations    | 671                              |                                   |                              |              | 671  |
| Accounts payable and accrued<br>liabilities                      | 4,148                            | (1,183)                           |                              |              | 2,965                                      |
| <b>Total current liabilities</b>                                 | <b>6,312</b>                     | <b>(1,183)</b>                    |                              |              | <b>5,129</b>                               |
| Long-term debt and lease<br>obligations                          | 12,054                           | (5,253)                           | (2,734)                      | (D)          | 4,067                                      |
| Other long-term liabilities                                      | 3,628                            | (1,309)                           |                              |              | 2,319                                      |
| Commitments and contingencies                                    |                                  |                                   |                              |              |  |
| <i>Equity</i>  |                                  |                                   |                              |              |  |
| Common stock, \$1 par value,<br>authorized 2,000,000,000 shares, | 683                              |                                   |                              |              | 683  |

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issued 683,494,944 shares

|  |           |             |          |        |           |
|--|-----------|-------------|----------|--------|-----------|
| Common stock in treasury, at cost,<br>138,295,306 shares in 2015 | (7,798)   |             |          |        | (7,798)   |
| Additional contributed capital                                   | 5,860     |             |          |        | 5,860     |
| Retained earnings  | 13,389    | (4,430)     | 589      | (D)(E) | 9,548     |
| Accumulated other comprehensive<br>loss                          | (4,146)   | 350         | 3,573    | (E)    | (223)     |
| Total Baxter shareholders equity                                 | 7,988     | (4,080)     | 4,162    |        | 8,070     |
| Noncontrolling interests   | 33        |             |          |        | 33        |
| Total equity   | 8,021     | (4,080)     | 4,162    |        | 8,103     |
| Total liabilities and equity                                     | \$ 30,015 | \$ (11,825) | \$ 1,428 |        | \$ 19,618 |

See accompanying notes to the unaudited pro forma condensed consolidated financial data.

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**Baxter International Inc.**

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Data**

- (A) Reflects Baxter's historical financial statements prepared in accordance with GAAP and does not reflect any adjustments related to the Distribution.
- (B) Reflects discontinued operations of the Baxalta business. This represents the revenues and expenses directly associated with the results of operations of Baxalta.
- (C) Reflects the assets and liabilities distributed as part of the Distribution.
- (D) On July 6, 2015 and July 21, 2015, utilizing a portion of the approximately \$4.0 billion received from Baxalta in connection with the Distribution, the company purchased an aggregate of approximately \$2.7 billion in principal amount of its 5.900% Notes due September 2016, 6.625% Debentures due February 2028, 6.250% Notes due December 2037, 3.650% Notes due August 2042, 4.500% Notes due June 2043, 3.200% Notes due June 2023, and 2.400% Notes due August 2022 pursuant to the company's debt tender offers. As a result of the debt tender offers, the company recognized a loss on extinguishment of debt in the third quarter of 2015 of \$130 million. As the loss on extinguishment is a one-time charge, there is no adjustment reflected in the unaudited pro forma condensed consolidated statement of earnings.
- (E) After giving effect to the Distribution, Baxter holds 131,902,719 shares of Baxalta's common stock with a cost basis of \$719 million. For purposes of the unaudited pro forma condensed consolidated balance sheet, the value of the company's investment in Baxalta was calculated using a stock price of \$32.54 per share, which represents the mid-point price for Baxalta's common stock on July 1, 2015. The difference between the cost basis of the investment and the fair value of the investment as of July 1, 2015 is recorded as a component of accumulated other comprehensive loss in the unaudited pro forma condensed consolidated balance sheet.



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**USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement accompanying this prospectus, the net proceeds from the sale of the debt securities to which this prospectus relates will be used for general corporate purposes. General corporate purposes may include repayment and refinancing of debt, acquisitions, additions to working capital, capital expenditures, stock repurchase programs and investments in our subsidiaries. Net proceeds may be temporarily invested prior to use.

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**DESCRIPTION OF DEBT SECURITIES**

The debt securities will be issued under the indenture dated as of August 8, 2006 between us and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), as trustee, as subsequently supplemented. We have summarized selected provisions of the indenture and the debt securities below. This summary is not complete and is qualified in its entirety by reference to the indenture. The indenture is incorporated by reference as an exhibit to the registration statement relating to this prospectus and you should refer to the indenture for provisions that may be important to you. For purposes of this summary, the terms we, our, ours and us refer only to Baxter and not to any of our subsidiaries.

You should carefully read the summary below, the applicable prospectus supplement and the provisions of the indenture (supplemented, as applicable) before investing in our debt securities.

**General**

We may issue debt securities at any time and from time to time in one or more series without limitation on the aggregate principal amount. The indenture gives us the ability to reopen a previous issue of a series of debt securities and issue additional debt securities of the same series. We will describe the particular terms of each series of debt securities we offer in a supplement to this prospectus. If any particular terms of the debt securities described in a prospectus supplement differ from any of the terms described in this prospectus, then the terms described in the applicable prospectus supplement will supercede the terms described in this prospectus. The terms of our debt securities will include those set forth in the indenture and those made a part of the indenture by the Trust Indenture Act of 1939, as amended (the Trust Indenture Act ).

