

PRAXAIR INC
Form DEF 14A
March 21, 2006

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

PRAXAIR, INC.

(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party:

(4) Date Filed:

39 Old Ridgebury Road
Danbury, Connecticut 06810-5113

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 25, 2006

Dear Praxair Shareholder:

The Annual Meeting of Shareholders of Praxair, Inc. will be held at 9:30 a.m. on Tuesday, April 25, 2006 in the Grand Ballroom of the Sheraton Danbury, 18 Old Ridgebury Road, Danbury, Connecticut, for the following purposes:

1. To elect four directors to the Board of Directors.
2. To approve an Amendment to Praxair's Certificate of Incorporation to declassify the Board.
3. To reapprove Performance Goals under Praxair's Section 162(m) Plan
4. To ratify the appointment of the independent auditor.
5. To conduct such other business as may properly come before the meeting.

Only holders of Common Stock of Praxair, Inc. of record at the close of business on March 1, 2006 will be entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof.

It is important that your shares be represented and voted at the meeting. You may vote your shares by means of a proxy form using one of the following methods:

1. **Electronically on the Internet** (if instructions for this method are included in this package), **OR**
2. **By telephone** (if instructions for this method are included in this package), **OR**
3. By signing and dating the **proxy/voting instruction card** enclosed in this package and returning it in the postage-paid envelope that is provided.

The giving of such proxy does not affect your right to vote in person if you attend the meeting.

We encourage you to complete and submit your proxy electronically or by telephone (if those options are available to you) as a means of **reducing the Company's expenses** related to the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

JAMES T. BREEDLOVE,
Vice President, General Counsel and Secretary

March 21, 2006

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE PROMPTLY COMPLETE AND SUBMIT A PROXY, EITHER BY INTERNET, BY TELEPHONE OR BY MAIL.

PROXY STATEMENT

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39 Old Ridgebury Road
Danbury, Connecticut 06810-5113

PROXY STATEMENT

*Annual Meeting of Shareholders
Tuesday, April 25, 2006*

This proxy statement is furnished to shareholders of Praxair, Inc. ("Praxair" or the "Company") in connection with the solicitation of proxies for the Annual Meeting of Shareholders to be held at the Sheraton Danbury, 18 Old Ridgebury Road, Danbury, Connecticut on April 25, 2006, at 9:30 a.m. or any adjournment or postponement thereof (the "Annual Meeting"). This Proxy Statement and the enclosed form of proxy are first being sent to shareholders on or about March 21, 2006. The enclosed proxy is solicited on behalf of the Board of Directors of Praxair.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

Item 1: Election of Directors

Four directors are to be elected. Praxair's Board of Directors is divided into three classes serving staggered terms. The terms of three of the present directors expire this year and each of them has been nominated for reelection. In addition, your Board has nominated Stephen F. Angel, Praxair's President and Chief Operating Officer, for election as a director for the first time.

Your Board recommends that Stephen F. Angel, Claire W. Gargalli, G. Jackson Ratcliffe, Jr. and Dennis H. Reilley each be elected to serve in the class whose term expires in 2009. Each nominee has agreed to be named in this Proxy Statement and to serve if elected. Biographical data on these nominees and the other members of the Board of Directors is presented beginning at page 17 of this Proxy Statement under the caption "The Board of Directors".

As explained more fully below, if elected, each nominee will have a three-year term (subject to mandatory retirement as required by current Board policy) regardless of the outcome of the shareholders' vote on the proposed amendment to the Certificate of Incorporation (Item 2 below).

If one or more of the nominees becomes unavailable for election or service as a director, the proxy holders will vote your shares for one or more substitutes designated by the Board of Directors, or the size of the Board of Directors will be reduced.

To be elected, a nominee must receive a plurality of the votes cast at the Annual Meeting in person or by proxy. See the vote counting rules at page 7 of this Proxy Statement.

Item 2: Proposal to Approve an Amendment to Praxair's Certificate of Incorporation to Declassify the Board

Your Board has taken note of some sentiment in the general shareholder community against classified board structures, and in favor of annual elections for each director. Although, as described below, your Board sees some value for shareholders in a classified board structure, your Board has deemed it advisable to permit Praxair's shareholders to express their views on this matter and to "declassify" the Board if shareholders vote in favor of this proposal. A favorable shareholder vote would be binding with respect to the amendment to the Company's Certificate of Incorporation which would effectuate that change in Board structure.

Praxair's Certificate of Incorporation currently provides that the Board shall be divided into three classes of approximately equal size. Directors in each class are elected for three-year terms and only one class is elected in a given year.

If the amendment is approved, the Company will promptly file it with the Secretary of State of the State of Delaware and, thereafter, each director will be subject to annual election once his or her current term to which s/he has already been elected expires. This would include the nominees for election as directors at this Annual Meeting who, if elected, would serve three-year terms expiring in 2009. Therefore, all directors will become subject to annual election not later than the 2009 Annual Meeting of Shareholders.

The primary purpose of the classified board structure is to prevent a hostile suitor from taking over a majority of the board seats at one annual shareholder meeting, as only one-third of the directors are elected at any given meeting. Your Board has considered this a reasonable protection for shareholders against the possibility of a takeover in a "proxy contest" in which a hostile suitor assumes effective control of the Company without paying a premium to its shareholders. Even a credible threat of a proxy fight may reduce the leverage that your Board may have to fully explore, or possibly negotiate, a transaction or other proposal made by a hostile suitor.

