

EDWARDS LIFESCIENCES CORP  
Form DEF 14A  
March 31, 2008

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

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

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

**Edwards Lifesciences Corporation**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:  

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March 28, 2008

To our Stockholders:

The Board of Directors joins me in inviting you to attend the 2008 Annual Meeting of Stockholders. The meeting will be held at our corporate headquarters located at One Edwards Way, Irvine, California, on Thursday, May 8, 2008, commencing at 10:00 a.m., Pacific Daylight Time. Registration will begin at 9:00 a.m. and refreshments will be provided.

Details of the business to be conducted at the Annual Meeting are included in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. Stockholders also may access the Notice of Annual Meeting of Stockholders and the Proxy Statement via the Internet at [www.edwards.com](http://www.edwards.com).

At the meeting, in addition to discussing matters described in the Proxy Statement, I will report on our 2007 achievements and discuss our plans for continued growth and success.

We look forward to seeing you at the upcoming Annual Meeting of Stockholders.

Sincerely,

Michael A. Mussallem  
*Chairman of the Board and  
Chief Executive Officer*

**Edwards Lifesciences Corporation**  
One Edwards Way  
Irvine, California USA 92614  
Phone: 949.250.2500 [www.edwards.com](http://www.edwards.com)

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## Edwards Lifesciences Corporation

One Edwards Way  
Irvine, California 92614  
949.250.2500

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### NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

To be held on Thursday, May 8, 2008

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To the Stockholders of

#### EDWARDS LIFESCIENCES CORPORATION

The 2008 Annual Meeting of Stockholders of Edwards Lifesciences Corporation, a Delaware corporation (the "Company"), will be held at the corporate headquarters of the Company, located at One Edwards Way, Irvine, California 92614 on Thursday, May 8, 2008, at 10:00 a.m., Pacific Daylight Time, for the following purposes:

1. To elect three directors to hold office for three years;
2. To approve an amendment and restatement of the Company's Long-Term Stock Incentive Compensation Program (the "Long-Term Stock Program") to (i) increase the total number of shares of common stock available for issuance under the Long-Term Stock Program by 900,000 shares, (ii) increase by 200,000 the number of shares of common stock within the Long-Term Stock Program that may be granted in the form of restricted stock and restricted stock units; and (iii) extend the expiration date of the Long-Term Stock Program to April 1, 2018.
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2008; and
4. To transact such other business as may properly come before the Annual Meeting of Stockholders or any adjournment thereof.

**The Board of Directors has fixed the close of business on Friday, March 14, 2008, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders.**

**Your attention is directed to the accompanying Proxy Statement. Whether or not you plan to attend the meeting in person, please vote your shares in one of the following three ways: (1) completing, signing, dating and returning the enclosed proxy card in the enclosed, postage prepaid envelope; (2) calling the toll-free number listed on the proxy card; or (3) accessing the Internet as indicated on the proxy card. If you attend the meeting and wish to vote in person, you may withdraw your proxy and vote your shares personally.**

By Order of the Board of  
Directors,

Jay P. Wertheim  
*Vice President,  
Associate General Counsel  
and Secretary*

March 28, 2008

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# EDWARDS LIFESCIENCES CORPORATION

## PROXY STATEMENT FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS

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## EDWARDS LIFESCIENCES CORPORATION

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### PROXY STATEMENT FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS

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#### GENERAL INFORMATION

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This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Edwards Lifesciences Corporation, a Delaware corporation (the "Company"), for use at the 2008 Annual Meeting of Stockholders (the "Annual Meeting") to be held at 10:00 a.m., Pacific Daylight Time, on Thursday, May 8, 2008, at the corporate headquarters of the Company, located at One Edwards Way, Irvine, California 92614.

The Board of Directors has fixed the close of business on Friday, March 14, 2008, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. On March 14, 2008, the Company had outstanding 55,186,781 shares of common stock. A list of stockholders of record entitled to vote at the Annual Meeting will be available for inspection by any stockholder, for any purpose germane to the meeting, during normal business hours, for a period of ten days prior to and including the date of the meeting, at the offices of the Company located at One Edwards Way, Irvine, California 92614.

Whether or not you plan to attend the Annual Meeting, please vote in one of the following three ways:

complete, sign, date and mail your proxy card in the enclosed, postage-prepaid envelope;

call the toll-free number listed on the proxy card; or

access the Internet as indicated on the proxy card.

The proxy holders appointed by the Company will vote your shares according to your instructions. If you return a properly signed and dated proxy card, but do not mark a choice on one or more items, your shares will be voted in accordance with the recommendations of the Board of Directors as set forth in this Proxy Statement. The proxy card gives authority to the proxy holders to vote your shares in their discretion on any other matter properly presented at the Annual Meeting.

You may revoke your proxy at any time before it is voted at the Annual Meeting by delivering written notice of revocation to the Secretary of the Company, by submitting a subsequently dated proxy, by subsequently voting by telephone or via the Internet, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not itself revoke an earlier submitted proxy.

These proxy materials are first being sent to stockholders on or about March 28, 2008.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 8, 2008: Pursuant to new rules promulgated by the Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our fiscal 2007 Annual Report are available at our website at [www.edwards.com](http://www.edwards.com). Additionally, and in accordance with new SEC rules, you may access our proxy statement at [www.edwards.com/filefolder/resourcegallery/investorrelations/ew2008proxy.pdf](http://www.edwards.com/filefolder/resourcegallery/investorrelations/ew2008proxy.pdf), which does not have "cookies" that identify visitors to the site.**



## Voting Information

The presence at the Annual Meeting, in person or by proxy, of holders of at least a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum to transact business at the Annual Meeting. (Brokers holding shares of record for their customers generally are not entitled to vote on certain matters unless their customers give them specific voting instructions. If the broker does not receive specific instructions, the broker will note this on the proxy form or otherwise advise the Company that it lacks voting authority. The votes that the brokers would have cast if their customers had given them specific instructions are commonly called "broker non-votes.") Broker non-votes and abstentions are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

Each stockholder is entitled to one vote per share on each proposal to be voted upon at the meeting. Directors will be elected by a majority of votes cast, which means that the number of shares voted "for" each of the nominees for election to our Board of Directors must exceed 50% of the number of votes cast with respect to each nominee's election. Broker non-votes and abstentions (or instructions to "withhold authority" as to the election of any director nominees) will not affect the outcome of the election of directors. In the event that the number of nominees exceeds the number of directors to be elected, which is a situation that we do not anticipate, directors will be elected by a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

The affirmative vote of a majority of shares of common stock represented at the Annual Meeting, in person or by proxy, and entitled to vote is necessary both for the approval of the amendment and restatement of the Long-Term Stock Program and to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2008. If stockholder approval is not obtained, then the number of shares reserved under the Long-Term Stock Program will not be increased. With respect to each proposal, abstentions will have the effect of votes against the proposal. Broker non-votes with respect to each proposal, however, will not be considered as present and entitled to vote on that proposal.

A stockholder may revoke his or her proxy at any time before it is voted at the Annual Meeting by delivering written notice or revocation to the Secretary of the Company, by submitting a subsequently dated proxy, by subsequently voting by telephone or via the Internet, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not automatically revoke an earlier submitted proxy. The proxy holders appointed by the Company will vote your shares according to your instructions. If no direction is made on a properly signed and dated proxy card, the stockholder's shares will be voted **FOR** the election of the named director nominees, **FOR** the amendment and restatement of the Long-Term Stock Program and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2008. With respect to any other matter properly presented at the Annual Meeting, the proxy card gives authority to the proxy holders to vote the stockholder's shares in the proxy holder's discretion.

## Proxy Solicitation Costs

Your proxy is solicited by the Board of Directors and its agents and the cost of solicitation will be paid by the Company. Officers, directors and regular employees of the Company, acting on its behalf, also may solicit proxies by mail, telephone, facsimile transmission or personal interview. The Company will, at its expense, request brokers and other custodians, nominees and fiduciaries to forward proxy soliciting materials to the beneficial owners of shares held of record by such persons.

In addition, the Company has retained Georgeson Inc. ("Georgeson") to assist with the distribution and solicitation of proxies for a fee of \$20,000, plus expenses for these services. The Company also agreed to indemnify Georgeson against liabilities and expenses arising in connection with the proxy solicitation unless caused by Georgeson's gross negligence or intentional misconduct. Georgeson and the Company's officers, directors and employees may supplement the original solicitation by mail of proxies by telephone, facsimile,

e-mail and personal solicitation. The Company will pay no additional compensation to its officers, directors and employees for these activities.

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**PROPOSALS TO BE VOTED ON**

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**Proposal 1 Election of Directors**

The Board of Directors nominates the nominees below to serve as directors until the annual meeting in 2011, or until their successors are elected and qualified.

Nominees for Director:

John T. Cardis  
Philip M. Neal  
David E.I. Pyott

Each of the nominees standing for election has consented to serve as a director if elected. However, if any nominee becomes unable to serve before the election, the shares represented by proxy may be voted for a substitute nominee designated by the Board of Directors. No arrangement or understanding exists between any nominee and any other person or persons pursuant to which any nominee was or is to be selected as a director or nominee. None of the nominees has any family relationship with any other nominee or with any of the Company's executive officers.

Please see the section below titled "Corporate Governance" for more information regarding the Board of Directors, the committees of the Board of Directors and director independence.

**The Board of Directors of the Company recommends a vote FOR the election  
of each of the nominees for director.**

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**Proposal 2 Amendment and Restatement of the Long-Term Stock Incentive Compensation Program**

The Board of Directors has approved an amendment and restatement of the Long-Term Stock Incentive Compensation Program (the "Long-Term Stock Program"), subject to stockholder approval. The proposed amendment and restatement will effect the following changes to the Long-Term Stock Program: (i) increase the total number of shares of common stock available for issuance by 900,000 shares; (ii) increase by 200,000 the number of shares of common stock within the Long-Term Stock Program that may be granted in the form of restricted stock and restricted stock units; and (iii) extend the expiration of the Long-Term Stock Program to April 1, 2018.

The Board of Directors and the Compensation and Governance Committee (the "Compensation Committee") believe that stockholders' support of this proposal will enable the Company to continue to attract and retain the highest caliber of employees within our industry, to link incentive awards to Company performance, to encourage employee ownership in the Company and to more closely align the interest of employees with those of its stockholders.

