

BAXTER INTERNATIONAL INC

Form 11-K

June 29, 2006

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

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

For the year ended December 31, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-4448

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

Baxter International Inc. and Subsidiaries

Incentive Investment Plan

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

Baxter International Inc.

One Baxter Parkway

Deerfield, IL 60015

(847) 948-2000

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

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Incentive Investment Plan
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December 31, 2005 and 2004**

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

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Report of Independent Registered Public Accounting Firm

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

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

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chicago, Illinois

June 26, 2006

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

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

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

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

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

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

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

1. General Description of the Plan

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

Valuation of Investments

The valuation of Plan investments is determined as follows:

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

Income Recognition

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

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

Synthetic Guaranteed Investment Contracts

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

Payment of Benefits

Benefits are recorded when paid.

Other

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

Reclassifications

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

Use of Estimates

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

Risks and Uncertainties

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

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

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

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

4. Administration of the Plan

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

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

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

5. Investments

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

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

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

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

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

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

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

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

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**Baxter International Inc. and Subsidiaries
Incentive Investment Plan
Notes to Financial Statements
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6. Securities Lending Transactions

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

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

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

7. Plan Termination

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

8. Tax Status of the Plan

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

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Baxter International Inc. and Subsidiaries

Incentive Investment Plan

Notes to Financial Statements

December 31, 2005 and 2004

9. Related Parties

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

10. Plan Mergers

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

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

11. New Accounting and Disclosure Standard

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

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SUPPLEMENTAL SCHEDULES

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

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

APPLERA CORP COM APPLIED BIOSYSTEMS Common Stock
GROUP

5,312

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

| | | | |
|--|--------------|-----------|-------------|
| APPLIED DIGITAL SOLUTIONS INC | Common Stock | | 26,635 |
| APPLIED MATERIALS INC | Common Stock | | 45,029 |
| APPLIED MICRO CIRCUITS CORP | Common Stock | | 1,221 |
| APT SATELLITE HOLDING LTD | Common Stock | | 780 |
| AQUA AMERICA INC | Common Stock | | 2,730 |
| ARCHER DANIELS MIDLAND | Common Stock | | 20,008 |
| ARIBA INC COM NEW | Common Stock | | 1,220 |
| ARM HOLDINGS PLC SPONS ADR | Common Stock | | 3,478 |
| ARMOR HLDGS INC COM | Common Stock | | 2,133 |
| AROTECH CORP | Common Stock | | 740 |
| ARROW ELECTRS INC | Common Stock | 1,013,171 | 1,151,252 |
| ARROW FINL CORP | Common Stock | | 4,414 |
| ART TECHNOLOGY GRP INC | Common Stock | | 9,800 |
| ARTEMIS INTL SOLUTIONS CORP COM NEW | Common Stock | | 140 |
| ASTA FUNDING INC | Common Stock | | 13,670 |
| ASTRAZENECA PLC- SPONS ADR | Common Stock | | 2,187 |
| AT&T INC COM | Common Stock | | 49,690 |
| ATARI INC | Common Stock | | 5,184 |
| ATHEROGENICS INC | Common Stock | | 300 |
| ATLAS AMERICA INC | Common Stock | | 16,561 |
| ATSI COMMUNICATIONS INC COM NEW | Common Stock | | 21 |
| AUDICODES LTD | Common Stock | | 2,220 |
| AUTODESK INC | Common Stock | | 6,440 |
| AUTOMATIC DATA PROCESSING INC | Common Stock | | 13,770 |
| AVNET INC | Common Stock | 875,288 | 813,195 |
| AVON PRODUCTS INC | Common Stock | | 5,710 |
| AXONYX INC | Common Stock | | 83 |
| BACK YD BURGERS INC | Common Stock | | 8,449 |
| BACKWEB TECHNOLOGIES LTD | Common Stock | | 1,899 |
| BAIDU COM INC SPON ADR RESTG ORD SHS CL A | Common Stock | | 18,876 |
| BALLARD PWR SYS INC | Common Stock | | 167 |
| BANK AMER CORP | Common Stock | 2,507,232 | 3,709,804 |
| BANK NEW YORK INC | Common Stock | | 7,474 |
| BANK OF AMERICA CORP | Common Stock | | 25,844 |
| BANK OF THE OZARKS | Common Stock | | 4,059 |
| BANRO CORP | Common Stock | | 8,470 |
| BARD C R INC | Common Stock | | 65,920 |
| BARR PHARMACEUTICALS INC | Common Stock | | 13,953 |
| BARRETT BUS SVCS INC | Common Stock | | 7,497 |
| * BAXTER INTL INC | Common Stock | | 127,552,068 |
| BAYER AG SPONSORED ADR | Common Stock | | 25,840 |
| BEA SYSTEMS INC | Common Stock | | 9,494 |

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| | | | |
|--|--------------|-----------|-----------|
| BED BATH & BEYOND INC | Common Stock | | 72,300 |
| BEMA GOLD CORP | Common Stock | | 17,460 |
| BERKSHIRE HATHAWAY INC DEL | Common Stock | 1,117,740 | 1,400,116 |
| BERKSHIRE HATHAWAY INC DEL CL A FRMLY COMMON | Common Stock | | 88,600 |
| BERKSHIRE HATHAWAY INC DEL CL B | Common Stock | | 17,613 |
| BEST BUY INC | Common Stock | | 282,968 |
| BEVERLY ENTERPRISES INC | Common Stock | | 4,668 |
| BHP BILLITON LTD SPON ADR | Common Stock | | 63,498 |
| BIOCRYST PHARMACEUTICALS INC | Common Stock | | 33,500 |
| BIOGEN IDEC INC | Common Stock | | 9,282 |
| BIOMERICA INC | Common Stock | | 6,720 |
| BIOMET INC | Common Stock | | 10,057 |
| BIOMIRA INC | Common Stock | | 560 |
| BIOVAIL CORP | Common Stock | | 43,663 |
| BLACK BOX CORP | Common Stock | | 2,369 |
| BLACKROCK DIVID ACHIEVERS TM TR COM | Common Stock | | 4,980 |
| BLOCK H & R INC | Common Stock | | 10,385 |
| BLUE COAT SYS INC NEW | Common Stock | | 18,288 |
| BLUE DOLPHIN ENERGY CORP | Common Stock | | 20,088 |
| BLUELINX HOLDINGS INC | Common Stock | | 1,530 |
| BOEING CO | Common Stock | 3,799,038 | 4,445,849 |
| BONSO ELECTRS INTL COM PAR \$0.003 (NEW) | Common Stock | | 4,060 |
| BORG WARNER INC. | Common Stock | 558,668 | 730,398 |
| BOSTON SCIENTIFIC CORP | Common Stock | 897,440 | 1,072,483 |
| BP PLC | Common Stock | 2,251,862 | 2,993,122 |
| BP PLC SPON ADR REPSNTG ORD SHRS | Common Stock | | 13,832 |
| BRADLEY PHARMACEUTICALS INC | Common Stock | | 570 |
| BRIGGS & STRATTON CORP | Common Stock | | 7,915 |
| BRIGHAM EXPL CO | Common Stock | | 4,744 |
| BRISTOL MYERS SQUIBB | Common Stock | | 28,852 |
| BRITESMILE INC COM NEW | Common Stock | | 49 |
| BROADCOM CORP | Common Stock | 3,794,494 | 4,865,306 |
| BROADCOM CORP CL A | Common Stock | | 49,272 |
| BROADWING CORP COM | Common Stock | | 21,562 |
| BROCADE COMMUNICATIONS SYS INC | Common Stock | | 41 |
| BROOKFIELD ASSET MGMT INC | Common Stock | | 25,165 |
| BROOKFIELD HOMES CORP | Common Stock | | 98 |
| BROOKLINE BANCORP INC DEL COM | Common Stock | | 5,101 |
| BSI2000 INC | Common Stock | | 145 |
| BUILDING MATERIAL HOLDING CORP | Common Stock | | 6,841 |
| C D W CORP COM | Common Stock | | 20,525 |
| CABELAS INC | Common Stock | | 12,450 |
| CABLE & WIRELESS PLC SPONSORED ADR RESPTG 3 ORD | Common Stock | | 2,081 |
| CAL MAINE FOODS INC | Common Stock | | 6,790 |
| CALAMP CORP | Common Stock | | 178,340 |
| CALAVO GROWERS INC | Common Stock | | 2,848 |

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

| | | | |
|---|--------------|-----------|------------|
| CALPINE CORP | Common Stock | | 1,007 |
| CAMPBELL SOUP CO | Common Stock | | 75 |
| CANCERVAX CORP | Common Stock | | 2,760 |
| CAPSTEAD MTG CORP COM NO PAR | Common Stock | | 2,905 |
| CAPSTONE TURBINE CORP | Common Stock | | 20,930 |
| CARDIAC SCIENCE CORP | Common Stock | | 272 |
| CARDINAL COMM INC N/C FROM 91732M105 | Common Stock | | 20 |
| * CARDINAL HEALTH INC | Common Stock | | 15,543,137 |
| CARDIOTECH INTL INC | Common Stock | | 1,150 |
| CAREMARK RX INC | Common Stock | 1,533,393 | 1,713,180 |
| CARMAX INC | Common Stock | | 2,768 |
| CARNIVAL CORP | Common Stock | 665,617 | 760,300 |
| CARREKER CORP | Common Stock | | 998 |
| CATERPILLAR INC | Common Stock | | 137,793 |
| CBIZ INC COM | Common Stock | | 1,445 |
| CDC CORPORATION SHS A | Common Stock | | 16,000 |
| CELGENE CORP | Common Stock | | 35,705 |
| CELL GENESYS INC COM | Common Stock | | 356 |
| CEMEX S A SPONS ADR | Common Stock | | 6,111 |
| CENDANT CORP | Common Stock | | 8,727 |
| CENTRAL SECURITIES CORP | Common Stock | | 11,911 |
| CENVEO INC | Common Stock | | 10,528 |
| CERUS CORP | Common Stock | | 43,391 |
| CHARLES & COLVARD LTD | Common Stock | | 6,060 |
| CHARTER COMM INC DEL CL A | Common Stock | | 6,832 |
| CHATTEM INC | Common Stock | | 10,189 |
| CHESAPEAKE ENERGY CORPORATION OKLAHOMA | Common Stock | | 3,102,432 |
| CHEVRON CORP | Common Stock | 1,694,177 | 2,242,286 |
| CHEVRON CORP NEW | Common Stock | | 39,739 |
| CHICOS FAS INC | Common Stock | | 13,179 |
| CHINA ENERGY SVGS TECHNOLOGY INC | Common Stock | | 4,160 |
| CHINA PETROLEUM & CHEM CORP SPON ADR | Common Stock | | |
| REPSTG H SHS | | | 11,156 |
| CHINA YUCHAI INTERNATIONAL LTD | Common Stock | | 7,830 |
| CHUBB CORP | Common Stock | 1,477,276 | 2,709,510 |
| CHUBB CORP | Common Stock | 824,546 | 1,301,722 |
| CIENA CORP | Common Stock | | 5,094 |
| CIGNA CORP | Common Stock | 765,643 | 1,654,461 |
| CIRCLE GROUP HLDGS INC | Common Stock | | 2,950 |
| CISCO SYS INC | Common Stock | | 379,225 |
| * CITIGROUP INC | Common Stock | 5,639,757 | 5,862,906 |
| CLARENT CORP | Common Stock | | 3 |

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| | | | |
|--|--------------|-----------|-----------|
| CLEAR CHANNEL OUTDOOR HLDGS IN | Common Stock | 351,925 | 392,005 |
| CLEVELAND CLIFFS INC | Common Stock | | 12,592 |
| CLICK COMM INC COM | Common Stock | | 6,306 |
| CLINICAL DATA INC NEW | Common Stock | | 543 |
| CLOROX CO | Common Stock | 1,680,199 | 1,775,151 |
| CMGI INC FRMLY CMG INFORMATION SVCS INC | Common Stock | | 40,743 |
| CNS INC | Common Stock | | 3,295 |
| COACH INC | Common Stock | | 3,334 |
| COCA COLA CO | Common Stock | | 20,645 |
| COGENT INC | Common Stock | | 1,134 |
| COGNIZANT TECH SOLUTIONS CORP | Common Stock | | 6,233 |
| COHEN & STEERS PREM INCOME RLTY FD INC | Common Stock | | 12,158 |
| COLGATE-PALMOLIVE CO | Common Stock | | 2,743 |
| COLUMBIA SPORTSWEAR CO | Common Stock | | 95,460 |
| COMCAST CORP NEW | Common Stock | 1,973,628 | 1,732,595 |
| COMCAST CORP NEW CL A | Common Stock | | 6,480 |
| COMCAST CORP NEW CL A SPL | Common Stock | | 6,885 |
| COMDISCO HLDG CO INC CONTINGENT DISTRIBUTION RTS | Common Stock | | 320 |
| COMMERCE BANCORP INC N J COM | Common Stock | | 8,635 |
| COMMTOUCH SOFTWARE LTD SHS | Common Stock | | 530 |
| COMPANHIA SIDERURGICA NACIONAL SPONS ADR REPTSG ORD SHS | Common Stock | | 5,081 |
| COMPUWARE CORP | Common Stock | | 8,970 |
| COMTECH TELECOMMUNICATIONS CORP COM NEW | Common Stock | | 9,165 |
| CONAGRA FOODS INC | Common Stock | | 10,140 |
| CONEXANT SYS INC | Common Stock | | 4,746 |
| CONNACHER OIL & GAS LTD | Common Stock | | 6,606 |
| CONOCOPHILLIPS | Common Stock | 541,160 | 1,487,069 |
| CONSOL ENERGY INC | Common Stock | | 6,518 |
| CONTANGO OIL & GAS INC COM NEW | Common Stock | | 11,440 |
| COOPER INDUSTRIES LTD | Common Stock | 509,749 | 771,292 |
| COOPER TIRE + RUBR CO | Common Stock | 767,583 | 635,361 |
| CORAUTUS GENETICS INC COM NEW | Common Stock | | 886 |
| CORILLIAN CORP | Common Stock | | 127,840 |
| CORNING INC | Common Stock | 2,836,365 | 4,112,641 |
| CORPORATE EXECUTIVE BRD CO | Common Stock | | 987 |
| CORPORATE HIGH YIELD FD V INC | Common Stock | | 2,504 |
| COTHERIX INC | Common Stock | | 1,058 |
| COVAD COMMUNICATIONS GROUP INC | Common Stock | | 98 |
| CREE INC | Common Stock | | 8,834 |
| CROWN CASTLE INTL CORP | Common Stock | 384,431 | 401,239 |
| CSX CORP | Common Stock | 2,513,091 | 2,867,579 |
| CUMBERLAND RES LTD | Common Stock | | 4,420 |
| CVS CORP DEL | Common Stock | | 2,061 |
| CYBERCARE INC | Common Stock | | 5 |
| CYPRESS SEMICONDUCTR CORP | Common Stock | | 14,250 |
| D R HORTON INC | Common Stock | | 16,821 |
| DADE BEHRING HLDGS INC | Common Stock | | 14,393 |

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

| | | | |
|--------------------------------------|--------------|-----------|------------|
| DAIMLERCHRYSLER AG ORD | Common Stock | | 5,945 |
| DATASTREAM SYSTEMS INC | Common Stock | | 1,081 |
| DEERE & COMPANY | Common Stock | | 16,824 |
| DELCATH SYSTEMS INC COM | Common Stock | | 13,600 |
| DELL INC | Common Stock | | 19,917 |
| DELPHI CORP | Common Stock | | 47 |
| DELTA AIR LINES INC | Common Stock | | 8,667 |
| DENDREON CORP | Common Stock | | 10,840 |
| DHB INDUSTRIES INC | Common Stock | | 447 |
| DIAGEO PLC | Common Stock | | 7,288 |
| DIEBOLD INC | Common Stock | 777,417 | 825,503 |
| DIGI INTL INC | Common Stock | | 682 |
| DIGITAL LIGHTWAVE INC | Common Stock | | 893 |
| DIOMED HLDGS INC COM NEW | Common Stock | | 974 |
| DIRECTV GROUP INC | Common Stock | 1,617,773 | 1,359,590 |
| DISCOVERY HLDG CO COM SER A | Common Stock | | 455 |
| DISNEY WALT CO DEL (HOLDING COMPANY) | Common Stock | | 91,973 |
| DISTRIBUTED ENERGY SYS CORP | Common Stock | | 3,790 |
| DOBSON COMMUNICATIONS CORP CL A | Common Stock | | 2,250 |
| DOLLAR GEN CORP | Common Stock | | 4,786 |
| DOMINION RESOURCES INC VA NEW | Common Stock | | 14,400 |
| DORAL FINANCIAL CORP | Common Stock | | 10,600 |
| DOT HILL SYS CORP | Common Stock | | 693 |
| DOV PHARMACEUTICAL INC | Common Stock | | 7,340 |
| DOW CHEMICAL CO | Common Stock | | 48,202 |
| DR REDDYS LABS LTD ADR | Common Stock | | 4,377 |
| DREAMWORKS ANIMATION SKG INC CL A | Common Stock | | 9,063 |
| DRIL QUIP INC | Common Stock | | 472 |
| DUKE ENERGY CORP. | Common Stock | | 24,705 |
| DUKE REALTY CORP COM NEW | Common Stock | | 16,700 |
| DYNEGY INC HLDG CO | Common Stock | | 17,545 |
| E M C CORP MASS | Common Stock | | 166,300 |
| E TRADE FINANCIAL CORP | Common Stock | | 20,860 |
| EASTMAN KODAK CO | Common Stock | | 16,380 |
| EATON VANCE LTD DURATION INCOME FD | Common Stock | | 20,551 |
| EBAY INC | Common Stock | 3,436,940 | 4,038,405 |
| EHOSTAR COMMUNICATIONS CL A | Common Stock | | 2,718 |
| EDGE PETE CORP | Common Stock | | 2,491 |
| * EDWARDS LIFESCIENCES CORP | Common Stock | | 11,162,417 |
| EL PASO CORP | Common Stock | 664,993 | 810,493 |
| EL PASO CORP COM | Common Stock | | 365 |
| ELAN CORP PLC ADR | Common Stock | | 80,794 |
| ELDORADO GOLD CORP | Common Stock | | 18,130 |

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| | | | |
|---------------------------------------|--------------|-----------|-----------|
| ELECTRONIC ARTS INC | Common Stock | 1,360,667 | 1,477,280 |
| ELECTRONIC DATA SYS CORP NEW | Common Stock | 886,938 | 1,082,459 |
| ELECTRONICS ARTS | Common Stock | | 12,764 |
| EMERSON ELEC CO | Common Stock | 636,351 | 626,977 |
| EMERSON ELECTRIC CO | Common Stock | | 22,410 |
| EMULEX CORP COM NEW | Common Stock | | 2,276 |
| ENBRIDGE INC | Common Stock | | 18,862 |
| ENCANA CORP | Common Stock | | 23,723 |
| ENCORE MEDICAL CORP | Common Stock | | 24,750 |
| ENCYSIVE PHARMACEUTICALS INC | Common Stock | | 947 |
| ENERPLUS RES FD TR UNIT | Common Stock | | 55,338 |
| ENOVA SYS INC COM NEW | Common Stock | | 1,576 |
| ENSCO INTL INC | Common Stock | 564,257 | 661,276 |
| ENERGY CORP NEW | Common Stock | 1,871,177 | 2,447,146 |
| ENTRAVISION COMMUNICATIONS CORP CL A | Common Stock | | 1,068 |
| EOG RESOURCES INC | Common Stock | | 7,341 |
| EPICOR SOFTWARE CORP | Common Stock | | 7,065 |
| EPIX PHARMACEUTICALS INC | Common Stock | | 16,968 |
| EQUIFAX INC | Common Stock | | 3,422 |
| ERESEARCH TECHNOLOGY INC | Common Stock | | 14,466 |
| ESCALADE INC | Common Stock | | 4,120 |
| ESPEED INC CL A | Common Stock | | 3,855 |
| ESS TECHNOLOGY INC | Common Stock | | 1,029 |
| EV3 INC | Common Stock | | 43,336 |
| EVERGREEN SOLAR INC | Common Stock | | 25,560 |
| EXPEDIA INC DEL COM | Common Stock | | 6,373 |
| EXPRESS SCRIPTS INC COM FORMERLY CL A | Common Stock | | 8,380 |
| EXTENDICARE INC | Common Stock | | 4,689 |
| EXXON MOBIL CORP | Common Stock | 3,662,481 | 3,556,008 |
| FARO TECHNOLOGIES INC | Common Stock | | 1,400 |
| FASTENAL CO | Common Stock | 481,074 | 595,948 |
| FEDERAL HOME LN MTG CORP | Common Stock | 1,369,898 | 1,458,365 |
| FEDERAL NATL MTG ASSN | Common Stock | 3,500,835 | 2,641,201 |
| FEDEX CORP | Common Stock | | 58,480 |
| FIDELITY NATL FINL INC | Common Stock | | 2,207 |
| FIELDPOINT PETROLEUM CORP | Common Stock | | 4,823 |
| FIFTH THIRD BANCORP | Common Stock | | 9,430 |
| FINISAR CORP | Common Stock | | 10,400 |
| FIRST CASH FINL SVCS | Common Stock | | 5,832 |
| FIRST DATA CORP | Common Stock | | 4,000 |
| FISERV INC | Common Stock | | 5,452 |
| FLAGSTAR BANCORP INC | Common Stock | | 864 |
| FLEXTRONICS INTERNATIONAL LTD | Common Stock | 1,809,908 | 1,589,633 |
| FLEXTRONICS INTL INC | Common Stock | | 2,349 |
| FLORIDA ROCK INDS INC | Common Stock | | 49,060 |

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

| | | | |
|--|--------------|-----------|-----------|
| FOOD TECHNOLOGY SVCS INC | Common Stock | | 1,680 |
| FORBES MEDI-TECH INC | Common Stock | | 15,461 |
| FORD MTR CO DEL COM | Common Stock | | 10,916 |
| FORDING CDN COAL TR UNIT | Common Stock | | 53,554 |
| FOREST LABORATORIES INC | Common Stock | | 5,329 |
| FORTUNE BRANDS INC | Common Stock | | 7,412 |
| FOSTER WHEELER LTD SHS NEW | Common Stock | | 920 |
| FOUNDATION COAL HLDGS INC | Common Stock | | 3,800 |
| FOWARD INDS II | Common Stock | | 6,141 |
| FPL GROUP INC | Common Stock | | 4,223 |
| FRANKLIN RES INC | Common Stock | 1,944,918 | 2,896,282 |
| FREESCALE SEMICONDUCTOR INC | Common Stock | 1,284,263 | 1,604,353 |
| FREESCALE SEMICONDUCTOR INC CL B | Common Stock | | 11,327 |
| FRONTLINE LTD SHS | Common Stock | | 33,711 |
| FUELCELL ENERGY INC | Common Stock | | 4,235 |
| FUTUREMEDIA PLC-ADR | Common Stock | | 2,144 |
| GALLAGHER ARTHUR J & CO | Common Stock | | 15,440 |
| GAMESTOP CORP NEW CL A | Common Stock | | 10,023 |
| GATEWAY INC | Common Stock | | 3,514 |
| GEHL CO COM | Common Stock | | 11,813 |
| GENENTECH INC | Common Stock | 3,244,365 | 4,869,525 |
| GENERAL DYNAMICS CRP | Common Stock | | 14,941 |
| GENERAL ELEC CO | Common Stock | 7,124,426 | 7,416,899 |
| GENERAL ELECTRIC CO | Common Stock | | 198,343 |
| GENERAL MARITIME CORP SHS | Common Stock | | 1,482 |
| GENERAL MILLS INC | Common Stock | | 39,456 |
| GENEREX BIOTECHNOLOGY CORP | Common Stock | | 1,245 |
| GENTA INC | Common Stock | | 2,978 |
| GENWORTH FINL INC | Common Stock | 1,785,375 | 2,113,624 |
| GEOPHARMA INC | Common Stock | | 1,835 |
| GEORESOURCES INC | Common Stock | | 2,190 |
| GETTY IMAGES INC | Common Stock | 447,541 | 480,469 |
| GIGAMEDIA LTD | Common Stock | | 14,250 |
| GILEAD SCIENCES INC | Common Stock | 1,533,847 | 2,065,308 |
| GLOBAL HIGH INC DLR FD INC | Common Stock | | 9,891 |
| GLOBALSANTAFE CORPORATION | Common Stock | 1,620,895 | 1,878,043 |
| GOLD FIELDS LTD ADR | Common Stock | | 14,104 |
| GOLDCORP INC NEW | Common Stock | | 12,254 |
| GOLDEN STAR RES LTD | Common Stock | | 26,400 |
| GOLDMAN SACHS GROUP INC | Common Stock | 2,956,123 | 3,587,438 |
| GOODRICH CORP FORMERLY GOODRICH B F CO 06/01/01 | Common Stock | | 6,234 |
| GOOGLE INC | Common Stock | 3,217,997 | 6,816,588 |