Proxy contests for control of U.S. companies boards of directors have been relatively rare and typically have occurred only when there exists a serious performance concern at the target company. Nevertheless, currently proposed developments such as internet distribution of proxies and elimination of the broker's discretionary vote for director elections (see broker's discretion as described in this Proxy Statement at page 7 with respect to the vote counting rules for item #1) could potentially affect the future value of the classified board structure. Any of these developments potentially could have substantial governance consequences, including making it easier and less expensive for hostile suitors to mount a proxy contest for control of the Company, although it is uncertain at this time how these developments will evolve.

Your Board acknowledges that many commentators believe that annual elections increase a board's accountability to shareholders, that the classified board structure can present an unwarranted obstacle to a change-in-control that may be advantageous to shareholders, and that the leverage created by this obstacle could be abused by a recalcitrant board in order to entrench management. However, it should be noted that, even under the classified board structure, shareholders have the ability to withhold votes for fully one third of the board in any given year. Your Board believes that those commentators underestimate the effectiveness of any shareholder expression of dissatisfaction by means of substantial withhold votes.

Further, your Board believes that the performance of your Company and Board to-date justifies confidence that your Board will continue to act in the shareholders' best interests.

Nevertheless, your Board understands that the best defense against a takeover is continued good performance and deems it advisable to change to annual elections if the Company's shareholders determine by their vote for this proposal that the protection of a classified board structure, all things considered, is not in their interests.

The complete text of the proposed amendment, which would amend section A of Article V of the Restated Certificate of Incorporation (Number, Tenure and Qualifications of Directors; Removal) is attached to this Proxy Statement as Appendix 3.

Your Board makes no recommendation to shareholders as to how to vote on this item 2, the proposal to amend the Certificate of Incorporation to declassify Board of Directors but, as described above, your Board has deemed it advisable to change to annual elections if shareholders, after considering the factors outlined here, vote in favor of the proposal.

In order for this proposal to be adopted by the shareholders, at least a majority of the outstanding shares of Praxair common stock entitled to vote on the matter must be voted in its favor. See the vote counting rules at page 7 of this Proxy Statement.

Item 3: Proposal to Reapprove Performance Goals under Praxair's Section 162(m) Plan

At the 2001 Annual Meeting, the shareholders approved the Praxair, Inc. Plan for Determining Performance-Based Awards Under Section 162(m) ("162(m) Plan"). This plan establishes a process for determining the amount of certain awards to senior officers under the Company's compensation plans so as to qualify the compensation as "performance-based" under regulations issued pursuant to Internal Revenue Code Section 162(m). Such performance-based compensation is exempt from the deduction limitation of Section 162(m) and, thus, is fully deductible by the Company for tax purposes.

The 162(m) Plan does not, in itself, authorize any payments or the issuance of any shares for any award. Actual awards are made pursuant to other plans such as the Company's long-term incentive plan or the variable compensation plan. To ensure their deductibility under the Internal Revenue Service ("IRS") rules, the amount of certain awards under those plans may be determined using the process set forth in the 162(m) Plan.

IRS regulations require that the material terms of the Performance Goals set forth in the 162(m) Plan be submitted for shareholder reapproval no later than the fifth year following the original approval. No changes have been made to the 162(m) Plan or the Performance Goals specified therein since the 2001 shareholder approval.

If the Performance Goals are not reapproved, some of the compensation paid to the Company's senior executives may not be deductible, resulting in an additional cost to the Company.

The material terms of the 162(m) Plan Performance Goals are summarized below. This summary is qualified by the specific language of the entire 162(m) Plan which, for your reference, is attached to this Proxy Statement as Appendix 4.

Overview

The process set forth in the 162(m) Plan is used in connection with awards intended to be based on the performance of individuals, business unit(s) of the Company or the Company as a whole, over a calendar year, or a longer performance period, using specific, objective Performance Goals for the year or period that are pre-established by the Compensation & Management Development Committee of the Board of Directors (the "Committee"). Awards for which the amount is determined by the procedures set forth in the 162(m) Plan are issued under the applicable Company compensation plan or program.

Eligible Employees

Executive Officers of the Company are eligible to participate in the 162(m) Plan.

Business Criteria

A list of business criteria ("Performance Measures") on which Performance Goals may be based is set forth in Section 7 of the 162(m) Plan and includes Net Income, Operating Profit, Return on Capital, Total Shareholder Return, Sales, Return on Equity, SG&A, Debt-to-Capital Ratio, and EVA, all as specifically defined in the plan. Section 8 of the 162(m) Plan sets forth the permissible forms in which a Performance Goal may be expressed, including percentage growth, performance against an index or peer companies, absolute growth, cumulative growth, a designated absolute amount, percent of sales, and per share of common stock outstanding. The 162(m) Plan provides the Committee flexibility to fashion Performance Goals as it deems appropriate to the Company's best interests at the time.

Maximum Awards

The 162(m) Plan provides that, with respect to annual variable compensation ("Annual Performance Awards"), the maximum that may be paid to a participant in a calendar year is three times the participant's annual salary.

With respect to awards based on a performance period longer than one year ("Long Term Performance Opportunities"), the maximum that may be paid to a participant is \$4,000,000 times the length (in years) of the performance period.

In addition, these awards are subject to any further limitations, including per-participant limits, that may be specified in the Company's Variable Compensation Plans or Long-Term Incentive Plans under which actual awards are authorized and issued.

Process for Determining 162(m)-Qualified Performance-Based Awards

For each calendar year or performance period, the Committee may select one or more Performance Measures and set the Performance Goals for these measures. The Performance Goals are utilized to determine the amount of any awards payable for such year or performance period under the applicable compensation plan.

Not later than 90 days after the commencement of a calendar year or performance period, the Committee designates for the awards relating to such year or period: (i) the individuals who will be participants in the 162(m) Plan; (ii) the Performance Measures; (iii) if there is more than one Performance Measure, the weighting of the Performance Measures in determining the award; (iv) the Performance

Goals and payout matrix or formula for each Performance Measure; and (v) the target dollar value of the award for each participant.