The Company believes that the long-term component of its incentive compensation program should be aligned with stockholders and strongly prefers the attributes of stock-based incentives. If stockholder approval for this proposal is not obtained, the number of shares reserved under the Long-Term Stock Program will not be increased, and the Company will be unable to fully implement the long-term incentive component of its compensation program. Without the ability to use stock, the Company would be required to replace stock compensation with the equivalent in cash incentives in order to maintain a competitive compensation program. Cash incentive programs generally offer much less opportunity to link management compensation to

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stock performance. In years when performance targets are exceeded, the use of cash incentive programs could greatly impact the Company's net income.

The Company believes that its incentive compensation program is essential to our financial success and has been a contributing factor in its many recent achievements, including its 81 percent return over the past five years. The following chart shows total cumulative return based upon a \$100 investment in the Company from December 31, 2002 through December 31, 2007.

	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
Edwards Lifesciences Corporation	\$ 100	\$ 118	\$ 162	\$ 163	\$ 185	\$ 181

The Company encourages stockholders to also consider the following factors:

Since 2002, the Company has actively repurchased shares of its common stock through various stock repurchase programs. In 2006 and 2007, the total number of outstanding shares declined significantly.

	2003	2004	2005	2006	2007
Shares Outstanding at Fiscal Year End (in millions)	59.5	59.4	59.6	57.7	56.6

On March 14, 2008, the Company had outstanding 55,186,781 shares of common stock.

As of December 31, 2007, the Company had authorization to repurchase common stock with an aggregate value up to \$250 million. Based upon the closing price of the Company's shares on the New York Stock Exchange on February 29, 2008, this represented approximately 5.7 million shares.

The Company grants long-term incentive awards (stock options and restricted stock units) to a limited number of employees who are considered key contributors to the success of the Company and whose performance most directly influences the long-term results of the Company. This strategy has allowed the Company to achieve a low burn rate while providing adequate incentives for its key employees.

	2004	2005	2006	2007
Three Year Average Burn Rate(1)(2)	3.5%	3.0%	2.0%	2.4%

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(1) Burn Rate = 
$$\frac{\text{Shares granted less cancellations}}{\text{Shares outstanding}}$$

(2) The three year average Burn Rate for each year is calculated as the sum of the Burn Rates for that year and the preceding two years, divided by 3.

The 900,000 shares requested in this proposal represent 1.6% of the Company's outstanding shares at December 31, 2007.

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As of February 29, 2008, a total of approximately 1.4 million in-the-money stock options that were granted six or more years ago remained outstanding in the Long-Term Stock Program, which the Company believes reflects employees' confidence in the Company's future prospects.

The weighted average exercise price for in-the-money stock options granted six or more years ago was \$15.43 and the weighted average remaining contractual life was 2.29 years. None of the stock options granted six or more years ago has an exercise price higher than \$43.61, the closing price per share of the Company's common stock as of February 29, 2008. Approximately 7.9 million stock options that were granted less than six years ago remain outstanding, with a weighted average exercise price of \$36.91 and a weighted average remaining contractual life of 4.01 years. Of the approximately 9.3 million shares that were outstanding as of February 29, 2008, 32% were held by the named executive officers (as defined in the Section below entitled "Compensation Discussion and Analysis") as a group.

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To create additional owner commitment and to emphasize shareholder value creation, the Company adopted stock ownership guidelines for its executive officers beginning in 2000. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Stock Ownership Guidelines" at page 26.) All executive officers have either exceeded their ownership target levels or are on track to achieve their ownership targets by the required date.

The Long-Term Stock Program is a component of the total executive direct compensation (total cash compensation plus equity), which is targeted to be at approximately the median for comparable positions at competitive peer companies. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Compensation Process" at page 19.)

The Company is committed to maintaining strong corporate governance practices and notes the following important factors that pertain to its Long-Term Stock Program and/or its long-term equity compensation practices:

In 2003, the Company reduced the maximum term of options to seven years from ten years. Its current practice for options is ratable vesting over four years.

The Company's current practice imposes a minimum vesting period of three years on restricted stock awards.

The Long-Term Stock Program does not allow net share counting provisions.

The Company does not have any program, plan or practice to time option grants in coordination with the release of material information. The exercise price of options is set at the closing price of Company stock on the trading day immediately prior to the grant date. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Market Timing of Equity Awards" at page 26.)

The Company has never engaged in a repricing of stock options.

The Company provides our stockholders the opportunity to evaluate and vote annually on share increases to the Long-Term Stock Program.

In May 2007, the Company requested, and the stockholders approved, a share increase of 1,000,000 shares under the Long-Term Stock Program. This increase was expected to be sufficient to make equity-based awards until early 2008. As of February 29, 2008, a total of 287,510 shares remained available for new awards under the Long-Term Stock Program (not including shares subject to outstanding awards), and a total of 10,110,522 shares (inclusive of 858,253 restricted shares and restricted stock units) were subject to outstanding options and stock awards (of which approximately 6.6 million shares were fully vested as of February 29, 2008). As of February 29, 2008, the weighted average exercise price of outstanding options was \$33.74, and the weighted average remaining contractual life of outstanding options was 3.76 years. The Company has projected that it will need additional shares at this time to continue to use stock-based compensation to provide competitive long-term incentives to its eligible employees during the next year. Although the Company's compensation strategy has been formulated for the long-term, the Company is requesting stockholder approval of only the number of shares anticipated to be necessary to implement its equity-based compensation strategy for approximately the next year (through early 2009). On February 29, 2008, the Company had outstanding 56,067,113 shares of common stock.

The Section below entitled "The Long-Term Stock Program" describes the principal features of the Long-Term Stock Program, giving effect to the amendment and restatement that is the subject of this Proposal 2. The summary, however, does not purport to be a complete description of the Long-Term Stock Program. A copy of the amended and restated Long-Term Stock Program is attached as Appendix A to this Proxy Statement.

**The Board of Directors of the Company recommends a vote FOR the amendment and restatement of the Long-Term Stock Incentive Compensation Program.**

**Proposal 3 Ratification of Appointment of the Independent Registered Public Accounting Firm**

The Audit and Public Policy Committee (the "Audit Committee") has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2008. Representatives of PricewaterhouseCoopers LLP are expected to attend the Annual Meeting and will be available to respond to appropriate questions and to make a statement if they so desire. PricewaterhouseCoopers LLP also performs certain non-audit services for the Company. Although the Company is not required to seek stockholder approval of this appointment, the Board of Directors believes that doing so is consistent with good corporate governance practices. If the appointment is not ratified, the Audit Committee will explore the reasons for stockholder rejection and will reconsider the appointment.

**The Board of Directors of the Company recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for 2008.**

**Other Business**

It is not anticipated that any matter will be considered by the stockholders other than those set forth above, but if other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote in accordance with their best judgment.

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**CORPORATE GOVERNANCE**

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**Board Composition**

The Board of Directors currently consists of eight directors divided into three classes. Seven of the eight directors have been determined to be independent under the rules of the New York Stock Exchange (the "NYSE").

*Current Class II Directors Nominated for Reelection for a Term Expiring in 2011*

**John T. Cardis**, age 66. Mr. Cardis has been a director of the Company since 2004. Mr. Cardis, a partner of Deloitte & Touche until his retirement in 2004, served at Deloitte & Touche for 40 years in positions of increasing responsibility, including as National Managing Partner-Global Strategic Clients, as a member of its executive committee and as a member of its board of directors. He also is a director of Avery Dennison Corporation and Energy East Corporation. Mr. Cardis remains actively involved in a number of non-profit and community organizations.

**Philip M. Neal**, age 67. Mr. Neal has been a director of the Company since 2000. From 2000 until his retirement in 2005, Mr. Neal served as Chairman of the Board of Avery Dennison Corporation, a Fortune 500 company that manufactures and markets a wide range of products for consumer and industrial markets. Mr. Neal joined Avery Dennison in 1974, and served as President and Chief Operating Officer from 1990 to 1998, and as Avery Dennison's Chief Executive Officer from 1998 through April 2005. He also serves as a director of the Los Angeles Music Center.

**David E.I. Pyott**, age 54. Mr. Pyott has been a director of the Company since 2000. He has served as Chairman of the Board of Allergan, Inc., a global specialty pharmaceutical and medical device company since 2001, Allergan's Chief Executive Officer since 1998 and its President from 1998 through January 2006. Mr. Pyott is a director of Avery Dennison Corporation. He also serves on the Board and Executive Committee of the California Healthcare Institute, on the Board of the Biotechnology Industry Organization (BIO) and on the Directors' Board of the Paul Merage School of Business at the University of California (Irvine).

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### *Continuing Class III Directors Term Scheduled to Expire in 2009*

**Mike R. Bowlin**, age 64. Mr. Bowlin has been a director of the Company since 2000. He served as Chairman of the Board of Atlantic Richfield Company (which merged with BP Amoco in 2000) from 1995 until his retirement in 2000, as its President from 1993 to 1998 and as its Chief Executive Officer from 1994 to 2000. Mr. Bowlin also is a director of FMC Technologies, Inc. and the University of North Texas Foundation.

**Barbara J. McNeil, M.D., Ph.D.**, age 66. Dr. McNeil has been a director of the Company since February 2006. Since 1990, she has served as the Ridley Watts Professor of Health Care Policy at Harvard Medical School. In addition, since 1988, Dr. McNeil has served as the Chair of the Department of Health Care Policy at Harvard Medical School. Since 1983, she has been a Professor of Radiology at both Harvard Medical School and Brigham and Women's Hospital in Boston, Massachusetts. Dr. McNeil is a member of the Institute of Medicine of the National Academy of Sciences (where she is Chair of its Board of Healthcare Services) and the American Academy of Arts and Sciences. She holds an M.D. from Harvard Medical School and a Ph.D. in biological chemistry from Harvard University. Dr. McNeil also serves as a director of CV Therapeutics, Inc. and Flagship Global Health.

**Michael A. Mussallem**, age 55. Mr. Mussallem has been Chairman of the Board and the Chief Executive Officer of the Company since 2000. Prior to 2000, he held a variety of positions with increasing responsibility in engineering, product development and senior management at Baxter International Inc. Mr. Mussallem received his Bachelor of Science degree in chemical engineering from the Rose-Hulman Institute of Technology and was conferred an honorary doctorate by his alma mater in 1999. He is a director of Advanced Medical Optics, Inc. Mr. Mussallem is a director, and former chairman, of the California Healthcare Institute, chairman of the Advanced Medical Technology Association (AdvaMed), and a director of the OCTANe Foundation for Innovation.