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| | | | |
|--|--------------|-----------|-----------|
| GOOGLE INC CL A | Common Stock | | 60,570 |
| HALLIBURTON CO | Common Stock | 3,832,531 | 5,151,523 |
| HALLIBURTON CO HOLDING CO FRMLY | Common Stock | | |
| HALLIBURTON CO | | | 17,361 |
| HALOZYME THERAPEUTICS INC | Common Stock | | 12,161 |
| HANCOCK JOHN PFD EQUITY INCOME FD SH BEN INT | Common Stock | | 14,896 |
| HANSEN NATURAL CORP | Common Stock | | 19,703 |
| HARKEN ENERGY CORP | Common Stock | | 570 |
| HARLEY DAVIDSON INC | Common Stock | | 5,149 |
| HARRAH S ENTERTAINMENT INC | Common Stock | | 14,258 |
| HARTFORD FINANCIAL SVCS GRP | Common Stock | 818,224 | 1,060,144 |
| HARVEST ENERGY TR UNITS | Common Stock | | 29,022 |
| HCA INC | Common Stock | 651,107 | 718,069 |
| HEADWATERS INC | Common Stock | | 42,528 |
| HELMERICH & PAYNE | Common Stock | | 6,209 |
| HENRY JACK & ASSOC INC | Common Stock | | 13,096 |
| HERSHEY CO | Common Stock | | 2,265 |
| HEWLETT PACKARD CO | Common Stock | 2,812,352 | 3,768,458 |
| HEWLETT-PACKARD CO DE | Common Stock | | 76,041 |
| HOKU SCIENTIFIC INC | Common Stock | | 2,277 |
| HOLLIS-EDEN PHARMA INC | Common Stock | | 339 |
| HOLLY CORP PAR \$0.01 | Common Stock | | 11,845 |
| HOLOGIC INC | Common Stock | | 5,688 |
| HOME DEPOT INC | Common Stock | | 302,538 |
| HONDA MOTOR LTD | Common Stock | 1,093,160 | 1,487,524 |
| HONEYWELL INTL INC | Common Stock | | 11,221 |
| HOSPIRA INC | Common Stock | | 48,042 |
| HSBC HOLDINGS PLC SPONS ADR | Common Stock | | 29,532 |
| I2 TECHNOLOGIES INC COM NEW | Common Stock | | 564 |
| IAC / INTERACTIVECRP COM NEW | Common Stock | | 7,530 |
| ICON PLC CORP ADR REPRSTG 1 ORD SHR | Common Stock | | 4,525 |
| ICOS CORP | Common Stock | | 27,630 |
| IDM PHARMA INC COM | Common Stock | | 26 |
| IKON OFFICE SOLUTION INC | Common Stock | | 312 |
| IMA EXPLORATION INC | Common Stock | | 3,020 |
| IMCLONE SYS INC | Common Stock | | 3,698 |
| IMMUNOGEN INC | Common Stock | | 3,601 |
| IMMUNOMEDICS INC | Common Stock | | 2,920 |
| IMPAC MTG HLDGS INC | Common Stock | | 47 |
| IMPCO TECHNOLOGIES | Common Stock | | 5,160 |
| IMPERIAL OIL LTD COM NEW | Common Stock | | 3,984 |
| INCO LTD COM | Common Stock | | 4,357 |
| INCYTE CORP | Common Stock | | 28,275 |
| INDEVUS PHARMACEUTICALS INC | Common Stock | | 43,040 |
| ING CLARION REAL ESTATE INCOME FD COM SHS | Common Stock | | 14,325 |
| ING PRIME RATE TR SH BEN INT | Common Stock | | 6,660 |
| INNODATA ISOGEN INC | Common Stock | | 571 |

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

| | | | |
|--|--------------|-----------|-----------|
| INPHONIC INC COM | Common Stock | | 21,725 |
| INSMED INC COM NEW | Common Stock | | 55,160 |
| INTEGRATED DEVICE TECH INC | Common Stock | | 3,031 |
| INTEL CORP | Common Stock | 1,794,551 | 1,898,866 |
| INTELLISYNC CORP CASH MERGER AT \$5.25 PER SHARE | Common Stock | | 5,160 |
| INTER TEL INC | Common Stock | | 58,964 |
| INTERNET CAP GROUP INC | Common Stock | | 2,672 |
| INTERNET INITIATIVE INC SPONS ADR | Common Stock | | 11,150 |
| INTERPUBLIC GROUP COS INC | Common Stock | 2,691,797 | 1,969,608 |
| INTL BUSINESS MACH | Common Stock | | 11,508 |
| INTL FUEL TECH INC NEW | Common Stock | | 9,850 |
| INTL GAME TECHNOLOGY | Common Stock | | 26,779 |
| INTRAWEST CORP NEW | Common Stock | | 23 |
| INTUITIVE SURGICAL INC COM NEW | Common Stock | | 1,173 |
| ION NETWORKS INC | Common Stock | | 85 |
| IRIS INTL INC | Common Stock | | 19,674 |
| IRVINE SENSORS CORPORATION NEW | Common Stock | | 2,390 |
| ISCO INTL INC | Common Stock | | 1,472 |
| ISHARES INC MSCI AUSTRALIA INDEX FUND | Common Stock | | 6,047 |
| ISHARES INC MSCI AUSTRIA INDEX FD | Common Stock | | 8,396 |
| ISHARES INC MSCI BELGIUM INDEX FD | Common Stock | | 6,098 |
| ISHARES INC MSCI BRAZIL FREE INDEX FUND | Common Stock | | 25,028 |
| ISHARES INC MSCI CANADA INDEX FD | Common Stock | | 9,187 |
| ISHARES INC MSCI HONG KONG INDEX FD | Common Stock | | 1,262 |
| ISHARES TR S&P100 INDEX FUND | Common Stock | | 5,685 |
| ISHARES TR S&P500/ VALUE INDEX FD | Common Stock | | 14,582 |
| ISHARES TR S&P LATIN AMER 40 INDEX FD | Common Stock | | 1,966 |
| ISHARES TR S&P MIDCAP400 INDEX FD | Common Stock | | 14,760 |
| ISHARES TR S&P MIDCAP400/ VALUE INDEX FD | Common Stock | | 32,138 |
| ISHARES TR U S TREAS INFLATION PROTECTED SECS FD | Common Stock | | 72,781 |
| ISOLAGEN INC | Common Stock | | 3,700 |
| IVANHOE ENERGY COM | Common Stock | | 5,565 |
| IVILLAGE INC CASH MERGER AT \$8.50 PER SHARE | Common Stock | | 32,080 |
| JABIL CIRCUIT INC | Common Stock | | 14,836 |
| JDS UNIPHASE CORP | Common Stock | | 43,927 |
| JENSEN PORTFOLIO CLASS J | Common Stock | | 55,674 |
| JOHNSON & JOHNSON | Common Stock | | 119,332 |
| JONES APPAREL GROUP INC | Common Stock | 1,006,701 | 858,460 |
| JOY GLOBAL INC | Common Stock | | 6,017 |
| JPMORGAN CHASE & CO | Common Stock | 2,833,046 | 3,015,658 |

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| | | | |
|--|--------------|-----------|-----------|
| JUNIPER NETWORKS INC | Common Stock | 3,839,643 | 3,695,604 |
| JUPITERMEDIA CORP | Common Stock | | 4,434 |
| K MART CORP | Common Stock | | 3 |
| KB HOME COM | Common Stock | | 5,813 |
| KELLY SVCS INC CL A | Common Stock | | 8,338 |
| KEY TECH INC | Common Stock | | 2,761 |
| KIMBERLY CLARK CORP | Common Stock | | 11,930 |
| KINETIC CONCEPTS INC COM NEW | Common Stock | | 97,810 |
| KING PHARMACEUTICALS INC | Common Stock | | 3,282 |
| KINTERA INC | Common Stock | | 1,782 |
| KNIGHT TRANSPORTATION INC | Common Stock | | 2,011 |
| KNIGHTSBRIDGE TANK COM USD0.01 | Common Stock | | 2,425 |
| KNOLOGY INC | Common Stock | | 7,680 |
| KOALA CORP | Common Stock | | 1 |
| KOHL'S CORP | Common Stock | | 48,600 |
| KOREA FUND INC | Common Stock | | 3,560 |
| KOS PHARMACEUTICALS INC | Common Stock | | 15,519 |
| KRISPY KREME DOUGHNUTS INC | Common Stock | | 4,649 |
| KROGER CO | Common Stock | 1,157,210 | 1,129,389 |
| KRONOS WORLDWIDE INC | Common Stock | | 60 |
| L-3 COMMUNICATIONS HLDGS INC | Common Stock | | 14,694 |
| LABOR READY INC NEW | Common Stock | | 2,082 |
| LABORATORY CORP AMER HLDGS | Common Stock | 740,835 | 1,409,106 |
| LABORATORY CORP AMER HLDGS COM NEW | Common Stock | | 5,385 |
| LAW ENFORCEMENT ASSOCIATES CORP | Common Stock | | 7,264 |
| LCA VISION INC PAR \$.001 | Common Stock | | 5,369 |
| LEAPFROG ENTERPRISES INC CL A | Common Stock | | 11,941 |
| LEAR CORP | Common Stock | 626,603 | 511,468 |
| LEGG MASON INC | Common Stock | 1,571,787 | 2,221,917 |
| LEHMAN BROS HLDGS CORP | Common Stock | | 3,332 |
| LEHMAN BROTHERS HLDGS INC | Common Stock | 610,072 | 1,126,389 |
| LEVEL 3 COMMUNICATIONS INC | Common Stock | | 2,870 |
| LEXAR MEDIA INC | Common Stock | | 20,525 |
| LIBERTY ALL STAR EQUITY FD SBI | Common Stock | | 146 |
| LIBERTY MEDIA CORP | Common Stock | 1,320,249 | 1,342,889 |
| LIFECELL CORP | Common Stock | | 12,947 |
| LILLY ELI + CO | Common Stock | 1,089,927 | 1,107,121 |
| LINUX GOLD CORP | Common Stock | | 335 |
| LJ INTERNATIONAL INC | Common Stock | | 17,150 |
| LOOKSMART LTD COM NEW | Common Stock | | 1,504 |
| LORAL SPACE & COMMUNICATIONS LTD SHS NEW | Common Stock | | 1 |
| LOUDEYE CORP | Common Stock | | 475 |
| LOWES COMPANIES | Common Stock | | 25,622 |
| LOWES COS INC | Common Stock | 2,658,476 | 3,218,743 |
| LSI LOGIC CORP | Common Stock | | 16,000 |
| LUCENT TECH INC | Common Stock | | 106,826 |
| LYONDELL CHEMICAL CO | Common Stock | 1,391,017 | 1,270,129 |
| M 2003 PLC SPONSORED ADR N/C FROM 566306205 | Common Stock | | 2 |

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

| | | | |
|-------------------------------------|--------------|-----------|-----------|
| MAGNA INTL INC | Common Stock | 572,349 | 533,071 |
| MANKIND CORP | Common Stock | | 7,319 |
| MARATHON OIL CORP | Common Stock | | 6,160 |
| MARCONI CORP PLC NEW SPON ADR | Common Stock | | 26 |
| MARSH + MCLENNAN COS INC | Common Stock | 1,234,731 | 1,332,851 |
| MARTHA STEWART LIVING | Common Stock | | 1,743 |
| MARVEL ENTMT INC COM | Common Stock | | 9,894 |
| MARVELL TECHNOLOGY GROUP LTD | Common Stock | 2,325,334 | 3,993,309 |
| MARVELL TECHNOLOGY GROUP LTD | Common Stock | | 2,805 |
| MASCO CORP | Common Stock | | 4,529 |
| MASSMUTUAL PARTN INVS | Common Stock | | 28,100 |
| MAXTOR CORP | Common Stock | | 3,470 |
| MCDONALDS CORP | Common Stock | 2,276,263 | 2,806,903 |
| MEDCO HEALTH SOLUTIONS INC | Common Stock | 806,893 | 1,438,093 |
| MEDICAL ACTION INDS INC | Common Stock | | 20,440 |
| MEDIMMUNE INC | Common Stock | | 14,708 |
| MEMRY CORP | Common Stock | | 24,448 |
| MERCK + CO INC | Common Stock | 1,614,087 | 1,890,760 |
| MERGE TECHNOLOGIES INC | Common Stock | | 16,276 |
| MERIDIAN RESOURCE CORP | Common Stock | | 16,170 |
| MERRILL LYNCH & CO | Common Stock | 3,228,513 | 3,583,191 |
| METLIFE INC | Common Stock | 1,027,146 | 1,664,434 |
| METLIFE INC COM | Common Stock | | 490 |
| MGI PHARMA INC | Common Stock | | 8,494 |
| MICHAELS STORES INC | Common Stock | | 7,074 |
| MICROSOFT CORP | Common Stock | 2,167,751 | 2,139,483 |
| MICROVISION INC WASH | Common Stock | | 25,200 |
| MILACRON INC | Common Stock | | 2,520 |
| MILLENNIUM PHARM INC | Common Stock | | 27,791 |
| MINDSPEED TECHNOLOGIES INC | Common Stock | | 78 |
| MINEFINDERS LTD CORP | Common Stock | | 5,140 |
| MIRANT CORP | Common Stock | | 132 |
| MIRAVANT MEDICAL TECHNOLOGY | Common Stock | | 31 |
| MKS INSTRUMENTS INC | Common Stock | | 1,789 |
| MONARCH CASINO RESORT INC | Common Stock | | 9,040 |
| MONTPELIER REINSURANCE HOLDINGS LTD | Common Stock | | 11,340 |
| MORGAN STANLEY | Common Stock | 990,564 | 1,028,355 |
| MOSAIC CO | Common Stock | 426,282 | 433,389 |
| MOTION DNA CORP COM PAR \$0.001 | Common Stock | | 1,400 |
| MOTOROLA INC | Common Stock | | 439,857 |
| MPOWER HOLDING CORP NEW | Common Stock | | 112 |
| MULTI FINELINE ELECTRONIX INC | Common Stock | | 24,085 |
| MULTIBAND CORP | Common Stock | | 1,200 |

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| | | | |
|--|--------------|-----------|-----------|
| MURPHY OIL CORP | Common Stock | | 5,399 |
| NABI BIOPHARMACEUTICALS | Common Stock | | 2,704 |
| NABORS INDUSTRIES LTD | Common Stock | 2,514,978 | 3,253,749 |
| NABORS INDUSTRIES LTD (BERMUDA) | Common Stock | | 2,273 |
| NAM TAI ELECTRONICS INC | Common Stock | | 5,288 |
| NANOGEN INC | Common Stock | | 25,769 |
| NANOPHASE TECH CORP | Common Stock | | 8,475 |
| NASDAQ STK MKT INC | Common Stock | | 7,036 |
| NATIONAL CITY CORP | Common Stock | 974,329 | 1,243,068 |
| NEC CORP ADR | Common Stock | | 1,257 |
| NEENAH PAPER INC | Common Stock | | 168 |
| NEKTAR THERAPEUTICS | Common Stock | | 24,361 |
| NEOFORMA INC | Common Stock | | 9,900 |
| NEOPHARM INC | Common Stock | | 21,580 |
| NETFLIX COM INC COM | Common Stock | | 2,706 |
| NETGEAR INC | Common Stock | | 5,775 |
| NETWORK APPLIANCE CORP | Common Stock | | 2,160 |
| NETWORK APPLIANCE INC | Common Stock | 1,164,719 | 1,170,417 |
| NEW FRONTIER MEDIA INC | Common Stock | | 6,513 |
| NEWELL RUBBERMAID INC | Common Stock | | 4,756 |
| NII HLDGS INC NEW | Common Stock | | 22,626 |
| NIKE INC CLASS B | Common Stock | | 10,415 |
| NITROMED INC | Common Stock | | 21,762 |
| NL INDS INC COM NEW | Common Stock | | 3,111 |
| NOBLE CORPORATION | Common Stock | 658,358 | 647,785 |
| NOKIA CORP ADR | Common Stock | | 40,320 |
| NORDSTROM INC | Common Stock | | 8,078 |
| NORTEL NETWORKS CORP | Common Stock | 134,133 | 175,638 |
| NORTHERN TRUST CORP | Common Stock | 1,073,129 | 1,105,257 |
| NORTHFIELD LABORATORIES INC | Common Stock | | 161,189 |
| NORTHGATE MINERALS CORP | Common Stock | | 9,150 |
| NOVAGOLD RESOURCES | Common Stock | | 4,550 |
| NOVAMED INC DEL | Common Stock | | 1,959 |
| NOVARTIS AG ADR | Common Stock | | 1,942 |
| NOVAVAX INC | Common Stock | | 7,623 |
| NPS PHARMACEUTICALS INC | Common Stock | | 35,520 |
| NUTRI SYS INC NEW COM | Common Stock | | 10,806 |
| NVIDIA CORP | Common Stock | | 14,624 |
| O REILLY AUTOMOTIVE INC | Common Stock | | 38,028 |
| OCCIDENTAL PETE CORP | Common Stock | 251,565 | 1,206,818 |
| OCCIDENTAL PETROLEUM CORP | Common Stock | | 11,183 |
| ODYSSEY MARINE EXPLORATION INC | Common Stock | | 17,700 |
| OFFICE DEPOT INC | Common Stock | 1,091,417 | 2,040,176 |
| OIL STS INTL INC | Common Stock | | 9,504 |
| OIL SVC HOLDRS TR OIL SVC HOLDERS DEPOSITARY RCPT | Common Stock | | 77,280 |

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

| | | | |
|---|--------------|-----------|-----------|
| OLD REPUBLIC INTL CORP | Common Stock | | 7,878 |
| OM GROUP INC | Common Stock | | 281 |
| OMNIVISION TECHNOLOGIES INC | Common Stock | | 7,186 |
| ON2 TECHNOLOGIES INC | Common Stock | | 32,224 |
| ONCOLYTICS BIOTECH INC | Common Stock | | 231,835 |
| ONSCREEN TECHNOLOGIES INC N/C FROM 647537208 | Common Stock | | 110 |
| OPENTV CORP CL A | Common Stock | | 392 |
| OPLINK COMMUNICATIONS INC COM NEW | Common Stock | | 6,206 |
| ORACLE CORPORATION | Common Stock | | 105,311 |
| ORASURE TECHNOLOGIES INC COM | Common Stock | | 9,702 |
| ORCHID CELLMARK INC | Common Stock | | 304 |
| OREZONE RESOURCES INC | Common Stock | | 7,560 |
| OSI PHARMACEUTICALS INC | Common Stock | | 22,432 |
| OVERLAND STORAGE INC COM | Common Stock | | 4,010 |
| OVERSTOCK COM INC DEL COM | Common Stock | | 5,630 |
| OXFORD INDS INC | Common Stock | | 5,470 |
| P F CHANGS CHINA BISTRO INC | Common Stock | | 1,737 |
| PACIFIC ETHANOL INC | Common Stock | | 4,869 |
| PACIFIC RIM MINING CORP | Common Stock | | 18,450 |
| PACTIV CORPORATION | Common Stock | | 22,000 |
| PALM INC NEW COM | Common Stock | | 55,936 |
| PANACOS PHARMACEUTICALS INC | Common Stock | | 1,733 |
| PARAMETRIC TECH CORP | Common Stock | | 6,100 |
| PARKER DRILLING CO | Common Stock | | 3,249 |
| PATTERSON UTI ENERGY INC | Common Stock | | 16,502 |
| PAXSON COMMUNICATIONS CORP | Common Stock | | 900 |
| PAYCHEX INC | Common Stock | | 3,812 |
| PDI INC | Common Stock | | 1,350 |
| PEABODY ENERGY CORP | Common Stock | | 16,494 |
| PENGROWTH ENERGY TR TR UNITS CL A | Common Stock | | 21,811 |
| PENN NATL GAMING INC | Common Stock | | 14,498 |
| PEPSICO INC | Common Stock | 1,453,749 | 1,820,565 |
| PETRO CANADA COM | Common Stock | | 20,045 |
| PETROFUND ENERGY TR TR UNIT | Common Stock | | 6,038 |
| PETROHAWK ENERGY CORP | Common Stock | | 2,644 |
| PETROLEO BRASILEIRO SA PETROBRAS SPONS ADR | Common Stock | | 1,782 |
| PETROLEUM & RES CORP | Common Stock | | 8,892 |
| PETSMART INC | Common Stock | | 1,796 |
| PFIZER INC | Common Stock | 1,149,121 | 1,485,435 |
| PHARMOS CORP COM PAR \$.03 | Common Stock | | 66 |
| PHELPS DODGE CORP | Common Stock | | 23,581 |

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| | | | |
|--|--------------|-----------|-----------|
| PIKE ELEC CORP COM | Common Stock | | 12,165 |
| PILGRIMS PRIDE CORP CL B | Common Stock | | 93,345 |
| PIONEER DRILLING CO | Common Stock | | 109,463 |
| PLANTRONICS INC NEW | Common Stock | | 2,830 |
| PLUM CREEK TIMBER CO INC | Common Stock | | 8,003 |
| PMC-SIERRA INC | Common Stock | | 9,252 |
| POLARIS INDS INC | Common Stock | | 5,020 |
| POORE BROTHERS INC | Common Stock | | 1,227 |
| POP3 MEDIA CORP | Common Stock | | 40 |
| PORTALPLAYER INC COM | Common Stock | | 2,832 |
| POWERWAVE TECH INC | Common Stock | | 6,285 |
| PRICESMART INC | Common Stock | | 1,505 |
| PRIMEWEST ENERGY TR UT TR | Common Stock | | 42,581 |
| PROCTER & GAMBLE CO | Common Stock | 6,120,969 | 6,487,393 |
| PROTEIN DESIGN | Common Stock | | 3,467 |
| PROVIDENT ENERGY TR | Common Stock | | 12,121 |
| PROXIM CORP CL A NEW NO STOCKHOLDERS EQTY 7/27/05 | Common Stock | | 7 |
| PRUDENTIAL FINL INC | Common Stock | | 3,660 |
| PUTNAM HIGH INCOME BOND FD | Common Stock | | 18,925 |
| PUTNAM MASTER INTER INCOME TR SH BEN INT | Common Stock | | 6,337 |
| QLOGIC CORP | Common Stock | | 30,982 |
| QLT INC | Common Stock | | 16,536 |
| QUALCOMM INC | Common Stock | 4,311,404 | 5,021,763 |
| QUALITY SYSTEMS | Common Stock | | 8,520 |
| QUANTUM CORP DLT & STORAGE | Common Stock | | 6,100 |
| QUANTUM FUEL SYS TECHNOLOGIES | Common Stock | | |
| WORLDWIDE INC | | | 2,680 |
| QUEST DIAGNOSTICS INC | Common Stock | | 5,148 |
| RADCOM LTD SEDOL #2117124 | Common Stock | | 14,175 |
| RADIANT SYSTEMS INC | Common Stock | | 9,120 |
| RADIOSHACK CORP | Common Stock | | 3,155 |
| RADYNE CORP COM PAR \$.002 | Common Stock | | 1,457 |
| RAMBUS INC | Common Stock | | 19,752 |
| RAMP CORP COM NEW | Common Stock | | 8 |
| RAYONIER INC | Common Stock | | 4,446 |
| RED HAT INC | Common Stock | | 10,904 |
| REDBACK NETWORKS INC COM NEW | Common Stock | | 281 |
| RENAISSANCERE HOLDINGS LTD | Common Stock | 552,067 | 548,807 |
| RENAL CARE GROUP INC CASH MERGER @\$48.00 PER SHARE | Common Stock | | 7,097 |
| RENT A CENTER INC | Common Stock | | 11,316 |
| REPLIGEN CORP | Common Stock | | 1,400 |
| RESEARCH IN MOTION LTD | Common Stock | | 33,005 |
| REYNOLDS AMERN INC | Common Stock | | 1,907 |
| RF MICRO DEVICES INC | Common Stock | | 3,787 |
| RITE AID CORP | Common Stock | | 11,595 |
| ROCKWELL AUTOMATION INC | Common Stock | | 23,664 |
| ROCKWELL MEDICAL TECH INC | Common Stock | | 1,131 |
| ROYAL DUTCH SHELL PLC | Common Stock | 1,271,427 | 1,366,152 |