Unless otherwise indicated in the prospectus supplement, principal of, premium, if any, and interest on the debt securities will be payable, and the transfer of debt securities will be registrable, at any office or agency maintained by Baxter for that purpose. The debt securities will be issued only in fully registered form without coupons and, unless otherwise indicated in the applicable prospectus supplement, in denominations of \$1,000 or integral multiples thereof. No service charge will be made for any registration of transfer or exchange, redemption or repayment of the debt securities, but Baxter may require you to pay a sum sufficient to cover any tax or other governmental charge imposed in connection with the transfer or exchange.

**Terms**

We will describe the specific terms of the series of debt securities being offered in a supplement to this prospectus. These terms will include some or all of the following:

the title of the debt securities;

any limit on the aggregate principal amount of the debt securities;

the date or dates on which the principal and premium, if any, of the debt securities will be payable or the method used to determine or extend those dates;

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any interest rate on the debt securities, any date from which interest will accrue, any interest payment dates and regular record dates for interest payments, or the method used to determine any of the foregoing;

any foreign currency, currencies or currency units in which payments on the debt securities will be payable and the manner for determining the equivalent amount in U.S. currency;

any provisions for payments on the debt securities in one or more currencies or currency units other than those in which the debt securities are stated to be payable;

any provisions that would determine payments on the debt securities by reference to an index, formula or other method;

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the place or places where payments on the debt securities will be payable, the debt securities may be presented for registration of transfer or exchange, and notices and demands to or upon us relating to the debt securities may be made;

any provisions for redemption of the debt securities;

any provisions that would allow or obligate us to redeem, purchase or repay the debt securities prior to their maturity pursuant to any sinking fund or analogous provision or at the option of the holder;

the terms of any right or obligation to convert or exchange the debt securities into any other securities or property;

the denominations in which we will issue the debt securities, if other than denominations of an integral multiple of \$1,000;

the portion of the principal amount of the debt securities that will be payable if the maturity of the debt securities is accelerated, if other than the entire principal amount;

the applicability of the provisions described below under Satisfaction and Discharge or such other means of satisfaction or discharge;

any variation of the defeasance and covenant defeasance sections of the indenture and the manner in which our election to defease the debt securities will be evidenced, if other than by a board resolution;

the appointment of any paying agents for the debt securities, if other than the trustee;

if varying from the description herein, whether we will issue the debt securities in the form of temporary or permanent global securities, the depositories for the global securities, and provisions for exchanging or transferring the global securities;

any deletion or addition to or change in the events of default for the debt securities and any change in the rights of the trustee or the holders of the debt securities arising from an event of default including, among others, the right to declare the principal amount of the debt securities due and payable;

any addition to or change in the covenants in the indenture;

any restriction or condition on the transferability of the debt securities;

any subordination provisions and related definitions in the case of subordinated debt securities;

any additions or changes to the indenture necessary to issue the debt securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons; and

any other terms of the debt securities consistent with the indenture.

Any limit on the maximum total principal amount for any series of the debt securities may be increased by resolution of our board of directors. We may sell the debt securities, including original issue discount securities, at a substantial discount below their stated principal amount. If there are any special United States federal income tax considerations applicable to debt securities we sell at an original issue discount, we will describe them in the prospectus supplement. In addition, we will describe in the prospectus supplement any special United States federal income tax considerations and any other special considerations for any debt securities we sell that are denominated in a currency or currency unit other than U.S. currency.

### **Ranking**

Unless otherwise indicated in the prospectus supplement, the debt securities offered by this prospectus will:

be our general unsecured obligations,

rank equally with all of our other unsecured and unsubordinated indebtedness, and

with respect to the assets and earnings of our subsidiaries, effectively rank junior to all of the liabilities of our subsidiaries.

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A substantial portion of our assets are owned through our subsidiaries, many of which have significant debt or other liabilities of their own which will be structurally senior to the debt securities. Unless otherwise indicated in the prospectus supplement, none of our subsidiaries will guarantee or have any obligations with respect to the debt securities. Therefore, Baxter's rights and the rights of Baxter's creditors, including holders of debt securities, to participate in the assets of any subsidiary upon any such subsidiary's liquidation may be subject to the prior claims of the subsidiary's other creditors.

Subject to compliance with the applicable requirements set forth in the indenture, we may discharge our obligations under the indenture with respect to our debt securities as described below under **Defeasance and Covenant Defeasance**.

## **Optional Redemption**

Unless otherwise indicated in the prospectus supplement, the debt securities will be redeemable in whole or in part, at the option of Baxter, at any time at a redemption price set forth in the prospectus supplement to be determined at the time the debt securities are issued. Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of debt securities to be redeemed. Unless a default occurs in payment of the redemption price, from and after the redemption date interest will cease to accrue on the debt securities or portions thereof called for redemption.