### *Continuing Class I Directors Term Scheduled to Expire in 2010*

**Robert A. Ingram**, age 65. Mr. Ingram has been a director of the Company since 2003. He has served as Vice Chairman Pharmaceuticals, GlaxoSmithKline plc, a corporation involved in the research, development, manufacturing and sale of pharmaceuticals since 2002. Mr. Ingram served as the Chief Operating Officer and President of Pharmaceutical Operations, GlaxoSmithKline plc from 2001 through 2002. Prior to that, he was Chief Executive Officer of Glaxo Wellcome plc from 1997 to 2000, and Chairman of its United States subsidiary from 1999 through 2000. From 1997 to 1999, Mr. Ingram served as Chairman and President of Glaxo Wellcome plc. Mr. Ingram is Chairman of the Board of OSI Pharmaceuticals and is a director of Allergan, Inc., Lowe's Companies, Inc., Valeant Pharmaceuticals International and Wachovia Corporation.

**Vernon R. Loucks Jr.**, age 73. Mr. Loucks has been a director of the Company since 2000. Mr. Loucks has been the chairman of The Athena Group, LLC since 2001. Mr. Loucks served as a director of Baxter International Inc. from 1975 through 1999, including as Chairman of the Board from 1987 through 1999, and as Chief Executive Officer of Baxter from 1980 through 1998. He is also a director of Affymetrix Inc., Anheuser-Busch Companies, Inc., Emerson Electric Co. and Pain Therapeutics, Inc.

### **Director Independence**

Under the corporate governance rules of the NYSE, a majority of the members of the Company's Board of Directors must satisfy the NYSE criteria for "independence." No director qualifies as independent under the NYSE rules unless the Board of Directors affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board of Directors has determined that all of the members of the Board, other than Mr. Mussallem, are independent under the NYSE rules. In making its determinations, the Board of Directors considered Mr. Loucks' prior position as the Chief Executive Officer of Baxter International Inc. during the time Mr. Mussallem was an executive with Baxter and Mr. Cardis' prior

position as a partner at Deloitte & Touche, which currently provides non-audit related consultation services for the Company, and, in each case as it had in prior years, concluded that neither of these relationships is a material relationship that would impair the independence from management of such individuals.

### **Governance Guidelines**

The Company's Board of Directors has adopted a set of Governance Guidelines to assist the Board of Directors and its committees in performing their duties and serving the best interests of the Company and its stockholders. The Governance Guidelines cover topics including, but not limited to, director selection and qualification, director responsibilities and operation of the Board of Directors, director access to management and independent advisors, director compensation, director orientation and continuing education, succession planning and the annual evaluations of the Board of Directors. The Company's Governance Guidelines are available on the Company's website at [www.edwards.com](http://www.edwards.com) under "Investor Relations Corporate Governance and Responsibility" and in print upon request by writing to: Secretary, Edwards Lifesciences Corporation, One Edwards Way, Irvine, California 92614.

### **Meetings of Non-Management Directors**

Non-management directors meet regularly in executive session without management. Executive sessions are held in conjunction with each regularly scheduled meeting of the Board of Directors. Mr. Bowlin is currently presiding director at executive sessions of the Board of Directors.

### **Communications with the Board**

Any interested party who desires to contact any member of the Board of Directors, including the presiding director or the non-management members of the Board as a group, may write to any member or members of the Board at: Board of Directors, c/o Secretary, Edwards Lifesciences Corporation, One Edwards Way, Irvine, California 92614. Communications will be received by the Secretary of the Company and distributed to the appropriate members of the Board depending on the facts and circumstances described in the communication.

### **Meetings of the Board of Directors**

During the year ended December 31, 2007, the Company's Board of Directors held five meetings. Each director attended at least 75% of the meetings of the Board of Directors and any applicable committee held during the period of his or her tenure in 2007.

The Company encourages, but does not require, its directors to attend the annual meeting of stockholders. Last year, all of the Company's directors attended the annual meeting of stockholders.

### **Committees of the Board of Directors**

To facilitate independent director review, and to make the most effective use of the directors' time and capabilities, the Company has established an Audit and Public Policy Committee and a Compensation and Governance Committee. The Compensation and Governance Committee is responsible for matters relating to the nomination of directors. The Board of Directors is permitted to establish other committees from time to time as it deems appropriate.

**Audit and Public Policy Committee.** The Audit and Public Policy Committee (the "Audit Committee") is composed of three directors, each of whom must be independent and financially literate as these terms are defined under the rules of the NYSE. The Board of Directors has determined that each of the members of the Audit Committee is "independent" and "financially literate" under the rules of the NYSE and that Mr. Cardis and Mr. Neal are each an "audit committee financial expert" under the rules of the SEC. The responsibilities of the Audit Committee are included in its written charter, which is posted under the "Investor Information" section of the Company's website ([www.edwards.com](http://www.edwards.com)).



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As described more fully in the Audit Committee charter, the primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, and the performance of the Company's internal audit function and independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of the Company's financial statements; adoption of accounting and financial reporting principles; internal controls; and procedures designed to reasonably assure compliance with accounting standards, applicable laws and regulations. The Company has a full-time internal audit function that reports to the Audit Committee and to management and is responsible for, among other things, objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal controls.

The Audit Committee appoints, retains, terminates, determines compensation for, and oversees the independent registered public accounting firm, reviews the scope of the audit by the independent registered public accounting firm and inquires into the effectiveness of the Company's accounting and internal control functions. The Audit Committee also assists the Board of Directors in establishing and monitoring compliance with the ethical Business Practice Standards of the Company. The Company's Business Practice Standards are posted under the "Investor Information" section of the Company's website ([www.edwards.com](http://www.edwards.com)). The Audit Committee also reviews with the Company's management and the independent registered public accounting firm, the Company's policies and procedures with respect to risk assessment and risk management.

The Audit Committee held twelve meetings in 2007 and organized its activities at each meeting through the use of a periodic agenda. At each regularly scheduled meeting of the Audit Committee, the Audit Committee met with the senior members of the Company's financial management team. Additionally, the Audit Committee met in executive sessions and without others present at its regularly scheduled meetings, with the Company's independent registered public accounting firm, the director of internal audit, the Company's Chief Financial Officer and the Company's General Counsel. The current members of the Audit Committee are: Mr. Cardis (Chairperson), Mr. Neal and Mr. Pyott.

**Compensation and Governance Committee.** The Compensation and Governance Committee (the "Compensation Committee") is composed of four directors, each of whom must be independent as that term is defined under the rules of the NYSE. The Board of Directors has determined that each of the members of the Compensation Committee is "independent" under the rules of the NYSE. Each of the members of this committee is also a "nonemployee director" as that term is defined under Rule 16b-3 of the Securities and Exchange Act of 1934 and an "outside director" as that term is defined in Treasury Regulation § 1.162-27(3). The responsibilities of the Compensation Committee are included in its written charter, which is posted under the "Investor Information" section of the Company's website ([www.edwards.com](http://www.edwards.com)).

The Compensation Committee determines the compensation of executive officers and recommends to the Board of Directors the compensation of outside directors, exercises authority of the Board of Directors concerning employee benefit plans and advises the Board of Directors on other compensation and employee benefit matters. The Compensation Committee also advises the Board of Directors on board committee structure and membership and corporate governance matters.

In addition, the Compensation Committee makes recommendations to the Board of Directors regarding candidates for election as directors of the Company. The Compensation Committee maintains formal criteria for selecting director nominees who will best serve the interests of the Company and its stockholders. The criteria used for selecting director nominees are set forth in the Compensation Committee's charter. In addition to these minimum requirements, the Compensation Committee will also evaluate whether the candidate's skills and experience are complementary to the existing Board members' skills and experience as well as the need of the Board of Directors for operational, management, financial, international, technological or other expertise. The members of the Compensation Committee interview candidates that meet the criteria and the Compensation Committee selects nominees that it believes best suit the needs of the Board of Directors. From time to time, the Compensation Committee may engage the services of an executive search

firm to assist the Compensation Committee in identifying and evaluating candidates for the Board of Directors.

The Compensation Committee will consider qualified candidates for director nominees suggested by the Company's stockholders. Stockholders can suggest qualified candidates for director nominees by writing to the Secretary of the Company at One Edwards Way, Irvine, California 92614. Submissions that are received that meet the criteria described above are forwarded to the Compensation Committee for further review and consideration. The Compensation Committee does not intend to evaluate candidates proposed by stockholders any differently than other candidates.

The Compensation Committee held six meetings in 2007. The current members of the Compensation Committee are: Mr. Bowlin (Chairperson), Mr. Ingram, Mr. Loucks and Dr. McNeil.

### **Stock Ownership Guidelines for Directors**

The Board of Directors has adopted stock ownership guidelines for directors that target each nonemployee director to own a minimum of 20,000 shares of the Company's common stock within five years of first becoming a director. Stock that is counted towards meeting the guidelines includes any common shares owned outright (including restricted stock), plus 25% of vested, in-the-money stock options. All of the Company's directors have either exceeded their ownership target levels or are on track to achieve their ownership targets by the required date.

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## **THE LONG-TERM INCENTIVE COMPENSATION PROGRAM**

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### **Administration**

The Long-Term Stock Program is administered by the Compensation Committee. The Compensation Committee may, and has, delegated authority to the Chairman of the Board and Chief Executive Officer to grant options to eligible employees who are not executive officers.

### **Eligibility**

Only employees and independent contractors providing services to the Company or its subsidiaries are eligible to participate in the Long-Term Stock Program. As of February 29, 2008, approximately 5,607 employees (including 8 executive officers) were eligible to participate in the Long-Term Stock Program. Four independent contractors have participated in the Long-Term Stock Program. Non-employee Board members are not eligible to participate in the Long-Term Stock Program; however, they are eligible to receive awards under the Company's Nonemployee Directors Stock Incentive Program.