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

| | | | |
|---------------------------------------|--------------|-----------|-----------|
| ROYCE VALUE TR INC | Common Stock | | 8,936 |
| RUBICON MINERALS CORP | Common Stock | | 870 |
| RUTHS CHRIS STEAK HSE INC | Common Stock | | 796 |
| RYERSON INC | Common Stock | | 11,163 |
| SABA SOFTWARE INC COM NEW | Common Stock | | 3,672 |
| SAFENET INC COM | Common Stock | | 2,384 |
| SAFEWAY INC | Common Stock | 1,182,333 | 1,376,075 |
| SANDISK CORP | Common Stock | | 43,974 |
| SANGAMO BIOSCIENCES INC | Common Stock | | 4,030 |
| SANMINA SCI CORP | Common Stock | | 686 |
| SANOFI-AVENTIS SPONSORED ADR | Common Stock | | 21,950 |
| SARA LEE CORP | Common Stock | | 5,670 |
| SASOL LTD SPON ADR | Common Stock | | 20,460 |
| SCHERING PLOUGH CORP | Common Stock | | 39,615 |
| SCHLUMBERGER LTD | Common Stock | 283,028 | 268,604 |
| SCHWAB CHARLES CORP | Common Stock | 610,115 | 605,506 |
| SCRIPPS E W CO OH | Common Stock | 890,370 | 886,698 |
| SEAGATE TECHNOLOGY | Common Stock | | 8,996 |
| SEARS HLDGS CORP | Common Stock | | 2,195 |
| SECTOR SPDR TR SHS BEN INT ENERGY | Common Stock | | 1,057 |
| SECTOR SPDR TR SHS BEN INT UTILITIES | Common Stock | | 7,220 |
| SEITEL INC COM PAR \$.01 | Common Stock | | 752 |
| SELECT SECTOR SPDR TR HEALTH CARE | Common Stock | | 36,979 |
| SENIOR HOUSING PROP TRUST | Common Stock | | 33,820 |
| SERENA SOFTWARE INC | Common Stock | | 4,686 |
| SHANDA INTERACTIVE ENTMT LTD SPON ADR | Common Stock | | 8,382 |
| SHINHAN FINL GROUP CO LTD | Common Stock | | 8,150 |
| SHIP FINANCE INTERNATIONAL LIMITED | Common Stock | | 5,199 |
| SHUFFLE MASTER | Common Stock | | 12,620 |
| SIEBEL SYSTEMS INC | Common Stock | | 33,930 |
| SILGAN HOLDINGS INC | Common Stock | | 5,418 |
| SILICON IMAGE INC | Common Stock | | 11,791 |
| SINA CORP REG SHS | Common Stock | | 8,601 |
| SIRIUS SATELLITE RADIO INC | Common Stock | | 357,318 |
| SIRNA THERAPEUTICS INC | Common Stock | | 1,212 |
| SKYWORKS SOLUTIONS INC COM | Common Stock | | 178 |
| SLM CORP COM | Common Stock | | 2,755 |
| SMURFIT STONE CONTAINER CORP | Common Stock | 963,845 | 1,010,228 |
| SOCKET COMM INC | Common Stock | | 565 |
| SOHU.COM INC | Common Stock | | 4,768 |
| SOLECTRON CORP | Common Stock | 1,780,134 | 732,205 |
| SONIC CORP | Common Stock | | 8,850 |
| SONICBLUE INC COM | Common Stock | | 5 |

| | | | |
|--|--------------|-----------|-----------|
| SONTRA MED CORP COM | Common Stock | | 7,050 |
| SONUS NETWORKS INC | Common Stock | | 7,068 |
| SONY CORP ADR NEW | Common Stock | | 20,400 |
| SOUTHERN CO | Common Stock | | 3,453 |
| SOUTHERN COPPER CORP DEL COM | Common Stock | | 24,572 |
| SOUTHERN UNION CO NEW COM | Common Stock | | 236 |
| SOUTHWEST AIRLS CO | Common Stock | 1,624,874 | 1,857,613 |
| SOUTHWESTERN ENERGY CO | Common Stock | | 197,311 |
| SPECTRANETICS CORP | Common Stock | | 53,100 |
| SPEEDUS.COM INC | Common Stock | | 1,177 |
| SPRINT NEXTEL CORP | Common Stock | 1,675,371 | 1,935,294 |
| SPRINT NEXTEL CORP FON SHS | Common Stock | | 41,160 |
| ST JOE COMPANY | Common Stock | | 33,610 |
| ST JUDE MED INC | Common Stock | 1,992,505 | 2,746,159 |
| ST PAUL TRAVELERS INC | Common Stock | | 3,975 |
| STANDARD MICROSYS CP | Common Stock | | 1,865 |
| STANLEY FURNITURE CO. | Common Stock | | 93,380 |
| STANTEC INC | Common Stock | | 5,763 |
| STARBUCKS CORP | Common Stock | 775,158 | 757,447 |
| * STATE STREET CORP | Common Stock | | 11,246 |
| STEMCELLS INC | Common Stock | | 3,450 |
| STERICYCLE INC | Common Stock | | 19,430 |
| STERLING CONSTRUCTION INC | Common Stock | | 4,208 |
| STOLT OFFSHORE S A | Common Stock | | 4,664 |
| STRATASYS INC | Common Stock | | 12,505 |
| STRATOS INTL INC FORMERLY STRATOS LIGHTWAVE INC TO 11/21/2003 | Common Stock | | 153 |
| STREETTRACKS DOW JONES GLOBAL TITANS INDEX FUND | Common Stock | | 3,901 |
| STREETTRACKS GOLD TR GOLD SHS | Common Stock | | 24,758 |
| STREETTRACKS WILSHIRE REIT INDEX FUND | Common Stock | | 52,909 |
| STRYKER CORP | Common Stock | | 53,671 |
| SULPHCO INC COM | Common Stock | | 11,300 |
| SUMMIT FINL GROUP INC | Common Stock | | 34,010 |
| SUN HYDRAULICS INC | Common Stock | | 5,799 |
| SUN MICROSYSTEMS INC | Common Stock | | 62,875 |
| SUNCOR ENERGY INC FRMLY SUNCOR INC | Common Stock | | 25,003 |
| SUNTRUST BKS INC | Common Stock | 1,113,426 | 1,171,096 |
| SUPERIOR ENERGY SERVICES INC | Common Stock | | 8,420 |
| SUREBEAM CORP CL A | Common Stock | | 74 |
| SYCAMORE NETWORKS INC | Common Stock | | 8,640 |
| SYMANTEC CORP | Common Stock | 1,541,192 | 1,344,384 |
| SYMBOL TECH INC | Common Stock | | 2,185 |
| SYNERON MEDICAL LTD ORD SHS | Common Stock | | 1,588 |
| SYNGENTA AG SPONSORED ADR | Common Stock | | 12,455 |
| SYS | Common Stock | | 15,954 |
| SYSCO CORP | Common Stock | | 17,388 |

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

| | | | |
|---|--------------|-----------|-----------|
| TALBOTS INC | Common Stock | | 2,782 |
| TALK AMER HLDGS INC NEW | Common Stock | | 3,452 |
| TAN RANGE EXPL CORP | Common Stock | | 36,614 |
| TARGET CORP | Common Stock | 4,711,013 | 5,048,291 |
| TARGETED GENETICS CORP 1 FOR 10 REVERSE SPLIT INTO TARGETED GENETICS CORP COM | Common Stock | | 2,548 |
| TASER INTERNATIONAL INC | Common Stock | | 63,364 |
| TEAM INC | Common Stock | | 844 |
| TECH DATA CORP | Common Stock | 738,654 | 732,699 |
| TELIK INC | Common Stock | | 3,398 |
| TELLABS INC | Common Stock | 1,038,645 | 1,310,762 |
| TELUS CORP NON VTG SHS | Common Stock | | 4,026 |
| TENARIS SA SPONS ADR | Common Stock | | 5,790 |
| TENET HEALTHCARE CORP | Common Stock | | 3,102 |
| TERRA INDS INC | Common Stock | | 3,696 |
| TESORO CORP COM FORMERLY TESORO PETE CORP TO 11/08/2004 | Common Stock | | 6,170 |
| TEVA PHARMACEUTICAL INDS LTD | Common Stock | 2,884,170 | 4,123,831 |
| TEXAS INSTRS INC | Common Stock | 1,025,313 | 1,146,356 |
| TEXAS INSTRUMENTS INC | Common Stock | | 35,277 |
| TEXTRON INC | Common Stock | 1,308,128 | 2,265,199 |
| THE ST PAUL TRAVELERS COS INC | Common Stock | 758,135 | 908,030 |
| THERMO ELECTRON CORP | Common Stock | 900,810 | 1,190,067 |
| THIRD WAVE TECHNOLOGIES INC | Common Stock | | 6,437 |
| TIKCRO TECHNOLOGIES LTS N/C FROM M8789G100 | Common Stock | | 345 |
| TIME WARNER INC | Common Stock | | 93,252 |
| TIME WARNER INC NEW | Common Stock | 3,719,951 | 3,950,500 |
| TOLL BROS INC | Common Stock | | 3,741 |
| TOOTSIE ROLL INDS | Common Stock | | 2,170 |
| TOP TANKERS INC | Common Stock | | 6,150 |
| TRAFFIX INC | Common Stock | | 5,120 |
| TRANSCANADA CORP | Common Stock | | 3,148 |
| TRANSMERIDIAN EXPL INC | Common Stock | | 24,260 |
| TRANSWITCH CORP | Common Stock | | 14,640 |
| TRI ISTHMUS GROUP INC COM N/C FROM 92908B303 | Common Stock | | 4 |
| TRIBUNE CO NEW | Common Stock | | 6,052 |
| TRIMEDYNE INC | Common Stock | | 5,700 |
| TRIQUINT SEMICONDUCTOR INC | Common Stock | | 9,123 |
| TYCO INTL LTD | Common Stock | 799,627 | 1,382,134 |
| TYCO INTL LTD NEW | Common Stock | | 43,728 |
| | Common Stock | | 851 |

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EQUITY 02/01/06

| | | | |
|--|--------------|-----------|-----------|
| UBS AG | Common Stock | 1,417,934 | 1,437,515 |
| UGI CORP NEW | Common Stock | | 13,002 |
| ULTRA PETROLEUM CORP | Common Stock | | 17,577 |
| UNILEVER N V | Common Stock | 2,548,355 | 2,616,616 |
| UNILEVER PLC NEW SPONS ADR NEW | Common Stock | | 8,024 |
| UNITED ONLINE INC | Common Stock | | 9,812 |
| UNITEDHEALTH GROUP | Common Stock | | 73,263 |
| UNITEDHEALTH GROUP INC | Common Stock | 1,405,610 | 3,337,969 |
| UNIVISION COMM INC CL A | Common Stock | | 1,470 |
| UNUMPROVIDENT CORP | Common Stock | 1,276,364 | 1,673,593 |
| US BANCORP DEL | Common Stock | 1,490,305 | 1,579,035 |
| USEC INC | Common Stock | | 13,424 |
| UTSTARCOM INC | Common Stock | | 97,728 |
| VA SOFTWARE CORP | Common Stock | | 5,749 |
| VALERO ENERGY CORP | Common Stock | | 30,058 |
| VARIAN INC | Common Stock | | 1,194 |
| VASCO DATA SECURITY INTL | Common Stock | | 9,860 |
| VASO ACTIVE PHARMACEUTICALS INC CL A | Common Stock | | 880 |
| VASOGEN INC | Common Stock | | 2,075 |
| VENTIV HEALTH INC | Common Stock | | 9,448 |
| VERISIGN INC | Common Stock | | 6,789 |
| VERITAS DGC INC | Common Stock | | 7,098 |
| VERIZON COMMUNICATIONS | Common Stock | | 28,612 |
| VERSANT CORP COM NEW | Common Stock | | 1,094 |
| VERTICALNET INC COM NEW | Common Stock | | 2,900 |
| VIA NET WORKS INC | Common Stock | | 1,568 |
| VIACELL INC | Common Stock | | 2,248 |
| VINTAGE PETE INC EXCH D FOR \$20.00 + .42 SHARES OF OCCIDENTAL PETE CUSIP 674599105 | Common Stock | | 5,333 |
| VIRAGEN INC COM NEW | Common Stock | | 494 |
| VIROPHARMA INC | Common Stock | | 3,700 |
| VISION INC | Common Stock | | 800 |
| VISUAL NETWORKS INC | Common Stock | | 162,900 |
| VITESSE SEMICONDUCTR CORP | Common Stock | | 1,920 |
| VOLCOM INC | Common Stock | | 11,665 |
| WACHOVIA CORP 2ND NEW | Common Stock | 1,649,759 | 2,988,335 |
| WALGREEN CO | Common Stock | 1,199,565 | 1,197,496 |
| WALGREEN COMPANY | Common Stock | | 243,667 |
| WAL-MART STORES INC | Common Stock | | 289,224 |
| WASHINGTON MUTUAL INC | Common Stock | | 26,860 |
| WASTE MANAGEMENT INC | Common Stock | | 1,527 |
| WASTE MGMT INC DEL | Common Stock | 1,428,689 | 1,483,461 |
| WATSON PHARMACEUTICALS INC | Common Stock | 1,375,948 | 1,492,733 |
| WEBEX COMMUNICATIONS INC FORMERLY WEBEX INC TO 07/20/2000 | Common Stock | | 8,652 |
| WELLPOINT INC | Common Stock | 3,650,529 | 4,601,006 |
| WENDYS INTL INC | Common Stock | | 11,052 |
| WESTCORP INC (CALIF) EXCH D FOR 1.2749 SHS OF WACHOVIA CORP CUSIP 929903102 | Common Stock | | 3,346 |

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| | | |
|-------------------------------|--------------|--------|
| WESTELL TECHNOLOGIES INC CL A | Common Stock | 4,500 |
| WESTERN DIGITAL CORP DEL | Common Stock | 27,915 |
| WESTERN SILVER CORP | Common Stock | 11,260 |
| | 20 | |

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

| | | | |
|-----------------------------------|--------------|-----------|-----------|
| WHOLE FOODS MKT INC | Common Stock | 731,518 | 979,236 |
| WILD OATS MARKETS INC | Common Stock | | 1,208 |
| WILLIAMS COS INC | Common Stock | 1,152,583 | 1,452,820 |
| WIRELESS FACILITIES INC | Common Stock | | 15,300 |
| WISCONSIN ENERGY CORP | Common Stock | 23,019 | 34,713 |
| WOMEN FIRST HEALTHCARE INC | Common Stock | | 2 |
| WORLDGATE COMMUNICATIONS INC | Common Stock | | 7,210 |
| XILINX INC | Common Stock | | 34,160 |
| XL CAPITAL LTD | Common Stock | 1,405,395 | 1,297,412 |
| XM SATELLITE RADIO HLDGS INC CL A | Common Stock | | 81,704 |
| XOMA LTD | Common Stock | | 1,568 |
| XTO ENERGY INC | Common Stock | | 13,567 |
| XYBERNAUT CORP | Common Stock | | 1,380 |
| YAHOO INC | Common Stock | 3,243,354 | 5,045,557 |
| YAMANA GOLD INC | Common Stock | | 6,610 |
| YORK WATER CO COM | Common Stock | | 9,847 |
| YOUTHSTREAM MEDIA NETWORKS INC | Common Stock | | 110 |
| ZEBRA TECHNOLOGIES CORP CL A | Common Stock | | 16,069 |
| ZHONE TECHNOLOGIES INC NEW COM | Common Stock | | 3,487 |
| ZIMMER HLDGS INC | Common Stock | | 1,012 |
| ZOLTEK COS INC | Common Stock | | 2,634 |
| ZOMAX INC | Common Stock | | 2,080 |
| ZYGO CORP | Common Stock | | 4,405 |

| | | | |
|--------------|--|--|----------------|
| Common Stock | | | \$ 461,907,223 |
|--------------|--|--|----------------|

U.S. Government and Government Agency Issues:

| | | | |
|-------------------------------|---------------------------------|---------|---------|
| AMERICREDIT AUTOMOBILE REC TR | 3.430 06JUL11 SER 2004 DF CL A4 | 285,640 | 276,834 |
|-------------------------------|---------------------------------|---------|---------|

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|--------------------------------|---|-----------|-----------|
| CAPITAL AUTO RECEIVABLES ASSET | 3.580 15JAN09 2004 2 ASSET BACKED NT CL A 3 | 783,129 | 768,401 |
| CAPITAL AUTO RECEIVABLES ASSET | .990 28JAN09 SER 2004 2 ASSET BKD NT CL A 4 | 54,174 | 52,984 |
| CONTINENTAL AIRLS | 6.900 02JAN18 SER 1997 4 PASSTHUR CTF CL 4A | 860,018 | 866,728 |
| CONTINENTAL AIRLS | 6.648 15MAR19 SER 1998 1PASSTHUR CUF CL A | 108,896 | 110,692 |
| PASS THRU | | 266,007 | 261,450 |
| CWABS INC | 3.872 25MAR20 2004 S1 CL A2 | 285,705 | 277,980 |
| CWABS INC | 4.615 25FEB35 2004 S1 ASSET BKD CTF CL A 3 | | |
| DAIMLERCHRYSLER | 3.280 08DEC09 2004 C ASSET BKD NT CL A 4 | 531,955 | 516,913 |
| AUTO TR | | | |
| DAIMLERCHRYSLER | 4.200 08JUL10 2005 B ASSET BACKED NT CL A 4 | 192,096 | 189,306 |
| AUTO TR | | | |
| FED HM LN PC POOL | 5.000 01SEP35 | 2,330,478 | 2,286,033 |
| A37176 | | | |
| FED HM LN PC POOL | 5.000 01JUL35 | 1,091,594 | 1,103,256 |
| A46049 | | | |
| FED HM LN PC POOL | 4.500 01NOV18 | 1,109,313 | 1,065,863 |
| B11058 | | | |
| FED HM LN PC POOL | 4.500 01FEB19 | 1,931,681 | 1,853,904 |
| B12373 | | | |
| FED HM LN PC POOL | 6.000 01MAR31 | 45,517 | 46,127 |
| C48827 | | | |
| FED HM LN PC POOL | 4.500 01APR18 | 1,298,017 | 1,234,278 |
| E01344 | | | |
| FED HM LN PC POOL | 4.500 01MAY18 | 917,517 | 871,642 |
| E01377 | | | |
| FED HM LN PC POOL | 5.000 01MAY18 | 1,327,837 | 1,275,298 |
| E01378 | | | |
| FED HM LN PC POOL | 5.000 01JUN18 | 1,187,081 | 1,144,031 |
| E01386 | | | |
| FED HM LN PC POOL | 6.000 01JUN35 | 1,582,646 | 1,562,353 |
| G01843 | | | |
| FNMA POOL 254759 | 4.500 01JUN18 | 1,689,554 | 1,606,679 |
| FNMA POOL 323887 | 6.000 01DEC13 | 229,055 | 227,793 |
| FNMA POOL 581043 | 6.000 01MAY16 | 95,037 | 95,273 |
| FNMA POOL 615005 | 6.000 01DEC16 | 132,237 | 132,525 |
| FNMA POOL 641791 | 6.000 01MAY17 | 138,039 | 138,381 |
| FNMA POOL 694448 | 5.500 01APR33 | 1,049,157 | 1,030,992 |
| FNMA POOL 725690 | 6.000 01AUG34 | 810,239 | 797,951 |
| FNMA POOL 743346 | 5.500 01OCT18 | 1,309,205 | 1,278,736 |
| FNMA POOL 748115 | 6.000 01OCT33 | 268,379 | 264,023 |
| FNMA POOL 787515 | 6.000 01AUG19 | 532,510 | 520,545 |
| FNMA POOL 793181 | 6.000 01JUL19 | 896,142 | 875,744 |
| FNMA POOL 815316 | 5.500 01MAY35 | 1,128,439 | 1,106,731 |
| FNMA POOL 821890 | 5.000 01JUN35 | 623,507 | 630,608 |
| FNMA POOL 822979 | 5.500 01APR35 | 1,081,005 | 1,060,045 |
| FNMA POOL 832799 | 5.000 01SEP35 | 1,520,072 | 1,534,507 |
| FORD CR AUTO OWNER | 4.380 15JAN10 2005 B NT CL A4 | | |
| TR | | 753,661 | 746,346 |
| GOVERNMENT ISSUES | 1.750 26MAR08 1.75 26MAR2008 | 398,040 | 345,038 |

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|----------------------------------|--|-----------|-----------|
| GOVERNMENT ISSUES | 4.000 15JUN09 | 486,975 | 486,629 |
| GOVERNMENT ISSUES | 4.250 31OCT07 | 1,846,688 | 1,846,799 |
| HARLEY DAVIDSON MOTORCYCLE TR | 3.760 17DEC12 2005 1 CONTRACT BKD NT CL A2 | 694,483 | 680,934 |
| HONDA AUTO RECEIVABLES | 1.000 18FEB10 ASSET BKD NT SER 2004 3 CL A 4 | 723,948 | 701,189 |
| HONDA AUTO RECEIVABLES OWNERS | 4.030 20DEC10 SER 2005 3 CL A4 | 295,550 | 289,821 |
| JOHN DEERE OWNER TRUST | 3.980 15JUN09 2005 A ASSET BKD NT CL A3 | 305,391 | 301,620 |
| NAVISTAR FINANCIAL CORP OWNER | 3.530 15OCT12 SER 2004 B CL A4 | 596,045 | 575,722 |
| SALTON SEA FDG CORP | 7.475 30NOV18 SR SECD SER F BD | 200,633 | 233,375 |
| UNITED MEXICAN STS | Tranche Tr 00012 4.625 10/08/2008 | 306,356 | 291,873 |
| UNITED MEXICAN STS MTN | Tranche Tr 00008 7.500 01/14/2012 | 343,844 | 384,485 |
| USAA AUTO OWNER TR | 3.530 15JUN11 2004 3 ASSET BACKED NT CL A 4 | 876,612 | 854,264 |
| WFS FINL 2004 4 OWNER TR | 2.980 17SEP09 AUTO RECEIVABLE BKD NT CL A3 | 413,741 | 407,329 |
| WFS FINL 2004 4 OWNER TR | 3.440 17MAY12 AUTO RECVABLES SR 2004 4 C A4 | 290,631 | 282,776 |

U.S. Government and
Government Agency Issues

\$ 35,492,806

**Corporate and Other
Obligations:**

| | | | |
|----------------|--|---------|---------|
| AETNA INC | 7.875 01MAR11 FORMERLY AETNA US HEALTH | 783,110 | 762,302 |
| ALBERTSONS INC | 7.750 15JUN26 NT | 26,489 | 28,246 |
| ALBERTSONS INC | 7.450 01AUG29 SR DEB | 210,983 | 223,780 |
| ALBERTSONS INC | 8.700 01MAY30 SR DEB | 9,169 | 9,801 |
| ALBERTSONS INC | 8.000 01MAY31 SR NT | 235,774 | 242,328 |
| ALBERTSONS INC | 6.625 01JUN28 TRANCHE TR 00074 | 19,739 | 21,012 |

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

| | | | |
|--------------------------------------|---------------------|-----------|-----------|
| ALTRIA GROUP INC | 5.625 04NOV08 NT | 746,649 | 749,042 |
| | 5.500 01MAR14 GTD | | |
| AMERICA MOVIL S A DE C V | SR NT | 301,505 | 301,633 |
| AMERICAN STORES CO NEW | 8.000 01JUN26 DEB | 37,316 | 41,236 |
| ARAMARK CORP | 5.000 01JUN12 SR NT | 93,585 | 90,465 |
| | 9.750 15NOV31 USD | | |
| AT + T CORP ACQUIRED | SR NT | 2,278,452 | 2,301,874 |
| AXIS CAP HLDGS LTD | 5.750 01DEC14 SR NT | 324,426 | 325,194 |
| CAMPANHIA ENER DE MINAS GERAIS SPONS | Preferred Stock | | |
| ADR PAR \$.01 REP NON VTG PFD | | | 5,529 |
| | 4.875 15MAY08 | | |
| CAPITAL ONE BK | TRANCHE TR 00174 | 1,022,474 | 1,005,747 |
| CHESAPEAKE ENERGY CORP | 6.875 15JAN16 SR NT | 94,779 | 95,936 |
| CHESAPEAKE ENERGY CORP | 6.375 15JUN15 SR NT | 307,187 | 305,322 |
| | 6.500 15AUG17 SR | | |
| CHESAPEAKE ENERGY CORP | NT 144A | 292,931 | 297,046 |
| | 6.875 15NOV20 SR | | |
| CHESAPEAKE ENERGY CORP | NT 144A | 43,843 | 44,889 |
| CIA PARANAENSE DE ENERGIA SPONS ADR | Preferred Stock | | |
| REPSTG PFD CL B NON VTG | | | 753 |
| * CITI GROUP INC NEW | 3.375 01APR09 SR NT | 883,592 | 843,682 |
| | 5.750 10MAY06 | | |
| * CITIGROUP INC | GLOBAL SR NT | 297,230 | 286,739 |
| CLEAR CHANNEL COMMUNICATIONS | 5.750 15JAN13 NT | 33,172 | 33,808 |
| | 4.900 15MAY15 SR | | |
| CLEAR CHANNEL COMMUNICATIONS | NT | 30,413 | 31,182 |
| | 5.000 15MAR12 SR | | |
| CLEAR CHANNEL COMMUNICATIONS | NT | 528,524 | 504,891 |
| | 5.500 15SEP14 NT | | |
| CLEAR CHANNEL COMMUNICATIONS | DTD | 60,424 | 61,279 |
| COLONIAL RLTY LTD PARTNERSHIP | 4.750 01FEB10 SR NT | 113,295 | 110,362 |
| COMCAST CORP NEW | 5.850 15NOV15 NT | 738,462 | 743,478 |
| | 5.625 01DEC14 SR NT | | |
| COMPUTER ASSOC INTL INC | 144A | 1,162,182 | 1,159,087 |
| CORNING INC | 6.200 15MAR16 NT | 714,905 | 755,643 |
| COX COMMUNICATIONS INC NEW | 5.450 15DEC14 NT | 261,422 | 254,768 |
| | 3.900 15JAN08 | | |
| DEERE JOHN CAP CORP | GLOBAL NT | 590,362 | 579,560 |
| | 3.875 22JUL08 | | |
| DEUTSCHE TELEKOM INTL FIN B V | GLOBAL NT | 579,674 | 577,372 |
| DEVELOPERS DIVERSIFIED RLTY CO | 5.375 15OCT12 NT | 607,908 | 601,624 |
| ENRON CAP RES L P PFD SER A 9% MIP | Preferred Stock | | 15 |
| ENTERPRISE PRODUCTS OPER | 4.950 01JUN10 | 152,457 | 149,747 |

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| | | | |
|-----------------------------------|---------------------|-----------|-----------|
| EOP OPER LTD PARTNERSHIP | 6.800 15JAN09 NT | 840,691 | 772,613 |
| | 7.350 15JUN08 GTD | | |
| ERAC USA FIN CO | NT 144A | 449,154 | 439,388 |
| | 6.450 15NOV11 NT | | |
| FIRSTENERGY CORP | SER B | 846,404 | 835,470 |
| | 7.000 01OCT13 | | |
| FORD MTR CR CO | GLOBAL NT | 536,437 | 484,054 |
| | 3.750 15DEC09 | | |
| GENERAL ELEC CAP CORP MTN | TRANCHE TR 00665 | 1,140,006 | 1,096,485 |
| | 1.400 02NOV06 1.4 | | |
| | PCT (MTN) | | |
| GENERAL ELECTRIC CAPITAL CORP | 02NOV2006 | 590,618 | 557,554 |
| GENERAL MTRS ACCEP CORP | 6.875 15SEP11 NT | 677,860 | 664,870 |
| GEORGIA PAC CORP | 7.375 01DEC25 DEB | 35,820 | 35,468 |
| GEORGIA PAC CORP | 7.250 01JUN28 DEB | 76,229 | 74,218 |
| GEORGIA PAC CORP | 7.750 15NOV29 DEB | 494,246 | 480,975 |
| GOLDMAN SACHS GROUP INC | 4.500 15JUN10 SR NT | 968,944 | 962,817 |
| | 5.500 15OCT10 SR NT | | |
| HALLIBURTON CO | REGS | 1,118,252 | 1,066,647 |
| HARRAHS OPER INC | 7.125 01JUN07 SR NT | 388,193 | 378,835 |
| | 6.250 15FEB13 NT | | |
| HCA INC | 6.25PCT13 | 616,679 | 591,556 |
| HOUSEHOLD FIN CORP | 6.500 15NOV08 NT | 945,430 | 922,859 |
| INTERNATIONAL BUSINESS MACHS | 4.250 15SEP09 NT | 485,564 | 482,900 |
| | 5.150 01MAR12 SR | | |
| ISTAR FINL INC | NT | 482,550 | 477,073 |
| | 3.625 01MAY08 | | |
| J P MORGAN CHASE + CO | GLOBAL SR NT | 1,010,340 | 958,270 |
| JAPANESE YEN | JAPANESE YEN | | (66) |
| KRAFT FOODS INC | 5.250 01JUN07 NT | 679,236 | 667,728 |
| KROGER CO | 6.750 15APR12 | 132,614 | 129,514 |
| KROGER CO | 6.200 15JUN12 SR NT | 77,775 | 75,702 |
| KROGER CO | 5.500 01FEB13 NT | 302,364 | 296,632 |
| KROGER CO | 4.950 15JAN15 SR NT | 768,777 | 729,722 |
| | 6.375 15OCT15 SR | | |
| L 3 COMMUNICATIONS CORP | SUB NT 144A | 102,507 | 103,190 |
| | 4.647 16DEC11 2005 | | |
| | C3 COML MTG | | |
| LB UBS COML MTG TR | PASSTHRU A3 | 490,118 | 475,169 |
| LEHMAN BROS HLDG | 7.000 01FEB08 | 960,492 | 948,703 |
| MEDPARTNERS INC | 7.375 01OCT06 SR NT | 157,808 | 155,314 |
| | 6.000 15AUG15 SR | | |
| METHANEX CORP | NT | 568,665 | 555,323 |
| | 4.890 12JUN47 2005 | | |
| | TOP19 COML MTG | | |
| MORGAN STANLEY CAP I INC | CL A 4A | 723,131 | 705,092 |
| NOVASTAR FINL INC PFD SER C 8.90% | Preferred Stock | | 11,750 |
| | 6.125 15AUG08 GTD | | |
| PEMEX PROJ FDG MASTER TR | NT | 590,710 | 602,959 |
| PREMCO REFNG GROUP INC | 6.750 01FEB11 SR NT | 366,062 | 384,041 |
| PROGRESS ENERGY INC | | 301,656 | 292,320 |

