PRAXAIR INC
Form 11-K
May 28, 2010


# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2009**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from _______ to _______**

**Commission File Number 1-11037**

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

## Praxair Distribution, Inc. 401(k) Retirement Plan

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

**Praxair, Inc.**

**39 Old Ridgebury Road**

**Danbury, Connecticut 06810-5113**

**Table of Contents**

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Index**



All other schedules required by 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.

Table of Contents

**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of

The Praxair Distribution, Inc. 401(k) Retirement Plan

Danbury, Connecticut

We have audited the accompanying statements of net assets available for benefits of The Praxair Distribution, Inc, 401(k) Retirement Plan (the Plan ) as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. 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 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is 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. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ BDO Seidman, LLP

Philadelphia, Pennsylvania

May 28, 2010

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Statements of Net Assets Available for Benefits**

**As of December 31, 2009 and 2008**

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| **Assets:** | | |
| Investments, at fair value (Note 5) | $ 157,823,872 | $ 126,210,680 |
| Loans to participants | 7,564,476 | 6,658,369 |
| Total investments | 165,388,348 | 132,869,049 |
| Contributions receivable: | | |
| Participants | 57,909 | 28,930 |
| Employer | 208,008 | 193,262 |
| Total contributions receivable | 265,917 | 222,192 |
| **Total Assets** | 165,654,265 | 133,091,241 |
| **Liabilities:** | | |
| Accrued expenses | 12,400 | 8,392 |
| **Net Assets Available for Benefits at Fair Value** | 165,641,865 | 133,082,849 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts (Note 3) | 460,549 | 1,500,943 |
| **Net Assets Available for Benefits** | $ 166,102,414 | $ 134,583,792 |

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

**Table of Contents**

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Statement of Changes in Net Assets Available for Benefits**

**For the Year Ended December 31, 2009**

| | |
|---|---|
| **Additions to (Deductions from) Net Assets** | |
| Contributions: | |
| Participants | $ 8,244,059 |
| Employer | 5,659,243 |
| Rollovers from other plans (Note 2) | 449,355 |
| Total contributions | 14,352,657 |
| Investment income: | |
| Net appreciation in fair value of investments (Note 5) | 25,388,013 |
| Interest and dividends | 2,729,549 |
| Interest on participant loans | 332,199 |
| Total net investment income | 28,449,761 |
| Benefits paid to participants | (11,344,382) |
| Administrative expenses | (148,951) |
| | (11,493,333) |
| **Increase in Net Assets** | 31,309,085 |
| Transfers from other plans (Note 9) | 650,317 |
| Transfers to other plans (Note 9) | (440,780) |
| **Net Assets Available for Benefits** | |
| Beginning of year | 134,583,792 |
| End of year | $ 166,102,414 |

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

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**Note 1 - Inception of the Plan**

GenEx, LTD, the predecessor company to Praxair Distribution, Inc., previously established a 401(k) profit sharing plan on March 1, 1989. On January 1, 1997, this plan was adopted by Praxair Distribution, Inc. (the Company ) and renamed as the Praxair Distribution, Inc. 401(k) Retirement Plan (the Plan ).

**Note 2 - Description of the Plan**

The following description of the Plan provides only general information. Participants should refer to the Plan document for a complete description of the Plan s provisions. The following information does not apply to employees covered under a bargaining unit agreement. Employees that belong to a collective bargaining unit should refer to such agreement for the terms of its employee benefits.

***General***

The Plan is a defined contribution plan and is administered by the Administration and Investment Committee for the Praxair Distribution, Inc. 401(k) Plan (the Administrator ). The Board of Directors of Praxair Distribution, Inc. oversees the activities of the Administrator. The trustee of the Plan s assets is Fidelity Management Trust Company ( Fidelity ). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ).

***Eligibility***

All regular full-time employees (as defined in the Plan) of the Company and any of its affiliates that have adopted the Plan are eligible to participate in the Plan. Part-time employees (as defined in the Plan) of the Company and its participating subsidiaries are eligible to participate in the Plan following their completion of certain minimum service requirements as set forth in the Plan.