Following the end of a calendar year or performance period, the Committee determines the award for each participant by: (i) comparing actual performance for each measure against the Performance Goal and the payout matrix approved for such year or period; (ii) multiplying the payout percentage from the payout matrix for each Performance Measure by the appropriate weighting factor; and (iii) summing the weighted payout percentages and multiplying their overall payout percentage by the participant's target award.

The Committee in its sole discretion may reduce any award to any participant to any amount, including zero, prior to the certification by resolution of the Committee of the amount of such award. The Committee may not, however, increase an award or change a Performance Goal once it has been established.

As stated in the Compensation and Management Development Committee's Report on Executive Compensation at page 23 of this Proxy Statement, it is the Committee's goal to have most of the compensation paid to the Company's Chief Executive Officer and the four other most highly compensated Executive Officers qualify as performance-based and deductible for federal income tax purposes under Section 162(m) of the Internal Revenue Code. Accordingly, **your Board recommends that you vote FOR this item 3, the proposal to reapprove Performance Goals under Praxair's Section 162(m) Plan.**

In order for this proposal to be adopted by the shareholders, at least a majority of the shares cast at the Annual Meeting in person or by proxy by the shareholders entitled to vote on the matter must be voted in its favor. See the vote counting rules at page 7 of this Proxy Statement.

Item 4: Proposal to Ratify the Appointment of the Independent Auditor

By NYSE and SEC rules, selection of the Company's independent auditor is the direct responsibility of the Audit Committee of the Board of Directors. Your Board has determined, however, to seek shareholder ratification of that selection as a good practice to provide shareholders an avenue to express their views on this important matter. If shareholders fail to ratify the selection, the Audit Committee will seek to understand the reasons for such failure and will take those views into account in this and future selections. Even if the current selection is ratified by shareholders, the Audit Committee reserves to itself the right to appoint a different independent auditor at any time during the year if the Audit Committee determines that such change would be in the best interests of the Company and its shareholders.

Information concerning the independent auditor may be found beginning at page 32 of this Proxy Statement under the caption "The Independent Auditor".

Your Board recommends that you vote FOR this item 4, the proposal to ratify the Audit Committee's selection of the independent auditor.

In order for this proposal to be adopted by the shareholders, at least a majority of the votes cast at the Annual Meeting in person or by proxy by the shareholders entitled to vote on the matter must be voted in its favor. See the vote counting rules at page 7 of this Proxy Statement.

Item 5: Other Business

Praxair knows of no other business that will be considered for action at the Annual Meeting. If any other business calling for a vote of shareholders is properly presented at the Annual Meeting, the proxy holders will have the discretion to vote your shares in accordance with their best judgment.

PROXY AND VOTING PROCEDURES

Who are the Shareholders Entitled to Vote at this Meeting?

Common Stock shareholders of record at the close of business on March 1, 2006 will be entitled to vote at the Annual Meeting. As of that date, a total of 322,723,955 shares of Praxair's Common Stock were outstanding and entitled to vote. Each share of Common Stock is entitled to one vote.

How do I Submit my Vote by means of a Proxy?

Your vote is important. Because many shareholders cannot attend the Annual Meeting in person, it is necessary that a large number be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that, if you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you will be responsible.

The Internet and telephone voting procedures are designed to authenticate shareholders and to allow shareholders to confirm that their instructions have been properly recorded.

How are the Proxies Voted?

All shares entitled to vote and represented by a properly completed proxy (either by Internet, telephone or mail) will be voted at the Annual Meeting as indicated on the proxy unless earlier revoked by you. If no instructions are indicated for a matter on an otherwise properly completed proxy from a shareholder of record, the shares represented by that proxy will be voted on that matter as recommended by the Board of Directors or, with respect to Item 2, shares will be voted to abstain on that Item. See also the vote counting rules at page 7 of this Proxy Statement. Execution of the proxy also confers discretionary authority on the proxy holder to vote your shares on other matters that may properly come before the Annual Meeting.

How Can I Revoke my Proxy?

You may revoke your proxy at any time before it is voted by filing with Praxair's Corporate Secretary a written revocation, by timely delivery of a properly completed, later-dated proxy (including by Internet or telephone), or by voting in person at the Annual Meeting.

May I Still Vote at the Annual Meeting even if I have Submitted a Proxy?

The method by which you vote will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the Annual Meeting.

What is the Necessary Quorum to Transact Business at the Annual Meeting?

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote shall constitute a quorum. The shares represented by withhold votes, abstentions and broker non-votes on filed

proxies and ballots will be considered present for quorum purposes (for an explanation of "broker non-votes", see the vote counting information below).

How are the Votes Counted for each Item of Business?

If you are a shareholder of record and submit a proxy (whether by Internet, telephone or mail) without specifying a choice on any matter to be considered at this Annual Meeting, the proxy holders will vote your shares according to the Board's recommendation on that matter. In the case of Item #2 (Approval of the proposed Amendment to the Certificate of Incorporation), and as further explained in the description of Item #2 above, your Board makes no recommendation to shareholders as to how they should vote on this proposal. Therefore, the proxy holders will vote your shares to abstain if you do not otherwise specify a choice on this matter (see description at subparagraph 2. below as to the effect of abstentions on the vote for this matter).