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| | | | |
|---------------------------------|-------------------|-----------|---------------|
| | 7.100 01MAR11 SR | | |
| | NT | | |
| | 7.250 15MAR28 SR | | |
| PROVIDENT COS INC | NT | 68,406 | 71,152 |
| QWEST CAP FDG INC | 7.750 15FEB31 NT | 32,673 | 33,104 |
| QWEST CORP | 7.875 11SEP11 NT | 321,182 | 318,474 |
| RESIDENTIAL CAP CORP | 6.375 30JUN10 NT | 194,546 | 195,215 |
| RESIDENTIAL CAP CORP | 6.125 21NOV08 NT | 378,804 | 380,235 |
| | 6.750 15MAR15 SR | | |
| | SECD 2ND PRIORITY | | |
| ROGERS CABLE INC | NT | 389,999 | 385,002 |
| | 7.500 20NOV13 SR | | |
| SHAW COMUNICATIONS INC | NT | 104,973 | 122,345 |
| SIMON PPTY GROUP INC NEW | 3.750 30JAN09 NT | 689,465 | 661,863 |
| SPRINT CAP CORP | 6.875 15NOV28 NT | 1,392,633 | 1,550,228 |
| TIME WARNER INC | 6.625 15MAY29 DEB | 894,652 | 836,266 |
| U S WEST COMMUNICATIONS INC | 7.250 15OCT35 DEB | 159,982 | 162,045 |
| U S WEST COMMUNICATIONS INC | 7.250 15SEP25 DEB | 160,518 | 161,750 |
| UNION PAC CORP | 3.625 01JUN10 NT | 635,985 | 604,067 |
| UNUMPROVIDENT CORP | 6.750 15DEC28 NT | 232,908 | 241,346 |
| | 7.375 15JUN32 SR | | |
| UNUMPROVIDENT CORP | DEB | 55,881 | 56,845 |
| US WEST CAP FDG INC | 6.500 15NOV18 DEB | 143,812 | 143,449 |
| VERIZON NEW ENG INC | 6.500 15SEP11 DEB | 181,323 | 171,807 |
| VERIZON NEW ENG INC | 4.750 01OCT13 | 24,132 | 22,895 |
| WELLPOINT INC | 3.750 14DEC07 NT | 391,187 | 385,338 |
| | 3.500 04APR08 | | |
| WELLS FARGO + CO NEW | GLOBAL NT | 1,011,690 | 957,325 |
| WELLS FARGO + CO NEW | 3.125 01APR09 NT | 98,368 | 93,325 |
| | 6.875 15AUG11 SR | | |
| XEROX CORP | NT | 383,647 | 372,195 |
| Corporate and Other Obligations | | | \$ 38,886,788 |

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

| | | | |
|--------------------------------|----------------------------|------------|------------|
| * State Street Bank + Trust Co | Short-Term Investment Fund | 14,076,562 | 14,076,562 |
| | DTC MMI Generics ST Cusip | | |
| SunTrust Bk Atlanta GA | 4.415 06/15/2009 | 186,172 | 186,172 |
| | 4.190 03JAN06 DTC MMI | | |
| UBS FIN DEL LLC DISC COML3/A3 | Generic St Cusip | 195,879 | 195,879 |
| | 4.300 03JAN06 DTC MMI | | |
| UBS FIN DEL LLC DISC COML3/A3 | Generic St Cusip | 587,561 | 587,561 |
| US Dollar | Cash | 523,436 | 523,436 |
| | | | 15,569,610 |

U.S. Government and Government Agency Issues

| | | | |
|--------------------------------|-------------------------|-----------|-----------|
| BADGER TOB ASSET SECURITIZATIO | 6.125 01JUN27 ASSET BKD | 233,828 | 268,580 |
| | 6.000 01JUN28 TAXABLE | | |
| ERIE CNTY NY TOB ASSET SECURIT | ASSET BKD SER E | 344,108 | 345,385 |
| | 5.250 01APR13 REF + PUB | | |
| FAIRFAX CNTY VA | IMPT SER A | 678,209 | 649,607 |
| FED HM LN PC POOL A35931 | 4.500 01JUL35 | 483,838 | 480,394 |
| FED HM LN PC POOL A37435 | 4.500 01SEP35 | 95,690 | 95,009 |
| FED HM LN PC POOL A46675 | 4.500 01AUG35 | 676,980 | 671,995 |
| FED HM LN PC POOL A47055 | 4.500 01SEP35 | 824,786 | 820,607 |
| Fed Hm Ln PC Pool B12725 | 4.000 01MAR14 | 729,364 | 718,211 |
| FED HM LN PC POOL B16497 | 5.500 01SEP19 | 818,380 | 796,823 |
| FED HM LN PC POOL E01343 | 5.000 01APR18 | 1,261,914 | 1,211,808 |
| FED HM LN PC POOL E01377 | 4.500 01MAY18 | 2,303,282 | 2,180,158 |
| Fed Hm Ln PC Pool E98695 | 4.500 01AUG18 | 1,458,224 | 1,462,850 |
| FED HM LN PC POOL G01843 | 6.000 01JUN35 | 3,862,715 | 3,813,186 |
| FED HM LN PC POOL G01953 | .990 01NOV35 | 947,750 | 940,771 |
| Fed Hm Ln PC Pool G11371 | 4.500 01MAR13 | 326,112 | 324,155 |
| FED HM LN PC POOL M80843 | 3.500 01SEP10 | 105,815 | 104,787 |
| FED HM LN PC POOL M90952 | 4.000 01OCT09 | 160,189 | 154,073 |
| FED HM LN PC POOL M90954 | 4.000 01NOV09 | 416,970 | 402,992 |
| FED HM LN PC POOL M90966 | 4.000 01JAN10 | 445,726 | 433,130 |
| FEDERAL FARM CR BKS | 2.375 02OCT06 | 1,562,481 | 1,541,340 |
| FEDERAL HOME LN BK CONS DSC NT | .010 11JAN06 | 9,377,323 | 9,377,323 |
| Federal Home Ln Bks | 5.375 15FEB07 CONS BD | 1,213,213 | 1,213,631 |

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|--------------------------------|------------------------------|------------|------------|
| Federal Home Ln Bks | 05OCT07 CONS BD | 452,790 | 456,016 |
| FEDERAL HOME LN MTG CORP | 3.500 15JUN17 SEr 2677 CL MJ | 3,993,367 | 3,940,230 |
| | 6.000 15JUL27 PREASSIGN | | |
| FEDERAL HOME LN MTG CORP | 00249 | 805,160 | 845,275 |
| | 6.000 15FEB11 SER 1819 CL | | |
| FEDERAL HOME LN MTG CORP | 1819 E | 1,488,678 | 1,618,503 |
| | 3.250 02NOV07 TRANCHE TR | | |
| Federal Home Ln Mtg Corp Mtn | 00636 | 357,483 | 357,439 |
| Federal Home Ln Mtg Corp Mtn | 3.550 15NOV07 | 2,357,897 | 2,356,402 |
| FEDERAL HOME LN MTG DISC NTS | .010 03MAR06 | 3,070,807 | 3,070,807 |
| | 6.5 15AUG08 SER 1563 CL | | |
| Federal Home Ln Mtg PC Gtd | 1563 K | 208,938 | 205,612 |
| FEDERAL HOME LN MTG PC GTD | 4.500 15NOV07 SER 1404 FA | 131,130 | 147,651 |
| | 6.000 15NOV SER 1673 CL | | |
| FEDERAL HOME LN MTG PC GTD | 1673 H | 599,129 | 654,293 |
| Federal Natl Mtg Assn | 1/22/2008 | 1,350,795 | 1,357,004 |
| | 5.503 25SEP PREASN 00664 | | |
| Federal Natl Mtg Assn | SER 2004 T11 CL B | 437,991 | 439,899 |
| | 3.875 17NOV08 PREASSIGN | | |
| FEDERAL NATL MTG ASSN | 00311 | 1,169,239 | 1,151,166 |
| | 4.768 25APR12 PREASSIGN | | |
| FEDERAL NATL MTG ASSN | 00533/2002 T11 CL A | 595,352 | 584,332 |
| | 5.139 25DEC11 REMIC TR | | |
| FEDERAL NATL MTG ASSN | 2002 T3 CL A PRIN ONL | 676,964 | 661,182 |
| FEDERAL NATL MTG ASSN DISC NTS | .010 22MAR06 | 387,661 | 387,661 |
| FEDERAL NATL MTG ASSN DISC NTS | .010 10FEB06 | 8,231,897 | 8,231,897 |
| FEDERAL NATL MTG ASSN DISC NTS | .010 18JAN06 | 1,830,023 | 1,830,023 |
| | 1.000 25MAY30 REMIC TR | | |
| FEDERAL NATL MTG ASSN REMIC | 2003 88 CL F | 5,433,459 | 5,404,106 |
| | 5.703 25MAY11 PREASSIGN | | |
| FEDERAL NATL MTG ASSN REMIC | 00860 SER 2001 T6 A | 884,226 | 838,797 |
| | 6.088 25MAY11 PREASSIGN | | |
| FEDERAL NATL MTG ASSN REMIC | 00861 | 1,096,742 | 982,073 |
| FHLMC TBA JAN 30 GOLD SINGLE | 4.500 31DEC99 | 283,453 | 285,719 |
| FHLMC TBA JAN 30 GOLD SINGLE | 6.000 01DEC99 | 707,919 | 712,329 |
| Financing Corp | 9.800 06APR18 | 684,313 | 680,967 |
| | .010 07 MAR07 SER 15 INT | | |
| Financing Corp Cpn Fico Strips | PMTON 9.65 2019 | 443,840 | 450,192 |
| | .010 07 SEP09 SER 15 INT PMT | | |
| Financing Corp Cpn Fico Strips | ON 9.65 2019 | 2,084,065 | 2,187,821 |
| | .010 11NOV06 SER 1 INT PMT | | |
| Financing Corp CPN FICO Strips | ON 10 2018 | 434,601 | 448,159 |
| | .010 06JUN13 SER 12 INT PMT | | |
| Financing Corp CPN FICO Strips | ON 9.90 2018 | 620,990 | 628,606 |
| Financing Corp Cpn Fico Strp | 06APR07 GENERIC INT PMT | 749,493 | 776,472 |
| FNMA TBA FEB 30 SINGLE FAM | 5.000 01DEC99 | 19,349,412 | 19,446,709 |
| FNMA TBA FEB 30 SINGLE FAM | 5.000 01DEC99 | 1,845,066 | 1,845,066 |
| FNMA TBA JAN 15 SINGLE FAM | 5.000 01DEC99 | 1,198,949 | 1,206,573 |
| FNMA TBA JAN 15 SINGLE FAM | 4.500 01DEC99 | 3,703,535 | 3,736,593 |
| FNMA TBA JAN 15 SINGLE FAM | 6.000 01DEC99 | 1,799,193 | 1,801,214 |
| FNMA TBA JAN 30 SINGLE FAM | 5.000 01DEC99 | 1,587,074 | 1,599,456 |

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|----------------------------|----------------------|-----------|-----------|
| FNMA TBA JAN 30 SINGLE FAM | 6.500 01DEC99 | 4,973,861 | 4,989,634 |
| FNMA TBA JAN 30 SINGLE FAM | 5.500 01DEC99 | 8,162,920 | 8,211,509 |
| FNMA POOL 125420 | 5.500 01MAY11 | 33,492 | 35,220 |
| FNMA POOL 254088 | 5.500 01DEC16 254088 | 222,885 | 228,372 |
| FNMA POOL 254140 | 5.500 01JAN17 | 652,826 | 665,301 |
| FNMA POOL 254693 | 5.500 01APR33 | 1,348,405 | 1,327,420 |
| FNMA POOL 254722 | 5.500 01MAY18 | 1,382,006 | 1,337,072 |
| FNMA POOL 254753 | 4.000 01MAY10 | 520,709 | 499,672 |
| FNMA POOL 254845 | 4.000 01JUL13 | 326,178 | 323,808 |
| FNMA POOL 254909 | 4.000 01SEP13 | 143,457 | 141,313 |
| FNMA POOL 255066 | 5.500 01JAN19 | 18,180 | 18,008 |
| FNMA POOL 255706 | 5.500 01MAY35 | 510,277 | 501,411 |
| FNMA POOL 255770 | 5.500 01JUL35 | 947,584 | 930,651 |
| FNMA POOL 313709 | 6.905 01JUN07 | 84,119 | 79,095 |
| FNMA POOL 323348 | 8.500 01JUN12 | 54,791 | 54,653 |
| FNMA POOL 343347 | 5.500 01APR11 | 303,061 | 311,897 |
| FNMA POOL 357418 | 4.000 01AUG18 | 867,248 | 861,587 |
| FNMA POOL 357797 | 5.500 01JUN35 | 2,514,270 | 2,481,131 |
| FNMA POOL 386255 | 3.530 01JUL10 | 516,182 | 508,389 |

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

| | | | |
|------------------|----------------|-----------|-----------|
| FNMA POOL 386284 | 3.640 01JUN10 | 474,996 | 460,827 |
| FNMA POOL 456654 | 5.500 01FEB14 | 156,447 | 151,514 |
| FNMA POOL 545296 | 6.000 01NOV16 | 388,196 | 383,114 |
| FNMA POOL 545696 | 6.000 01JUN22 | 1,060,242 | 1,036,293 |
| FNMA POOL 545834 | 5.500 01AUG17 | 93,616 | 92,799 |
| FNMA POOL 545904 | 5.500 01SEP17 | 1,187,692 | 1,154,067 |
| FNMA POOL 555218 | 5.500 01JAN18 | 908,820 | 900,469 |
| FNMA POOL 555541 | 4.520 01APR33 | 673,238 | 662,972 |
| FNMA POOL 555677 | 5.500 01JUL33 | 3,947,408 | 3,885,975 |
| FNMA POOL 623505 | 6.000 01DEC11 | 860,967 | 841,010 |
| FNMA POOL 673022 | 5.500 01DEC17 | 73,432 | 72,791 |
| FNMA POOL 687069 | 5.500 01JAN13 | 1,117,579 | 1,079,839 |
| FNMA POOL 711995 | 4.000 01SEP18 | 767,081 | 767,550 |
| FNMA POOL 720947 | 6.500 01JUL33 | 337,892 | 330,428 |
| FNMA POOL 722999 | 5.000 01JUL18 | 2,716,433 | 2,658,063 |
| FNMA POOL 725423 | 5.500 01MAY34 | 1,160,615 | 1,141,403 |
| FNMA POOL 725424 | 5.500 01APR34 | 598,570 | 589,300 |
| FNMA POOL 725433 | 5.500 01MAR19 | 17,059 | 16,898 |
| FNMA POOL 725690 | 6.000 01AUG34 | 484,306 | 476,961 |
| FNMA POOL 725711 | 5.500 01JUL19 | 1,387,838 | 1,375,559 |
| FNMA POOL 725793 | 5.500 01SEP19 | 794,741 | 787,224 |
| FNMA POOL 725946 | 5.500 01NOV34 | 6,754,839 | 6,701,446 |
| FNMA POOL 728678 | 4.000 01JUL18 | 372,418 | 377,205 |
| FNMA POOL 730823 | 4.000 01AUG18 | 613,274 | 609,419 |
| FNMA POOL 735224 | 5.500 01FEB35 | 2,973,942 | 2,927,999 |
| FNMA POOL 735227 | 5.500 01FEB35 | 436,595 | 429,117 |
| FNMA POOL 735230 | 5.500 01FEB35 | 1,931,989 | 1,897,429 |
| FNMA POOL 735654 | 4.065 01OCT44 | 712,361 | 711,303 |
| FNMA POOL 735874 | 6.000 01 JUL20 | 778,894 | 771,366 |
| FNMA POOL 735895 | .990 01SEP35 | 2,709,591 | 2,673,099 |
| FNMA POOL 735896 | .990 01SEP35 | 3,948,314 | 3,895,105 |
| FNMA POOL 743132 | 5.000 01OCT18 | 2,757,251 | 2,697,990 |
| FNMA POOL 745179 | .990 01DEC20 | 2,490,100 | 2,490,100 |
| FNMA POOL 759866 | 5.500 01FEB34 | 601,788 | 592,422 |
| FNMA POOL 761379 | 5.500 01JAN19 | 152,454 | 151,082 |
| FNMA POOL 786225 | 5.000 01JUL19 | 440,460 | 436,387 |
| FNMA POOL 790340 | 5.500 01AUG19 | 705,171 | 698,763 |
| FNMA POOL 791404 | 5.000 01OCT19 | 379,957 | 371,047 |
| FNMA POOL 808277 | 5.500 01AUG35 | 517,751 | 508,755 |
| FNMA POOL 815039 | 5.500 01MAY35 | 518,260 | 509,256 |
| FNMA POOL 821398 | 5.500 01MAY35 | 803,343 | 789,298 |
| FNMA POOL 823293 | 5.500 01JUL35 | 563,810 | 554,013 |
| FNMA POOL 825308 | 5.500 01MAY35 | 555,882 | 546,396 |

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|----------------------------|-----------------------|-----------|-----------|
| FNMA POOL 825803 | 5.500 01SEP35 | 910,861 | 894,584 |
| FNMA POOL 826522 | 5.500 01JUL35 | 534,322 | 525,204 |
| FNMA POOL 830735 | 5.500 01JUL35 | 461,457 | 453,211 |
| FNMA POOL 830763 | 5.500 01AUG35 | 467,164 | 458,960 |
| FNMA POOL 830784 | 5.500 01AUG35 | 983,570 | 966,298 |
| FNMA POOL 830953 | 5.500 01AUG35 | 1,456,786 | 1,430,753 |
| FNMA POOL 833350 | 5.500 01AUG35 | 983,724 | 966,144 |
| FNMA POOL 835164 | 5.500 01AUG35 | 982,723 | 965,466 |
| FNMA POOL 835268 | 5.500 01AUG35 | 546,137 | 536,648 |
| FNMA POOL 835687 | 5.500 01NOV34 | 434,591 | 427,147 |
| FNMA POOL 837589 | 5.500 01SEP34 | 506,905 | 498,223 |
| FNMA POOL 841068 | 4.198 01NOV34 | 1,632,252 | 1,625,772 |
| FNMA POOL 844048 | 5.000 01NOV35 | 477,044 | 474,088 |
| FNMA TBA JAN 30 SINGLE FAM | 6.000 01DEC99 | 4,075,431 | 4,088,407 |
| | 4.320 15DEC29 SER | | |
| FREDDIE MAC | 2411 CL FJ | 130,471 | 131,272 |
| | 3.022 16AUG09 2004 | | |
| GOV NATL MTG ASSN | 057 REMIC CL A | 245,997 | 240,919 |
| | 4.044 16MAY21 2005 | | |
| | 012 REMIC PSTHRU | | |
| GOVERNMENT NATL MTG ASSN | CTF CL A | 194,821 | 190,489 |
| | 2.914 16JUN18 2003 | | |
| | 088 PASSTHRU CTF | | |
| GOVERNMENT NATL MTG ASSN | CL AC | 208,215 | 201,985 |
| | 4.016 16JUL27 REMIC | | |
| | 2005 029 PASSTHRU | | |
| GOVERNMENT NATL MTG ASSN | CL A | 253,886 | 252,213 |
| | 3.607 16AUG18 | | |
| | REMIC TR 2003 096 | | |
| GOVERNMENT NATL MTG ASSN | CL B | 264,560 | 257,024 |
| | 4.385 16AUG27 | | |
| | REMIC 2005 32 | | |
| GOVERNMENT NATL MTG ASSN | PASSTHR CTF CL B | 339,519 | 336,521 |
| | 3.084 16APR22 2004 | | |
| | 097 REMIC PSSTHR | | |
| GOVERNMENT NATL MTG ASSN | CTF CLAB | 347,798 | 338,113 |
| | 3.206 16APR18 2003 72 | | |
| | REMIC PASSTHRU | | |
| GOVERNMENT NATL MTG ASSN | CL A | 364,174 | 353,034 |
| | 3.110 16JAN19 2004 | | |
| | 012 REMIC PASS CL | | |
| GOVERNMENT NATL MTG ASSN | A | 452,778 | 433,574 |
| | 2.822 16DEC19 SER | | |
| GOVERNMENT NATL MTG ASSN | 2004 43 CL A | 472,978 | 465,932 |
| | 4.015 16NOV10 SER | | |
| | 2005 50 REMIC CTF | | |
| GOVERNMENT NATL MTG ASSN | CL A | 482,122 | 472,564 |
| | 4.045 16JUN35 2005 | | |
| | 042 REMIC | | |
| GOVERNMENT NATL MTG ASSN | PASSTHRU CL A | 524,333 | 515,648 |
| GOVERNMENT NATL MTG ASSN | | 549,728 | 530,693 |

| | | | |
|--------------------------------|--|-----------|-----------|
| | 2.712 16FEB20 SERIES 2003 48 CTF CLASS AC | | |
| GOVERNMENT NATL MTG ASSN | 4.449 16MAY25 REMIC 2005 87 PASS CTF CLA | 670,583 | 672,757 |
| GOVERNMENT NATL MTG ASSN | 4.145 16FEB18 REMIC 2004 51 PASSTHRU CTF CLA | 902,639 | 884,803 |
| GOVERNMENT NATL MTG ASSN GTD | 3.760 16JUL28 2005 090 REMIC PASS CTF CL A | 449,133 | 449,133 |
| GVNMT NATL MTG ASSN REMIC MTG | 3.377 16MAR19 2004 025 REMIC PASS CTF CL AC | 92,964 | 89,479 |
| ILLINOIS EDL FACS AUTH REVS | 5.000 01JUL33 PREREFUNDED UNIV CHICAGO A | 41,747 | 47,873 |
| ILLINOIS EDL FACS AUTH REVS | 5.000 01JUL33 UNREFUNDED BAL UNIV CHICAGO A | 915,755 | 970,036 |
| JAPAN DEVELOPMENT BANK | 1.600 20JUN14 1.6PCT 20JUN14 | 5,445,124 | 5,355,484 |
| NEW YORK ST ENVIRONMENTAL FACS | 5.000 15JUN33 REVOLVING FDS 2nd Resolution I | 300,417 | 306,367 |
| RUSSIAN FEDERATION | 5.000 31MAR30 FRN BDS 31MAR30 USD1000 REGS | 722,020 | 768,778 |
| SACRAMENTO CNTY CA PENSION FDG | 10JUL30 CARS TAXABLE SR C1 | 411,647 | 430,228 |
| SOUTH AFRICA REP | 8.500 23JUN17 NT | 2,134,293 | 2,716,152 |
| SWEDEN KINGDOM OF | 5.250 15MAR11 5.25PCT 15MAR 11 SEK5000 1045 | 2,119,367 | 2,101,413 |
| SWEDEN KINGDOM OF | 5.000 28JAN09 5PCT 28JAN09 SER 1043 | 2,592,216 | 2,664,623 |
| TOBACCO SETTLEMENT FING CORP | 5.625 01JUN37 Asset Bkd | 293,588 | 296,181 |
| TOBACCO SETTLEMENT FING CORP | 5.875 15MAY39 ASSET BKD SER B | 224,715 | 308,089 |
| TOBACCO SETTLEMENT REV MGMT AU | 6.375 15MAY28 SER B | 251,197 | 314,195 |
| UNITED MEXICAN STS | 4.625 08OCT08 TRANCHE TR 00012 | 792,376 | 783,760 |