***Contributions***

Participant contributions to the Plan are made through payroll deductions. Contributions for all Plan participants are calculated as a percentage of compensation (as defined in the Plan). Non-highly compensated employees (as defined in the Internal Revenue Code (the Code )) are allowed to contribute up to 40% of their eligible compensation on either a before-tax or after-tax basis or a combination of both. Highly compensated employees are allowed to voluntarily contribute up to 15% of their eligible compensation to the Plan, of which 9% may be on a before-tax basis. The Plan must meet the actual deferral percentage tests in Section 401(k)(3)(A) of the Code. All participants before-tax contributions are limited, however, to an indexed annual amount prescribed by the Internal Revenue Service (the IRS ), which amounted to $16,500 and $15,500 in 2009 and 2008, respectively. All employees who are eligible to make elective deferrals under the Plan and who have attained age 50 before the close of the Plan year may elect to make additional catch-up contributions for the Plan year. The maximum catch-up contribution amount permitted under the Code was $5,500 and $5,000 in 2009 and 2008, respectively.

All newly hired eligible employees are automatically enrolled in the Plan at a pre-tax contribution rate of 4% of eligible compensation unless the employee affirmatively elects not to participate in the Plan or elects to participate at a different rate. Prior to being automatically enrolled in the Plan, each newly hired eligible employee is provided a notice of the Plan s automatic enrollment provisions and is given a period of time during which to opt out of Plan participation. Newly hired eligible employees may also voluntarily elect to enroll in the Plan with an effective date prior to the date they would otherwise be automatically enrolled and may elect a contribution rate other than 4% of eligible compensation.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

All participants, including those who are automatically enrolled, may change or suspend their level of Plan contributions at any time.

All regular/full-time employees (as defined in the Plan), except those employed by Praxair Distribution Southeast, LLC ( PDSE ), are immediately eligible for Company contributions as outlined below. Such contributions are subject to a three year vesting schedule. The three year vesting period begins on the employee s date of hire or adjusted date of hire for a former participant reemployed by the Company, whichever is earlier. Participants employed by PDSE are subject to a two-years of service waiting period before being eligible to receive Company contributions under the Plan and any Company contributions made on behalf of an eligible employee of PDSE are fully vested at all times. In addition, part-time employees are only eligible to receive Company contributions through the Plan after their completion of certain minimum service requirements as set forth in the Plan.

The Company will make a contribution on behalf of eligible employees according to the following table. One Age & Service Point is granted for each year of age, and one point for each full year of Company service. Points are determined at the beginning of the Plan year. The Company contribution is a percent of compensation (as defined in the Plan). The contribution will be made at the end of each pay period.

| **Age & Service Points** | **Under 30 points** | **30 - 39 points** | **40 - 49 points** | **50 - 54 points** | **55 or more points** |
|---|---|---|---|---|---|
| Company Contribution | 2.0% | 2.5% | 3.0% | 4.0% | 5.0% |

***Vesting***

Participants are at all times fully vested in their own contributions, Company contributions made prior to July 1, 2004, and rollover contributions. All participants, except those employed by PDSE, become fully vested in Company contributions made on or after July 1, 2004 after completing three years of service (as defined in the Plan). Participants who are employees of PDSE are at all times fully vested in all Company contributions made on their behalf. Unvested Company contributions are forfeited upon separation from the Company and may be used to reduce future Company contributions or for Plan expenses.

Participants who were involuntarily terminated in 2008 due to the elimination of their positions in connection with the Company s fourth quarter Special Severance during the period beginning October 1, 2008 and ending on December 1, 2008 became fully vested in Company contributions made on their behalf regardless of completed years of service.

***Investment Options***

Plan participants may, subject to certain restrictions, direct the investment of their Plan accounts among various investment options offered by the Plan as listed below.

Mutual funds

Common trusts

Praxair Common Stock Fund

Participants may change the investment direction of their contributions and existing balances at any time.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

***Dividend Payout on Company Stock Funds***

A portion of the Plan, consisting of the Praxair Common Stock Fund has been designated as an Employee Stock Ownership Plan ( ESOP ). A dividend payout feature allows participants to elect to receive any future dividends from the Praxair Common Stock Fund in cash as taxable distributions, rather than having such dividends reinvested in the Plan. The designation as an ESOP has no other effect on benefits under the Plan.

***Withdrawals and Distributions***

Plan participants may withdraw after-tax contributions from their account balances while working and, in limited cases (as defined in the Plan s provisions), may withdraw before-tax contributions. Mandatory distributions from the Plan are required to begin no later than April 1 of the year following the year in which a participant attains age 70 $^1/2$ or retires from service with the Company, whichever is later. Actively employed participants may begin receiving distributions of pre-tax contributions at age 59 $^1/2$.