## **Certain Covenants**

*Restrictions on the creation of secured debt.* Unless otherwise indicated in the prospectus supplement, Baxter will not, and will not cause or permit any restricted subsidiary to, create, incur, assume or guarantee any indebtedness that is secured by a security interest in any principal facilities of Baxter or any restricted subsidiary or in shares of stock owned directly or indirectly by Baxter in any restricted subsidiary or in indebtedness for money borrowed by one of its restricted subsidiaries from Baxter or another of the restricted subsidiaries ( **secured debt** ) unless the debt securities then outstanding and any other indebtedness of or guaranteed by Baxter or such restricted subsidiary then entitled to be so secured is secured equally and ratably with or prior to any and all other obligations and indebtedness thereby secured, with exceptions as listed in the indenture. These restrictions do not apply to indebtedness secured by:

any security interest on any property which is a parcel of real property at a manufacturing plant, a warehouse or an office building and which is acquired, constructed, developed or improved by Baxter or a restricted subsidiary, which security interest secures or provides for the payment of all or any part of the acquisition cost of the property or the cost of the construction, development or improvement of the property and which security interest is created prior to, at the same time as, or within 120 days after

- (i) in the case of the acquisition of property, the completion of the acquisition of the property and
- (ii) in the case of construction, development or improvement of property, the later to occur of the completion of such construction, development or improvement or the commencement of operation, use or commercial production of the property;

any security interest on property existing at the time of the acquisition of such property by Baxter or a restricted subsidiary which security interest secures obligations assumed by Baxter or a restricted subsidiary;

any security interest arising from conditional sales agreements or title retention agreements with respect to property acquired by Baxter or any restricted subsidiary;

security interests existing on the property or on the outstanding shares or indebtedness of a corporation or firm at the time the corporation or firm becomes a restricted subsidiary or is merged or consolidated with Baxter or a restricted subsidiary or at the time the corporation or firm sells, leases or otherwise disposes of its property as an entirety or substantially as an entirety to Baxter or a restricted subsidiary;

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security interests securing indebtedness of a restricted subsidiary to Baxter or to another restricted subsidiary;

mechanics and other statutory liens arising in the ordinary course of business in respect of obligations which are not due or which are being contested in good faith;

security interests arising by reason of deposit with, or the giving of any form of security to, any governmental agency which is required by law as a condition to the transaction of any business;

security interests for taxes, assessments or governmental charges or levies not yet delinquent or security interests for taxes, assessments or governmental charges or levies already delinquent but which are being contested in good faith;

security interests arising in connection with legal proceedings, including judgment liens, so long as the proceedings are being contested in good faith and, in the case of judgment liens, the execution has been stayed;

landlords liens on fixtures leased by Baxter or a restricted subsidiary in the ordinary course of business;

security interests arising in connection with contracts and subcontracts with or made at the request of the United States, any state, or any department, agency or instrumentality of the United States or any state;

security interests that secure an obligation issued by the United States or any state, territory or possession of the United States or any of their political subdivisions or the District of Columbia, in connection with the financing of the cost of construction or acquisition of a principal facility or a part of a principal facility;

security interests by reason of deposits to qualify Baxter or a restricted subsidiary to conduct business, to maintain self-insurance, or to obtain the benefits of, or comply with, laws;

the extension of any security interest existing on the date of the indenture on a principal facility to additions, extensions or improvements to the principal facility and not as a result of borrowing money or the securing of indebtedness incurred after the date of the indenture; or

any extension, renewal or refunding, or successive extensions, renewals or refundings, in whole or in part of any secured debt secured by any security interest listed above, provided that the principal



amount of the secured debt secured thereby does not exceed the principal amount outstanding immediately prior to the extension, renewal or refunding and that the security interest securing the secured debt is limited to the property which, immediately prior to the extension, renewal or refunding, secured the secured debt and additions to the property.

For purposes of the indenture, principal facilities are any manufacturing plants, warehouses, office buildings and parcels of real property owned by Baxter or any restricted subsidiary, provided each such facility has a gross book value, without deduction for any depreciation reserves, in excess of 2% of Baxter's consolidated net tangible assets other than any facility that is determined by Baxter's board of directors to not be of material importance to the business conducted by Baxter and its subsidiaries taken as a whole. For purposes of the indenture, consolidated net tangible assets are the total amount of assets that would be included on Baxter's consolidated balance sheet under generally accepted accounting principles after deducting all short-term liabilities and liability items, except for indebtedness payable more than one year from the date of incurrence and all goodwill, trade names, trademarks, patents, unamortized debt discount and unamortized expense incurred in the issuance of debt and other like intangibles, except for prepaid royalties.

Notwithstanding the limitations on secured debt described above, Baxter and any restricted subsidiary may create, incur, assume or guarantee secured debt, without equally and ratably securing the debt securities,

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provided that the sum of such secured debt and all other secured debt entered into after the date of the indenture, other than secured debt permitted as described in the bullet points above, does not exceed 15% of Baxter's consolidated net tangible assets.