If you hold your shares in a brokerage account, then, under New York Stock Exchange rules and Delaware corporation law,

1. With respect to Item #1 (Election of Directors), your broker is entitled to vote your shares on this matter if no instructions are received from you. Abstentions may not be specified as to the election of directors.
2. With respect to Item #2 (Approval of the proposed Amendment to the Certificate of Incorporation), your failure to give voting instructions to your broker will result in a so-called "broker non-vote" (since your broker is not entitled to vote your shares on this matter unless it receives instructions from you). Broker non-votes and abstentions are not considered votes cast and, therefore, will have the effect of votes against this proposal because, to be approved, it requires an affirmative vote of the majority of the shares outstanding.
3. With respect to Item #3 (Reapproval of Performance Goals under Praxair's Section 162m Plan) and Item #4 (Ratification of the Appointment of the Independent Auditor), your broker is entitled to vote your shares on this matter if no instructions are received from you. Broker non-votes and abstentions are not considered votes cast and, therefore, will be counted neither for nor against this matter.

If you hold your shares in the Praxair, Inc., Praxair Distribution, Inc., Praxair Healthcare Services, Inc., Praxair Puerto Rico, Inc., or the Dow Chemical Company Employees' savings plan, and if the plan trustee receives no voting instructions from you, then, under the applicable plan trust agreement, the plan trustee must vote your shares in the same proportion on each matter as it votes the shares for which it has received instructions.

HOW TO RECEIVE YOUR ANNUAL REPORT AND PROXY STATEMENT ON-LINE

Save Praxair future postage and printing expense by consenting to receive future annual reports, meeting notices, and proxy statements on-line on the Internet.

Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. Those shareholders will be given the opportunity to consent to future Internet delivery when they vote their proxy. (For some shareholders, this option is only available if you vote by Internet.)

If you are not given an opportunity to consent to Internet delivery when you vote your proxy, contact the bank, broker or other holder of record through which you hold your shares and inquire about the availability of such an option for you.

If you consent, your account will be so noted and, when Praxair's 2006 Annual Report, meeting notice, and the Proxy Statement for the 2007 Annual Meeting of Shareholders become available, you will be notified on how to access them on the Internet. Any prior consent you have given will remain in effect until specifically revoked by you in the manner specified by the bank or broker that manages your account.

If you do elect to receive your Praxair materials via the Internet, you can still request paper copies by contacting the Investor Relations Department at Praxair, Inc., 39 Old Ridgebury Road, M-2, Danbury, CT 06810-5113.

SHAREHOLDERS SHARING AN ADDRESS

If you share an address with another shareholder, you may receive only one set of proxy materials (including this Proxy Statement and the annual report to shareholders) unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now or in the future, you may contact us at the address cited above.

Similarly, if you share an address with another shareholder and have received multiple copies of our proxy materials, you may contact us at the above address to request delivery of a single copy of these materials.

SHARE OWNERSHIP

Principal Holders

The only person known by Praxair to be a beneficial owner of more than five percent of Praxair's Common Stock (par value \$0.01) is the following:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Outstanding ^(a)
FMR Corp. 82 Devonshire Street, Boston, MA 02109	26,555,407 ^(b)	8.2%

Notes: (a) Based on 322,338,799 total shares outstanding on December 31, 2005 excluding shares held for the account of Praxair.

(b) Holdings as of December 31, 2005 as reported in SEC Schedule 13G by FMR Corp. According to this report, FMR Corp. had sole voting power as to 2,145,687 shares and sole investment power as to 26,555,407 shares.

Directors and Executive Officers

As of March 1, 2006, no Director or Executive Officer of Praxair beneficially owned more than 1% of Praxair's Common Stock (par value \$0.01), but Directors and all Executive Officers as a group, 19 persons, beneficially owned approximately 1.3% of the outstanding shares as of that date.

SHARES BENEFICIALLY OWNED AND OTHER EQUITY INTERESTS

Name	Position	Common Stock ⁽¹⁾	Deferred Stock ⁽²⁾	Total	Stock Options ⁽³⁾
Dennis H. Reilley	Chairman and Chief Executive Officer	110,436	76,445	186,881	1,903,033
Stephen F. Angel	President and Chief Operating Officer	43,816	56,914	100,730	687,700
James S. Sawyer	Senior Vice President and Chief Financial Officer	25,349	12,176	37,525	228,067
Ricardo S. Malfitano	Executive Vice President	25,706	7,294	33,000	294,667
James T. Breedlove ⁽⁴⁾	Vice President, General Counsel and Secretary	34	178	212	16,733
José P. Alves	Director	1,253	786	2,039	0
Claire W. Gargalli	Director	3,454	8,340	11,794	40,000
Ira D. Hall	Director	1,500	0	1,500	0
Ronald L. Kuehn, Jr.	Director	16,602	35,033	51,635	40,000
Raymond W. LeBoeuf	Director	2,000	31,255	33,255	35,000
G. Jackson Ratcliffe, Jr.	Director	3,792	50,683	54,475	20,000
Wayne T. Smith	Director	10,000	12,618	22,618	15,000
H. Mitchell Watson, Jr.	Director	2,455	26,277	28,732	20,000
Robert L. Wood	Director	1,200	0	1,200	0

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Total		247,597	317,999	565,596	3,300,200
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Directors and Executive Officers as a group	(19 persons)	295,081	330,308	625,389	3,608,201
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- Notes:
- 1) Amounts reported as **Common Stock** include 36,942 restricted shares for which Mr. Reilley has sole voting power and which will continue to vest in stages in 2007 and 2008. Reported shares also include 31,965 restricted shares for which Mr. Angel has sole voting power and which vest in stages beginning in 2007.
 - 2) **Deferred Stock** represents stock price-based units into which deferred compensation has been invested pursuant to the deferred compensation plans for management and for non-employee directors. Holders have no voting rights with respect to Deferred Stock. The value of Deferred Stock units varies with the price of Praxair's common stock and, at the end of the deferral period, the units are payable in stock.
 - 3) **Stock Options** represent shares that may be acquired upon exercise of options exercisable within 60 days of March 1, 2006.
 - 4) Mr. Breedlove joined the Company in November 2004.