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

| | | | |
|---------------------------|--|------------|------------|
| UNITED MEXICAN STS MTN | 7.500 14JAN12 TRANCE TR 00008 | 688,977 | 731,999 |
| UNITED STATE TREAS NTS | 4.500 15NOV15 DTD 00109 | 308,991 | 311,185 |
| United States Treas Bds | 11.250 15FEB15 DTD 02/15/85 | 6,130,492 | 5,998,302 |
| United States Treas Bds | 8.750 15AUG20 | 693,552 | 704,882 |
| United States Treas Bds | 6.250 15AUG23 | 810,053 | 830,921 |
| UNITED STATES TREAS BDS | 8.750 15MAY17 | 830,157 | 807,322 |
| UNITED STATES TREAS BDS | 8.125 15MAY21 | 1,248,390 | 1,220,870 |
| UNITED STATES TREAS BDS | 8.875 15AUG17 | 1,403,256 | 1,361,612 |
| UNITED STATES TREAS BDS | 5.250 15NOV28 BD 7.250 15MAY16 7.25PCT BND | 895,141 | 854,983 |
| UNITED STATES TREAS BDS | 15MAY16 | 971,866 | 980,569 |
| UNITED STATES TREAS BDS | 5.250 15NOV28 BD | 1,579,522 | 1,587,062 |
| UNITED STATES TREAS BDS | 6.250 15MAY30 | 8,679,326 | 9,151,321 |
| UNITED STATES TREAS BILLS | .010 16MAR06 PREASSIGN 00271 | 242,592 | 242,592 |
| UNITED STATES TREAS BILLS | .010 02MAR06 | 727,663 | 727,663 |
| UNITED STATES TREAS BILLS | .010 02FEB06 PREASSIGN 00265 | 1,164,425 | 1,164,425 |
| United States Treas Nts | 3.375 28FEB07 | 10,055,788 | 10,046,914 |
| UNITED STATES TREAS NTS | 3.875 15JAN09 INFLATION INDEXED | 252,858 | 250,161 |
| UNITED STATES TREAS NTS | 4.250 15JAN10 INFLATION INDEXED | 893,089 | 880,302 |
| UNITED STATES TREAS NTS | 3.875 15SEP10 | 1,112,537 | 1,112,965 |
| UNITED STATES TREAS NTS | 4.125 15MAY15 CONS BD | 2,747,903 | 2,779,303 |
| UNITED STATES TREAS NTS | 4.250 15AUG14 | 3,068,464 | 3,101,232 |
| UNITED STATES TREAS NTS | 3.500 15FEB10 | 121,300 | 118,472 |
| UNITED STATES TREAS NTS | 3.250 15JAN09 | 216,350 | 213,465 |
| UNITED STATES TREAS NTS | 4.000 15APR10 | 320,878 | 313,825 |
| UNITED STATES TREAS NTS | 3.625 15JUN10 DTD 00094 | 485,352 | 475,477 |
| UNITED STATES TREAS NTS | 3.375 15FEB08 | 1,046,553 | 1,031,658 |
| UNITED STATES TREAS NTS | 5.000 15FEB11 | 1,243,663 | 1,211,052 |
| UNITED STATES TREAS NTS | 4.250 15AUG15 | 1,439,982 | 1,450,775 |
| UNITED STATES TREAS NTS | 4.250 31OCT07 | 2,640,332 | 2,637,851 |
| UNITED STATES TREAS NTS | 3.500 15NOV06 | 3,911,909 | 3,888,636 |

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| | 3.375 15NOV08 DTD | | |
| UNITED STATES TREAS NTS | 00039 | 4,246,366 | 4,152,743 |
| UNITED STATES TREAS NTS | 2.000 15MAY06 | 8,517,404 | 8,530,514 |
| UNITED STATES TREAS NTS | 1.625 15JAN15 | 171,899 | 172,328 |
| UNITED STATES TREAS NTS | 3.875 31JUL07 | 263,038 | 262,411 |
| UNITED STATES TREAS NTS | 3.875 15SEP10 | 330,560 | 331,011 |
| | 2.000 15JUL14 | | |
| | INFLATION INDEX | | |
| UNITED STATES TREAS NTS | BOND | 1,085,033 | 1,091,415 |
| UNITED STATES TREAS NTS | 4.125 31OCT07 | 9,237,916 | 9,232,478 |
| | 4.750 15MAY14 | | |
| UNITED STATES TREAS NTS | 00057 | 329,660 | 331,220 |
| UNITED STATES TREAS NTS | 3.625 30APR07 | 7,125,032 | 7,126,521 |
| UNITED STATES TREAS NTS | 3.500 15FEB10 | 14,071,168 | 14,074,507 |
| | | | 312,726,436 |

Corporate and Other Obligations

| | | | |
|--------------------------------|---------------------|-----------|-----------|
| | 4.237 2SEP34 2004 3 | | |
| | MTG PASS THRU CL | | |
| AEGIS ASSET BACKED SECS TR | A 2A | 236,175 | 235,989 |
| | 5.750 15DEC20 SR | | |
| AEGON FDG CORP | NT | 494,380 | 502,309 |
| | 7.7885 01MAR11 | | |
| | FORMERLY AETNA | | |
| AETNA INC | US HEALTH | 2,021,229 | 1,983,261 |
| | 7.375 01MAR06 SR | | |
| AETNA INC NEW | NT | 304,020 | 299,055 |
| | 2.120 26MAR09 FIN | | |
| AID INCA INFRASTRUCTURE | FRN | 1,959,705 | 1,987,091 |
| | 5.300 30MAY07 SR | | |
| AIG Sunamerica Global Fing XII | NT 144A | 316,493 | 295,717 |
| | 4.250 10SEP08 | | |
| | TRANCHE SR 00002 | | |
| Allstate Life Global Fdg I | 144A | 518,769 | 497,321 |
| ALTRIA GROUP INC | 5.625 04NOV08 NT | 986,329 | 993,276 |
| ALTRIA GROUP INC | 7.000 04NOV13 NT | 415,788 | 455,684 |
| | 7.00 30JUN08 2008 | | |
| AMB PPTY L P | NT | 1,957,628 | 2,068,836 |
| AMERADA HESS CORP | 6.650 15AUG11 NT | 607,439 | 637,006 |
| AMERADA HESS CORP | 6.650 15AUG11 NT | 220,786 | 215,845 |
| AMERADA HESS CORP | 7.300 15AUG31 NT | 243,720 | 266,482 |
| | 4.350 15DEC11 2004 | | |
| | 3 ASSET BKD CTF | | |
| American Express CR Account | CL A | 321,823 | 314,521 |
| | 2.750 15JUN08 | | |
| AMERICAN GEN FIN CORP MTN | TRANCHE TR 00389 | 979,353 | 927,666 |
| | 2.875 15MAY08 | | |
| American Intl Group Inc | GLOBAL SR NT | 1,190,805 | 1,169,251 |

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|-------------------------------|---|-----------|-----------|
| AMERICAN INTL GROUP INC | 2.875 15MAY08 GLOBAL SR NT | 1,071,878 | 1,028,953 |
| AMERICAN INTL GROUP INC | 5.050 01OCT15 NT 144A | 286,104 | 288,497 |
| AMERICAN STD INC | 7.375 01FEB08 SHELF 2 | 257,058 | 250,096 |
| AMERICAN STD INC | 7.625 15FEB10 SR NT 4.260 06MAY09 2005 | 436,425 | 426,555 |
| AMERICREDIT AUTO RECEIVABLES | 1 ASSET BKD NT CL A 3 | 1,567,709 | 1,555,448 |
| AMERICREDIT AUTOMOBILE REC TR | 3.430 06JUL11 SER 2004 DF CL A4 | 489,797 | 474,697 |
| Ameriprise Finl Inc | 5.650 15NOV15 SR NT | 244,963 | 249,801 |
| AMERISOURCEBERGEN CORP | 5.875 15SEP15 SR NT 144A | 1,472,998 | 1,482,640 |
| Amgen Inc | 4.000 18NOV09 SR NT | 586,753 | 569,638 |
| AMOCO CORP | 6.500 01AUG07 DEB | 516,354 | 466,964 |
| AMVESCAP PLC | 5.375 27FEB13 SR NT | 421,588 | 415,220 |
| ANTHEM INC | 3.500 01SEP07 NT | 341,155 | 339,321 |
| AOL TIME WARNER INC | 6.750 15APR11 NT 5.950 15MAY33 SR | 596,866 | 565,913 |
| APPALACHIAN PWR CO | NT SER H | 92,890 | 93,504 |
| ARAMARK CORP | 5.000 01JUN12 SR NT | 161,656 | 156,266 |
| ARAMARK SVCS INC | 6.375 15FEB08 NT | 158,664 | 150,327 |
| ARAMARK SVCS INC | 7.000 01MAY07 NT 7.000 15JUL06 GTD | 244,476 | 250,440 |
| ARAMARK SVCS INC | NT | 563,263 | 568,587 |
| ARCHSTONE SMITH OPER TR | 5.250 01MAY15 NT 5.000 15AUG07 SR | 98,470 | 96,630 |
| ARCHSTONE SMITH TR | NT | 366,353 | 367,243 |
| ARDEN RLTY LTD PARTNERSHIP | 5.200 01SEP11 DEB 6.250 01NOV08 SR | 254,513 | 258,062 |
| ASSOCIATES CORP NORTH AMER | NT | 977,256 | 1,015,007 |
| ASSURANT INC | 5.625 15FEB14 SR NT | 195,749 | 198,484 |
| ASSURANT INC | 6.750 15FEB34 SR NT | 358,310 | 346,091 |
| AT + T WIRELESS SVCS INC | 7.500 01MAY07 NT 7.350 01MAR06 SR | 342,204 | 354,507 |
| AT + T WIRELESS SVCS INC | NT 7.875 01MAR11 SR | 169,350 | 167,276 |
| AT+T WIRELESS SVCS INC | NT 8.750 01MAR31 SR | 183,453 | 197,901 |
| AT+T WIRELESS SVCS INC | NT | 208,988 | 227,172 |

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| | | | |
|--------------------------------|---|-----------|-----------|
| AVALONBAY CMNTYS | 5.000 01AUG07 TRANCHE TR 00006 | 137,096 | 132,233 |
| AXIS CAP HLDGS LTD | 5.750 01DEC14 SR NT | 552,427 | 553,735 |
| BANC AMER COML MTG INC | 4.128 10JUL42 SER 2004 4 COML MTG CTF CL A3 | 423,454 | 409,159 |
| BANC AMER COML MTG INC | 4.161 10DEC42 2004 6 COML MTG CTF CL A 2 | 551,478 | 531,666 |
| BANC AMER COML MTG INC | 4.877 10NOV42 2005 1 COML MTG CTF A 3 | 566,249 | 559,133 |
| BANC AMER COML MTG INC | 4.247 10JAN08 2005 2 COML MTG PASS CTF CL A2 | 465,430 | 458,888 |
| BANK AMER CORP | 3.875 15JAN08 SR NT | 1,803,101 | 1,731,404 |
| BANK AMER CORP | 4.500 01AUG10 NT | 640,860 | 630,696 |
| BANK AMER CORP | 7.400 15JAN11 SUB NT | 687,888 | 647,599 |
| BANK AMER FDG CORP | 4.117 25MAY35 2005 D MTG PASSTHRU CTF CL A1 | 530,653 | 528,510 |
| Bank of America | 7.800 15FEB10 NT DTD | 726,645 | 677,919 |
| BANKBOSTON NA MTN | 6.375 25MAR08 4.247 10JAN08 2005 2 COML MTG PASS CTF CL A2 | 488,561 | 505,446 |
| BAYVIEW COML ASSET TR | A2 | 97,985 | 97,985 |
| BAYVIEW FINL SECS CO LLC | 5.140 28FEB45 2005 D MTG PASSTHRU CTF CL AF2 | 455,610 | 457,198 |
| BAYVIEW FINL SECS CO LLC | 5.208 28APR39 2005 B MTG PASS CTF CL 1 A6 | 440,920 | 434,232 |
| BEAR STEARNS ASSET BACKED SECS | 3.980 25MAR352005 SD1 ASSET BKD CTF CL IA1 | 191,672 | 191,735 |
| BEAR STEARNS COML MTG SECS INC | 4.240 13AUG39 2003 TOP12 PASS CTF CL A3 | 428,571 | 411,138 |
| BEAR STEARNS COML MTG SECS INC | 5.127 01OCT43 2005 TOP20 MTG PASS CTF CL A 2 | 615,753 | 615,513 |
| BEAR STEARNS COS INC | 3.000 30MAR06 GLOBAL NT | 981,763 | 976,044 |
| BEAR STEARNS COS INC | 4.500 28OCT10 GLOBAL NT | 258,900 | 253,489 |
| Berkshire Hathaway Fin Corp | 4.125 15JAN10 GTD SR NT | 549,174 | 538,039 |
| BERKSHIRE HATHAWAY FIN CORP | 4.200 15DEC10 SR NT | 269,532 | 260,871 |
| BHP BILLITON FIN USA LTD | 4.800 15APR13 GTD SR NT | 415,979 | 410,683 |
| BMW Vehicle Owner TR | 4.28 25FEB10 2005 A ASSET BKD NT CL A4 | 205,714 | 203,486 |
| Boeing Cap Corp | 6.500 15FEB12 SR NT | 452,682 | 448,784 |

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|--------------------------------|--------------------------|-----------|-----------|
| BOEING CAP CORP | 4.750 25AUG08 SR NT | 146,732 | 146,585 |
| BOEING CAP CORP | 7.375 27SEP10 SR NT | 459,333 | 442,059 |
| BOMBARDIER INC | 6.300 01MAY14 NT 144A | 335,195 | 334,375 |
| BOSTON PPTYS LTD PARTNERSHIP | 5.625 15APR15 SR NT | 127,251 | 128,735 |
| BOSTON PPTYS LTD PARTNERSHIP | 5.000 01JUN15 NT | 161,323 | 160,423 |
| BRITISH SKY BROADCASTING GROUP | 6.875 23FEB09 GTD NT | 64,439 | 61,588 |
| BRITISH SKY BROADCASTING GROUP | 8.200 15JUL09 USD NT | 1,051,371 | 963,835 |
| British Telecommunications PLC | 8.125 15DEC10 NT | 744,523 | 697,404 |
| BRITISH TELECOMMUNICATIONS PLC | 8.125 15DEC10 NT | 334,101 | 323,474 |
| | 5.625 15OCT15 USD SR NT | | |
| BSKYB FIN U K PLC | 144A | 257,205 | 258,460 |
| Burlington Norhtn Santa Fe Co | 7.875 15APR07 NT | 545,224 | 509,178 |
| Burlington Res Fin Co | 5.600 01DEC06 GTD NT | 451,715 | 424,504 |
| | 1.000 25NOV36 2005 | | |
| | CB7MTG LN ASSET BKD | | |
| C BASS TR | AF2 | 298,854 | 298,388 |
| CABOT FIN B V | 5.250 01SEP13 NT 144A | 185,098 | 181,090 |
| | 3.875 01OCT08 GTD SR | | |
| Cadbury Schweppes US Finance | NOTE 144A | 439,726 | 427,899 |
| CAESARS ENTERTAINMENT INC | 8.875 15SEP08 SR SUB NT | 164,248 | 158,920 |
| | 6.127 15FEB17 2002 CALW | | |
| CALWEST INDL TR | COML MTG 144A CL A | 546,592 | 551,730 |
| | 6.260 15OCT30 COML MTG | | |
| CAPCO AMER SECURITIZATION CORP | CTF 1998 D7 A 1B | 637,999 | 610,654 |
| | 4.400 15AUG11 2005 8 NT | | |
| Capial One Multi Asset Execut | CL A | 460,446 | 456,501 |
| | .990 28JAN09 SER 2004 2 | | |
| CAPITAL AUTO RECEIVABLES ASSET | ASSET BKD NT CL A4 | 93,064 | 91,018 |
| | 3.580 15JAN09 2004 2 | | |
| CAPITAL AUTO RECEIVABLES ASSET | ASSET BACKED NT CL A 3 | 1,327,487 | 1,302,521 |
| | 4.100 15JUNE08 2005 SN1 | | |
| CAPITAL AUTO RECEIVABLES ASSET | ASSET BKD NT CL A 3A | 489,879 | 486,068 |
| | 1.440 15FEB07 2003 2 | | |
| | ASSET BACKED NT CL | | |
| CAPITAL AUTO RECEIVABLES ASSET | A3A | 71,506 | 71,345 |
| | 2.640 17NOV08 SER 2004 1 | | |
| CAPITAL AUTO RECEIVABLES ASSET | ASSET BKD NT CL A 4 | 548,563 | 532,646 |
| | 4.875 15MAY08 TRANCHE | | |
| CAPITAL ONE BK | TR 00174 | 2,093,884 | 2,049,316 |
| | 1.000 15 AUG09 SER 2005 | | |
| CAPITAL ONE PRIME AUTO RECEIV | 1NT CL A 3 | 793,664 | 787,927 |
| CARNIVAL CORP | 3.750 15NOV07 GTD SR NT | 244,103 | 239,457 |
| CAROLINA PWR + LT CO | 6.500 15JUL12 NT | 1,136,085 | 1,091,798 |
| CAROLINA PWR + LT CO | 6.500 15JUL12 NT | 204,942 | 215,210 |
| | 7.600 18JUL28 1996 1 MTG | | |
| CHASE COML MTG SECS CORP | CTF CL E | 376,830 | 342,855 |
| | 6.600 19DEC29 1997 2 MTG | | |
| CHASE COML MTG SECS CORP | PASSTHRU CTF CL C | 383,566 | 352,020 |
| | 7.370 19JUN29 1997 1 MTG | | |
| CHASE COML MTG SECS CORP | PASSTHRU CTF CL D | 421,214 | 402,888 |
| Chase Issuance TR | | 193,888 | 190,918 |

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|--------------------------------|---|-----------|-----------|
| | 3.220 15JUN10 2004 9 NT CL A9 | | |
| | 1.520 15MAY07 2003 A | | |
| CHASE MANHATTAN AUTO OWNER | ASSET BKD NT CL A3 | 67,761 | 67,403 |
| CHEVRONTEXACO CAP CO | 3.500 17SEP07 GTD NT | 766,453 | 743,915 |
| CHEVY CHASE BK FSB | 6.875 01DEC13 SUB DEB | 199,060 | 201,850 |
| | 5.506 15APR49 SUB NT | | |
| CHUO MITSUI TR + BKG COMPANT | PERP144A (PERP) | 289,188 | 289,594 |
| CINGULAR WIRELESS LLC | 5.625 15DEC06 SR NT | 275,465 | 271,405 |
| * CIT GROUP INC | 7.750 02APR12 SR NT | 186,893 | 177,805 |
| * CIT GROUP INC | 4.750 15AUG08 NT | 401,374 | 400,210 |
| | 1.000 18MAY07 TRANCHE SR 00079 | 186,172 | 186,676 |
| * CIT GROUP INC MTN | 3.875 03NOV SR NT DTD 11/08/2004 | 2,046,147 | 1,998,219 |
| * CIT GROUP INC REORGANIZED | 3.100 10MAR10 SER 2003 A3 NT CL 2003 A3 | 1,161,034 | 1,135,404 |
| * Citibank Cr Card Issuance TR | 2.900 17MAY10 2003 A 6 CL A6 NT | 1,149,964 | 1,126,954 |
| * Citibank Cr Card Issuance TR | 2.700 15JAN08 2003 A2 CL A2 NT | 1,138,418 | 1,106,372 |
| * CITIBANK CR CARD ISSUANCE TR | 3.360 25JAN33 2003 1 REMIC PASS CL AF PT | 144,244 | 140,742 |
| * CITIFINANCIAL MTG SECS INC | 1.000 09JUN09 GLOBAL SR NT | 171,474 | 171,818 |
| * CITIGROUP INC | 4.625 09AUG10 GLOBAL NT | 293,918 | 289,885 |
| * CITIGROUP INC | 5.249 25AUG35 2005 WF2 MTG CTF CL AF 7 | 514,407 | 505,158 |
| * CITIGROUP MTG LN TR | 5.125 15FEB13 SR NT | 350,409 | 350,684 |
| CITY NATL CORP | 8.500 01FEB22 8.500 01FEB22 | 139,149 | 161,036 |
| COCA COLA ENTERPRISES INC | 6.375 01DEC15 SUB NT | | |
| COLONIAL BK NATL ASSN | ACCREDITED INVS | 274,269 | 277,075 |
| COLONIAL RLTY LTD PARTNERSHIP | 4.750 01FEB10 SR NT | 195,961 | 190,887 |
| COMCAST CABLE COMM INC | 6.875 15JUN09 SR NT | 261,199 | 252,147 |
| Comcast Corp | 7.050 15MAR33 NT | 777,797 | 741,169 |
| COMCAST CORP NEW | 5.850 15NOV15 NT | 1,557,561 | 1,568,171 |
| COMCAST CORP NEW | 5.500 15MAR11 NT | 471,048 | 463,029 |
| COMCAST CORP NEW | 5.500 15MAR11 NT | 156,076 | 157,627 |
| | 5.630 25JUN09 SER 1998 1 NT CL A 6 | 1,497,754 | 1,453,000 |
| Comed Transitional Fdg Tr | 5.740 25DEC10 SER 1998 NT CL A 7 | 740,328 | 689,252 |
| Comeo Transitional Fdg Tr | 6.150 15DEC15 NT | 175,915 | 179,003 |
| COMMERCIAL NET LEASE RLTY INC | 6.750 15SEP11 NT | 47,968 | 46,967 |
| CONAGRA INC | 7.785 15SEPT10 | 180,183 | 174,886 |
| CONAGRA INC | | | |

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

| | | | |
|--------------------------------|---|-----------|-----------|
| CONOCO FDG CO | 6.350 15OCT11 NT | 812,493 | 782,168 |
| CONSUMERS ENERGY CO | 4.250 15APR08 1ST MTG BD SER C | 134,471 | 129,557 |
| CONSUMERS ENERGY CO | 5.375 15APR13 1ST MTG BD SER D | 322,930 | 301,547 |
| COORS BREWING CO | 6.375 15MAY12 SR NT | 405,496 | 410,140 |
| CORE INVT GRADE BD TR I | 4.659 30NOV07 2002 1 PASSTHRU CTF | 655,031 | 649,595 |
| CORNING INC | 6.200 15MAR16 NT | 169,700 | 170,345 |
| COUNTRYWIDE FDG CORP MTN | 4.000 22MAR11 TRANCHE TR 00313 | 331,781 | 313,473 |
| COUNTRYWIDE FDG CORP MTN | 4.000 22MAR11 TRANCHE TR 00313 | 234,354 | 225,885 |
| COVENTRY HEALTH CARE INC | 5.875 15JAN12 SR NT | 290,895 | 286,999 |
| COX COMMUNICATIONS INC NEW | 5.450 15DEC14 NT | 1,327,677 | 1,338,601 |
| CREDIT SUISSE FIRST BOSTON MTG | 3.861 15MAR36 2003 CK2 COML MTG CTF CL A 2 | 364,542 | 353,882 |
| CREDIT SUISSE FIRST BOSTON MTG | 4.183 15NOV37 2004 C5 COML MTG CTF CL A 2 | 467,757 | 450,930 |
| CREDIT SUISSE FIRST BOSTON MTG | 4.742 25JAN36 2005 HOME EQTY PASS CTF A 3 | 342,946 | 340,001 |
| CREDIT SUISSE FIRST BOSTON MTG | 6.940 25AUG32 2002 HE4 MTG CL MF1 | 153,224 | 148,498 |
| CREDIT SUISSE FIRST BOSTON MTG | 6.505 15FEB34 2001 CF2 MTG PASTHRU CTF CL A4 | 637,568 | 612,046 |
| CREDIT SUISSE FIRST BOSTON USA | 4.625 15JAN08 CLOBAL SR NT | 989,504 | 975,177 |
| CREDIT SUISSE FIRST BOSTON USA | 5.500 15AUG13 NT | 263,576 | 269,876 |
| CREDIT SUISSE FIRST BOSTON USA | 5.125 15AUG15 GLOBAL SR NT | 413,198 | 412,412 |
| CROWN CASTLE TOWERS LLC | 5.612 15JUN35 2005 1A SR SECD RE NT CLD 144A | 132,280 | 128,841 |
| CSX CORP | 6.250 15OCT08 NT | 138,170 | 141,500 |
| CVS CORP | 4.000 15SEP09 NT | 151,475 | 146,072 |
| CWABS INC | 3.872 25MAR20 2004 S1 CL A2 | 445,827 | 438,189 |
| CWABS INC | 4.615 25FEB35 2004 S1 ASSET BKD CTF CL A 3 | 489,909 | 476,662 |
| DAIMLER CHRYSLER HLDGS | 8.500 18JAN31 NT | 102,069 | 106,707 |
| DaimlerChrysler Auto TR | 3.710 08OCT09 SER 2004 B CL A4 | 739,720 | 725,802 |
| DAIMLERCHRYSLER AUTO TR | 2.580 08APR09 SER 2004 CL A4 | 543,723 | 528,107 |

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|--------------------------------|---------------------------|-----------|-----------|
| DAIMLERCHRYSLER NORTH AMER | 4.875 15JUN10 SR NT | 136,858 | 133,940 |
| DAIMLERCHRYSLER NORTH AMER | 4.875 15JUN10 SR NT | 151,441 | 148,291 |
| | 4.026 07MAR07 NT FLTG | | |
| DAIMLERCHRYSLER NORTH AMER HLD | RATE DTD 7MAR05 | 288,823 | 293,655 |
| DARDEN RESTAURANTS INC | 6.000 15AUG35 SR NT | 266,536 | 255,203 |
| DEERE JOHN CAP CORP | 3.900 15JAN08 GLOBAL NT | 1,174,283 | 1,152,797 |
| | 4.400 15JUL09 TRANCHE | | |
| DEERE JOHN CAP CORP | TR 00330 | 293,509 | 288,937 |
| DEUTSCHE TELEKOM INTL | 8.000 15JUN10 GTD NT | 194,264 | 188,858 |
| DEUTSCHE TELEKOM INTL FIN B V | 5.250 22JUL13 GLOBAL NT | 267,825 | 258,281 |
| DEUTSCHE TELEKOM INTL FIN BV | 8.250 15JUN30 GTD NT | 521,856 | 504,729 |
| Diageo Cap PLC | 4.375 03MAY10 GTD NT | 297,848 | 292,479 |
| DIAGEO FIN BV | 3.000 15DEC06 NT | 587,729 | 577,687 |
| | 7.046 12NOV31 COML MTG | | |
| DLJ COML MTG CORP | CTF 1998 CF2 B 1 | 287,655 | 280,790 |
| | 6.240 12NOV31 2025 COML | | |
| DLJ COML MTG CORP | MTG CTF 98 CF2 A1B | 778,337 | 722,074 |
| | 7.195 15SEP14 | | |
| | REMARKETABLE NT SER | | |
| DOMINION RES INC DEL | E | 385,025 | 364,676 |
| | 3.660 15NOV06 SR NT SER | | |
| DOMINION RES INC VA NEW | G | 73,673 | 72,626 |
| DONNELLEY R R + SONS CO | 4.950 01APR14 SR NT | 610,767 | 571,785 |
| DUKE CAP CORP | 8.00 01OCT19 SR NT | 324,552 | 315,765 |
| DUKE ENERGY FIELD SVCS LLC | 7.875 16AUG10 NT | 89,312 | 86,693 |
| DUKE RLTY CORP | 5.875 15AUG12 NT | 243,927 | 253,405 |
| | 3.500 01NOV07 MED TERM | | |
| DUKE RLTY LTD PARTNERSHIP | NT | 121,959 | 119,163 |
| DUKE WEEKS RLTY LTD PRTNSHP | 7.750 15NOV09 SER NT | 315,526 | 292,436 |
| DUKE WEKS REALTY CORP | 6.950 15MAR11 NT | 98,516 | 105,048 |
| EL PASO CORP | 7.750 15JUN10 NT 144A | 400,117 | 399,780 |
| ENTERPRISE PRODS OPER L P | 5.600 15OCT14 SR NT | 131,384 | 127,281 |
| ENTERPRISE PRODS OPER L P | 6.650 15OCT34 SR NT 144A | 457,836 | 450,231 |
| EOP OPER LTD PARTNERSHIP | 4.650 01OCT10 GTD NT | 97,831 | 94,939 |
| EOP OPER LTD PARTNERSHIP | 6.800 15JAN09 NT | 1,547,466 | 1,434,345 |
| EOP OPER LTD PARTNERSHIP | 7.000 15JUL11 GTD NT | 489,929 | 466,706 |
| | 4.197 25JUL34 2004 2 MTG | | |
| EQUITY ONE ABS INC | PASSTHRU CTF CL AF1 | 7,132 | 7,130 |
| EQUITY RESIDENTIAL | 5.125 15MAR16 NT | 342,561 | 330,316 |
| ERAC USA FIN CO | 7.350 15JUN08GTD NT 144A | 978,207 | 1,028,215 |
| ERAC USA FIN CO | 7.950 15DEC09 NT 144A 3C7 | 259,242 | 236,905 |
| ERP OPER CTD PARTNERSHIP | 6.625 15MAR12 NT | 84,896 | 78,922 |
| EURO CURRENCY | EURO CURRENCY | 924 | (910) |
| | 6.125 08SEP08 6 1/8 BDS | | |
| EXXON CAPITAL CORP | 8SEP2008 USD1000 | 413,636 | 379,390 |
| FALCONBRIDGE LTD NEW | 5.375 01JUN15 NT | 39,076 | 37,788 |
| FEDERAL RLTY INVT TR | 5.650 01JUN16 NT | 274,359 | 275,913 |
| Federated Dept Stores Inc Del | 6.900 01APR29 SR DEB | 379,785 | 374,164 |
| FEDEX CORP | 2.650 01APR07 NT | 357,378 | 347,889 |
| | .010 11MAY13 SER 1 INT | | |
| Financing Corp Cpn Fico Strips | PMT ON 10PCT | 178,245 | 196,659 |