For purposes of the indenture, a restricted subsidiary is any corporation in which Baxter owns voting securities entitling it to elect a majority of the directors and which is either designated as a restricted subsidiary in accordance with the indenture or:

existed as such on the date of the indenture or is the successor to, or owns, any equity interest in, a corporation which so existed;

has its principal business and assets in the United States;

the business of which is other than the obtaining of financing in capital markets outside the United States or the financing of the acquisition or disposition of real or personal property or dealing in real property for residential or office building purposes; and

does not have assets substantially all of which consist of securities of one or more corporations which are not restricted subsidiaries.

*Restrictions on Mergers, Consolidations and Transfers of Assets.* Unless otherwise indicated in the prospectus supplement, Baxter will not consolidate with or merge into or sell, transfer or lease all or substantially all of its respective properties and assets to another person unless:

in the case of a merger, Baxter is the surviving corporation, or

the person into which Baxter is merged or which acquires all or substantially all of the properties and assets of Baxter expressly assumes all of the obligations of Baxter relating to the debt securities and the indenture.

Upon any of the consolidation, merger or transfer, the successor corporation will be substituted for Baxter under the indenture. The successor corporation may then exercise all of the powers and rights of Baxter under the indenture, and Baxter will be released from all of its obligations and covenants under the debt securities and the indenture. If Baxter leases all or substantially all of its assets, the lessee corporation will be the successor and may exercise all of the respective powers and rights under the indenture but Baxter will not be released from its obligations and covenants under the debt securities and the indenture.

**Events of Default**

The indenture defines an event of default with respect to any series of debt securities. Unless we inform you otherwise in the prospectus supplement, each of the following will be an event of default under the indenture for any series of debt securities:

our failure to pay interest on any of the debt securities when due, and continuance of the default for a period of 30 days;

our failure to pay principal or premium, if any, on that series of debt securities when due, whether at maturity or otherwise;

default in the deposit of any sinking fund payment or payment under any analogous provision when due with respect to any of the debt securities of such series;

our failure to perform, or our breach, of any covenant or warranty in the indenture in respect of that series, other than a covenant or warranty included in the indenture solely for the benefit of another series of debt securities, and continuance of that failure or breach, without that failure or breach having been cured or waived, for a period of 90 days after the trustee gives notice to us or,

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in the case of notice by the holders, the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of that series give notice to us and the trustee, specifying the default or breach;

specified events involving our bankruptcy, insolvency or reorganization; or

any other event of default we may provide for that series.

Additional or different events of default applicable to a series of debt securities may be described in a prospectus supplement. An event of default under one series of debt securities does not necessarily constitute an event of default under any other series of debt securities. The indenture provides that, within 90 days after the occurrence of any default with respect to a series of debt securities, the trustee will mail to all holders of debt securities of such series notice of the default, unless the default has been cured or waived. However, the indenture provides that the trustee may withhold notice of a default with respect to a series of debt securities, except a default in payment of principal, premium, if any, or interest, if any, if the trustee considers it in the best interest of the holders to do so. In the case of a default in the performance, or breach, of any covenant or warranty in the indenture or in respect of a series of debt securities, no notice will be given until at least 30 days after the occurrence of the default or breach. As used in this paragraph, the term default means any event which is, or after notice or lapse of time or both would become, an event of default with respect to a series of debt securities.

The indenture provides that if an event of default, other than an event of default relating to events of bankruptcy, insolvency or reorganization, with respect to a series of debt securities occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series may declare the principal of, and accrued and unpaid interest, if any, on, the debt securities in that series to be due and payable immediately. The indenture also provides that if an event of default relating to events of bankruptcy, insolvency or reorganization with respect to a series of debt securities occurs then the principal of, and accrued and unpaid interest, if any, on, all the debt securities of that series will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of the debt securities. However, upon specified conditions, the holders of a majority in aggregate principal amount of the outstanding debt securities of a series may rescind and annul an acceleration of the debt securities of that series and its consequences.

Subject to the provisions of the Trust Indenture Act requiring the trustee, during the continuance of an event of default under the indenture, to act with the requisite standard of care, the trustee is under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of debt securities unless those holders have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities that may be incurred by taking such action.

Subject to this requirement, holders of a majority in aggregate principal amount of the outstanding debt securities of a series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee under the indenture with respect to the debt securities of such series.

The indenture requires the annual filing with the trustee of a certificate signed by the principal executive officer, the principal financial officer or the principal accounting officer of Baxter that states whether Baxter is in default under the terms, provisions or conditions of the indenture.

Notwithstanding any other provision of the indenture, the holder of a debt security will have the right, which is absolute and unconditional, to receive payment of the principal of, and premium, if any, and interest, if any, on that

debt security on the respective due dates for those payments and to institute suit for the enforcement of those payments, and this right will not be impaired without the consent of the holder.