CORPORATE GOVERNANCE AND BOARD PRACTICES

Praxair's Governance Principles

Praxair operates under Corporate Governance Guidelines which are set forth in Appendix 1 to this Proxy Statement and posted at Praxair's public website, www.praxair.com. Consistent with those guidelines, your Board has adopted the following policies and practices, among others:

Business Integrity and Ethics. One of your Board's first acts upon Praxair's launch as a public company was to adopt policies and standards regarding Compliance with Laws and Business Integrity and Ethics. The current version of the Board's policy in these areas is posted at Praxair's website, www.praxair.com. This Code of Ethics applies to Praxair's directors and to all employees, including Praxair's Chief Executive Officer, Chief Financial Officer, and Controller.

Compliance with NYSE Corporate Governance Listing Standards. Praxair complies with the New York Stock Exchange's ("NYSE") Corporate Governance Listing Standards. As required by NYSE rules, on May 10, 2005 the Company submitted to the NYSE an unqualified CEO annual certification of such compliance and expects to do so again within 30 days after the Annual Meeting of Shareholders.

Praxair has also filed with its Annual Report on Form 10-K for 2005 the CEO and CFO certifications (regarding the quality of the Company's financial statements and its disclosure controls and procedures) required by §302 of the Sarbanes-Oxley Act of 2002 (as implemented by SEC Rule 13a-14(a) of the Securities Exchange Act of 1934).

Director Independence. Your Board has adopted independence standards for service on Praxair's Board of Directors and these are set forth in Appendix 2 to this Proxy Statement and posted at Praxair's public website, www.praxair.com. Your Board has applied these standards to all of the incumbent non-management directors and has determined that all of them are independent. Your Board is not otherwise aware of any relationship with the Company or its management that could potentially impair a director's exercise of independent judgment. See also information presented in this section under the caption "Certain Relationships and Transactions".

Board Leadership. The independent directors have elected Raymond W. LeBoeuf as Executive Session Presiding Director. Mr. LeBoeuf presides over private meetings of the non-management directors and performs other duties, including conducting a performance review of the Chief Executive Officer.

Mandatory Director Retirement. Your Board has adopted a policy whereby no director who has attained the age of 72 may serve on the Praxair Board. Your Board also has a policy against service on the Board by an officer of the Company after his/her retirement, resignation or removal as an officer.

Limits to Service on Other Boards. Your Board has established a policy whereby no non-management director may serve on more than five additional public company Boards and no member of the Audit Committee may serve on more than two additional public company audit committees. Also, the Chief Executive Officer may not serve on more than two other public company Boards.

Director Nomination Process. The Governance and Nominating Committee has responsibility for the Director nomination process. Its charter from the Board may be found in the Governance section of Praxair's public website, www.praxair.com.

All of the members of this Committee are independent within the meaning the Board's Independence Standards (Appendix 2 to this Proxy Statement), which standards meet or exceed those contained in the NYSE's Listing Standards.

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The Governance and Nominating Committee will consider candidate nominees for election as director who are recommended by shareholders. Recommendations should be sent to the Secretary of Praxair and should include the candidate's name and qualifications and a statement from the candidate that he or she consents to being named in the Proxy Statement and will serve as a director if elected. In order for any candidate to be considered by the Governance and Nominating Committee and, if nominated, to be included in the Proxy Statement, such recommendation must be received by the Secretary on or before the dates specified on page 35 of this Proxy Statement under the caption "Shareholder Proposals for the 2007 Annual Meeting."

The Committee believes that the minimum qualifications that must be met by any director nominee include a strong record of integrity and ethical conduct, a record of accomplishment, lack of conflicts that might interfere with the nominee's exercise of independent judgment on matters affecting the Company or its shareholders, and a willingness and ability to represent all shareholders of the Company.

The qualities and skills necessary in a director nominee are governed by the specific needs of the Board at the time the Committee determines to add a director to the Board. The specific requirements of the Board will be determined by the Committee and will be based on, among other things, the Company's then existing strategies and business, market, geographic and regulatory environments, and the mix of perspectives, experience and competencies then represented by the other Board members; and will take into account the Chief Executive Officer's views as to areas in which management desires additional advice and counsel.

When the need to recruit a director arises, the Committee will consult the other directors, the Chief Executive Officer and, on occasion, fee-paid third party recruiting firms to identify potential candidates. The candidate evaluation process may include inquiries as to the candidate's reputation and background, examination of the candidate's experiences and skills in relation to the Board's requirements at the time, consideration of the candidate's independence as measured by the Board's independence standards, and other considerations that the Committee deems appropriate at the time. Prior to formal consideration by the Committee, any candidate who passes such screening would be interviewed by the Committee (or the Committee Chairman) and by the Chief Executive Officer.

Except for Stephen F. Angel, no new directors have been appointed or nominated since the last Annual Meeting of Shareholders.

Communications with the Board. Your Board believes that the most efficient means for shareholders and other interested parties to raise issues and questions and to get a response is to direct such communications to the Company through its Investor Relations Department or other methods as described in the Contact Us section of the Company's public website, www.praxair.com.

If, notwithstanding these methods, a shareholder or other interested party wishes to direct a communication specifically to the Company's Board of Directors, then the following means are available. To ensure that the communication is properly directed in a timely manner, it should be clearly identified as intended for the Board:

- (1) Telephone (Voice Mail):
1-800-719-0719 within the U.S.A., or
+1(203) 837-2960 for outside the U.S.A.
- (2) Mail:
Praxair, Inc.
Attn: Board of Directors
P.O. Box 2478
Danbury, CT, U.S.A. 06813-2478
- (3) E-mail:
praxair_integrity@praxair.com

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The above addresses are supervised by the Company's Security Department which will promptly forward to the Corporate Secretary's Office any communication intended for the Board.