***Loans***

The Plan generally permits participants to borrow from their accounts a minimum of $1,000 up to the lesser of $50,000 or 50% of their vested account balances. Participants are permitted to have two loans outstanding at any time. Certain other restrictions apply, as defined in the Plan s provisions.

Loans are repaid during fixed terms not to exceed five years (thirty years for principal home loans). Principal and interest is paid ratably, generally through payroll deductions. The loans are collateralized by the balance in the participant s account and bear interest at fixed rates determined at loan inception. The loan interest rate is set quarterly at a rate equal to 1% less than the prime rate. Interest rates on outstanding loans as of December 31, 2009, ranged from 2.25% to 10.00% with various dates of maturity through 2040. A loan application fee of $35 is charged to the participant s account for each new loan.

***Rollovers***

Rollovers represent transfers of account balances of certain participant contributions into certain investments of the Plan from other qualified plans or individual retirement accounts.

***Forfeitures***

Under the Plan s provisions, when Company contributions of non-vested participants are forfeited, the amount shall be applied at the Company s discretion, to pay the Plan s administrative expenses or reduce future Company contributions. Forfeited amounts of non-vested Company contributions totaled $440,780 and $142,390 in 2009 and 2008, respectively.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**Note 3 - Summary of Significant Accounting Policies**

***Method of Accounting***

The financial statements of the Plan are prepared under the accrual method of accounting.

***New Accounting Pronouncements***

The following standards were effective for the Plan in 2009:

**Fair Value Measurements** Two new standards were issued in 2009 related to fair value measurements. The first standard requires the Plan to adopt accounting guidance for determining fair value when the volume and level of activity for an asset or liability has significantly decreased and identifying transactions that are not orderly. The second accounting standard requires the Plan to disclose information about fair value measurements of investments in certain entities that calculate net asset value per share or its equivalent. See Note 6 for the required disclosures. The adoption of these standards did not have an impact on the Plan s financial statements.

**The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles** The Codification was effective July 1, 2009 at which point all then-existing non-SEC accounting and reporting standards have been superseded. As a result of the adoption of the Codification, the Company changed the way it references U.S. GAAP throughout the financial statements. This standard did not have an impact on the Plan s financial statements.

The following standard will be effective for the Plan in 2010 and 2011:

**Disclosures of Fair Value Measurements** The standard added new requirements for disclosures about transfers into and out of Levels 1 and 2 and clarified existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The portion of this standard related to these items will be effective for the Plan in 2010. In addition, the standard added requirements for separate disclosures about the activity relating to Level 3 fair value measurements. The portion of this standard related to these items will be effective for the Plan in 2011. The adoption of this standard is not expected to have a significant impact on the Plan s financial statements.

***Payment of Benefits***

Benefits are recorded when paid.

***Participants Account Activity***

Participant accounts are credited with participant and Company contributions and an allocation of the Plan s earnings, which is based on the participant account balances. Participant accounts are charged for withdrawals and administrative expenses.

***Investment Valuation and Income Recognition***

Plan investments are reported at fair value which is determined based upon quoted market prices or using observable market based inputs, other than quoted market prices, for similar investments. Funds are valued on a daily basis. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. The fair value per unit of investment in common trusts is determined by each fund s trustee based on the fair value of the underlying securities within that fund. The relevant accounting standard for defined contribution plans defines the circumstances in which an investment contract is considered fully benefit-responsive and provides certain reporting and disclosure requirements for fully benefit-responsive investment contracts in defined contribution plans. As required by the standard, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit-responsive investment contracts recognized at fair value with a corresponding adjustment to reflect these investments at contract value. The Fidelity Managed Income Portfolio II Class 3 Fund is stated at fair value in accordance with the provisions of the standard. Contract value represents contributions made plus earnings, less Plan withdrawals and administrative expenses. Loans to participants are carried at outstanding balances, which approximates fair value.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

***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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from those estimates.