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**Modification and Waivers**

The indenture permits Baxter and the trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of a series affected by a modification or amendment, to modify or amend any of the provisions of the indenture or of the debt securities or the rights of the holders of the debt securities under the indenture. However, no modification or amendment may, without the consent of the holder of each outstanding debt security affected by the modification or amendment, among other things:

change the stated maturity of the principal of, or premium, if any, or any installment of interest, if any, with respect to the debt securities;

reduce the principal of or any premium on the debt securities or reduce the rate of interest on or the redemption or repurchase price of the debt securities;

change any place where or the currency in which the principal of, any premium or interest on, any debt security is payable;

impair a holder's right to institute suit to enforce any payment on or after the stated maturity of the debt securities or, in the case of redemption, on or after the redemption date;

reduce the percentage in principal amount of outstanding debt securities whose holders must consent to any modification or amendment or any waiver of compliance with specific provisions of the indenture or specified defaults under the indenture and their consequences;

make certain modifications to the provisions for modification of the indenture and for certain waivers, except to increase the principal amount of outstanding debt securities necessary to consent to any such change; or

make any change that adversely affects the right, if any, to convert or exchange any debt security for common stock or other securities in accordance with its terms.

The indenture also contains provisions permitting Baxter and the trustee, without the consent of the holders of the debt securities, to modify or amend the indenture, among other things:

to convey, transfer, assign, mortgage or pledge to the trustee as security for the debt securities any property or assets which Baxter may desire;

to evidence succession of another corporation to Baxter, or its successors, and the assumption by the successor corporation of the covenants, agreements and obligations of Baxter;

to add covenants and agreements of Baxter to those included in the indenture for the protection of holders of debt securities and to make the occurrence of a default of any such covenants or agreements a default or an event of default permitting enforcement of the remedies set forth in the indenture;

to add, delete or modify the events of default with respect to any series of debt securities the form and terms of which are being established pursuant to such supplemental indenture;

to prohibit the authentication and delivery of additional series of debt securities under the indenture;

to cure any ambiguity or correct or supplement any provision contained in the indenture or any supplemental indenture which may be defective or inconsistent with any other provisions contained therein;

to make such other provisions in regard to matters or questions arising under the indenture as are not inconsistent with the provisions of the indenture or any supplemental indenture and shall not adversely affect the interests of the holders of the debt securities in any material respect;

to establish the form and terms of debt securities of any series issued under the indenture; or

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to evidence and provide for acceptance of appointment under the indenture by a successor trustee with respect to the debt securities of one or more series or to add to or change any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts under the indenture by more than one trustee.

The holders of a majority in aggregate principal amount of the outstanding debt securities may waive our compliance with some of the restrictive provisions of the indenture. The holders of a majority in aggregate principal amount of the outstanding debt securities may, on behalf of all holders of debt securities, waive any past default under the indenture with respect to the debt securities and its consequences, except a default in the payment of the principal of, or premium, if any, or interest, if any, on the debt securities or a default in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding debt security.

In order to determine whether the holders of the requisite principal amount of the outstanding debt securities have taken an action under an indenture as of a specified date:

the principal amount of an original issue discount security that will be deemed to be outstanding will be the amount of the principal that would be due and payable as of that date upon acceleration of the maturity to that date,

if, as of that date, the principal amount payable at the stated maturity of a debt security is not determinable, for example, because it is based on an index, the principal amount of the debt security deemed to be outstanding as of that date will be an amount determined in the manner prescribed for the debt security,

the principal amount of a debt security denominated in one or more foreign currencies or currency units that will be deemed to be outstanding will be the U.S. currency equivalent, determined as of that date in the manner prescribed for the debt security, of the principal amount of the debt security or, in the case of a debt security described in the two preceding bullet points, of the amount described above, and

debt securities owned by us or any other obligor upon the debt securities or any of our or their affiliates will be disregarded and deemed not to be outstanding.

**Satisfaction and Discharge**

Upon the direction of Baxter, the indenture will cease to be of further effect with respect to any debt security specified, subject to the survival of specified provisions of the indenture, when:

either: (i) all debt securities issued under the indenture, subject to exceptions, have been delivered to the trustee for cancellation; or (ii) all debt securities issued under the indenture have become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption within one year and Baxter has deposited with the trustee, in trust, funds in United States dollars, or direct or indirect obligations of the United States ( government obligations ) in an amount



sufficient to pay the entire indebtedness on the debt securities including the principal, premium, if any, interest, if any, to the date of the deposit, if the debt securities have become due and payable, or to the maturity or redemption date of the debt securities, as the case may be;

Baxter has paid all other sums payable under the indenture with respect to the outstanding debt securities issued under the indenture; and

the trustee has received each officer's certificate and opinion of counsel called for by the indenture.