The Corporate Secretary's Office will collect and organize all such communications, deleting any that are sales or other solicitations and any which contain offensive material. A summary of communications received will be periodically provided to the Executive Session Presiding Director who will make the final determination regarding the disposition of any such communication.

Your Board believes that the Company should speak with one voice and has empowered management to speak on the Company's behalf subject to the Board's oversight and guidance on specific issues. Therefore, in most circumstances, the Board will not respond directly to inquiries received in this manner but may take into consideration ideas, concerns and positions that are presented in a concise, clear, supported and constructive manner.

Director Attendance at the Annual Shareholders' Meeting. Absent extenuating circumstances, each member of the Board is expected to attend the Annual Meeting of Shareholders. Nine of the then ten incumbent directors attended the 2005 meeting.

Policy Statement on Rights Agreements. Your Board will adopt or materially amend a Stockholder Protection Rights Agreement only if, in the exercise of its fiduciary responsibilities under Delaware law, and acting by a majority of its independent directors, it determines that such action is in the best interests of Praxair's shareholders. If the Board adopts or materially amends a Stockholder Protection Rights Agreement, it will submit such action to a non-binding shareholder vote as a separate ballot item at the first annual meeting of shareholders occurring at least six months after such action.

Director Stock Ownership Guidelines. Your Board has adopted a policy whereby directors must acquire and hold during their service as a Praxair Board member shares of the Company's stock equal in value to at least 5 times the base cash retainer for directors. Directors have five years from their initial election to meet this guideline (or, for incumbent directors as of October 2002, until October 2007). As shown in the stock ownership table presented at page 9 of this Proxy Statement under the caption "Share Ownership", all directors have met this guideline or are within the transition period; and most substantially exceed the guideline. In addition, any new director elected after October 2002 must, no later than the date of his/her election, acquire, using his/her own personal resources, shares of the Company's stock equal in value to the base cash retainer then in effect.

Executive Stock Ownership Guidelines. Your Board believes that it is important for Executive Officers to acquire a substantial ownership position in Praxair. In this way, their interests will be more closely aligned with those of shareholders. Significant stock ownership focuses the executives' attention on managing Praxair as equity owners.

Accordingly, stock ownership guidelines have been established for the Company's officers as follows. 22 executives are currently covered under this stock ownership policy. Individuals are expected to meet the applicable guideline no more than five years after first becoming subject to it.

	Value of Shares Owned
Chief Executive Officer	5.0x Base Salary
President & Chief Operating Officer	3.0x Base Salary
Executive Vice Presidents	3.0x Base Salary
Chief Financial Officer	3.0x Base Salary
Proxy-Named Senior Vice Presidents	3.0x Base Salary
Other Executive Officers	1.5x Base Salary
Other Officers	1.0x Base Salary

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As of the date of this Proxy Statement, all covered individuals have met or exceeded their guidelines, where permitted by law, or are within their transition period. Stock ownership of the five most highly compensated Executive Officers in 2005 can be found in the table presented at page 9 of this Proxy Statement under the caption "Share Ownership."

Succession Planning and Personnel Development. Under the leadership of the Compensation and Management Development Committee, it is your Board's practice to annually conduct a formal Succession Planning and Personnel Development session in which evaluations of senior executives are reviewed with respect to their potential for promotion into senior leadership positions, including that of the CEO. In addition, a wide variety of senior executives are purposely exposed to your Board by way of Board and Committee presentations and directors have unrestricted access to management for management assessment and development as well as for information gathering.

CEO Performance Evaluation. Your Board has in place a process whereby the Executive Session Presiding Director conducts a performance review at least annually of the Chief Executive Officer taking into account the views of all of the other independent directors. This is in addition to the evaluation inherent in the Compensation and Management Development Committee's determination of performance-based variable compensation each year.

Strategy Review and Oversight. It is your Board's practice to conduct a full-day session at least annually to review the strategies of the Company overall and of its key business components; and to provide advice and counsel to management regarding the strategic issues facing the Company. Throughout the year, management reports to your Board on the status of significant strategic initiatives and issues.

Board Effectiveness Assessment. As set forth in the Corporate Governance Guidelines, and under the leadership of the Governance and Nominating Committee, your Board assesses its effectiveness at least annually. Typically, this assessment includes evaluating its effectiveness in the areas of Performance of Core Responsibilities, Decision-making Support, the Quality of Deliberations, and Director Performance, as well as consideration of additional Board practices and policies recommended as best practices by recognized governance authorities, including national and international guidelines, standards and codes. In addition, directors are given measures of individual director effectiveness for purposes of self-assessment, reflection and self-improvement.

Auditor Independence. Your Board recognizes the importance of ensuring the independence of the Company's outside auditor. See page 32 of this Proxy Statement under the caption "The Independent Auditor" for a summary of some of the policies designed to monitor and support such independence.

Director Compensation. No director who is an employee of Praxair is compensated for service as a member of the Board of Directors or any committee of the Board of Directors. Compensation for non-management directors consists of an annual retainer of \$55,000, a \$1,500 fee for each Board meeting attended, and a \$1,500 fee for each committee meeting attended. A director who is also chairman of a Board committee is paid an additional \$10,000 annual retainer or \$15,000 in the case of the chairman of the Audit Committee. The Executive Session Presiding Director is paid a \$10,000 annual retainer in addition to any other fees that may be due. From time to time, Praxair may sponsor a director's participation in third party-supplied continuing education related to the director's Board or Committee service.