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|--------------------------------|--|-----------|-----------|
| FIRSTENERGY CORP | 6.450 15NOV11 NT SER B | 1,578,352 | 1,557,961 |
| FIRSTENERGY CORP | 6.450 15NOV11 NT SER B | 1,144,862 | 1,121,732 |
| FIRSTENERGY CORP | 6.450 15NOV11 NT SER B | 281,744 | 280,433 |
| FMR Corp | 4.750 01MAR13 NT 144A | 762,505 | 750,451 |
| FORD CR AUTO OWNER TR | 4.280 15JAN10 2005 B NT CL A4 | 1,278,645 | 1,266,234 |
| FORD CR AUTO OWNER TR | 3.540 15NOV08 2004 A NT CL A 4 | 318,392 | 311,996 |
| FORD CR AUTO OWNER TR | 4.480 15APR10 2005 B NT CL B | 338,040 | 334,625 |
| FORD CR FLOORPLAN MASTER OW TR | 1.000 15JUL09 SER 2004 1 ASSET BK NT CL A | 436,034 | 435,536 |
| FORD MTR CR CO | 4.218 16NOV06 GLOBAL NT | 287,836 | 285,419 |
| FORD MTR CR CO | 7.375 01FEB11 GLOBAL LANDMARK SEC GLOBS | 541,981 | 515,315 |
| FORD MTR CR CO | 7.000 01OCT GLOBALNT | 450,030 | 406,062 |
| FORD MTR CR CO | 5.800 12JAN09 CDT | 630,889 | 602,608 |
| FORTUNE BRANDS INC | 2.875 01DEC06 NT | 166,430 | 163,014 |
| FPL ENERGY NATL WIND LLC | 5.608 10MAR24 SR SECD BD 144A | 97,985 | 97,622 |
| FRANCE TELECOM SA | 8.500 01MAR31 NT REG | 230,475 | 222,254 |
| Franklin Res Inc | 3.700 15APR08 SR NT | 442,010 | 429,068 |
| FREESCALE SEMICONDUCTOR INC | 6.875 15JUL11 SR NT | 93,086 | 97,740 |
| GE COML MTG CORP | 3.915 10NOV38 2004 C1 COML MTG CTF CL A 2 | 566,204 | 541,053 |
| GE COML MTG CORP | 4.863 10JUL45 2005 C3 COML MTG PASSTHRU A3FX | 512,068 | 504,971 |
| General Elec Cap Corp Mtn | 4.125 01SEP09 TRANCHE TR 00699 | 219,274 | 219,896 |
| General Elec Cap Corp Mtn | 7.375 19JAN10 TRANCHE TR 00443 | 481,627 | 454,434 |
| General Elec Cap Corp Mtn | 6.00 15JUN12 TRANCHE TR 00551 | 668,402 | 650,562 |

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

| | | | |
|--------------------------------|---|-----------|-----------|
| GENERAL ELEC CAP CORP MTN | 3.500 15AUG07 TRANCHE TR 00605 | 1,977,843 | 1,920,215 |
| GENERAL ELEC CAP CORP MTN | 3.503 22JUN07 TRANCHE TR 00644 | 1,082,737 | 1,083,985 |
| GENERAL MLS INC | 5.125 15FRB07 NT | 549,235 | 543,352 |
| GENERAL MTRS ACCEP CORP | 5.050 16JAN07 TRANCHE 00634 | 193,276 | 186,190 |
| GENERAL MTRS ACCEP CORP | 6.125 15SEP06 NT | 288,812 | 285,535 |
| GEORGIA PAC CORP | 8.000 15JAN24 SR NT | 268,737 | 262,013 |
| GLENCORE FDG LLC | 6.000 15APR14 GTD NT 144A | 571,264 | 539,132 |
| GOLDMAN SACHS GROUP INC | 4.500 15JUN10 SR NT | 2,409,140 | 2,393,913 |
| GOLDMAN SACHS GROUP INC | 5.125 15JAN15 SR GLOBAL NT | 4,916 | 4,844 |
| GOLDMAN SACHS GROUP INC | 4.500 15JUN10 SR NT | 456,365 | 459,631 |
| Goldman Sachs Group Inc. | 6.875 15JAN11 NT | 350,613 | 332,637 |
| Goldman Sachs Group Inc. | 5.700 01SEP12 SR NT | 748,335 | 729,119 |
| Goldman Sachs Group Inc. | 5.250 01APR13 SR NT | 500,610 | 494,427 |
| GREEN TREE FINL CORP | 6.080 01DEC30 1999 2 MFD HSG SR SUB PASSTHRU | 119,246 | 124,791 |
| GREENWICH CAP COML FDG CORP | 4.883 10JUN36 2004 GG1 COML MTG CTF CL A 5 | 379,129 | 373,437 |
| GREENWICH CAP COML FDG CORP | 4.305 10AUG42 2005 GG3 COML MTG PTHRU CL A2 | 542,847 | 539,088 |
| GS MTG SECS CORP II | 4.751 10JUL392005 GG4 COML MTG PASSTHRU A4A | 742,219 | 713,073 |
| HALLIBURTON CO | 5.500 15OCT10 SR NT REGS | 362,631 | 355,278 |
| HARRAHS OPER INC | 8.000 01FEB11 GTD SR NT | 344,467 | 335,693 |
| HBOS PLC | 5.375 01NOV49 TRANCHE 00007 144A | 430,038 | 425,419 |
| HCA INC | 5.250 06NOV08 NT | 1,459,711 | 1,450,413 |
| HEALTHCARE RLTY TR IN | 8.125 01MAY11 SR NT | 325,898 | 314,734 |
| HEINZ H J CO | 1.000 01DEC08 DEALER REMARKETABLE SECS 144A | 252,261 | 251,643 |
| Honda Auto Receivable Owner TR | 4.800 19OCT09 2005 6 ASSET BKD CTF CL A 3 | 416,356 | 417,153 |
| HONDA AUTO RECEIVABLES | 1.000 19FEB10 ASSET BKD NT SER 2004 3 CL A 4 | 1,018,775 | 986,746 |
| HONDA AUTO RECEIVABLES | 2.190 15MAY07 SER 2003 4 CL A 3 | 109,742 | 109,311 |
| Household Fin Corp | 4.125 15DEC08 NT | 1,231,430 | 1,196,784 |
| HOUSEHOLD FIN CORP | 6.500 15NOV08 NT | 412,842 | 418,121 |
| HSBC Automotive Tr | | 205,720 | 202,683 |

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| | 4.350 18JUN12 SER 2005 1 ASSET BKED NT CL A4 | | |
| HSBC FIN CORP | 5.250 14JAN11 NT | 978,128 | 980,354 |
| | 4.375 15JAN10 TRANCHE TR 00138 | 246,938 | 240,131 |
| HUNTINGTON NATL BK | | | |
| HUTCHISON WHAMPOA INTL 03 13 L | 6.500 13FEB13 GTD NT 144A 5.100 01JUN33 Taxable | 353,052 | 363,160 |
| Illinois St | Pension | 1,175,026 | 1,277,523 |
| | 5.650 25DEC10 1998 1 | | |
| Illinoise Pwr Spl Purp Tr | TRANSITIONAL FDG CL A 7 4.375 01JUN09 TRANCHE TR 00113 | 1,118,668 | 1,047,815 |
| INTERNATIONAL BUSINESS MACHS | | 83,038 | 82,243 |
| INTERNATIONAL FLAVORS + FRAG | 6.450 15MAY06 NT | 198,444 | 191,984 |
| INTERNATIONAL LEASE FIN CORP | 4.750 13JAN12 NT | 370,728 | 363,034 |
| INTERNATIONAL PAPER CO | 5.300 01APR15 NT | 202,088 | 198,186 |
| INTERNATIONAL STL GROUP INC | 6.500 15APR14 SR NT 1.000 15JUN06 | 203,909 | 205,769 |
| IRS 3ML USD | SWPV41140/SWPV041148 | (115,153) | (162,757) |
| IRS 3ML USD | 1.000 21JUN26 SWPV47865 | 267,559 | 66,949 |
| IRS USD | 5.000 21JUN16 SWP048002 | | (19,615) |
| IRS USD | 5.000 21JUN16 SWP048143 | | (18,389) |
| IRS USD | 5.000 21JUN11 SWP047897 | | 896 |
| IRS USD | 5.000 21JUN11 SWP048267 | | 4,481 |
| IRS USD | 5.000 21JUN11 SWP046592 | | 20,163 |
| IRS USD | 5.000 21JUN11 SWP047871 | | 94,542 |
| ISPAT INLAND ULC | 9.750 01APR14 SR SECD NT | 89,950 | 88,775 |
| ISTAR FINL INC | 5.150 01MAR12 SR NT 5.198 15DEC44 2005 LDP5 | 127,173 | 123,362 |
| J P MORGAN CHASE COML MTG | MTG PASS CTF CL A 2 4.893 15AUG42 2005 LDP3 | 418,518 | 418,518 |
| J P Morgan Chase Coml Mtg | COML MTG PASS CL A S 4.625 15MAR46 2005 LDP1 | 566,218 | 556,040 |
| J P Morgan Chase Coml Mtg Sec | COML MTG PASSTHR A2 4.625 15MAR46 22005 LDP1 | 403,734 | 394,896 |
| J P MORGAN CHASE COML MTG SEC | COML MTG PASSTHR A2 3.175 12JAN37 2004 CIBC10 | 558,882 | 554,743 |
| J P MORGAN CHASE COML MTG SECS | MTG PASS CTF A 1 6.260 15MAR33 2001 CIBC1 | 101,248 | 101,295 |
| J P MORGAN CHASE COML MTG SECS | MTG PASSTHRU CL A3 4.749 15OCT42 2005 LDP4 | 722,173 | 772,756 |
| J P MORGAN CHASE COML MTG SECS | CTF CL A2 4.302 15JAN38 2004 C1 | 418,508 | 412,077 |
| J P MORGAN CHASE COML MTG SECS | PASSCTF CL A2 4.790 15OCT42 2005 LDP4 | 512,013 | 489,658 |
| J P MORGAN CHASE COML MTG SECS | CTF CL A2 | 418,508 | 412,077 |
| JAPANESE YEN | JAPANESE YEN | 48,764 | 48,482 |
| JEFFERIES GROUP INC NEW | 7.750 15MAR12 SR NT | 200,573 | 223,365 |
| JEFFERIES GROUP INC NEW | 5.500 15MAR16 SR NT 6.750 01FEB11 6.75PCT | 340,802 | 338,764 |
| JP MORGAN CHASE | 01FEB11 | 766,877 | 787,123 |
| JP MORGAN CHASE COML MTG SECS | | 448,045 | 441,339 |

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|--------------------------|---------------------------|-----------|-----------|
| | 4.916 15AUG42 2005 LDP3 | | |
| | COML MTG CTF CL A2 | | |
| | 5.125 15SEP14 GLOBAL SUB | | |
| JPMORGAN CHASE + CO | HLDG CO NT | 679,309 | 674,127 |
| KRAFT FOODS INC | 4.000 01OCT08 NT | 835,161 | 812,701 |
| KRAFT FOODS INC | 5.250 01JUN07 NT | 1,936,803 | 1,869,279 |
| KRAFT FOODS INC | 4.125 12NOV09 NT | 567,843 | 549,934 |
| KROGER CO | 6.750 15APR12 | 406,194 | 396,726 |
| KROGER CO | 6.200 15JUN12 SR NT | 1,180,701 | 1,149,410 |
| KROGER CO | 7.800 15AUG07 SR NT | 270,040 | 264,681 |
| | 6.375 15OCT15 SR SUB NT | | |
| L 3 COMMUNICATIONS CORP | 144A | 58,353 | 58,644 |
| L 3 COMMUNICATIONS CORP | 7.625 15JUN12 SR SUB NT | 164,364 | 165,007 |
| Lasmo USA Inc | 7.500 30JUN06 GTD NT | 316,814 | 298,021 |
| | 2.720 15MAR27 2003 C1 | | |
| LB UBS COML MTG TR | COML MTG CTF CL A 1 | 561,887 | 560,614 |
| | 4.647 16DEC11 2005 C3 | | |
| LB UBS COML MTG TR | COML MTG PASSTHRU A3 | 837,026 | 811,497 |
| | 4.201 15DEC29 2004 C8 | | |
| LB UBS COML MTG TR | COML MTG CTF CL A2 | 438,208 | 423,490 |
| | 3.992 15OCT29 2004 C7 MTG | | |
| LB UBS COML MTG TR | PASS CTF CL A 2 | 605,596 | 580,677 |
| LEHMAN BROS INC | 6.500 15APR08 NT | 662,698 | 709,201 |
| LEUCADIA NATL CORP | 7.000 15AUG13 SR NT | 233,475 | 229,114 |
| LUBRIZOL CORP | 4.625 01OCT09 SR NT | 132,578 | 129,651 |
| LUBRIZOL CORP | 4.625 01OCT09 SR NT | 234,955 | 230,491 |
| LUBRIZOL CORP | 6.500 01OCT34 SR DEB | 332,931 | 352,935 |
| | 3.890 28MAY40 COML MTG | | |
| MACH ONE 2004 1 LLC | PASSTRU CTF CLA1 144A | 307,956 | 301,855 |
| MACK CALI REALTY LP | 5.050 15APR10 NT | 136,928 | 135,620 |
| MACK CALI RLTY L P | 5.125 15JAN15 NT | 194,765 | 190,881 |
| MARSH + MCLENNAN COS INC | 5.750 15SEP15 SR NT | 1,163,191 | 1,185,271 |
| Masco Corp | 5.875 15JUL12 SR NT | 98,669 | 99,681 |
| Masco Corp | 4.800 15JUN15 NT | 276,529 | 278,787 |

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

| | | | |
|------------------------------|---|-----------|-----------|
| MASSMUTUAL GLOBAL FDG II MTN | 3.800 15APR09 TRANCHE TR 00016 144A | 146,782 | 142,463 |
| MAY DEPT STORES CO | 6.650 15JUL24 SR NT | 441,418 | 463,598 |
| MBNA CORP SR MTN | 4.625 15SEP08 TRANCHE SR 00058 | 298,389 | 296,686 |
| MBNA CORP SR MTN | 6.125 01MAR13 TRANCHE SR 00056 | 105,610 | 103,905 |
| MBNA CR Card Master NT TR | 4.2 15SEP10 2005 1 NT CL A | 1,295,410 | 1,298,027 |
| MBNA Cr Card Master NT Tr | 2.750 15OCT10 2003 6 NT CL A | 258,755 | 257,544 |
| MBNA CR CARD MASTER NT TR | 2.750 15OCT10 2003 6 NT CL A | 275,530 | 275,954 |
| MEDCO HEALTH SOLUTIONS INC | 7.250 15AUG13 SR NT | 92,110 | 91,493 |
| MEDPARTNERS INC | 7.375 01OCT06 SR NT | 1,676,931 | 1,623,392 |
| MERRILL LYNCH + CO INC | 4.250 08FEB10 TRANCHE TR 00456 | 1,465,590 | 1,429,689 |
| MERRILL LYNCH + CO INC | 4.790 04AUG10 | 661,401 | 653,961 |
| MERRILL LYNCH MTG INVS INC | 5.250 25AUG36 2005 A8 MTG PASS CTF CL A1C1 | 1,111,761 | 1,106,386 |
| MERRILL LYNCH MTG INVS INC | 4.090 25APR35 2004 SL1 MTG LN ASSET BKD CL A | 3,792 | 3,792 |
| MERRILL LYNCH MTG TR | 4.166 12AUG39 SER 2004 KEY2 COML MTG CL A2 | 349,743 | 336,023 |
| MERRILL LYNCH MTG TR | 5.244 12NOV37 20056 CKI1 COML MTG PASS CL A6 | 333,083 | 337,847 |
| MERRILL LYNCH MTG TR | 5.223 12NOV37 2005 CKI1 COML MTG CTF A 2 | 197,043 | 198,205 |
| MERRILL LYNCH MTG TR | 4.960 12JUN10 2005 CIP1 MTG PASS CTF CL A2 | 270,939 | 267,921 |
| METLIFE INC | 5.375 15DEC12 SR NT | 98,270 | 100,024 |
| METLIFE INC | 5.000 15JUN15 SR NT | 928,337 | 912,996 |
| MGM MIRAGE | 6.000 01OCT09 SR NT | 99,455 | 97,373 |
| MID ST TR IV | 8.330 01APR30 ASSET BACKED NT | 961,535 | 967,674 |
| MidAmerican Energy Hldgs Co | 3.500 15MAY08 SR NT | 667,404 | 658,505 |
| MIDAMERICAN ENERGY HLDGS CO | 5.875 01OCT12 SR NT | 142,046 | 146,677 |
| MidAmerican Fdg LLC | 6.750 01MAR11 SR SECD NT | 505,702 | 473,421 |
| MOHEGAN TRIBAL GAMING AUTH | 6.125 15FEB13 SR NT | 181,273 | 178,100 |
| MORGAN STANLEY ABS CAP I INC | 2.617 25MAY34 2004 HE4 PASSTHRU CTF A 3 144A | 66,597 | 66,540 |
| MORGAN STANLEY CAP I INC | 4.890 12JUN47 2005 TOP19 COML MTG CL A 4A | 1,226,559 | 1,195,961 |

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|-------------------------------|---|-----------|-----------|
| MORGAN STANLEY CAP I INC | 3.940 13SEP45 2004 TP13 CML MTG PASS CL A2 | 1,076,645 | 1,048,091 |
| MORGAN STANLEY CAP I INC | 7.207 15DEC31 COML MTG CTF 1999 RM1 CL E | 467,244 | 490,012 |
| MORGAN STANLEY CAP I INC | 7.542 15MAR30 COML MTG CTF 1998 HF1 CL E | 535,512 | 512,326 |
| MORGAN STANLEY GROUP INC | 5.800 01APR07 | 442,657 | 415,733 |
| MORGAN STANLEY GROUP INC | 6.750 15APR11 GLOBAL NT | 464,840 | 485,225 |
| MOTOROLA INC | 8.000 01NOV11 | 1,025,661 | 1,179,800 |
| MOTOROLA INC | 7.625 15NOV10 NT | 29,089 | 28,320 |
| NAVISTAR FINANCIAL CORP OWNER | 3.530 15OCT12 SER 2004 B CL A4 | 956,849 | 946,416 |
| NAVISTAR FINL 2002 A OWNER TR | 4.760 15APR09 ASSET BKD NT CL A 4 | 774,385 | 774,371 |
| NEVADA PWR CO | 5.875 15JAN15 GEN + REF MTG NT SER L | 63,997 | 63,201 |
| New York Life Global Fdg Mtn | 3.875 15JAN09 TRANCHE TR 00002 144A | 759,044 | 742,234 |
| NEWS AMER HLDGS INC | 7.700 30OCT25 SR DEB | 463,432 | 438,459 |
| NEWS AMER INC | 4.750 15MAR10 GTD SR NT | 333,027 | 328,125 |
| NEXTEL COMMUNICATIONS INC | 5.900 15MAR14 SR SERIAL REDEEMABLE NT SER F | 141,392 | 137,898 |
| NIAGARA MOHAWK PWR CORP | 7.750 01OCT08 SR NT SER G | 267,794 | 261,546 |
| NISOURCE FIN CORP | 7.875 15NOV10 GTD NT | 225,516 | 217,129 |
| NISOURCE FIN CORP | 5.250 15SEP17 GTD NT | 341,700 | 333,580 |
| NISSAN AUTO RECEIVABLES | 3.210 16MAR09 SER 2003 C NT CL A5 | 92,799 | 90,923 |
| NOMURA ASSET ACCEP CORP | 4.855 25FEB35 2005 AP1 MTG PSSTH CTF II A 5 | 220,461 | 216,393 |
| NOMURA ASSET ACCEP CORP | 5.159 25MAR35 2005 WF1 MTG CTF CL II A 5 | 284,151 | 277,284 |
| NOMURA ASSET ACCEP CORP | 4.976 25JUL35 2005 AP2 MTG PASSTHRU CL A5 | 587,888 | 569,003 |
| NORANDA INC | 6.000 15OCT15 NT | 202,886 | 197,883 |
| NORFOLK SOUTHN CORP | 6.750 15FEB11 SR NT | 159,263 | 153,270 |
| NORTHERN ROCK PLC MEDIUM TERM | 5.600 30APR49 TRANCHE SR 00021 | 205,565 | 206,919 |
| NORTHROP GRUMMAN CORP | 7.125 15FEB11 NT | 166,858 | 165,499 |
| NUVEEN INVTS INC | 5.000 15SEP10 SR NT | 244,287 | 241,026 |
| ONEOK INC NEW | 5.200 15JUN15 NT | 406,419 | 399,315 |
| OPTEUM MTG ACCEP CORP | 5.640 25NOV35 2005 5 ASSET BKD CTF CL II A1B | 548,707 | 553,074 |
| Pacific Gas + Elec Co | 4.200 01MAR11 1ST MTG BD | 268,759 | 258,829 |
| PACIFIC GAS + ELEC CO | 3.600 01MAR09 1ST MTG BD | 176,202 | 169,254 |
| PARK PLACE ENT | 8.500 15NOV06 NT | 118,939 | 110,606 |
| PC FINL PARTNERSHIP | 5.000 15NOV14 CTD SR NT | 438,606 | 435,754 |
| PEARSON DLR FIN PLC | 4.700 01JUN09 GTD SR NT 144A | 293,900 | 289,166 |

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|--------------------------------|---------------------------|-----------|-----------|
| PEMEX PROJ FDG MASTER TR | 6.125 15AUG08 GTD NT | 1,174,977 | 1,199,340 |
| PEPCO HLDGS INC | 5.500 15AUG07 NT | 51,696 | 49,289 |
| | 3.870 25JUN11 2005 1 | | |
| | ENERGY RECOVERY BD | | |
| PG+E Energy Recovery FDG LLC | A2 | 602,483 | 591,583 |
| | 4.850 25JUN11 2005 2 | | |
| | ENERGY RECOVERY BD | | |
| PG+E Energy Recovery FDG LLC | CL A1 | 269,691 | 269,583 |
| PHILLIPS PETE CO | 6.650 15JUL18 DEB | 135,049 | 165,836 |
| PHOENIX COS INC NEW | 6.675 16FEB08 SR NT | 113,808 | 113,738 |
| POTASH CORP SASK INC | 4.875 01MAR13 NT | 316,662 | 310,531 |
| PRAXAIR INC | 6.375 01APR12 NT | 414,568 | 445,264 |
| PREMCOR REFNG GROUP INC | 6.750 01FEB11 SR NT | 1,563,478 | 1,556,846 |
| | 5.340 15MAR06 SECD NT | | |
| PRIVATE EXPT FDG CORP | SER M | 387,513 | 358,118 |
| PROGRESS ENERGY INC | 7.100 01MAR11 SR NT | 224,004 | 216,722 |
| PROLOGIS TR | 7.050 15JUL06 SR NT | 119,753 | 118,567 |
| | 3.350 15SEP11 SER 2004 D | | |
| PROVIDIAN GATEWAY OWNER TR | CL A144A | 406,824 | 405,718 |
| | 7.785 01OCT12 1ST COLL | | |
| PUBLIC SVC CO COLO | TR BD SER NO 8 | 154,066 | 171,104 |
| | 4.375 01OCT08 1ST COLL | | |
| PUBLIC SVC CO COLO | TR BD SER 14 | 156,588 | 154,810 |
| QUEST DIAGNOSTICS INC | 5.125 01NOV10 SR NT | 200,492 | 201,141 |
| | 6.750 15JUL06 SR SECD NT | | |
| Railcar Leasing LLC | CL A1 144A | 231,702 | 222,237 |
| RAYTHEON CO | 6.000 15DEC10 DEB | 108,862 | 129,751 |
| RAYTHEON CO | 6.750 15AUG07 NT | 114,223 | 102,391 |
| RAYTHEON CO | 5.500 15NOV12 NT | 120,398 | 125,268 |
| REGENCY CTRS L P | 5.250 01AUG15 GTD NT | 132,364 | 129,861 |
| | 4.190 25NOV34 2004 3 | | |
| RENAISSANCEHOME EQUITY LN TR | HOME LN EQTY CL AV 2A | 1,650,818 | 1,655,933 |
| REPUBLIC SVCS INC | 6.086 15MAR35 NT | 527,532 | 524,723 |
| | 4.150 25FEB26 2005 RS1 CL | | |
| RESIDENTIAL ASSET MTG PRODS | A II 1 | 251,598 | 251,660 |
| | 4.010 25JUN13 2004 SP1 LN | | |
| RESIDENTIAL ASSET MTG PRODS IN | BKD CTF CL AI 1 | 14,690 | 14,691 |
| | 4.340 25MAY33 SER 2003 | | |
| RESIDENTIAL ASSET SEC MTG PASS | KS3 CL A2 | 82,954 | 82,985 |
| | 4.200 25NOV32 SER 2002 | | |
| RESIDENTIAL ASSET SEC MTG PASS | KS7 CTF CL A II | 119,256 | 119,161 |
| | 4.187 25OCT21 2004 KS7 | | |
| RESIDENTIAL ASSET SEC MTG PASS | MTG CTF CL A I 1 | 41,063 | 41,067 |