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**Defeasance and Covenant Defeasance**

Baxter may elect with respect to the debt securities issued under the indenture either

to defease and be discharged from all of its obligations with respect to the outstanding debt securities ( defeasance ), except for, among other things,

the obligation to register the transfer or exchange of the debt securities,

the obligation to replace temporary or mutilated, destroyed, lost or stolen debt securities,

the obligation to maintain an office or agency in respect of the debt securities, and

the obligation to hold monies for payment in trust; or

to be released from its obligations with respect to the debt securities under specified covenants in the indenture including those described under the heading Certain Covenants Restrictions on the creation of secured debt , and any omission to comply with those obligations will not constitute a default or an event of default with respect to the debt securities ( covenant defeasance ),

in either case upon the irrevocable deposit by Baxter with the trustee, or other qualifying trustee, in trust for that purpose, of an amount in United States dollars and/or government obligations which, through the payment of principal and interest in accordance with their terms, will provide money in an amount sufficient to pay the principal, premium, if any, and interest, if any, on the due dates for those payments.

The defeasance or covenant defeasance described above will only be effective if, among other things:

it will not result in a breach or violation of, or constitute a default under, the indenture or any other material agreement or instrument to which Baxter is a party or is bound;

in the case of defeasance, Baxter will have delivered to the trustee an opinion of independent counsel confirming that

Baxter has received from or there has been published by the Internal Revenue Service a ruling, or

since the date of the indenture there has been a change in applicable federal income tax law,

in either case to the effect that, and based on this ruling or change in law, the opinion of counsel will confirm that the holders of the debt securities then outstanding will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance had not occurred;

in the case of covenant defeasance, Baxter will have delivered to the trustee an opinion of independent counsel to the effect that the holders of the debt securities then outstanding will not recognize income, gain or loss for federal income tax purposes as a result of the covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the covenant defeasance had not occurred;

if the cash and/or government obligations deposited are sufficient to pay the principal of, and premium, if any, and interest, if any, with respect to the debt securities provided the debt securities are redeemed on a particular redemption date, Baxter will have given the trustee irrevocable instructions to redeem the debt securities on that date; and

no event of default or event which with notice or lapse of time or both would become an event of default with respect to the debt securities will have occurred and be continuing on the date of the

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deposit into trust, and, solely in the case of defeasance, no event of default or event which with notice or lapse of time or both would become an event of default arising from specified events of bankruptcy, insolvency or reorganization with respect to Baxter will have occurred and be continuing during the period through and including the 91st day after the date of the deposit into trust.

In the event covenant defeasance is effected with respect to the debt securities and those debt securities are declared due and payable because of the occurrence of any event of default other than an event of default with respect to the covenants as to which covenant defeasance has been effected, which would no longer be applicable to the debt securities after covenant defeasance, the amount of monies and/or government obligations deposited with the trustee to effect covenant defeasance may not be sufficient to pay amounts due on the debt securities at the time of any acceleration resulting from that event of default. However, Baxter would remain liable to make payment of those amounts due at the time of acceleration.

## **Book-Entry Securities**

Unless otherwise indicated in the prospectus supplement, the debt securities will be issued in the form of one or more fully registered global notes that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ( DTC ) and registered in the name of DTC or its nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. Global notes are not exchangeable for definitive note certificates except in the specific circumstances described below. For purposes of this prospectus, Global Note refers to the Global Note or Global Notes representing an entire issue of debt securities. So long as DTC, or its nominee, is the registered owner of a Global Note, DTC or the nominee, as the case may be, will be considered the sole owner or holder of such debt securities under the indenture.

Except as provided below, you will not be entitled to have debt securities registered in your name, will not receive or be entitled to receive physical delivery of debt securities in definitive form, and will not be considered the owner or holder thereof under the indenture.

Except as set forth below, a Global Note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

DTC has advised us that it is:

a limited-purpose trust company organized under New York Banking Law;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC holds securities that its participants ( Direct Participants ) deposit with DTC and facilitates the post-trade settlement of transactions among Direct Participants in such securities through electronic computerized book-entry transfers and pledges between Direct Participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ( DTCC ). DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear transactions through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ( Indirect Participants ). The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC's records. The ownership interest of each actual purchaser of each debt security will be recorded on the Direct and Indirect Participants' records. These beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the debt securities are to be accomplished by entries made on the books of Direct and Indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee will not change the beneficial ownership of the debt securities. DTC has no knowledge of the actual beneficial owners of the debt securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the debt securities of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such series to be redeemed.

In any case where a vote may be required with respect to the debt securities of any series, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to such debt securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to Baxter as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the debt securities of the series are credited on the record date (identified in the listing attached to the omnibus proxy).

Principal and interest payments, if any, on the debt securities will be made to Cede & Co, as nominee of DTC, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Baxter or the trustee, on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of DTC, Baxter or the trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee. Disbursement of payments from Cede & Co. to Direct Participants is DTC's responsibility. Disbursements of payments to beneficial owners are the responsibility of Direct and Indirect Participants.