Each active non-management director is a participant in the Praxair, Inc. Non-Employee Directors Equity Compensation Plan which was approved by shareholders at the 2005 Annual Meeting. Under that plan, the Governance & Nominating Committee may make an annual grant of equity to the non-employee directors having a value up to an amount set by the Board which, for 2005, was \$70,000. The plan provides for grants of stock options, restricted stock, unrestricted stock, phantom stock, or any combination thereof, as determined by the Committee. For the 2005 grant under the plan, the Committee determined that it should be in the form of stock options. The exercise price of each option granted under the plan in 2005

was 100% of the closing price of Praxair's stock as reported by the NYSE on the date of grant. One-third of those 2005 options become exercisable on the first anniversary of the date of grant, another third become exercisable on the second anniversary of the date of grant and the balance become exercisable on the third anniversary of the date of grant. All options expire ten years from the date of grant. The plan contains provisions regarding the exercisability and vesting of outstanding options in the event of termination of service, retirement, disability, death and change in control of Praxair.

A Directors' Fees Deferral Plan is also available for non-employee directors. Under this plan, non-employee directors may, prior to the beginning of a calendar year, elect to defer to a later date payment of some or all of the cash fees earned in that year. This deferred payment date is fixed by the director at the time of his or her deferral election. At the time of the deferral election, the director also designates that the deferred fees be credited with earnings based upon a "Cash Account", which earns interest at the prime rate, or a "Stock Unit Account", the value of which varies with the market price of Praxair's common stock. Stock Unit Accounts are also credited with additional stock units whenever dividends are paid on Praxair's common stock. Stock units provide directors the economic equivalent of stock ownership except that the units may not be transferred or sold and they do not provide any voting or other shareholder rights. The "Cash Account" is paid to the director in cash on the designated payment date. The "Stock Unit Account" is paid in the form of Praxair common stock.

Certain Relationships and Transactions.

G. Jackson Ratcliffe, Jr.'s son-in-law is employed by the Company and, during 2005, was a sourcing manager for the Company's Global Procurement and Materials Management function with cash compensation in the range of \$100,000 to \$120,000. Such non-executive employment does not violate the Board's independence standards for service on the Board and the Board has determined that such relationship does not otherwise impair Mr. Ratcliffe's ability to exercise independent judgment as a director.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of SEC Forms 3, 4 and 5 furnished to the Company and written representations from the Company's executive officers and directors, the Company believes that those persons complied with all Section 16(a) filing requirements during 2005 with respect to transactions in the Company's stock except as follows. One Form 4 was filed one day late for each of Raymond W. LeBoeuf and Wayne T. Smith, in each case with respect to the acquisition of stock units upon the deferral of director's fees for one meeting under the Directors Fees Deferral Plan. No Form 4 was filed for a December 2005 intra-plan transfer executed on James T. Breedlove's behalf affecting a Company stock fund under the Company's 401(k) Savings Plan. This transaction was reported on a year-end Form 5 filed on February 14, 2006. With respect to four transactions executed on Ricardo S. Malfitano's behalf, no Forms 4 were filed in 2005, and late Forms 5 and 4 were filed in 2006.

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Board Committees. The Board currently has four standing Committees as described in the table below and each is comprised of only independent directors. The Charters for each of these Committees may be found in the Governance section of Praxair's public website, www.praxair.com.

Meetings and Current Members

Summary Responsibilities

AUDIT COMMITTEE

Meetings in 2005: 5

Current Members:

H. Mitchell Watson, Jr., Chairman

Ronald L. Kuehn, Jr.

Raymond W. LeBoeuf

Robert L. Wood

Assists the Board in its oversight of (a) the independence, qualifications and performance of Praxair's independent auditor, (b) the integrity of Praxair's financial statements, (c) the performance of Praxair's internal audit function, and (d) Praxair's compliance with legal and regulatory requirements. In furtherance of these responsibilities, the Committee, among other duties,

- (1) appoints the independent auditor to audit Praxair's financial statements, approves the fees and terms of such engagement, approves any non-audit engagements of the independent auditor, and meets regularly with, and receives various reports from, the independent auditor. The independent auditor reports directly to the Audit Committee;
- (2) reviews Praxair's principal policies for accounting and financial reporting and its disclosure controls and processes, and reviews with management and the independent auditor Praxair's annual financial statements prior to their publication;
- (3) reviews assessments of Praxair's internal controls, the performance of the Corporate Audit function, and the guidelines and policies by which Praxair undertakes risk assessment and risk management; and
- (4) reviews the effectiveness of Praxair's compliance with laws, business conduct, integrity and ethics policies and programs.

COMPENSATION & MANAGEMENT

DEVELOPMENT COMMITTEE

Meetings in 2005: 5

Current Members:

Ronald L. Kuehn, Jr., Chairman

Claire W. Gargalli

Raymond W. LeBoeuf

Wayne T. Smith

Assists the Board in its oversight of (a) Praxair's compensation and incentive policies and programs, and (b) management development and succession, in both cases particularly as they apply to Praxair's Executive Officers. In furtherance of these responsibilities, the Committee, among other duties,

- (1) determines Praxair's policies relating to the compensation of the Executive Officers and assesses the competitiveness and appropriateness of their compensation and benefits;
- (2) approves corporate goals relevant to the Chief Executive Officer's ("CEO") compensation, evaluates the CEO's performance in light of these goals and sets the CEO's compensation accordingly;
- (3) reviews management's long-range planning for executive development and succession, and develops a CEO succession plan; and
- (4) reviews Praxair's management incentive compensation and equity compensation plans and oversees their administration.