***Risks and Uncertainties***

The Plan provides for various investment options that invest in any combination of stocks, bonds, fixed income securities and other investment securities. These investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk and uncertainty associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

**Note - 4 Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2009 and 2008 to Form 5500:

| | 2009 | 2008 |
|---|---|---|
| Net assets available for benefits per the financial statements | $ 166,102,414 | $ 134,583,792 |
| Adjustments from fair to contract value for fully benefit-responsive contracts | (460,549) | (1,500,943) |
| Net assets available for benefits per the Form 5500 | $ 165,641,865 | $ 133,082,849 |

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

The following is a reconciliation of the net investment income per the financial statements for the year ended December 31, 2009 to the Form 5500:

| | 2009 |
|---|---|
| Total net investment income per the financial statements | $ 28,449,761 |
| Adjustments from fair to contract value for fully benefit-responsive contracts as of December 31, 2009 | (460,549) |
| Adjustments from fair to contract value for fully benefit-responsive contracts as of December 31, 2008 | 1,500,943 |
| Total net investment income per the Form 5500 | $ 29,490,155 |

**Note 5 - Investments**

Individual investments held by the Plan that exceed five percent of the Plan s net assets available for benefits at December 31, 2009 and 2008, respectively, are noted below:

| | 2009 | 2008 |
|---|---|---|
| Fidelity MIP II Class 3 Fund (contract value - $37,116,534 and $38,487,871, respectively) | $ 36,655,985 | $ 36,986,928 |
| Praxair Common Stock Fund | 26,854,460 | 19,759,016 |
| MSIFT U.S. Small Cap Core Value Portfolio | 20,617,229 | 15,937,307 |
| Vanguard LifeStrategy Moderate Growth Fund | 16,822,663 | 11,434,069 |
| Spartan 500 Index Fund | 11,609,858 | 9,006,072 |
| Fidelity Magellan Fund | 9,796,172 | 6,876,414 |

The Fidelity Managed Income Portfolio ( MIP ) II Class 3 Fund, a commingled pool, is a stable value fund that may invest in investment contracts issued by insurance companies and other financial institutions, fixed income securities and money market funds and is presented in the financial statements at fair value and is adjusted to contract value because such investments are fully benefit-responsive investment contracts. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value during the term of the contract. There is no reserve against the contract value for credit risk of the contract issuer or otherwise. The investment contract and fixed income security commitments are backed solely by the financial resources of the issuer. If an event occurs that may impair the ability of the contract issuer to perform in accordance with the contract terms, fair value may be less than contract value. Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the plan documents (including complete or partial termination or merger with another plan); (ii) bankruptcy of the Plan sponsor or other Plan sponsor events (e.g. divestitures or spin-offs of a subsidiary) which cause a significant withdrawal from the plan. The Plan Administrator does not believe that the occurrence of any such event, which would limit the Plan s ability to transact at contract value with participants, is probable. The average yield based on actual earnings was approximately 3% at December 31, 2009 and 2008. The average yield based on interest credited to participants was approximately 2% and 4% at December 31, 2009 and 2008, respectively.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

During 2009, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | Year Ended December 31, 2009 |
|---|---|
| Mutual funds | $ 17,614,684 |
| Praxair Common Stock Fund | 7,088,305 |
| Common trust | 685,024 |
| | $ 25,388,013 |

**Note 6 - Fair Value Measurements**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels as follows:

Level 1 quoted prices in active markets for identical assets or liabilities

Level 2 quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The following tables summarize investment assets measured at fair value at December 31, 2009 and 2008:

| | Investment Assets at Fair Value at December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | $ 91,311,005 | $ | | $ 91,311,005 |
| Praxair Common Stock Fund | 26,854,460 | | | 26,854,460 |
| Common trusts | | 39,658,407 | | 39,658,407 |
| Loans to participants | | 7,564,476 | | 7,564,476 |
| **Total** | $ 118,165,465 | $ 47,222,883 | | $ 165,388,348 |

| | Investment Assets at Fair Value at December 31, 2008 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | $ 67,618,205 | $ | | $ 67,618,205 |
| Praxair Common Stock Fund | 19,759,016 | | | 19,759,016 |

| | | | |
|---|---|---|---|
| Common trusts | | 38,833,459 | 38,833,459 |
| Loans to participants | | 6,658,369 | 6,658,369 |
| **Total** | $ 87,377,221 | $ 45,491,828 | $ 132,869,049 |

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

There are no plan liabilities that are required to be recorded at fair value at December 31, 2009 and 2008.

The following is a description of the valuation methodologies for the Plan assets measured at fair value. There have been no changes to the methodologies used at December 31, 2009 and 2008.