In any case where we have made a tender offer for the purchase of any debt securities, a beneficial owner must give notice through a participant to a tender agent to elect to have its debt securities purchased or tendered. The beneficial owner must deliver debt securities by causing the direct participants to transfer the participant's



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interest in the debt securities, on DTC's records, to a tender agent. The requirement for physical delivery of debt securities in connection with an optional tender or a mandatory purchase is satisfied when the ownership rights in the debt securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered debt securities to the tender agent's DTC account.

We obtained the information in this section concerning DTC and DTC's book-entry system from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

If at any time DTC or any successor depository for the debt securities of any series notifies us that it is unwilling or unable to continue as the depository for the debt securities of such series, or if at any time DTC or such successor depository shall no longer be a clearing agency registered under the Exchange Act and any other applicable statute or regulation, we will be obligated to use commercially reasonable efforts to appoint another depository for the debt securities of such series. If another depository is not appointed within 90 days, definitive note certificates will be issued in exchange for the Global Note representing the debt securities of that series.

We may at any time in our sole discretion determine that the debt securities of any series shall no longer be represented by the Global Note, in which case definitive note certificates will be issued in exchange for the Global Note representing the debt securities of that series.

## **Governing Law**

The indenture and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

## **Regarding the Trustee**

The Bank of New York Mellon Trust Company, N.A., or any successor thereto, will serve as trustee under the indenture. The Bank of New York Mellon Trust Company, N.A. acts as trustee under certain other indentures with Baxter and its affiliates.



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**PLAN OF DISTRIBUTION**

We may sell the debt securities offered pursuant to this prospectus in any of the following ways:

directly to one or more purchasers;

through agents;

through underwriters or dealers; or

through a combination of any of these methods of sale.

A prospectus supplement with respect to each offering of debt securities will state the terms of the offering of the debt securities, including:

the name or names of any underwriters, dealers, agents or direct purchasers and the amounts of securities underwritten or purchased by each of them, if any;

the public offering price or purchase price of the debt securities and the net proceeds to be received by us from the sale;

any delayed delivery arrangements;

any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation; and

any discounts or concessions allowed or reallocated or paid to dealers.

**LEGAL MATTERS**

Unless otherwise specified in the prospectus supplement accompanying this prospectus, David P. Scharf, Baxter's Corporate Vice President, General Counsel and Corporate Secretary, will pass upon certain legal matters for us with respect to the securities. Mr. Scharf owns shares of, and options on, Baxter common stock, both directly and as a participant in various stock and employee benefit plans.

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**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements, the financial statement schedule and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting), incorporated in this prospectus by reference to the Annual Report on Form 10-K of Baxter International Inc. for the year ended December 31, 2014 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited condensed consolidated financial information of Baxter International Inc. for the quarterly periods ended March 31, 2015 and June 30, 2015, incorporated by reference in this prospectus, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated (i) May 6, 2015, with respect to the quarter ended March 31, 2015, and (ii) August 7, 2015, with respect to the quarter ended June 30, 2015, each of which is incorporated by reference herein, state that they did not audit and they do not express an opinion on that unaudited condensed consolidated financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited condensed consolidated financial information because those reports are not reports or parts of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Securities Act.

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution.**

The following is a statement of the estimated expenses (other than underwriting discounts and commissions) to be incurred by Baxter in connection with the issuance and distribution of the securities registered under this registration statement.

|                                |        |       |
|--------------------------------|--------|-------|
| SEC registration fee           | \$     | *     |
| Accounting fees and expenses   |        | **    |
| Trustee s fees and expenses    |        | **    |
| Legal fees and expenses        |        | **    |
| Printing and distribution fees |        | **    |
| Rating Agency fees             |        | **    |
| Miscellaneous                  |        | **    |
| <br>Total                      | <br>\$ | <br>* |

\* Deferred in accordance with Rule 456(b) and 457 of the Securities Act.

\*\* An estimate of the aggregate amount of these expenses will be included in the applicable prospectus supplement.

**Item 15. Indemnification of Directors and Officers.**

Section 145 of the General Corporation Law of the State of Delaware, as amended, provides that under certain circumstances a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in right of the corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at its request in such capacity in another corporation or business association, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person s conduct was unlawful. The statute provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Article NINTH of Baxter s Amended and Restated Certificate of Incorporation provides that Baxter shall indemnify directors and officers of Baxter and its subsidiaries against certain liabilities that may arise as a result of such service to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Baxter is also empowered by Section 102(b)(7) of the General Corporation Law of the State of Delaware to include a provision in its certificate of incorporation to limit under certain circumstances a director s liability to Baxter or its stockholders for monetary damages for breaches of fiduciary duty as a director. Article EIGHTH of Baxter s Amended

and Restated Certificate of Incorporation states that to the fullest extent permitted by the General Corporation Law of Delaware as the same exists or may hereafter be amended, directors of Baxter shall not be liable to Baxter or its stockholders for monetary damages for breach of fiduciary duty as a director. Under currently applicable Delaware law, directors will remain liable for damages for (i) a breach of their duty of loyalty to Baxter and its stockholders; (ii) acts or omissions not in good faith; (iii) their intentional misconduct or knowing violation of law; (iv) unlawful dividend payments, stock repurchases or redemptions; and (v) any transaction from which the director derived an improper personal benefit.