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

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|-------------------------------|--------------------------|-----------|-----------|
| RESIDENTIAL CAP CORP | 6.375 30JUN10 NT | 872,597 | 886,122 |
| | 4.460 25AUG16 HI2 HONE | | |
| RESIDENTIAL FDG MTG SECS II | LN BKD NT CL A 2 | 244,899 | 240,290 |
| | 1.000 25APR33 2004 HS2 | | |
| RESIDENTIAL FDG MTG SECS INC | LN BKD NT CL A11 | 1,186 | 1,185 |
| | 1.000 29SEP49 USD | | |
| | PERPTL SUB BD FIXED | | |
| RESONA BK | 144A | 416,146 | 414,678 |
| RPM INTL INC FORMERLY RPM INC | 4.450 15OCT09 SR NT | 268,073 | 263,075 |
| RPM INTL INC FORMERLY RPM INC | 6.250 15DEC13 SR NT | 414,975 | 400,060 |
| | 5.625 15JAN09 GTD NT | | |
| Russell Frank Co | 144A | 1,088,675 | 1,006,723 |
| | 5.000 15JUN12 TRANCHE | | |
| RYDER SYS INC MTN BK ENT | TR 00200 | 302,269 | 289,158 |
| SAFEWAY INC | 6.500 01MAR11 NT | 77,784 | 76,098 |
| SAFEWAY INC | 4.800 16JUL07 NT | 98,214 | 97,560 |
| SAFEWAY INC | 5.800 15AUG12 NT | 234,211 | 221,590 |
| SAFEWAY INC | 7.250 01FEB31 DEB | 343,935 | 327,775 |
| | 1.000 25JAN33 2003 CB1 | | |
| SALOMON BROS MTG SECS VII INC | MTG LN BKD CTF CL AF | 411,518 | 409,036 |
| SANWA BK LTD N Y BRH | 7.400 15JUN11 SUB NT | 111,397 | 108,199 |
| | 6.750 15JUN12 GTD NT | | |
| SAPPI PAPIER HLDG AG | 144A | 261,252 | 229,263 |
| | 4.297 25AUG32 2002 2 MTG | | |
| SAXON ASSET SECS TR | LN AST BK CTF CLAV | 9,157 | 9,159 |
| SBC Communications Inc | 5.300 15NOV10 Global NT | 782,385 | 786,669 |
| SBC Communications Inc | 4.125 15SEP09 Global NT | 166,538 | 160,739 |
| SBC COMMUNICATIONS INC | 4.125 15SEP09 GLOBAL NT | 3,014,417 | 2,975,699 |
| | 5.625 15JUN16 GLOBAL | | |
| SBC COMMUNICATIONS INC | NT | 269,206 | 271,120 |
| SIMON PPTY GROUP L P | 6.375 15NOV07 NT | 172,057 | 170,214 |
| SIMON PPTY GROUP L P | 4.875 15AUG10 NT | 420,086 | 415,492 |
| | 4.500 26JUL10 TRANCHE | | |
| SLM CORP | TR 00086 | 346,870 | 340,550 |
| | 5.000 01OCT13 TRANCHE | | |
| SLM CORP | 00031 | 763,439 | 760,240 |
| | 7.060 01NOV19 DEB SER | | |
| SMALL BUSINESS ADMIN | 1999 20 K | 407,032 | 428,520 |
| | 7.190 01DEC19 DEB SER | | |
| SMALL BUSINESS ADMIN | 1999 20 L | 743,563 | 795,165 |
| | 5.825 25MAY35 SER 2005 B | | |
| SOUNDVIEW HOME LN TR | ASSET BKD CTF CLM3 | 146,978 | 146,399 |
| SOUTHERN CA EDISON CO | | 209,948 | 203,798 |

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|--------------------------------|---|-----------|-----------|
| | 4.650 01APR15 1ST + REF MTG SER 2004 F | | |
| SOUTHTRUST CORP | 5.800 15JUN14 SUB NT | 117,399 | 122,409 |
| SOVEREIGN BANCORP INC | 4.800 01SEP10 SR NT 144A | 453,459 | 456,152 |
| | 3.610 25OCT35 2004 BC4 | | |
| SPECIALTY UNDERWRITING + RESID | MTG CTF CL A2A | 150,750 | 150,777 |
| SPRINT CAP CORP | 6.875 15NOV28 NT | 419,166 | 535,338 |
| SPRINT CAP CORP | 6.375 01MAY09 | 684,403 | 706,806 |
| SPRINT CAP CORP | 6.900 01MAY19 NT | 1,588,846 | 1,618,799 |
| SPRINT CAP CORP | 8.375 15MAR12 NT | 173,046 | 164,664 |
| SPRINT CAP CORP | 6.00 15JAN07 GTD NT | 342,948 | 346,302 |
| SPRINT CAP CORP | 7.625 30JAN07 GTD NT | 354,425 | 378,180 |
| SPRINT CAP CORP | 8.750 15MAR32 NT | 853,489 | 936,247 |
| | 5.300 15OCT15 SUB NT | | |
| ST GEORGE BK LTD | 144A | 190,668 | 191,924 |
| STATION CASINOS INC | 6.000 01APR12 SR NT | 214,712 | 215,029 |
| | 4.157 25FEB14 2005 1 MTG | | |
| STRUCTURED ASSET INVT LN TR | CTF CL A3 144A | 48,449 | 48,453 |
| | 4.220 25MAY34 2004 5 | | |
| STRUCTURED ASSET INVT LN TR | MTG CTF CL A2 | 104,900 | 104,849 |
| | 1.000 29JUL49 US PERP | | |
| SUMITOMO MITSUI BKG CORP | SUB BD FIXED 144A | 272,913 | 273,332 |
| SWAPTION (317503G20) | OCT06 4.25 Call | 8,152 | 3,620 |
| SWAPTION (317503G38) | OCT06 4.3 Call | (8,057) | (4,303) |
| SWAPTION (317503HN3) | APR06 4.5 Call | 3,341 | 598 |
| SWAPTION (317503HT0) | APR06 4.54 Call | (4,380) | (1,145) |
| SWAPTION (317503J92) | OCT06 4.25 Call | 7,015 | 3,457 |
| SWAPTION (317503JE1) | MAY06 4.78 Call | (13,067) | (12,834) |
| SWAPTION (317503K33) | OCT06 4.56 Call | (23,458) | (17,595) |
| SWAPTION (317503L32) | OCT06 4.25 Call | 10,494 | 5,292 |
| SWAPTION (317503L40) | OCT06 4.32 Call | (10,371) | (6,560) |
| SWAPTION (317503L57) | OCT06 4.31 Call | (7,202) | (4,249) |
| SWAPTION (317503H26) | APR06 4.5 Call | (7,422) | (1,967) |
| SWAPTION (317503HP8) | APR06 4.54 Call | (3,570) | (805) |
| SWAPTION (317503HQ6) | OCT06 4.5 Call | 5,497 | 2,635 |
| SWAPTION (317503HR4) | OCT06 4.54 Call | (5,847) | (3,359) |
| SWAPTION (317503HU7) | APR06 4.5 Call | 4,390 | 761 |
| SWAPTION (317503HV5) | OCT06 4.54 Call | (4,642) | (2,688) |
| SWAPTION (317503HW3) | OCT06 4.5 Call | 4,997 | 2,560 |
| SWAPTION (317503JD3) | MAY06 4.75 Call | 12,825 | 10,793 |
| SWAPTION (317503K25) | OCT06 4.5 Call | 23,869 | 15,210 |
| SWAPTION (317503N97) FUTURES | AUG06 4.78 Call | (18,446) | (21,367) |
| SWAPTION (317503QC7) FUTURES | AUG06 4.75 Call | 18,850 | 19,614 |
| SWAPTION (317503FR6) | APR06 4.5 Call | 7,525 | 1,357 |
| SWEDISH KRONA | SWEDISH KRONA | 125 | 123 |
| TCI COMMUNICATIONS INC | 7.875 15FEB26 DEB | 67,679 | 84,823 |
| TECK COMINCO LTD | 7.000 15SEP12 NT | 238,600 | 260,033 |
| Telecom Italia Cap | 4.000 15JAN10 GTD SR NT | 578,105 | 569,953 |
| | 5.250 15NOV13 GTD SR NT | | |
| TELECOM ITALIA CAP | SER B | 356,724 | 350,949 |
| TELECOM ITALIA CAP | 4.000 15JAN10 GTD SR NT | 542,361 | 517,959 |

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|--------------------------------|-------------------------|-----------|-----------|
| TELECOM ITALIA CAP | 5.250 01OCT15 GTD SR NT | 457,629 | 447,305 |
| TEMPLE INLAND INC | 6.625 15JAN18 SR NT | 223,967 | 232,185 |
| Texas Eastn Transmission Corp | 7.300 01DEC10 NT | 511,391 | 480,722 |
| | 4.125 03MAR08 TRANCHE | | |
| TEXTRON FINL CORP MTN | TR 00632 | 213,375 | 212,252 |
| TEXTRON INC | 6.375 15NOV08 NT | 144,557 | 142,450 |
| Tiaa Global Mkts Inc | 3.875 22JAN08 NT 144A | 997,371 | 960,147 |
| TIME WARNER ENTMT CO L P | 7.250 01SEP08 SR DEB | 955,493 | 1,005,084 |
| TIME WARNER INC | 6.625 15MAY29 DEB | 1,973,188 | 1,956,952 |
| TIME WARNER INC | 6.875 01MAY12 NT | 555,314 | 516,302 |
| Time Warner Inc. | 6.625 15MAY29 DEB | 769,143 | 784,687 |
| | 6.500 01JUN23 TAXABLE | | |
| TOBACCO SETTLEMENT AUTH IA | ASSET BKD SER A | 117,582 | 118,241 |
| Tricon Global Restaurants Inc | 8.875 15APR11 SR NT | 207,228 | 197,625 |
| | 6.150 15NOV13 GTD SR NT | | |
| TXU AUSTRALIA HLDGS PTY LTD | 144A | 261,750 | 261,497 |
| TXU ENERGY CO LLC | 1.000 17JAN06 SR NT | 146,978 | 146,972 |
| TYCO INTL GROUP S A | 5.800 01AUG06 NT | 1,983,622 | 1,967,905 |
| | 4.125 17MAR08 TRANCHE | | |
| U S Bk Natl Assn Cincinnati OH | TR 00233 | 905,439 | 894,066 |
| | 6.000 15APR09 VENDEE | | |
| U S DEPT VETERAN AFFAIRS REMIC | MTG TR 2002 3 CL J | 493,077 | 465,095 |

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| | | | |
|------------------------------|---|---------|---------|
| UFJ FIN ARUBA A E C | 6.750 15JUL13 GTD NT | 787,535 | 775,654 |
| UNION OIL CO CA | 5.050 01OCT12 GTD SR NT | 230,275 | 229,301 |
| Union Pac Corp | 6.625 01FEB08 NT | 737,052 | 684,266 |
| UNION PAC CORP | 3.625 01JUN10 NT | 131,369 | 124,776 |
| UNION PAC CORP | 3.875 15FEB09 NT | 390,801 | 378,679 |
| UNITED AIRLS PASS THRU TRS | 9.560 19OCT18 PASS THRU CTF SER 1995 A2 | 747,093 | 405,964 |
| UNIVISION COMMUNICATIONS INC | 7.850 15JUL11 SR NT | 372,860 | 382,796 |
| US DOLLAR | US DOLLAR | 498,788 | 498,788 |
| USA WASTE SVCS INC | 7.000 15JUL28 | 92,039 | 99,356 |
| VALERO ENERGY CORP NEW | 6.875 15APR12 NT | 338,543 | 336,319 |
| Verizon Global Fdg Corp | 7.250 01DEC10 NT | 496,102 | 468,400 |
| Verizon Global Fdg Corp | 6.875 15JUN12 BD | 417,599 | 420,607 |
| VERIZON GLOBAL FDG CORP | 4.900 15SEP15 NT | 164,145 | 165,988 |
| VERIZON GLOBAL FDG CORP | 5.850 15SEP35 NT | 306,450 | 297,441 |
| Verizon Wireless Cap LLC | 5.375 15DEC06 NT | 548,960 | 517,327 |
| Vodafone Airtouch PLC | 7.750 15FEB10 NT | 756,721 | 698,843 |
| WACHOVIA CORP 2ND NEW | 4.875 15FEB14 NT | 818,650 | 800,717 |
| Walmart Stores Inc | 4.125 01JUL10 NT | 430,790 | 417,783 |
| Walmart Stores Inc | 4.750 15AUG10 SR NT | 205,660 | 204,437 |
| WAMU MTG | 4.078 25OCT33 2003 AR10 CTF CL A 6 | 490,673 | 478,791 |
| WAMU MTG PASS THROUGH CTFS | 1.000 25JUL44 2004 AR10 PASSTHRU CTF CL A2C | 189,909 | 190,141 |
| WAMU MTG PASS THROUGH CTFS | 1.000 25JAN45 2005 AR2 MTG CL 2A 2A2 | 332,353 | 332,249 |
| WAMU MTG PASS THROUGH CTFS | 4.211 25AUG34 2004 AR9 MTG CTF CL A 7 | 328,536 | 326,304 |
| WAMU MTG PASS THROUGH CTFS | 4.682 25APR35 2005 AR4 MTG PASSTHRU CL A 4B | 122,195 | 120,649 |
| WASHINGTON MUT INC | 4.000 15JAN09 NT | 342,940 | 337,369 |
| WASHINGTON MUT INC | 4.625 01APR14 SUB NT | 868,922 | 838,487 |
| WASTE MGMT INC DEL | | 32,006 | 40,079 |

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| | | | |
|--------------------------------|--|-----------|-----------|
| | 7.375 15MAY29 SR NT | | |
| WASTE MGMT INC DEL | 7.375 01AUG10 SR NT | 110,300 | 106,637 |
| WASTE MGMT INC DEL | 6.875 15MAY09 SR NT | 547,553 | 521,721 |
| WELLPOINT INC | 3.750 14DEC07 NT | 659,514 | 651,501 |
| WELLPOINT INC | 3.750 14DEC07 NT | 84,200 | 82,396 |
| WELLPOINT INC | 4.250 15DEC09 NT | 415,375 | 415,169 |
| Wells Fargo + Co | 4.125 10MAR08 SR NT | 666,601 | 662,160 |
| Wells Fargo + Co New | 5.125 15FEB07 Global NT | 219,743 | 206,749 |
| Wells Fargo + Co New | 5.000 15NOV14 SUB NT | 87,012 | 87,234 |
| WELLS FARGO + CO NEW | 3.500 04APR08 GLOBAL NT | 1,176,858 | 1,142,524 |
| WELLS FARGO + CO NEW | 6.375 01AUG11 SUB GLOBAL NT | 291,570 | 273,066 |
| WELLS FARGO + CO NEW | 4.280 15AUG08 2005 A ASSET BKD CTF CL A4 | 984,540 | 977,675 |
| Wells Fargo Finl Auto Owner Tr | 7.950 15FEB31 DEB | 244,063 | 219,884 |
| WESTVACO CORP | 6.750 15MAR12 NT | 1,865,280 | 1,820,007 |
| WEYERHAEUSER CO | 7.375 15MAR32 DEB | 277,410 | 261,435 |
| WEYERHAEUSER CO | 2.410 20DEC10 2003 2 CL A4 NT | 412,020 | 405,301 |
| WFS FINL 2003 2 OWNER TR | 3.540 21NOV11 AUTO RECEIVABLE BKD NT CL A 4 | 1,969,963 | 1,926,074 |
| WFS FINL 2004 2 OWNER TR | 3.210 17MAY12 AUTO RECEIVABLE BKD NT CL C | 336,939 | 330,166 |
| WFS FINL 2004 4 OWNER TR | 4.570 17NOV12 AUTO RECEIVABLE BKD NT CL B | 171,466 | 170,220 |
| WFS FINL 2005 2 ONER TR | 2.500 17DEC07 AUTO REC BKD CL A 2 SER 2004 4 | 98,590 | 98,242 |
| WFS FINL OWNER TR | 5.875 15JUN14 NT | 170,979 | 174,030 |
| WPP FIN UK | 5.500 01FEB14 SR NT | 227,932 | 224,315 |
| WYETH | 5.500 01FEB14 SR NT | 230,099 | 228,285 |
| WYETH | 7.000 01DEC10 SR NT | 233,952 | 226,728 |
| XCEL ENERGY INC | 7.500 15APR12 SR NT | 479,840 | 465,814 |
| XTO ENERGY INC | | | |

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| | | | |
|----------------------|-------------------------|---------|---------|
| ZIONS BANCORP | 5.500 16NOV15 | 155,505 | 157,934 |
| ZIONS BANCORPORATION | 6.000 15SEP15 SUB NT | 410,732 | 430,073 |

Corporate and Other Obligations 235,782,419

Commingled Investments

| | | | |
|----------------------------|--------------------------------|------------|------------|
| PIMCO FDS PAC INV MGMT | Private Acct Portfolio | 225,026 | 225,602 |
| PIMCO FDS PAC INV MGMT SER | Emerging Mkts Portfolio | 6,042,661 | 6,286,612 |
| PIMCO FDS PAC INV MGMT SER | High Yield Portfolio | 1,175,823 | 1,170,129 |
| PIMCO FDS PAC INV MGMT SER | Instl CL | | |
| PIMCO FDS PAC INV MGMT SER | Intl Portfolio Instl CL | 2,725,349 | 2,292,681 |
| PIMCO FDS PAC INV MGMT SER | Inv Grade Corp Port | 7,481,636 | 7,025,813 |
| PIMCO FDS PAC INV MGMT SER | Instl CL | | |
| PIMCO FDS PAC INV MGMT SER | Mtg Portfolio Instl CL | 14,837,588 | 14,549,808 |
| PIMCO FDS PAC INV MGMT SER | Real Return BD Portfolio CL | 2,573,091 | 2,354,115 |
| PIMCO FDS PAC INV MGMT SER | Short Term Portfolio | 15,187,428 | 15,022,341 |
| PIMCO FDS PAC INV MGMT SER | Instl CL | | |
| PIMCO FDS PAC INV MGMT SER | US Govt Sector Port | 8,971,221 | 8,685,478 |
| PIMCO FDS PAC INV MGMT SER | Instl CL | | |

Commingled Investments 57,612,579

**Benefit Responsive Interest Rate Wrapper
Contracts**

| | | |
|-----------------------------|---------------------|--------------|
| Aegon Institutional Markets | Open Ended Maturity | (29,587,357) |
| Bank of America NT & SA | Open Ended Maturity | (20,143,686) |

Benefit Responsive Interest Rate Wrapper
Contracts (49,731,043)

Synthetic Guaranteed Investment Contracts \$ 571,960,001

Commingled Investments:

| | | |
|--|---------------------------|-------|
| ALLIANCE RESOURCE PARTNERS L P UNIT LTD PARTNER INT | Commingled Investments | 7,743 |
| ANNALY MORTGAGE MANAGEMENT INC | Commingled Investments | 2,735 |
| BP PRUDHOE BAY RTY TR UNIT BEN INT | Commingled Investments | 6,876 |
| CROSS TIMBERS ROYALTY TRUST | | 656 |

| | | |
|-------------------------------------|-------------|------------|
| | Commingled | |
| | Investments | |
| | Commingled | 66,909,749 |
| Daily EAFE Fund | Investments | |
| | Commingled | 2,401 |
| ENTERPRISE PRODUCTS PPTNS LP | Investments | |
| FOSTER WHEELER LTD SER B ON SHS WTS | Commingled | 1,010 |
| EXP 09/24/2007 | Investments | |
| | Commingled | 4,151 |
| HUGOTON RTY TR TEX UNIT BEN INT | Investments | |
| | 31 | |

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

| | | |
|---|------------------------|----------------|
| KINDER MORGAN ENERGY PARTNERS L P | Commingled Investments | 20,623 |
| MAGELLAN MIDSTREAM PARTNERS LP COM UNIT REPSTG LTD PARTNER INT | Commingled Investments | 1,612 |
| NASDAQ 100 TR UNIT SER 1 | Commingled Investments | 126,049 |
| NEW PLAN EXCEL REALTY TR INC | Commingled Investments | 4,636 |
| REDBACK NETWORKS INC \$5.00 WTS EXP 01/05/2011 | Commingled Investments | 79 |
| REDBACK NETWORKS INC \$9.50 WTS EXP 01/02/2011 | Commingled Investments | 155 |
| REDWOOD TRUST INC | Commingled Investments | 9,490 |
| S & P 500 DEPOSITORY RECEIPT | Commingled Investments | 79,686 |
| S&P 500 Flagship Fund | Commingled Investments | 171,590,245 |
| SAN JUAN BASIN RTY TR UNIT BEN INT | Commingled Investments | 7,120 |
| T C PIPELINES VALUE REFLECTS THE TRADING PRICE ON NATIONAL EXCHANGE OR NASDAQ | Commingled Investments | 1,943 |
| US Small Cap Index Futures Fd CMT4 | Commingled Investments | 59,850,201 |
| WEINGARTEN RLTY INVS SH BEN INT | Commingled Investments | 7,561 |
| Commingled Investments | | \$ 298,634,721 |

Registered Investment Companies:

| | | |
|-----------------------------|-------------------------------|--------|
| ABN AMRO TALON MID CAP CL N | Registered Investment Company | 11,410 |
| AEGIS VALUE FUND INC | Registered Investment Company | 67,128 |
| AIM ENERGY CLASS A | Registered Investment Company | 11,655 |
| AIM GLOBAL VALUE CLASS A | Registered Investment Company | 988 |
| AIM LEISURE INVESTOR CLASS | Registered Investment Company | 297 |

| | | |
|---|-------------------------------|---------|
| AIM MULTI SECTOR CLASS C | Registered Investment Company | 26,078 |
| AIM REAL ESTATE CLASS C | Registered Investment Company | 35,517 |
| ALLIANZ OCC VALUE INSTITUTIONAL N/C | Registered Investment Company | 5,783 |
| ALLIANZ RCM BIOTECH FUND CLASS D | Registered Investment Company | 370 |
| ALLIANZ RCM HEALTHCARE FD CL D | Registered Investment Company | 58,482 |
| ALLIANZ RCM TECH INSTL CL | Registered Investment Company | 13,163 |
| ALLIANZ RCM TECHNOLOGY CL D | Registered Investment Company | 1,527 |
| ALPINE DYNAMIC DIVID FUND | Registered Investment Company | 1,020 |
| ALPINE US REAL ESTATE EQUITY Y | Registered Investment Company | 7,955 |
| AMERICAN BEACON SMALL CAP VAL INSTL | Registered Investment Company | 29,479 |
| AMERICAN CAPITAL INCOME BUILDER CL F | Registered Investment Company | 26,300 |
| AMERICAN CAPITAL WORLD GROWTH & INC F | Registered Investment Company | 12,001 |
| AMERICAN CENTURY EQUITY INCOME | Registered Investment Company | 26,715 |
| AMERICAN EUROPACIFIC GROWTH CLASS F | Registered Investment Company | 49,372 |
| AMERICAN FUNDAMENTAL INVESTORS CL F | Registered Investment Company | 12,459 |
| AMERICAN FUNDAMENTAL INVESTORS CLASS A | Registered Investment Company | 19,281 |
| AMERICAN GROWTH FUND OF AMERICA CLASS A | Registered Investment Company | 10,727 |
| AMERICAN GROWTH FUND OF AMERICA CLASS F | Registered Investment Company | 23,592 |
| AMERICAN HIGH-INCOME CLASS F | Registered Investment Company | 32,178 |
| AMERICAN INCOME FUND OF AMERICA CLASS F | Registered Investment Company | 4,185 |
| AMERISTOCK MUTUAL FUND | Registered Investment Company | 53,246 |
| ARIEL APPRECIATION | Registered Investment Company | 240,549 |
| ARIEL FUND | Registered Investment Company | 128,530 |
| ARTISAN INTERNAT L | Registered Investment Company | 76,405 |
| ARTISAN MID CAP | Registered Investment Company | 31,213 |
| ARTISAN MID CAP VALUE | Registered Investment Company | 9,323 |

| | | |
|---|-------------------------------|---------|
| | Registered Investment Company | |
| ATLANTIC WHITEHALL GROWTH N/C | Registered Investment Company | 2,396 |
| BARON GROWTH | Registered Investment Company | 443 |
| BARON PARTNERS FUND | Registered Investment Company | 13,597 |
| BBH INFLATION INDEXED SECURITIES N | Registered Investment Company | 6,013 |
| BERKSHIRE FOCUS FUND | Registered Investment Company | 39,218 |
| BJURMAN MICRO CAP GROWTH | Registered Investment Company | 4,656 |
| BLACK OAK EMERGING TECHNOLOGY FUND | Registered Investment Company | 165 |
| BLACK ROCK ALL CAP GLOBAL RES PORT CL A | Registered Investment Company | 5,812 |
| BRANDYWINE BLUE | Registered Investment Company | 115,051 |
| BRAZOS MICRO CAP FUND CL Y | Registered Investment Company | 559 |
| BRIDGEWAY AGGRESSIVE INVESTOR 1 | Registered Investment Company | 72,493 |
| BRIDGEWAY AGGRESSIVE INVESTOR 2 | Registered Investment Company | 121,599 |
| BRIDGEWAY SMALL CAP GROWTH CL N | Registered Investment Company | 27,220 |
| BROWN CAPITAL MGMT SMALL COMPANY INST. | Registered Investment Company | 2,725 |
| BUFFALO SMALL CAP GROWTH | Registered Investment Company | 62,098 |
| CALAMOS GROWTH & INCOME CL C | Registered Investment Company | 49,416 |
| CALAMOS GROWTH CLASS A | Registered Investment Company | 66,870 |
| CALAMOS GROWTH FUND CLASS C | Registered Investment Company | 42,362 |
| CALVERT SOCIAL INVST BALANCED CLASS A | Registered Investment Company | 53,254 |
| CAUSEWAY INTERNATNAL VALUE INVESTOR | Registered Investment Company | 27,314 |
| CHESAPEAKE CORE GROWTH FUND | Registered Investment Company | 15,036 |
| CLIPPER | Registered Investment Company | 139,525 |
| COHEN & STEERS REALTY SHARES | Registered Investment Company | 31,561 |
| COLUMBIA ACORN CLASS Z | Registered Investment Company | 4,638 |
| CRM MID CAP VALUE INVESTOR SHARES | | 1,714 |

| | | |
|---|-------------------------------|---------|
| | Registered Investment Company | |
| CRM MID-CAP VALUE FD-INSTITUTIONAL | Registered Investment Company | 6,229 |
| DELAWARE EMERGING MARKETS CLASS A | Registered Investment Company | 13,339 |
| DODGE & COX BALANCE | Registered Investment Company | 128,200 |
| DODGE & COX INCOME | Registered Investment Company | 122,022 |
| DODGE & COX INTERNATL STOCK FUND | Registered Investment Company | 146,652 |
| DODGE & COX STOCK | Registered Investment Company | 234,901 |
| DREYFUS MIDCAP VALUE FUND | Registered Investment Company | 11,742 |
| DREYFUS PREMIER EMERGING MARKTS CL A | Registered Investment Company | 21,905 |
| DREYFUS PREMIER ENTERPRISE CL B | Registered Investment Company | 6,041 |
| DREYFUS PREMIER LTD TERM INCOME CL R | Registered Investment Company | 3,290 |
| DREYFUS PREMIER S&P STARS OPP FD CL R | Registered Investment Company | 24,957 |
| DRIEHAUS INTERNATL DISCOVERY | Registered Investment Company | 16,812 |
| EATON VANCE WORLDWIDE HEALTH SCIENCES CLASS A | Registered Investment Company | 1,550 |
| EXCELSIOR REAL ESTATE | Registered Investment Company | 42,764 |