Meetings and Current Members

Summary Responsibilities

GOVERNANCE &

NOMINATING COMMITTEE

Meetings in 2005: 5

Current Members:

Wayne T. Smith., Chairman

José P. Alves

Ira D. Hall

H. Mitchell Watson, Jr.

Robert L. Wood

Assists the Board in its oversight of (a) the selection, qualifications, compensation and performance of Praxair's directors, (b) Praxair's governance, including the practices and effectiveness of the Board, and (c) various important public policy concerns that affect the corporation. In furtherance of these responsibilities, the Committee, among other duties,

(1) recommends to the Board nominees for election as directors, and periodically reviews potential candidates, including incumbent directors;

(2) reviews policies with respect to the composition, organization and practices of the Board, and developments in corporate governance matters generally; and

(3) reviews Praxair's policies and responses to important social, political and public issues, including equal employment opportunity, charitable contributions, legislative issues, and important shareholder issues, including management and shareholder proposals offered for shareholder approval.

FINANCE & PENSION COMMITTEE

Meetings in 2005: 3

Current Members:

Claire W. Gargalli, Chairman

José P. Alves

Ira D. Hall

G. Jackson Ratcliffe, Jr

Assists the Board in its oversight of (a) Praxair's financial position and financing activities, (b) Praxair's financial risk management policies and activities, and (c) the ERISA-qualified, funded plans sponsored by Praxair. In furtherance of these responsibilities, the Committee, among other duties,

(1) monitors Praxair's financial condition and its requirements for short and long-term financing, and reviews, and recommends to the Board, the amounts, timing, types and terms of public stock issues and public and private debt issues;

(2) reviews Praxair's foreign exchange and interest rate exposures, the results of its foreign exchange, interest rate and derivatives hedging activities, and Praxair's practices for managing insurable risks;

(3) reviews Praxair's policies on dividends and stock repurchases; and

(4) reviews the investment performance, administration and funded status of Praxair's funded benefit plans and appoints administration and investment committees to act as fiduciaries of such plans.

THE BOARD OF DIRECTORS

The following pages present information about the persons who comprise Praxair's Board of Directors; including the four nominees for election. During 2005, the Board held eight meetings.

Director Attendance

During his or her current term to date, each nominee for reelection attended Board meetings and meetings of committees of which s/he is a member as follows: Ms. Gargalli, 100%; Mr. Ratcliffe, 100%; and Mr. Reilley, 100%. The other nominee for election, Mr. Angel, was not a member of the Board during 2005. During this same period, the continuing directors collectively attended approximately 98% of such meetings.

The Directors and Nominees

JOSÉ PAULO DE OLIVEIRA ALVES

Age 60
Term Expires 2007

Director Since 2005

Former Chief Executive Officer of CSN LLC, USA, the U.S. operation of Brazil's Companhia Siderúrgica Nacional (a steel manufacturing company), from 2001 through 2003. In addition, he served as Executive Officer of the New Business Sector of Companhia Siderúrgica Nacional from June 1999 through 2003, and as its Executive Officer of the Infrastructure/Energy Sector from May 1998 through July 2002. Prior to 2004 and representing CSN's holdings, Mr. Alves was Chairman of Eletropaulo Metropolitana SA (an electricity distribution company) and MRS Logística SA (a railway/logistics company), as well as an Alternate Director of Cia Vale do Rio Doce (CVRD).

STEPHEN F. ANGEL

Age 50

Nominee for initial election as a director

President and Chief Operating Officer of the Company since March 1, 2006. Mr. Angel was Executive Vice President of the Company from 2001 to 2006. From 1999 to 2001, he served as General Manager for the General Electric Company Industrial Systems Power Equipment business. From 1996 to 1999, he was General Manager, Marketing and Sales, for GE's Transportation Systems business. He is also on the Board of the National Association of Manufacturers.

CLAIRE W. GARGALLI

Age 63
Term Expires 2006

Director Since 1992

Former Vice Chairman, Diversified Search Companies (executive search consultants) from 1990 to 1998.

Ms. Gargalli is a trustee emeritus of Carnegie Mellon University and Middlebury College and she is also a director of Baker Hughes, Inc., Intermec, Inc., and Virginia National Bank.

IRA D. HALL

Age 61
Term Expires 2008

Director Since 2004

Former President and Chief Executive Officer of Utendahl Capital Management, L.P. (an asset management company) from 2002 through 2004. From 1999 to 2001, Mr. Hall served as Treasurer of Texaco Inc., and from 1998 to 1999, he was General Manager, Alliance Management of Texaco Inc. Prior to joining Texaco, Mr. Hall held several positions with International Business Machines.

Mr. Hall is a director of Pepsi Bottling Group Inc., The Reynolds & Reynolds Company and Ameriprise Financial, Inc. He is the immediate past chairman of the board of the Executive Leadership Council. He also serves on the Dean's Advisory Council of the Stanford Graduate School of Business.

RONALD L. KUEHN, JR

Age 70
Term Expires 2007

Director Since 1992

Chairman of El Paso Corporation (a natural gas and energy products company) since March 2003. Mr. Kuehn was Chairman, President and Chief Executive Officer of Sonat Inc. (an oil and natural gas company) from 1986 until its merger with El Paso Corporation in 1999. He served as Chairman of El Paso Corporation through 2000, as its Lead Director in 2002 and 2003, and as interim Chief Executive Officer from March through August 2003.

Mr. Kuehn is also a director of AmSouth Bancorporation, and Dun and Bradstreet Corporation.

RAYMOND W. LEBOEUF

Age 59
Term Expires 2008

Director Since 1997

Executive Session Presiding Director of Praxair since 2005. Former Chairman and Chief Executive Officer of PPG Industries, Inc. (a diversified manufacturer of coatings, glass and chemicals) from 1997 to 2005. In 1995, Mr. LeBoeuf was elected President and Chief Operating Officer and a director of PPG Industries, Inc.

Mr. LeBoeuf is a director of ITT Industries, Inc., and a trustee of Robert Morris University