### **Share Reserve**

Subject to adjustment for certain changes in the Company's capitalization, a total of 19,700,000 shares of the Company's common stock will be authorized for issuance under the Long-Term Stock Program, including the 900,000 shares that are the subject of this Proposal 2. In general, shares subject to outstanding options or other awards under the Long-Term Stock Program that expire or otherwise terminate prior to the issuance of the shares subject to those options or awards will be available for subsequent issuance under the Long-Term Stock Program. Unvested shares issued under the Long-Term Stock Program and subsequently forfeited to or reacquired by the Company will be added back to the number of shares reserved for issuance under the Long-Term Stock Program and will accordingly be available for subsequent issuance. However, shares which are withheld from an award to satisfy tax withholding obligations, shares which are surrendered to fulfill tax obligations incurred under the Long-Term Stock Program, and shares surrendered in payment of the option exercise price upon the exercise of an option will not be available for reissuance under the Long-Term Stock Program.

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Subject to adjustment for certain changes in the Company's capitalization, no more than 1,000,000 shares in the aggregate may be granted in the form of stock options to a participant per fiscal year. Stockholder approval of this proposal will also constitute a reapproval of the 1,000,000 shares limitation for purposes of Internal Revenue Code Section 162(m).

Subject to adjustment for certain changes in the Company's capitalization, not more than 1,200,000 shares in the aggregate may be issued as restricted stock and restricted stock unit awards under the Long-Term Stock Program, and no more than 200,000 shares may be issued as restricted stock or restricted stock units to any one participant during a fiscal year. As of February 29, 2008, a total of 130,140 shares remained available to be issued as restricted stock or restricted stock units under the Long-Term Stock Program. Including the 200,000-share increase that is the subject of this Proposal 2, no more than 330,140 shares (subject to adjustment for certain changes in the Company's capitalization) may be issued in the form of restricted stock or restricted stock units following this meeting.

### Types of Awards

Three types of awards may be granted under the Long-Term Stock Program: stock options, restricted stock and restricted stock units.

**Stock Options.** Nonqualified and incentive stock options may be granted under the Long-Term Stock Program. The Compensation Committee has the discretion to select eligible participants to receive options, and determine the type, number of shares, exercise price and other terms of options granted under the Long-Term Stock Program. No option may be granted with an exercise price less than the current fair market value of the shares, which is defined as the closing price of the Company's common stock on the day before the grant date. As of February 29, 2008, the closing price per share of the Company's common stock was \$43.61.

**Restricted Stock and Restricted Stock Units.** Shares of common stock that have restrictive conditions may be issued under the Long-Term Stock Program. The Compensation Committee has the discretion to select eligible participants to receive restricted stock, and determine the number of shares, purchase price (if any), conditions of restriction and other terms of restricted stock issued under the Long-Term Stock Program. A participant who receives an award of restricted stock will have stockholder rights, including voting and dividend rights, for those shares unless the Compensation Committee determines otherwise.

The Compensation Committee may issue restricted stock units which entitle the participant to receive common stock underlying those units upon attainment of designated performance goals, the satisfaction of specified service requirements or upon the expiration of a designated time period following the vesting of those units. The Compensation Committee has the discretion to select eligible participants to receive restricted stock units, and to determine the number of shares, the vesting and other terms and conditions of the restricted stock units. The holders of restricted stock units will not have any stockholder rights until the underlying shares are actually issued. However, dividend equivalent units may be paid or credited, either in cash or in actual or phantom shares of common stock on outstanding restricted units, subject to such terms and conditions as the Compensation Committee deems appropriate.

Awards of restricted stock or restricted stock units are generally not considered performance-based compensation for exclusion from the \$1 million limitation on nonperformance-based compensation pursuant to Section 162(m) of the Internal Revenue Code. To allow for the possibility that such awards may qualify for exclusion from the \$1 million limitation, the Long-Term Stock Program provides the Compensation Committee with the discretionary authority to structure one or more stock issuances or restricted stock unit

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awards so that the shares subject to those particular awards will vest only upon the achievement of certain pre-established corporate performance goals. The goals can be based on one or more of the following criteria:

return measures (including, but not limited to, return on assets, capital, investment, equity or sales);

earnings per share;

net income (before or after taxes) or operating income;

earnings before interest, taxes, depreciation and amortization or operating income before depreciation and amortization;

sales or revenue targets;

market to book value ratio;

cash flow or free cash flow (cash flow from operations less capital expenditures);

market share;

cost reduction goals;

budget comparisons;

implementation, completion or progress of projects, processes, products or product lines strategic or critical to the Company's business operations;

measures of customer satisfaction;

share price (including, but not limited to, growth measures and total stockholder return);

working capital;

economic value added;

percentage of sales generated by new products;

progress of research and development projects or milestones;

growth in sales of products or product lines;

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any combination of, or a specified increase in, any of the foregoing; and

the formation of joint ventures, research and development collaborations, marketing or customer service collaborations, or the completion of other corporate transactions intended to enhance the Company's revenue or profitability or expand the Company's customer base.

Performance goals may be based upon the attainment of specified levels of the Company's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Company's business groups or divisions or any parent or subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned and a maximum level of performance at which an award will be fully earned. The attainment of performance goals may be measured including or excluding certain extraordinary items. The Compensation Committee will not have the discretion to accelerate the vesting of shares intended to qualify as performance-based compensation under Internal Revenue Code Section 162(m).

Restricted stock and restricted stock units will vest over a minimum of three years measured from the award date.

**Stock Awards**

The table below shows the number of options granted under the Long-Term Stock Program between January 1, 2007 and February 29, 2008, to the individuals and groups indicated. Directors who are not employees are not eligible to participate in the Long-Term Stock Program (although they are eligible to participate in the Company's Nonemployee Directors Stock Incentive Program), and accordingly none of the Company's nonemployee directors have received options under the Long-Term Stock Program.

Name and Position	Options Granted (Number of Shares)	Weighted Average Exercise Price
Michael A. Mussallem Chairman of the Board and Chief Executive Officer	159,000	\$ 48.84
Thomas M. Abate Corporate Vice President, Chief Financial Officer & Treasurer	47,000	\$ 48.84
Stuart L. Foster Corporate Vice President	55,000	\$ 48.84
Anita B. Bessler Corporate Vice President	49,000	\$ 48.84
Corinne H. Lyle Corporate Vice President	49,000	\$ 48.84
All current executive officers as a group (8 persons)	377,000	\$ 48.84
All non-executive directors as a group (7 persons)	0	n/a
All employees, including current officers who are not executive officers, as a group (5,599 persons as of February 29, 2008)	740,410	\$ 49.02

The following table sets forth the number of shares of the Company's common stock subject to restricted stock units awarded under the Long-Term Stock Program between January 1, 2007 and February 29, 2008 to the individuals and groups indicated:

Name and Position	Number of Shares Subject to Restricted Stock Units
Mr. Mussallem Chairman of the Board and Chief Executive Officer	20,593
Mr. Abate Corporate Vice President, Chief Financial Officer & Treasurer	6,337
Ms. Bessler Corporate Vice President	6,483
Mr. Foster Corporate Vice President	7,000
Ms. Lyle Corporate Vice President	6,000
All current executive officers as a group (8 persons)	52,352
All non-executive directors as a group (7 persons)	0
All employees, including current officers who are not executive officers, as a group (5,599 persons as of February 29, 2008)	268,146

As of February 29, 2008, options covering 9,252,269 shares of common stock and restricted stock units covering 858,253 shares were outstanding under the Long-Term Stock Program, 287,510 shares remained available for future option grants, restricted stock units or direct issuance, and 11,607 shares have been issued pursuant to the exercise of outstanding options and 8,265,461 shares have been issued upon vesting of restricted stock units under the Long-Term Stock Program.

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On April 4, 2008, the Company is scheduled to grant restricted stock unit awards in connection with the transition of certain longer service salaried exempt employees out of Baxter International Inc.'s pension plan as a result of the spin-off of the Company from Baxter International Inc. The number of restricted stock units to be awarded to each participant will be determined by dividing the amount equivalent to the participant's transition grant eligible earnings for 2007 by the fair market value of the Company's common stock on the date of grant. On February 14, 2008, the Board approved the transition grant eligible earnings for three named executives: Mr. Mussallem, Mr. Abate and Ms. Bessler. Please see footnote 5 to the Grants of Plan-Based Awards in Fiscal Year 2007 table, at page 32, for more information.

### **Amendment of the Long-Term Stock Program**

The Board may alter, amend, suspend or terminate the Long-Term Stock Program at any time and the Compensation Committee may amend awards previously granted. However, stockholder approval will be required for any amendment of the Long-Term Stock Program that (a) materially increases the number of shares available for issuance under the Long-Term Stock Program (other than pursuant to certain adjustments), (b) expands the type of awards available under the Long-Term Stock Program, (c) materially expands the class of participants eligible to receive awards under the Long-Term Stock Program, (d) materially extends the term of the Long-Term Stock Program, (e) materially changes the method of determining the option price under the Long-Term Stock Program or (f) deletes or limits any provision of the Long-Term Stock Program prohibiting the repricing of options. In addition, except for adjustments made in connection with changes in the Company's capitalization, the Compensation Committee may not amend outstanding options for the sole purpose of lowering the exercise price or to cancel and reissue options to lower the exercise price, without stockholder approval. Further, no termination, amendment or modification of the Long-Term Stock Program or amendment of previously granted awards may adversely affect in any material way a previously granted award, without the consent of the participant holding the award. The Long-Term Stock Program will terminate on April 1, 2018, subject to approval of this Proposal 2.

### **Acceleration Upon Change in Control**

Upon a change in control (as defined in the Long-Term Stock Program), awards (other than performance-based awards) outstanding under the Long-Term Stock Program will immediately become 100% vested and exercisable and any restrictions will immediately lapse. A performance-based award is an award that vests based on factors other than just the participant's continuous employment or service. The Company has not granted any performance-based awards under the Long-Term Stock Program. The effect of a change in control on any performance-based award the Company may grant in the future would be determined by the Compensation Committee at the time the award was granted.

### **Adjustments in Authorized Shares**

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization or any partial or complete liquidation of the Company, adjustments will be made to: (i) the maximum number and class of shares issuable under the Long-Term Stock Program; (ii) the maximum number and class of shares for which options may be granted to a participant per fiscal year; (iii) the maximum number and class of shares for which restricted stock and restricted stock units may be issued in the aggregate and to any participant per fiscal year; and (iv) the number and class of and/or price of shares subject to outstanding awards granted under the Long-Term Stock Program. Such adjustments will be made as deemed to be appropriate and equitable by the Compensation Committee, in its sole discretion, to prevent dilution or enlargement of rights.

### **New Plan Benefits**

No options have been granted, and no direct stock issuances or restricted stock units have been awarded, on the basis of the 900,000 share increase which forms part of Proposal 2.