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

| | | |
|--------------------------------------|-------------------------------|---------|
| EXCELSIOR VALUE 3AND RESTRUCTURING | Registered Investment Company | 8,415 |
| EXETER PRO-BLEND MAXIMUM TERM SERIES | Registered Investment Company | 717 |
| FAIRHOLME FUND | Registered Investment Company | 42,052 |
| FAM VALUE | Registered Investment Company | 55,195 |
| FBR SMALL CAP CLASS | Registered Investment Company | 10,388 |
| FBR SMALL CAP FINANCIAL CLASS | Registered Investment Company | 13,939 |
| FIDELITY ADVISOR DIVERSIFIED INT L I | Registered Investment Company | 13,325 |
| FIDELITY CANADA | Registered Investment Company | 1,064 |
| FIDELITY CAPITAL APPRECIATION | Registered Investment Company | 13,238 |
| FIDELITY CONTRAFUND | Registered Investment Company | 304,243 |
| FIDELITY CONVERTIBLE SECURITIES | Registered Investment Company | 18,504 |
| FIDELITY DIVERSIFIED INTERNATIONAL | Registered Investment Company | 101,484 |
| FIDELITY DIVIDEND GROWTH | Registered Investment Company | 276,743 |
| FIDELITY EXPORT & MULTINATIONAL | Registered Investment Company | 23,446 |
| FIDELITY INTERN TL SMALL CAP | Registered Investment Company | 21,270 |
| FIDELITY INT L DISCOVERY | Registered Investment Company | 6,789 |
| FIDELITY JAPAN | Registered Investment Company | 7,936 |
| FIDELITY JAPAN SMALLER COMPANIES | Registered Investment Company | 1,821 |
| FIDELITY LARGE CAP STOCK | Registered Investment Company | 8,502 |
| FIDELITY LATIN AMERICA | Registered Investment Company | 34,860 |
| FIDELITY LEVERAGED COMPANY STOCK | Registered Investment Company | 30,501 |
| FIDELITY LOW PRICED STOCK | Registered Investment Company | 61,276 |

| | | |
|---|-------------------------------|--------|
| | Registered Investment Company | |
| FIDELITY MID CAP STOCK | Registered Investment Company | 36,518 |
| FIDELITY NEW MARKETS INCOME | Registered Investment Company | 5,092 |
| FIDELITY REAL ESTATE INVESTMENT | Registered Investment Company | 57,609 |
| FIDELITY SELECT ENERGY | Registered Investment Company | 4,361 |
| FIDELITY SELECT GOLD | Registered Investment Company | 7,391 |
| FIDELITY SELECT MEDICAL DELIVERY | Registered Investment Company | 44,652 |
| FIDELITY SELECT MEDICAL EQUIP&SYSTEM | Registered Investment Company | 19,269 |
| FIDELITY SELECT NATURAL GAS | Registered Investment Company | 45,824 |
| FIDELITY SELECT WIRELESS PORTFOLIOS | Registered Investment Company | 1,357 |
| FIDELITY SHORT TERM BOND | Registered Investment Company | 8,656 |
| FIDELITY SMALL CAP GROWTH | Registered Investment Company | 2,060 |
| FIDELITY SMALL CAP STOCK | Registered Investment Company | 12,198 |
| FIDELITY STRATEGIC DIVIDEND & INCOME | Registered Investment Company | 24,698 |
| FIDELITY STRATEGIC INCOME | Registered Investment Company | 43,015 |
| FIDELITY US BOND INDEX | Registered Investment Company | 16,352 |
| FIDELITY VALUE | Registered Investment Company | 13,457 |
| FIDELITY WORLDWIDE | Registered Investment Company | 7,595 |
| FIRST EAGLE GLOBAL CLASS C | Registered Investment Company | 5,731 |
| FIRSTHAND GLOBAL TECHNOLOGY | Registered Investment Company | 217 |
| FIRSTHAND TECHNOLOGY VALUE | Registered Investment Company | 418 |
| FORUM POLARIS GLOBAL VALUE | Registered Investment Company | 5,082 |
| FRANKLIN INCOME CLASS C | Registered Investment Company | 37,932 |
| FRANKLIN NATURAL RESOURCES A | Registered Investment Company | 3,742 |
| FRANKLIN REAL ESTATE SECURITIES CLASS C | Registered Investment Company | 50,594 |
| FRANKLIN UTILITIES CLASS A | | 963 |

| | | |
|--|-------------------------------|--------|
| | Registered Investment Company | |
| FUNDX STOCK UPGRADE FUND | Registered Investment Company | 1,041 |
| GABELLI EQUITY INCOME FUND | Registered Investment Company | 10,609 |
| GABELLI GROWTH SHARES BEN INT | Registered Investment Company | 7,444 |
| GABELLI UTILITIES FUND CLASS C | Registered Investment Company | 4,910 |
| GARTMORE MICRO CAP EQUITY CLASS A | Registered Investment Company | 5,699 |
| GOLDMAN SACHS ASSET ALLOC GROWTH STRAT C | Registered Investment Company | 12,201 |
| GUINNESS ATKINSON CHINA & HONG KONG | Registered Investment Company | 2,112 |
| GUINNESS ATKINSON GLOBAL ENERGY | Registered Investment Company | 3,792 |
| HANCOCK HORIZON BURKENROAD FUND CL D | Registered Investment Company | 72,765 |
| HARBOR INTERNATIONAL | Registered Investment Company | 41,004 |
| HARRIS INSIGHT SMALL CAP VALUE CLASS N | Registered Investment Company | 3,524 |
| HEARTLAND VALUE | Registered Investment Company | 16,789 |
| HENNESSY CORNERSTONE GROWTH | Registered Investment Company | 15,876 |
| HENNESSY CORNERSTONE GROWTH FD SERIES II | Registered Investment Company | 6,959 |
| HUSSMAN STRATEGIC GROWTH | Registered Investment Company | 13,276 |
| ICAP INTERNATIONAL FUND | Registered Investment Company | 1,068 |
| ICON ENERGY | Registered Investment Company | 32,147 |
| ICON HEALTHCARE | Registered Investment Company | 9,978 |
| ISHARES TR NASDAQ BIOTECHNOLOGY INDEX FD | Registered Investment Company | 3,476 |
| ISHARES TR S&P 500 INDEX FD | Registered Investment Company | 24,934 |
| IVY GLOBAL NATURAL RESOURCES CLASS C | Registered Investment Company | 5,735 |
| JANUS CORE EQUITY FUND | Registered Investment Company | 74,722 |
| JANUS FLEXIBLE BOND | Registered Investment Company | 70,946 |
| JANUS GROWTH AND INCOME | Registered Investment Company | 11,172 |
| JANUS INTECH RISK MANAGED STOCK FUND | Registered Investment Company | 21,720 |

| | | |
|--|-------------------------------|--------|
| | Registered Investment Company | |
| JANUS MERCURY | Registered Investment Company | 2,174 |
| JANUS MID CAP VALUE INVST SHS | Registered Investment Company | 87,462 |
| JENNISON UTILITY CL C | Registered Investment Company | 489 |
| JP MORGAN MID CAP VALUE INSTL | Registered Investment Company | 26,125 |
| JULIUS BAER INT L EQUITY A | Registered Investment Company | 43,732 |
| KINETICS SMALL CAP OPPORTUNITIES | Registered Investment Company | 4,562 |
| LONGLEAF PARTNERS | Registered Investment Company | 35,384 |
| LOOMIS SAYLES BOND INSTL | Registered Investment Company | 14,998 |
| LOOMIS SAYLES GLOBAL BOND RETAIL | Registered Investment Company | 4,419 |
| LORD ABBETT AFFILIATED CLASS C | Registered Investment Company | 27,167 |
| LORD ABBETT RESEARCH SMALL CAP CLASS C | Registered Investment Company | 42,389 |
| MANAGERS FREMONT MICRO-CAP FUND N/C | Registered Investment Company | 57,147 |
| MANAGERS INTERMEDIAT DURATION GOVERNMENT | Registered Investment Company | 23,095 |
| MARSICO FOCUS | Registered Investment Company | 31,313 |
| MARSICO GROWTH FUND | Registered Investment Company | 84,855 |
| MASTERS SELECT EQUITY | Registered Investment Company | 60,902 |

Table of Contents**Baxter International Inc. and Subsidiaries
Incentive Investment Plan**

| | | |
|--|-------------------------------|---------|
| MATRIX ADVISORS VALUE | Registered Investment Company | 5,330 |
| MATTHEWS CHINA FUND | Registered Investment Company | 26 |
| MATTHEWS PACIFIC TIGER FUND | Registered Investment Company | 112,217 |
| MERIDIAN GROWTH FUND | Registered Investment Company | 166,944 |
| MERIDIAN VALUE FUND | Registered Investment Company | 9,797 |
| MFS HIGH YIELD OPPORTUNITIES CL C | Registered Investment Company | 39,781 |
| MFS INTERNATIONAL NEW DISCOVERY CL C | Registered Investment Company | 28,181 |
| MFS MID CAP VALUE CLASS C | Registered Investment Company | 22,229 |
| MFS RESEARCH BOND CL C | Registered Investment Company | 46,416 |
| MFS TOTAL RETURN CLASS C | Registered Investment Company | 31,301 |
| NEEDHAM GROWTH FUND | Registered Investment Company | 1,925 |
| NEUBERGER BERMAN GENESIS TRUST CLASS | Registered Investment Company | 37,951 |
| NUVEEN QUALITY PFD INCOME FD 2 | Registered Investment Company | 143,360 |
| OAKMARK EQUITY & INCOME FD | Registered Investment Company | 217,460 |
| OAKMARK FUND | Registered Investment Company | 354,777 |
| OAKMARK INTERNAT L | Registered Investment Company | 51,317 |
| OAKMARK INTERNAT L SMALL CAP | Registered Investment Company | 5,653 |
| OAKMARK SELECT | Registered Investment Company | 76,323 |
| OIL & GAS ULTRA SECT PRO FDS -INVESTOR | Registered Investment Company | 865 |
| OLD MUTUAL MID CAP FUND CL Z N/C | Registered Investment Company | 4,335 |
| OPPENHEIMER INT L BOND CLASS C | Registered Investment Company | 39,861 |
| OPPENHEIMER MIDCAP CLASS C | Registered Investment Company | 22,662 |
| OPPENHEIMER REAL ASSET CLASS A | Registered Investment Company | 2,223 |

| | | |
|---|-------------------------------|---------|
| OPPENHEIMER SMALL & MID CAP VALUE CL C | Registered Investment Company | 22,327 |
| PIMCO ALL ASSET INST CLASS | Registered Investment Company | 58,605 |
| PIMCO COMMODITY REAL RETURN INST | Registered Investment Company | 48,219 |
| PIMCO FOREIGN BOND F D (UNHEDGED) INST CL | Registered Investment Company | 18,795 |
| PIMCO REAL RETURN CLASS C | Registered Investment Company | 51,410 |
| PIMCO SHORT TERM INSTITUTIONAL | Registered Investment Company | 38,134 |
| PIN OAK AGGRESSIVE STOCK | Registered Investment Company | 464 |
| POTOMAC US SHORT | Registered Investment Company | 5,822 |
| PRO FUNDS ULTRA SHRT SMALL CAP- SERV SHS | Registered Investment Company | 1,186 |
| PRUDENT GLOBAL INC FUNDS | Registered Investment Company | 45,815 |
| RED OAK TECHNOLOGY SELECT | Registered Investment Company | 296 |
| ROYCE LOW PRICED STOCK FD-SERVICE CL | Registered Investment Company | 163,149 |
| ROYCE MICROCAP INVESTMENT CLASS | Registered Investment Company | 126,434 |
| ROYCE OPPORTUNITY FUND INVEST CLASS | Registered Investment Company | 97,494 |
| ROYCE PENNSYLVANIA MUTUAL INVST CLASS | Registered Investment Company | 119,882 |
| ROYCE PREMIER FUND INVESTMENT CL | Registered Investment Company | 32,136 |
| ROYCE SPECIAL EQUITY INVESTMENT CL | Registered Investment Company | 5,232 |
| ROYCE TOTAL RETURN FD INVESTMENT CL | Registered Investment Company | 107,866 |
| ROYCE VALUE FUND SERVICE CL | Registered Investment Company | 9,767 |
| RS GLOBAL NATURAL RESOURCES | Registered Investment Company | 7,428 |
| RS PARTNERS | Registered Investment Company | 4,983 |
| RS VALUE FUND | Registered Investment Company | 3,062 |
| RYDEX BIOTECHNOLOGY INV CLASS | Registered Investment Company | 387 |
| RYDEX UTILITIES INVESTOR CLASS | Registered Investment Company | 4,587 |
| SELECTED AMERICAN SHARES CL S | Registered Investment Company | 59,325 |
| SKYLINE SPECIAL EQUITIES | | 6,058 |

| | | |
|--|-------------------------------|---------|
| | Registered Investment Company | |
| SOUND SHORE FD INC | Registered Investment Company | 24,454 |
| SPARTAN 500 INDEX INVESTOR CLASS | Registered Investment Company | 9,002 |
| SPRTN TOTAL MKT INDX INVESTOR CLASS | Registered Investment Company | 32,519 |
| * SSGA AGGRESSIVE EQUITY | Registered Investment Company | 7,633 |
| * SSGA EMERGING MARKETS | Registered Investment Company | 45,301 |
| * SSGA LIFE SOLUTIONS GROWTH FUND | Registered Investment Company | 5,196 |
| * SSGA LIFE SOLUTIONS INCOME & GROWTH FD | Registered Investment Company | 819 |
| * SSGA SMALL CAP EQUITY | Registered Investment Company | 30 |
| * SSGA TUCKERMAN ACTIVE REIT | Registered Investment Company | 7,028 |
| STRATEGIC PARTNERS MODERATE ALLOCAT C | Registered Investment Company | 11,844 |
| T ROWE PRICE CAP APPRECIATION | Registered Investment Company | 73,999 |
| T ROWE PRICE CORPORATE INCOME | Registered Investment Company | 2,004 |
| T ROWE PRICE EMERG EURO & MEDITERRANEAN | Registered Investment Company | 104,613 |
| T ROWE PRICE EQUITY INCOME | Registered Investment Company | 132,681 |
| T ROWE PRICE HEALTH SCIENCES | Registered Investment Company | 91,965 |
| T ROWE PRICE HIGH YIELD BOND | Registered Investment Company | 6,514 |
| T ROWE PRICE INTERNATIONAL BOND | Registered Investment Company | 3 |
| T ROWE PRICE INTL DISCOVERY FUND | Registered Investment Company | 3,042 |
| T ROWE PRICE INT L EMERGING MARKET BOND | Registered Investment Company | 3,737 |
| T ROWE PRICE INT L JAPAN | Registered Investment Company | 2,696 |
| T ROWE PRICE LATIN AMERICA FUND | Registered Investment Company | 40,154 |
| T ROWE PRICE MEDIA & TELECOMMUNICATIONS | Registered Investment Company | 24,785 |
| T ROWE PRICE MID CAP GROWTH | Registered Investment Company | 1,354 |
| T ROWE PRICE MID CAP VALUE | Registered Investment Company | 198,678 |
| T ROWE PRICE NEW ERA | Registered Investment Company | 17,996 |

| | | |
|---|-------------------------------|--------|
| | Registered Investment Company | |
| T ROWE PRICE NEW HORIZONS FD INC | Registered Investment Company | 1,541 |
| T ROWE PRICE REAL ESTATE FUND | Registered Investment Company | 3,159 |
| T ROWE PRICE SMALL CAP STOCK | Registered Investment Company | 3,963 |
| TCW CONV SECS CL I | Registered Investment Company | 6,817 |
| TEMPLETON DEVELOPING MARKETS ADVISOR CL | Registered Investment Company | 31,105 |
| THIRD AVENUE INTL VALUE | Registered Investment Company | 23,067 |
| THIRD AVENUE REAL ESTATE VALUE | Registered Investment Company | 82,334 |
| THIRD AVENUE SMALL CAP VALUE | Registered Investment Company | 23,981 |
| THIRD AVENUE VALUE | Registered Investment Company | 74,474 |
| THOMPSON PLUMB GROWTH FUND | Registered Investment Company | 46,441 |
| TIMOTHY PLAN AGG GROWTH CL C | Registered Investment Company | 867 |
| TIMOTHY PLAN CONSERV GROWTH CL C | Registered Investment Company | 9,812 |
| TIMOTHY PLAN FIXED INCOME CLASS C | Registered Investment Company | 3,194 |
| TIMOTHY PLAN STRATEGIC GROWTH CL C | Registered Investment Company | 1,901 |

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

| | | |
|---------------------------------------|-------------------------------|---------|
| TOCQUEVILLE GOLD FUND | Registered Investment Company | 54,911 |
| TRANSAMERICA PREMIER BALANCED | Registered Investment Company | 327 |
| TWEEDY BROWNE GLOBAL VALUE FUND | Registered Investment Company | 164,489 |
| ULTRA BEAR PRO FUND INVESTORS SHARES | Registered Investment Company | 12,322 |
| ULTRA JAPAN PRO FUND INVESTORS SHS | Registered Investment Company | 50,956 |
| UMB SCOUT SMALL CAP | Registered Investment Company | 5,414 |
| US GLOBAL REGION EAST EUROPEAN | Registered Investment Company | 85,601 |
| US GLOBAL RESOURCES | Registered Investment Company | 29,048 |
| UTILITIES ULTRA SECTOR PRO FUND INV | Registered Investment Company | 756 |
| VALUE LINE EMERGING OPPORTUNITY | Registered Investment Company | 39,609 |
| VALUE LINE LEVERAGED GROWTH INC | Registered Investment Company | 47,619 |
| VANGUARD BOND INDEX TOTAL MARKET | Registered Investment Company | 67,574 |
| VANGUARD DIVIDEND GROWTH | Registered Investment Company | 3,467 |
| VANGUARD ENERGY | Registered Investment Company | 145,990 |
| VANGUARD EUROPEAN STOCK INDEX | Registered Investment Company | 3,730 |
| VANGUARD EXPLORER | Registered Investment Company | 11,228 |
| VANGUARD FIXED INC HIGH YIELD CORP | Registered Investment Company | 4,004 |
| VANGUARD GLOBAL EQUITY | Registered Investment Company | 35,066 |
| VANGUARD GNMA | Registered Investment Company | 23,426 |
| VANGUARD INDEX TRUST S&P 500 PORT | Registered Investment Company | 268,379 |
| VANGUARD INDEX TRUST SMALL CAP GROWTH | Registered Investment Company | 51,549 |
| VANGUARD INFLATION PROTECTED SECS | Registered Investment Company | 54,253 |

| | | |
|--|-------------------------------|---------|
| | Registered Investment Company | |
| VANGUARD INTERMED TERM TAX EXEMPT | Registered Investment Company | 1,001 |
| VANGUARD INTER-TERM BOND INDEX PORT | Registered Investment Company | 49,447 |
| VANGUARD LIFE STRAT MODERATE GROWTH | Registered Investment Company | 65,751 |
| VANGUARD MID CAP INDEX | Registered Investment Company | 149,293 |
| VANGUARD MID-CAP GROWTH FUND | Registered Investment Company | 5,117 |
| VANGUARD PACIFIC STOCK INDEX | Registered Investment Company | 64,125 |
| VANGUARD PRECIOUS METALS & MINING FUND | Registered Investment Company | 50,870 |
| VANGUARD REIT INDEX FUND | Registered Investment Company | 101,710 |
| VANGUARD SELECTED VALUE FUND | Registered Investment Company | 5,726 |
| VANGUARD SHORT TERM BOND INDEX | Registered Investment Company | 85,847 |
| VANGUARD SHORT TERM INVMT GRADE INVESTOR | Registered Investment Company | 18,628 |
| VANGUARD SMALL CAP STOCK INDEX TRUST | Registered Investment Company | 48,327 |
| VANGUARD STRATEGIC EQUITY | Registered Investment Company | 53,009 |
| VANGUARD TARGET RET 2035 FD INVESTOR CL | Registered Investment Company | 99,356 |
| VANGUARD TOTAL INTL STOCK INDEX FUND | Registered Investment Company | 12,417 |
| VANGUARD TOTAL STOCK MARKET | Registered Investment Company | 42,793 |
| VANGUARD US VALUE | Registered Investment Company | 12,355 |
| VANGUARD WELLINGTON FUND | Registered Investment Company | 132,498 |
| VANGUARD WINDSOR II | Registered Investment Company | 108,288 |
| VANGUARD WINDSOR II ADMIRAL | Registered Investment Company | 99,409 |
| VANGUARD/WELLESLEY INCOME | Registered Investment Company | 121,561 |
| VICE FUND | Registered Investment Company | 11,806 |
| WASATCH CORE GROWTH | Registered Investment Company | 16,816 |
| WASATCH HERITAGE GROWTH FUND | Registered Investment Company | 7,339 |
| WASATCH SMALL CAP GROWTH | Registered Investment Company | 15,476 |

| | | |
|---------------------------------------|-------------------------------|--------|
| | Registered Investment Company | |
| WASATCH SMALL CAP VALUE | Registered Investment Company | 46,792 |
| WEITZ PARTNERS VALUE | Registered Investment Company | 35,102 |
| WEITZ VALUE | Registered Investment Company | 51,995 |
| WELLS FARGO ASIA PACIFIC FD-INVESTOR | Registered Investment Company | 19,779 |
| WELLS FARGO C&B MID CAP VALUE FD CL D | Registered Investment Company | 7,038 |
| WESTWOOD EQUITY RETAIL CLASS | Registered Investment Company | 87,100 |
| WHITE OAK SELECT GROWTH FUND | Registered Investment Company | 1,001 |
| WILLIAM BLAIR INT L GROWTH CLASS N | Registered Investment Company | 8,806 |
| YACKTMAN FUND | Registered Investment Company | 3,115 |

Registered Investment Companies \$ 11,663,581

* **Participant Loans** Interest rates range from 5.00% to 10.00% \$ 29,575,488

Collateral Held on Loaned Securities \$ 126,971,898

Total Investments \$ **1,606,210,984**

* Party-in-interest

** Investments underlying the Stable Income Fund, General Equity Fund and Composite Fund are considered non-participant-directed for purposes of reporting cost information within this schedule. All other investments are considered to be participant-directed, for which cost information is not required to be reported.

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Baxter-International Inc. and Subsidiaries

Incentive Investment Plan

Schedule H, Line 4j Schedule of Reportable Transactions

Year Ended December 31, 2005

Schedule II

| Identity of Party Involved | Description of Asset | Purchase Price | Selling Price | Cost of Asset | Current Value of Asset on Transaction Date | Net Gain or (Loss) |
|---|----------------------|----------------|---------------|---------------|--|--------------------|
| State Street Bank and Trust Company Short-Term Investment Fund Interest-bearing | | | | | | |
| cash | \$419,427,072 | \$420,402,365 | \$420,402,365 | \$839,829,437 | \$ | |

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SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

BAXTER INTERNATIONAL INC. AND SUBSIDIARIES
INCENTIVE INVESTMENT PLAN

Date: June 28, 2006

By: /s/ Robert M. Davis
Robert M. Davis
Corporate Vice President and Chief
Financial Officer

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