*Mutual Funds* This category consists of publicly traded funds of registered investment companies. The mutual funds invest primarily in marketable equity and fixed income securities. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The net asset value of the mutual fund s shares is quoted on the exchange where the fund is traded and therefore classified as Level 1 within the valuation hierarchy.

*Common Trusts* This category consists of private funds that invest primarily in marketable equity and fixed income securities. The funds may also invest in insurance contracts and derivatives such as forwards, options and swaps. The net asset value of the common trusts is provided by the trustee and is determined by reference to the fair value of the underlying securities of the trust, which are valued primarily through the use of directly or indirectly observable inputs. Common trusts are classified as Level 2 within the valuation hierarchy.

*Praxair Common Stock Fund* The Praxair Common Stock Fund is an employer stock unitized fund. The fund consists of Praxair, Inc. common stock and a short-term cash component, which provides liquidity for daily trading. Praxair, Inc. common stock is valued at the quoted market price from a national securities exchange and the short term cash investments are valued at cost, which approximates fair value. The Praxair Common Stock Fund is classified as Level 1 within the valuation hierarchy.

*Loans to Participants* Loans to participants are valued at cost, which approximates fair value. Loans to participants are classified as Level 2 within the valuation hierarchy.

**Note 7 - Tax Status**

The Internal Revenue Service determined and informed the Company by a letter dated January 31, 2003, that the Plan and related trust were designed in accordance with applicable sections of the Code. Although the Plan has been amended since the date it was submitted to the Internal Revenue Service, the Plan Administrator and counsel believe that in design and operation, it continues to operate in accordance with applicable law.

**Note 8 - Plan Expenses**

Administrative fees are paid by the Plan in accordance with Plan provisions and allocated to Plan participant accounts based upon account balances. Plan participants are charged an annual rate of 0.08% of their account balance on a monthly basis. These fees, which are accumulated and paid out of the Fidelity MIP II Class 3 Fund, are intended to cover all administrative expenses incurred by the Plan. To the extent deductions from participant accounts were insufficient to cover the total cost of the Plan, the difference would be paid by the Company. Amounts paid by the Company for Plan expenses during 2009 were insignificant.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**Note 9 - Transfers of Participants**

Participant Plan account balances are reflected by the recordkeeper as of the closing date per the financial statements. Participants who transfer between the Company and/or any of its subsidiaries during the Plan year have their respective balances reflected in the 401(k) plan of the Praxair entity by whom they were employed at the end of the Plan year. The amounts reflected in the Statement of Changes in Net Assets Available for Benefits represent the balances of participants who moved into the Plan or out of the Plan into another Company-sponsored Plan during the year. The amounts for transfers into the Plan and out of the Plan due to participants moving between the other plans during the year were $650,317 and $440,780, respectively.

**Note 10 - Parties-in-Interest Transactions**

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

Certain Plan investments include shares of common stock of Praxair, Inc., the Plan Sponsor, and, therefore, these transactions qualify as party-in-interest transactions. Loans to participants also qualify as party-in-interest transactions.

**Note 11 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan s provisions to terminate the Plan at its sole discretion. Upon such termination, participants will become 100% vested and the net assets of the Plan will be distributed or sold exclusively for the benefit of the participants (or their beneficiaries).

**Note 12 - Subsequent Events**

Effective January 1, 2010, the Plan offers a new savings option a Roth 401(k). Roth 401(k) contributions will be eligible for Company matching contributions. Participants will not be allowed to transfer previously deferred contributions to their Roth 401(k) account. The combined Roth 401(k) and pre-tax 401(k) contributions cannot exceed the same annual IRS or Plan limits currently applicable to pre-tax 401(k) contributions.

Effective January 1, 2010, exchanges into the Praxair Common Stock Fund are limited to once a month.

Table of Contents

**Praxair Distribution, Inc. 401(k) Retirement Plan**

**EIN: 94-1693764, Plan Number: 333**

**Schedule H, line 4i Schedule of Assets (Held at End of Year)**

**As of December 31, 2009**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|---|---|---|---|---|
| * | Fidelity MIP II Class 3 Fund | Common/Collective Trust | ** | $ 36,655,985 |
| * | Praxair Common Stock Fund | Common Stock | ** | 26,854,460 |
| | MSIFT U.S. Small Cap Core Value Portfolio | Mutual Fund | ** | 20,617,229 |
| | Vanguard LifeStrategy Moder | | | |