## Summary of Federal Income Tax Consequences

The following summary describes the United States federal income taxation treatment applicable to the Company and the participants who receive awards under the Long-Term Stock Program.

**Option Grants.** Options granted under the Long-Term Stock Program may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options which are not intended to meet such requirements. The federal income tax treatment for the two types of options differs as follows:

**Non-Statutory Options.** No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will generally recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will generally be allowed for the Company's taxable year in which such ordinary income is recognized by the optionee.

**Incentive Options.** No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is recognized for regular tax purposes at the time the option is exercised, although taxable income may arise at that time for alternative minimum tax purposes. The optionee will recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of certain other dispositions. For federal tax purposes, dispositions are divided into two categories: (i) qualifying, and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two years after the date the option for the shares involved in such sale or disposition is granted and more than one year after the date the option is exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date or (if less) the amount realized upon such sale or disposition over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain recognized upon the disposition will be a capital gain.

If the optionee makes a disqualifying disposition of the purchased shares, then the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the amount of ordinary income recognized by the optionee as a result of the disposition. The Company will not be entitled to any income tax deduction if the optionee makes a qualifying disposition of the shares.

**Restricted Stock.** A recipient of restricted stock will generally recognize ordinary income when his or her shares vest, based on the then fair market value of the shares. The recipient, may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of issuance of the shares the fair market value of the shares at that time. The recipient will be required to satisfy the tax withholding requirements applicable to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the recipient. The deduction will be allowed for the taxable year in which such ordinary income is recognized by the recipient.

**Restricted Stock Units.** No taxable income is recognized upon receipt of a restricted stock unit. The holder will recognize ordinary income in the year in which the shares subject to that unit are actually issued.



The amount of that income will be equal to the fair market value of the shares on the date of issuance. The holder will be required to satisfy the tax withholding requirements applicable to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder. The deduction will in general be allowed for the taxable year in which such ordinary income is recognized by the holder.

**Deductibility of Executive Compensation.** The Company anticipates that any compensation deemed paid by the Company in connection with the disqualifying disposition of incentive stock option shares or the exercise of non-statutory options will qualify as performance-based compensation for purposes of Internal Revenue Code Section 162(m) and will not have to be taken into account for purposes of the \$1 million limitation per covered individual on the deductibility of the compensation paid to certain of the Company's executive officers. Accordingly, the compensation deemed paid with respect to options granted under the Long-Term Stock Program will remain deductible by the Company without limitation under Section 162(m). However, any compensation deemed paid by the Company in connection with restricted stock or restricted stock units issued under the Long-Term Stock Program will be subject to the \$1 million limitation, unless the vesting of the stock or units is tied solely to one or more of the performance milestones described above.

**Accounting Treatment.** Under Statement of Financial Accounting Standards No. 123 (revised 2004) "*Share-Based Payment*" ("SFAS 123R"), the Company was required to expense all share-based payments including option grants, restricted stock and restricted stock units, commencing January 1, 2006. Accordingly, option grants under the Long-Term Stock Program to the Company's employees will result in a direct charge to the Company's reported earnings in an amount equal to the fair value of the options as determined under SFAS 123R; the charge will be amortized over the vesting period.

Any option grants made to nonemployees under the Long-Term Stock Program will result in a direct charge to the Company's reported earnings based upon the fair value of the option measured initially as of the grant date and then subsequently on the vesting date of each installment of the underlying option shares. Such charge will accordingly include the appreciation in the fair value of the option over the period between the grant date of the option and the vesting date of each installment of the option shares.

The number of outstanding options will be a factor in determining the Company's earnings per share on a fully-diluted basis.

Restricted stock issued under the Long-Term Stock Program will result in a direct charge to the Company's reported earnings equal to the excess of the fair market value of the shares on the issuance date over the cash consideration (if any) paid for such shares. If the shares are unvested at the time of issuance, then any charge to the Company's reported earnings will be amortized over the vesting period. Similar accounting treatment will be in effect for any restricted stock units issued under the Long-Term Stock Program.

#### **Equity Compensation Plan Information**

The following table provides information on the shares of common stock that may be issued upon exercise of options or rights outstanding as of December 31, 2007 under the Company's five equity compensation plans, which include the Long-Term Stock Program, Nonemployee Directors Program, 2001 Employee Stock Purchase Plan for United States Employees, 2001 Employee Stock Purchase Plan for

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International Employees and Executive Option Plan. The Company has never issued any warrants under these plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(2)	Number of Securities Remaining Available for Future Issuance(3)
Equity compensation plans approved by stockholders	10,580,025(4) \$	33.39	1,373,897(5)
Equity compensation plans not approved by stockholders(6)	7,623(7) \$	6.78	325,011(8)
<b>Total</b>	<b>10,587,648</b>	n/a	<b>1,698,908</b>

(1) In accordance with the terms and conditions of the Long-Term Stock Program, option awards are not transferable to third parties for consideration.

(2) The weighted average exercise price is calculated without taking into account 924,484 shares of common stock subject to outstanding restricted stock units that will become issuable as those units vest, without any cash consideration or other payment required for such shares.

(3) The amounts indicated in this column exclude securities listed in the column titled "Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights."

(4) This amount includes 924,484 shares of common stock subject to restricted stock unit awards that will entitle the holders to one share of common stock for each such unit that vests over the holders' period of continued service. This amount excludes purchase rights outstanding under the Company's 2001 Employee Stock Purchase Plan for United States Employees. Approximately 74,117 shares would be issuable under purchase rights outstanding under the 2001 Employee Stock Purchase Plan, assuming that the participation rate and purchase price of shares for the remaining quarterly purchases under each such outstanding right is the same as the participation rate and purchase price for such right for the quarter ended December 31, 2007.

(5) As of December 31, 2007, the following number of shares of common stock remain available for future issuance under equity compensation programs approved by stockholders: (a) Long-Term Stock Program prior to amendment and restatement under Proposal 2 260,541; (b) Nonemployee Directors Program 193,786; and (c) 2001 Employee Stock Purchase Plan for United States Employees 919,570. If Proposal 2 is approved by the stockholders, 1,160,541 shares of common stock will be available for future issuance under the Long-Term Stock Program.

(6) Reflects information for the Executive Option Plan (the "EOP"), which was discontinued on December 31, 2004, and the 2001 Employee Stock Purchase Plan for International Employees (the "International ESPP").

The EOP permitted executive officers and other key employees to receive options to purchase shares of mutual funds or common stock of the Company in lieu of all or a portion of their compensation from the Company. Each plan participant received an option to purchase securities with a grant date value of one and one-third dollars for every dollar of his or her compensation foregone, including any Company contributions, and an exercise price equal to one quarter of the fair market value of the underlying securities on the grant date. Prior to December 31, 2004, options were granted to purchase additional shares of mutual funds or common stock of the Company with a value equal to any dividends paid on the shares subject to the original options. After December 31, 2004, the Company paid an amount equal to such dividends in cash. Options generally became exercisable six months after the grant date, have a ten year term and may terminate earlier upon the termination of the optionee's service with the Company. Options granted prior to January 1, 2005 remain outstanding (with the latest expiration date of certain of such options being December 31, 2014).

In 2001, the Company implemented the International ESPP pursuant to which 650,000 shares of common stock were initially reserved for issuance. Regular employees of participating international subsidiaries who are scheduled to work 20 hours or more per week and employees where local law requires the International ESPP be offered to them may participate in the International ESPP. Under the International ESPP, eligible employees may purchase shares of the Company's common stock at a discount with accumulated payroll deductions. Shares are purchased generally on the last day of each calendar quarter at a purchase price per share equal to 85% of the lower of (i) the fair market value per share of common stock on the employee's entry date into the two-year offering period, as fair market value is defined in the International ESPP, or (ii) the fair market value per share on the quarterly purchase date, as fair market value is defined in the International ESPP.

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- (7) This amount excludes purchase rights outstanding under the International ESPP and represents only shares subject to option under the EOP. Approximately 21,115 shares would be issuable under purchase rights outstanding under the International ESPP, assuming that the participation rate and purchase price of shares for the remaining quarterly purchases under each such outstanding right is the same as the participation rate and purchase price for such right for the quarter ended December 31, 2007.
- (8) This amount represents 325,011 shares remaining available for issuance under the International ESPP.

**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

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**Executive Officers**

Set forth below are the names and ages of each of the current executive officers of the Company, their positions held with the Company, and summaries of their backgrounds and business experience.

**Michael A. Mussallem**, age 55. Mr. Mussallem has been Chairman of the Board and the Chief Executive Officer of the Company since 2000. Prior to 2000, he held a variety of positions with increasing responsibility in engineering, product development and senior management at Baxter International Inc. Mr. Mussallem received his Bachelor of Science degree in chemical engineering from Rose-Hulman Institute of Technology and was conferred an honorary doctorate by his alma mater in 1999. He is a director of Advanced Medical Optics, Inc. Mr. Mussallem is a director, and former chairman, of the California Healthcare Institute, chairman of the Advanced Medical Technology Association (AdvaMed), and a director of the OCTANe Foundation for Innovation.

**Thomas M. Abate**, age 54. Mr. Abate has been Corporate Vice President, Chief Financial Officer and Treasurer of the Company since January 2006. He has served in positions of increasing responsibility at the Company, including as Controller from 2000 to 2002 and as Corporate Vice President, Financial Control and Operations, from 2002 through 2005. Mr. Abate earned a bachelor's degree in accounting from the University of Illinois and an MBA from Northern Illinois University.

**Bruce P. Garren**, age 61. Mr. Garren is the Corporate Vice President, Government Affairs and General Counsel of the Company. He has been the Company's General Counsel since 2000 and was its Secretary from 2000 to 2004. Prior to joining Edwards, Mr. Garren was Senior Vice President, General Counsel of Safeskin Corporation. He received his undergraduate degree from Antioch College and his law degree from Cornell Law School, and began his legal career as an associate at Arnold & Porter in Washington, D.C.

**John H. Kehl, Jr.**, age 54. Mr. Kehl has been Corporate Vice President, Strategy and Corporate Development of the Company since 2000. Prior to 2000, Mr. Kehl served in positions of increasing responsibility at Baxter International Inc. He earned his Bachelor of Arts degree in business and economics from Loras College and received his MBA from Loyola University in Chicago.