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Baxter maintains insurance policies under which the directors and officers of Baxter are insured, within the limits and subject to the limitations of the policies, against certain expenses in connection with the defense of actions, suits or proceedings, and certain liabilities which might be imposed as a result of such actions, suits or proceedings, to which they are parties by reason of being or having been such directors or officers which could include liabilities under the Securities Act or the Exchange Act.

Baxter has entered into indemnification agreements with its officers and directors. These agreements provide for full indemnification, including indemnification for judgments or settlements against an officer or director in favor of Baxter, with certain exceptions. This indemnity could apply to liabilities under the Securities Act in certain circumstances.

The form of Underwriting Agreement filed as Exhibit 1.1 to this registration statement provides for indemnification of directors and officers of the registrant by the underwriters against certain liabilities.

### **Item 16. Exhibits.**

A list of exhibits filed herewith or incorporated by reference is contained in the Exhibit Index which is incorporated herein by reference.

### **Item 17. Undertakings.**

(a) 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; (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 SEC 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; and (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 (i), (ii) and (iii) do not apply if the registration statement is on Form S-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each 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;

(4) That, for the purpose of determining liability under the Securities Act to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

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(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; and

(5) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser;

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act) that is incorporated by reference in this registration statement 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; and

(c) Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, such registrant has been advised that, in the opinion of the SEC, 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.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, 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 Deerfield, State of Illinois, on November 4, 2015.

**BAXTER INTERNATIONAL INC.**

By: /s/ ROBERT L. PARKINSON, JR.  
 Robert L. Parkinson, Jr.  
*Chairman and Chief Executive Officer*

DATE: November 4, 2015

Each person whose signature appears below on this registration statement hereby constitutes and appoints James K. Saccaro, Baxter's Corporate Vice President and Chief Financial Officer, and David P. Scharf, Baxter's Corporate Vice President, General Counsel and Corporate Secretary, and each of them, and any successor or successors to such offices held by each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his name or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including, without limitation, post-effective amendments), and any registration statement or amendment under Rule 462(b) under the Securities Act of 1933, as amended, and to file the same with all exhibits thereto, and other 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 connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on November 4, 2015.

| <b>Signature</b>  | <b>Title</b>  |
|---|---|
| <p>/s/ ROBERT L. PARKINSON, JR.</p> <p>Robert L. Parkinson, Jr.</p> | <p>Chairman of the Board of Directors and<br/>                     Chief Executive Officer<br/>                     (principal executive officer)</p> |
| <p>/s/ JAMES K. SACCARO</p> <p>James K. Saccaro</p>                 | <p>Corporate Vice President and Chief Financial Officer<br/>                     (principal financial officer)</p>                                    |
| <p>/s/ SEBASTIAN J. BUFALINO</p>                                    | <p>Corporate Vice President and Controller</p>  |

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Sebastian J. Bufalino (principal accounting officer)

/s/ THOMAS F. CHEN Director

Thomas F. Chen

/s/ UMA CHOWDHRY, PH.D. Director

Uma Chowdhry

/s/ JOHN D. FORSYTH Director

John D. Forsyth

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| <b>Signature</b>   | <b>Title</b> |
|--|--------------|
| /s/ JAMES R. GAVIN III, M.D., Ph.D.<br>James R. Gavin III, M.D., Ph.D. | Director     |
| /s/ PETER S. HELLMAN<br>Peter S. Hellman                               | Director     |
| /s/ MUNIB ISLAM<br>Munib Islam   | Director     |
| /s/ CAROLE J. SHAPAZIAN<br>Carol J. Shapazian                          | Director     |
| /s/ THOMAS T. STALLKAMP<br>Thomas T. Stallkamp                         | Director     |
| /s/ K.J. STORM<br>K.J. Storm   | Director     |
| /s/ ALBERT P.L. STROUCKEN<br>Albert P.L. Stroucken                     | Director     |

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**EXHIBIT INDEX**

**Number and Description of Exhibit**

- \*1.1 Underwriting Agreement Standard Provisions (Debt Securities).
- 4.1 Indenture, dated August 8, 2006, between Baxter International Inc. and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), as trustee for the debt securities (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K, filed on August 9, 2006).
- \*5.1 Opinion of David P. Scharf.
- \*12.1 Computation of Ratio of Earnings to Fixed Charges.
- \*15.1 Letter re unaudited interim financial information.
- \*23.1 Consent of PricewaterhouseCoopers LLP.
- \*23.2 Consent of David P. Scharf (included as part of Exhibit 5.1).
- \*24.1 Powers of Attorney (included on signature page of this registration statement).
- \*25.1 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York Mellon Trust Company, N.A., as trustee in respect of the Indenture.

\* Filed herewith.