**Corinne H. Lyle**, age 48. Ms. Lyle is the Corporate Vice President and President, Global Operations of the Company. From 2003 to December 2005 she served as the Corporate Vice President, Chief Financial Officer and Treasurer of the Company. Prior to joining the Company as an officer in 2003, Ms. Lyle was a director of the Company and, from 1998 through 2003, Vice President, Chief Financial Officer of Tularik, Inc., which was acquired by Amgen, Inc. in 2004. She received her undergraduate degree in industrial engineering from Stanford University and her MBA from Harvard Business School. Ms. Lyle is a director of Neurocrine Biosciences, Inc. and Onyx Pharmaceuticals, Inc.

**Robert C. Reindl**, age 53. Mr. Reindl has been Corporate Vice President, Human Resources of the Company since 2000. Mr. Reindl earned his Bachelor of Science degree in communication from the University of Wisconsin Stevens Point and his master's degree from Bowling Green State University in Ohio.

**Patrick B. Verguet**, age 50. Mr. Verguet has been Corporate Vice President, Europe of the Company since 2004. Since 1984, he served the Company (or its predecessor) in various positions including Vice President of Sales, Europe; Global Business Director for hemofiltration; Business Unit/County Manager for the Company's operations in Western Europe; General Manager of the Company's operations in Utah; and Vice President and General Manager of the Company's Cardiac Surgery Systems franchise. Mr. Verguet holds a degree as Doctor in Pharmacy.

**Huimin Wang**, age 51. Dr. Wang has been Corporate Vice President, Japan and Intercontinental of the Company since 2004 and was Corporate Vice President, Japan of the Company from 2000 to 2004.

Previously, Dr. Wang was a representative director of Baxter Limited, a Japan corporation, through September 2002. He earned his Doctor of Medicine degree from Kagoshima University in Japan and was a Resident and Staff Physician in anesthesiology at Keio University Hospital in Tokyo. He earned his MBA from the University of Chicago. Dr. Wang is a Visiting Associate Professor at Keio University.

The Company previously announced the adoption of a business unit organizational structure, along with the planned departures from the Company in the middle of 2008 of Anita B. Bessler and Stuart L. Foster, each of whom had previously been an executive officer.

## Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides disclosure about the objectives and policies underlying the Company's compensation programs for its chairman and chief executive officer (the "Chairman and CEO") and the other senior officers identified in the Summary Compensation Table that follows this discussion and analysis (collectively, the "named executive officers"). The Company's compensation programs for the named executive officers are approved by the Compensation Committee of the Board of Directors.

**Compensation Philosophy and Objectives for the Named Executive Officers.** The Company's compensation programs are designed to attract, retain, motivate and engage executives with superior leadership and management capabilities and to enhance stockholder value. Within this overall philosophy, the Company's objectives are to:

provide compensation that is competitive;

offer programs that emphasize performance-based compensation over fixed compensation; and

align the financial interests of executives with those of the Company's stockholders.

The Company strongly believes that a significant amount of compensation for the named executive officers should be comprised of short- and long-term incentives, or at-risk pay, to focus the executives on competitive and strategic initiatives. The amount of such short and long-term incentive compensation is dependent on achievement of annual Company goals, individual performance, and long-term increases in the value of Company stock.

**Compensation Process.** The Compensation Committee discusses, approves and is responsible for evaluating and approving the compensation for our Chairman and CEO and our other named executive officers, including the specific objectives and target performance levels to be included in our compensation plans. Our Chairman and CEO and other members of our executive leadership team develop the Company's strategic plan as well as more detailed annual plans for execution. Our Chairman and CEO then provides input to the Compensation Committee regarding our business plan, our strategic objectives and the performance levels to be addressed by the compensation plans. In addition, the Chairman and CEO and the Company's corporate vice president, human resources, provide recommendations to the Compensation Committee regarding compensation for the named executive officers (other than the Chairman and CEO). The Compensation Committee determines the compensation of our Chairman and CEO and reviews and approves the compensation of our other executive officers.

The Compensation Committee has retained Ernst & Young LLP as an independent compensation consultant to assist it in evaluating executive compensation programs and providing competitive data for use in evaluating the compensation for the named executive officers.

Our Chairman and CEO and our corporate vice president, human resources, are invited to and regularly attend Compensation Committee meetings as non-voting guests. The Compensation Committee regularly meets in executive session without participation by the Chairman and CEO or other management representatives. Meetings of the Compensation Committee may only be called by the Compensation Committee. In addition, our Chairman and CEO and our corporate vice president, human resources, meet

with the Compensation Committee's independent compensation consultant in preparation for compensation committee meetings.

**Use of Competitive Data.** The Company targets each named executive officer's total direct compensation (base salary plus annual incentive payment plus equity compensation) to be at approximately the median for comparable positions at competitive peer companies. In determining the appropriate level of each component of compensation for a named executive officer, the Compensation Committee also reviews and evaluates the performance of the Company, and the executive's level of individual performance and potential to contribute to the Company's future growth. Accordingly, a named executive officer's actual compensation may be higher or lower than the median for his or her position. Consistent with the Company's philosophy of emphasizing pay for performance, the total cash compensation packages are designed to pay above the target when the Company exceeds its goals and below the target when the Company does not achieve its goals. In the event threshold levels of performance are not attained, no annual incentive payment is earned. For purposes of establishing the value of equity awards, stock options are valued using the Black-Scholes valuation model, and restricted stock and restricted stock units are valued at the fair market value of the underlying shares at the grant date.

In order to establish competitive compensation market data for the named executive officers, the Compensation Committee's independent compensation consultant provides compensation data using public proxy information from companies primarily in the medical device industry that are chosen based on their market capitalization, revenue, complexity, competition for executive talent and geographic location (the "Comparator Group"). The Comparator Group is currently comprised of the following companies: Advanced Medical Optics, Inc.; Beckman Coulter, Inc.; Becton Dickinson & Co.; Boston Scientific Corporation; C. R. Bard, Inc.; ev3 Inc.; Gen-Probe, Inc.; Hospira, Inc.; Integra Lifesciences Holding Corp.; Medtronic, Inc.; Perkin Elmer, Inc.; ResMed, Inc.; St. Jude Medical, Inc.; Thoratec Corporation; Varian, Inc.; and Varian Medical Systems, Inc. The Company ranked approximately at the median of this group in terms of market capitalization. The composition of the Comparator Group is reviewed periodically to monitor the appropriateness of the profiles of the companies included so that the group continues to reflect the Company's competitive market and provides statistical reliability. The most recent review of the Comparator Group was conducted in February 2008, as a result of which Arrow International, Inc., Baxter International Inc., Biomet, Inc., Digene Corporation, Foxhollow Technologies, Inc., Genzyme Corp. and Respirationics, Inc. were removed from the Comparator Group used for 2007 and Perkin Elmer, Inc., Thoratec Corporation and Varian, Inc. were added to the Comparator Group to be used for 2008.

Although data from the Comparator Group is the primary data input for compensation decisions for the named executive officers, the Compensation Committee also considers compensation data for companies in the high technology, life sciences and medical device industries reported in the following nationally recognized surveys: Buck Executive Total Direct Compensation Survey, Hewitt Total Compensation Management Executive Compensation United States, Radford Biotechnology Survey, Radford U.S. Executive Survey, Mercer Benchmark Database (Executive Positions), Watson Wyatt Survey of Top Management Compensation, and Top 5 Medic Executive Compensation Survey. This data is used to verify the reasonableness of the results from the Comparator Group related to base salary and total cash compensation. If the results of the Comparator Group were to vary significantly from the data from the other surveys, the Compensation Committee would consider such information in its decision-making process. To date, reference to the data from the other surveys has not resulted in a change to the decisions based on the Comparator Group. The Compensation Committee believes it is appropriate to refer to this additional data because the Company competes with these types of companies for executive talent.

When compared to the competitive data, the total cash compensation paid to the Company's named executive officers for the 2007 fiscal year was approximately 11% below the median and total direct compensation was approximately 8% below the median. The difference in the total cash and total direct compensation from the median is primarily due to the reduced cash incentive payments as a result of achievement of the Company's performance goals at less than target.

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**Elements of Compensation.** The compensation package for each named executive officer consists primarily of (a) base salary, (b) an annual cash incentive payment based on attainment of pre-established financial and operating goals and individual performance and (c) long-term stock-based incentive awards designed to align the interests of the named executive officers with those of the Company's stockholders. Each of these three components of compensation, which are discussed in more detail below, promotes one or more of the Company's objectives of designing executive compensation that is competitive, performance-based and aligns the interests of the executives with the Company's stockholders.

*Base Salary.* In determining a named executive officer's base salary, the Compensation Committee considers the following factors in addition to competitive data: responsibilities, tenure, prior experience and expertise; individual performance as measured against performance management objectives; future potential; and internal equity. The Compensation Committee reviews each named executive officer's base salary each year in February and any approved changes are effective beginning the first pay period in April. The base salary for the Chairman and CEO is established in a similar manner and is described more fully under "Employment and Post-Termination Agreements," below.

Base salaries in 2007 for the named executive officers were increased by approximately 4.7% from the level in effect for 2006 to reflect competitive wage inflation.

For 2007, base salary for the named executive officers was, on average, at approximately the median of the Comparator Group and comprised approximately 20% of their total direct compensation. For 2007, annual incentive targets for the named executive officers was, on average, approximately 4% above the median of the Comparator Group and comprised approximately 35% of their total direct compensation.

*Annual Cash Incentive Payment.* All of the named executive officers and many other management and non-management level salaried employees (approximately 900 employees including the named executive officers) participate in the Edwards Incentive Plan. Participants in the Edwards Incentive Plan receive annual cash incentive payments that are tied to the achievement of corporate financial measures and operating goals, and individual performance. The Compensation Committee, in collaboration with the Chairman and CEO, sets annual incentive performance goals each year based on the financial and operating goals in the Company's business plan for the year. The incentive payments for the year are determined when achievement of the predetermined corporate and operational goals are known, and individual performance can be assessed.

The following illustration shows how the cash incentive payment for a participant in the Edwards Incentive Plan is determined, subject to the limitation that an individual's incentive payment may not exceed 200% of the incentive pay target:

*Incentive Pay Target.* The Compensation Committee establishes an annual incentive pay target for each named executive officer so that the target total cash compensation (base salary plus incentive payment) for such executive will be at approximately the median of the Comparator Group. For 2008, the incentive pay target for the Chairman and CEO has been established at twice his base salary so as to provide the Compensation Committee with the ability to apply only negative discretion (as required for compliance with Internal Revenue Code section 162(m) relating to the maximum tax deduction for nonperformance-based compensation) in determining his incentive payment. See "Tax and Accounting Implications Policy Regarding Section 162(m)" below.

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**Financial Measure Achievement.** The Incentive Pay Target is multiplied by the percentage of the pre-established Company financial goals achievement. This percentage may range from 25% if the minimum level specified for each financial goal is achieved to 150% if the Company achieved the maximum level specified for each financial goal. No incentive payment is paid if actual performance associated with each Company financial goal is not in excess of a pre-established minimum threshold.

For 2007, the Company's financial goals, and the corresponding weightings, were as follows: revenue growth (45% weighting); net income (35% weighting); and free cash flow (20% weighting). The following table sets forth the target level for each such goal as well as the level of achievement required to earn the minimum (25%) and the maximum (150%) of the financial measure achievement. Interpolation is applied for results between the levels shown in the chart.

### 2007 Company Financial Performance Measures

Percentage of Financial Measure Achievement	Revenue Growth* 45% Weight	Net Income** (\$M) 35% Weight	Free Cash Flow*** (\$M) 20% Weight
25%	5.0%	\$ 128.0	\$ 145.0
100%	9.0%	\$ 143.0	\$ 165.0
150%	11.0%	\$ 153.0	\$ 185.0

\*

Assumes constant foreign exchange and excludes divested businesses.

\*\*

Reported net income may be adjusted by the Compensation Committee for unusual items that occurred during the performance period.

\*\*\*

Defined as cash flow from operations less capital expenditures. Free cash flow may be adjusted by the Compensation Committee for unusual items that occurred during the performance period.

**Key Operating Driver Achievement.** The product of the Incentive Pay Target and the Financial Measure Achievement is multiplied by the level of achievement of pre-established key operating drivers (the "KODs"). The Company establishes KODs each year to address specific business initiatives consistent with the Company's confidential internal strategic and operating plans. The KODs address specific business units, products and product lines, and focus the executive team on the areas and initiatives most important to the Company's future success. KOD performance is measured based on a range of performance, so that performance within the range will result in achievement of the target. These ranges are established with the expectation that the target range should be achievable with the expected level of performance. Performance relative to each KOD within the expected range results in a multiplier of 100%. Performance below the range is considered sub-optimal and will result in a reduction of the multiplier below 100%. Performance above the range is considered extraordinary and results in an increase of the multiplier above 100%.

In 2007, there were five KODs, as follows:

sales goals for heart valve therapy products ("KOD #1");

sales and profitability goals for the Peripheral Vascular Stent and Critical Care business units, including sales goals for the FloTrac system ("KOD #2");

milestones for pre-market clinical activities, regulatory approvals, and market introductions relating to potential new products across the Company's various product lines ("KOD #3");

pre-market clinical and regulatory milestones for transcatheter heart valves ("KOD #4"); and

strengthen various operational, quality, management and other infrastructure systems ("KOD #5").





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The following chart illustrates the impact of the performance with respect to each KOD on the KOD multiplier, and the actual 2007 KOD performance. The aggregate KOD multiplier can be as low as 0% and may not exceed 175%.

### *Determination of 2007 Key Operating Driver Multiplier*

Key Operating Driver	Adjustment If Below Range	Adjustment If Within Range	Adjustment If Above Range	Adjustment to Multiplier Based Upon Actual Performance
KOD #1	-20	0	+20	-20
KOD #2	-25	0	+25	+10
KOD #3	-20	0	+20	0
KOD #4	-20	0	+20	-20
KOD #5	-20	0	+20	+20

Based upon the adjustments described above, the Compensation Committee concluded that the 2007 KOD multiplier was 90%.

*Individual Performance Objective Multiplier.* Finally, the result of the above calculation is multiplied by the Individual Performance Objective Multiplier. The individual performance objectives for the Chairman and CEO are established by the Compensation Committee, and the individual performance objectives for each named executive officer (other than the Chairman and CEO) is established collaboratively by the Chairman and CEO and each such executive. Each executive generally has a substantial number of individual performance objectives. In choosing the individual performance objectives, the Chairman and CEO and the Compensation Committee strive to create objectives, the attainment of which will result in the effective implementation of the Company's strategic and operating plans, with a focus on the achievement of the financial and operational goals within each executive's individual area of responsibility.

These objectives are considered in the aggregate to determine an overall performance modifier for each named executive officer for the purposes of the compensation formula. Although almost all of the individual performance objectives are expressed in qualitative terms that require subjective evaluation, objectives may sometimes include quantitative measures. However, the determination of the overall performance modifiers for each named executive officer is a subjective process. The Chairman and CEO reviews the performance of each named executive officer with the Committee and recommends the performance modifier for each. The Compensation Committee then exercises subjective judgment, assigning a percentage of achievement for purposes of the compensation formula. This process involves reviewing the individual performance objectives, the overall performance of the individual executive against all of his or her individual objectives, taken together, and the executive's performance relative to the environment and to other executives. There is no formal weighting of the individual performance objectives. Individual performance objective multipliers may range from 0% to 200%. If an executive achieves less than 100% of his or her individual performance objectives, his or her incentive compensation is decreased from the level determined by the other factors, and if an executive achieves more than 100% of his or her individual performance objectives then that executive's incentive compensation is increased above the level determined by the other factors.

The individual performance objectives established by the Compensation Committee for the Chairman and CEO and the other named executive officers and the Compensation Committee determinations for 2007 are described below.

**Mr. Mussallem:** Mr. Mussallem's performance objectives were to: develop and execute corporate strategy; achieve Company financial goals and KODs; increase shareholder value; drive innovation and product leadership; attract and retain talented employees; promote a culture of ethical business practices and social responsibility; and provide leadership as Board Chairman. The Compensation Committee determined Mr. Mussallem's 2007 performance objective multiplier by evaluating his performance against each objective.

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In particular, they noted his: (i) success in implementing an increased strategic focus for the Company; (ii) strong oversight of important product-specific and infrastructure-related strategic initiatives; (iii) successfully attracting and retaining talent and planning for the future; (iv) setting an appropriate "tone at the top"; and (v) promoting strong corporate governance and an open and trusting Board environment. In making its evaluation, the Compensation Committee also observed that Mr. Mussallem is a decisive strategist, strongly supports maintaining a very high quality standard, continues to be a leader in building a strong team and a strong culture, seeks the counsel of the board and individual board members as part of his decision-making process, and makes appropriate changes to enhance the longer term opportunity for growth in shareholder value.

**Mr. Abate:** Mr. Abate's performance objectives were to: ensure the Company's financial reporting maintains the highest integrity; maximize the Company's internal financial department's contribution to the Company's financial success; work with the Board of Directors to enhance the Company's financial health; maintain a high standard of investor relations; attract and retain talented employees to the Company's global finance team; and maximize the Company's capital capacity and enhance shareholder returns. The Compensation Committee determined Mr. Abate's 2007 performance objective multiplier by evaluating his performance against each objective. In particular, they noted his strong interaction with the Company's Board of Directors and his assembly of a strong global finance team.

**Ms. Bessler:** Ms. Bessler's performance objectives were to: achieve heart valve therapy and cardiac surgical systems financial objectives; identify and hire a general manager for Edwards' heart valve therapy franchise and drive talent acquisition and retention in both heart valve therapy and cardiac surgical systems franchises; hire top-level talent for the transcatheter program and increase the breadth of the talent pool available to the program; enhance the portfolio value of the aortic transcatheter program, including managing a successful European Union launch; improve strategic planning for the heart valve therapy and cardiac surgical systems franchises and establish a strong strategic base for the transcatheter aortic programs; and drive operational and marketing effectiveness with the United States region. The Compensation Committee determined Ms. Bessler's 2007 performance objective multiplier by evaluating her performance against each objective. In particular, they noted her management of the successful European launch of the Company's transcatheter heart valves, the increased focus of the cardiac surgical systems business and the completion of a strategic acquisition.

**Mr. Foster:** Mr. Foster's performance objectives were to: meet KODs; continue to sponsor the peripheral vascular stent initiative and meet operating plan goals as well as determine strategic alternatives; manage regulatory affairs for the entire Company to meet milestones; actively participate in Company strategic planning towards identifying growth opportunities; execute a strategic plan for the critical care business to create sustainable double digit growth; mentor new general managers in critical care and vascular businesses; successfully implement the quality improvement and product development projects. The Compensation Committee determined Mr. Foster's 2007 performance objective multiplier by evaluating his performance against each objective. In particular, they noted the exceptionally strong performance of the critical care business, the solid performance of the peripheral vascular stent business leading up to the divestiture of the business and the attraction of key operating personnel.

**Ms. Lyle:** Ms. Lyle's performance objectives were to: improve general performance of core business; successfully execute growth initiatives and support management information systems heart valve initiatives; and strengthen infrastructure relating to information technology and quality assurance. The Compensation Committee determined Ms. Lyle's 2007 performance objective multiplier by evaluating her performance against each objective. In particular, they noted her successful implementation of the Company's quality improvement project, which resulted in a successful regulatory audit, and the successful implementation of the Company's global enterprise management system.

*Committee Review Process.* The Compensation Committee meets each February to review and approve annual incentive payment for the prior year and sets incentive performance targets for the current year. The

Compensation Committee may adjust the incentive payment levels (only downward for the Chairman and CEO and upward or downward for the other named executive officers) based on Financial Measure Achievement, Key Operating Drivers Achievement, Individual Performance Objective Multiplier, and other factors (for example, total shareholder return and achievement of strategic objectives) the Compensation Committee determines appropriate. In February 2008, after reviewing the Company's 2007 performance versus financial and operational goals, total shareholder return performance, and business segment performance, the Compensation Committee awarded incentive payments totaling approximately \$1,170,000 to the named executive officers. The amount awarded to the named executive officers, as a group, represented 70% of the incentive pay target for the named executive officers (including the Chairman and CEO). The amount awarded to each named executive officer for 2007 is reported in the Summary Compensation Table and reflects any discretionary adjustments made by the Compensation Committee. The incentive payments were paid in March 2008.

*Long-Term Incentive Awards.* The long-term incentive awards are designed to: (i) enhance the value of the Company (and, ultimately create stockholder value) by aligning participants' interests more closely to those of the Company's stockholders and by providing participants with an incentive to manage the Company from the perspective of an owner; and (ii) retain qualified employees.

The Company grants long-term incentive awards in the form of stock options and restricted stock units to approximately 230 employees (including the named executive officers) under the Long-Term Stock Program. The Long-Term Stock Program was last approved by the stockholders in May 2007. Stock options align executive interests with stockholders' interests because options have value only if the stock price increases subsequent to the date the stock option is awarded. Restricted stock units, which create less stockholder dilution than stock options with a comparable value, entitle the recipient to receive shares of the Company's common stock at the time of vesting without payment from the recipient. The combination of options and restricted stock units allows the Company to maintain a competitive compensation program.

At the Compensation Committee meeting immediately preceding the stockholder meeting in May of each year, the Compensation Committee determines the size of the long-term incentive award for each named executive officer based on competitive total direct compensation targets for the executive along with such executive's level of responsibilities, ability to contribute to and influence long-term results of the Company, and individual performance. In making individual awards, the Compensation Committee considers factors similar to those taken into account in establishing non-equity incentive compensation. Also taken into account is benchmarking data from the Comparator Group as well as a subjective determination regarding the individual executive's potential for contributing to the Company's future success. Of these factors, the ability to influence the Company's long-term goals and individual performance are weighted most heavily. In keeping with the Company's commitment to provide a total compensation package that emphasizes at-risk components of pay, long-term incentives for 2007 comprised, on average, 65% of the value of the named executive officers' total direct compensation package.

For 2007, a benchmark guideline expressed as a dollar value was established for each named executive officer. Using the recommended benchmark guideline, the Chairman and CEO evaluated each executive's performance (other than himself), as discussed previously (see "Compensation Process," above), and established specific recommendations for the Compensation Committee's consideration. Accordingly, individual executive awards may and do vary from the benchmark guideline. The Compensation Committee evaluated the Chairman and CEO's performance using the same criteria as discussed above in "Compensation Process" to establish the appropriate award for the Chairman and CEO.

For 2007, the approved long-term incentive value was delivered using a combination of stock options and restricted stock units: 70% of the value was delivered using stock options (with the number of option shares calculated based on the Black-Scholes value on the date of grant as determined for financial reporting purposes) and the remaining 30% of the value was delivered in the form of restricted stock units. Stock options were more heavily weighted in the allocation to focus the named executive officers on the creation of stockholder value over the long term.

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Stock options have an exercise price equal to the closing price on the day preceding the date of Compensation Committee approval. As discussed above, the Compensation Committee approved the 2007 awards for the named executive officers at its meeting in May 2007. Stock options granted to Ms. Bessler and Messrs. Mussallem and Foster vest monthly over thirty-six months and have a seven-year term, consistent with vesting standards established for retirement-eligible executives. Stock options granted to Ms. Lyle and Mr. Abate vest annually over four years and have a seven-year term.

Restricted stock units awarded in 2007 to the named executive officers and other employees become 50% vested on the third anniversary of the grant and 100% vested on the fourth anniversary of the grant.

The awards made to the named executive officers are set forth in the accompanying Grants of Plan-Based Awards in Fiscal Year 2007 table.

**Stock Ownership Guidelines.** Under guidelines adopted by the Company, the Chairman and CEO is targeted to own shares of Company stock with an aggregate market value at least equal to six times his current base salary; the other named executive officers are targeted to own shares with an aggregate market value at least equal to three times the executive's current annual base salary. Shares that count toward meeting the guidelines include the shares held directly or under Company plans, restricted stock and restricted stock units, and 25% of the value of vested in-the-money stock options. Executives who have met guidelines are expected, absent unusual circumstances, to maintain or exceed their target ownership levels. Stock ownership guidelines are to be satisfied within five years of becoming an executive officer, and were established to create additional owner commitment and to emphasize shareholder value creation. Target ownership levels are adjusted as the executives' annual base salaries change. As of December 31, 2007, each named executive officer had achieved, or is on schedule to achieve, his or her targeted level of stock ownership within the allotted time.

**Market Timing of Equity Awards.** The Company does not have any program, plan or practice to time option grants to its named executive officers (or any other optionee) in coordination with the release of material information. Annual equity awards for the named executive officers are made at the Compensation Committee meeting in May of each year. Any other equity awards to named executive officers, including grants to new hires, are made on the date of the next available Compensation Committee meeting following the event giving rise to the grant.

**Benefits.** The named executive officers are eligible to participate in employee benefit programs generally offered to other employees of the Company. These benefits generally provide, on average, 5% of the value of the named executive officer's total compensation. In addition, the Company provides certain other perquisites to its named executive officers that are not generally available to the Company's employees. These perquisites are described below and reported in the Summary Compensation Table.

The Company's perquisites program for the named executive officers includes: (i) a monthly car allowance (of \$1,100 for the Chairman and CEO and \$900 for the other named executive officers); (ii) reimbursement for an annual executive physical examination (generally ranging from \$1,500 to \$3,500); and (iii) a flexible allowance up to an annual maximum of \$40,000 (plus the cost of one club membership) for the Chairman and CEO for 2007, and a maximum of \$15,000 for the other named executive officers for 2007 (increased to \$20,000 for 2008) for reimbursement of: airline club membership dues; cost of cellular phone equipment; club membership dues; financial planning expenses; home office equipment; and spousal travel to accompany the executive on business trips. Any unused portion of the flexible allowance is forfeited.

**Car Allowance.** The car allowance is intended to cover expenses related to the lease, purchase, insurance and maintenance of a vehicle. It is provided in recognition of the need to have executive officers visit customers, business partners and other stakeholders in order to fulfill their job responsibilities. This travel causes wear and tear on personal vehicles and increases fuel expenses. The car allowance eases the administrative burden of tracking mileage and wear-and-tear each time travel occurs. Executives receiving this benefit are not eligible for additional mileage reimbursement for business use of their personal vehicle.

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**Annual Executive Physical Examination.** Each of the named executive officers is entitled to receive an annual comprehensive executive physical examination. This benefit encourages the proactive management of the executive's health and to provide an opportunity for early diagnosis and treatment of health issues.

**Flexible Allowance.** This benefit recognizes the diverse needs of the Company's executive officers. Eligible expenses are reimbursed up to the stated annual limits, and any unused portion is forfeited. The Company believes that providing these perquisites is a relatively inexpensive way to enhance the competitiveness of the executive's compensation package.

The Compensation Committee conducts an annual review of the competitiveness of the Company's perquisite program and the individual components and reimbursement levels. As a result of these reviews, the Compensation Committee may make adjustments as it determines to be appropriate.

The following list describes eligible reimbursement items under the flexible allowance:

**Airline Clubs.** Executives can maintain membership in airline clubs that provide airport meeting facilities that are useful for conducting job-related business.

**Cellular Phone.** Expenses related to the purchase and activation of a cellular phone may be reimbursed under the flexible allowance program. The nature of the executives' responsibilities requires them to be easily accessible. Reimbursements for business-related calls are requested through the normal expense reporting process.

**Club Membership.** The Company reimburses membership dues in various clubs that provide substantial engagement within the local community and are useful for conducting job-related business.

**Financial Planning.** This allowance covers expenses resulting from financial, estate and tax planning. The Company believes that it is in its best interest for the executives to have professional assistance in managing their total compensation so that they can focus their full attention on growing and managing the business.

**Home Office Equipment.** Expenses related to establishing and maintaining a home business office are covered under the flexible allowance. The maintenance of a home office enables the executives to conduct business outside normal work hours.

**Spousal Travel.** The Company believes that there are instances when an executive may decide to take their spouse to a business function. The Company will reimburse the cost of spousal travel under the flexible allowance.

**Deferred Compensation.** The Company has adopted a deferred compensation plan for the named executive officers and certain other management employees to enable them to save for retirement by deferring their income and the associated tax to a future date or termination of employment. Under the Executive Deferred Compensation Plan (the "EDCP"), the named executive officers and other key employees have the opportunity to defer compensation earned after December 31, 2004, to future dates specified by the participant with a return based on investment alternatives selected by the participant. The Company believes that the EDCP is comparable to similar plans offered by companies in the Comparator Group.

In 2001, the Company adopted a nonqualified option plan, the Executive Option Plan (the "EOP"), for the benefit of its executives and other key employees. The EOP permitted participants to elect to forego all or a portion of their compensation (base salary and bonus) and receive instead options to purchase shares of mutual funds or common stock of the Company. The Company discontinued participation in the EOP on December 31, 2004. The outstanding options under the EOP are fully vested. The participating named executive officers are entitled to receive payment of dividend equivalents on outstanding options they hold under the EOP in accordance with the terms of the EOP.

The amounts deferred and accrued under the EDCP and the EOP for the named executive officers are reported below in the Summary Compensation Table and the Nonqualified Deferred Compensation Table.

**Employment and Post-Termination Agreements.** The Company has entered into an employment agreement with its Chairman and CEO as well as change in control severance agreements with the Chairman and CEO and the Company's other named executive officers as discussed below. Those other named executive officers are eligible to participate in a severance plan for eligible employees to receive severance benefits upon an involuntary termination of employment due to the elimination of their position or a reduction in workforce.

**Chief Executive Officer Employment Agreement.** On December 1, 2000, the Company entered into an employment agreement with the Chairman and CEO, Mr. Mussallem. The agreement, which was approved by the Compensation Committee in connection with the spin-off of the Company from Baxter International Inc., provided for an initial annual base salary of \$525,000, bonus and long-term incentive awards as determined by the Board and, in certain circumstances, severance payments upon termination of employment.

Mr. Mussallem's base salary has been reviewed and adjusted annually based on (i) the Compensation Committee's review of the Comparator Group data in consultation with the Compensation Committee's compensation consultant and (ii) Mr. Mussallem's performance. The Compensation Committee followed the same philosophy and programs described above for executives in determining 2007 compensation for Mr. Mussallem. In addition, the Compensation Committee reviewed a tally sheet prepared by its independent compensation consultant which affixed a dollar amount to all components of Mr. Mussallem's compensation, including current compensation, equity awards, benefits and potential severance payments. Based on this review, his annual base salary was set at \$784,000, effective March 26, 2007, which represented an increase of 4% from 2006, his incentive pay target was set at 100% of his base salary, and he was awarded 159,000 stock options and 19,000 restricted stock units. For 2007, the Compensation Committee awarded Mr. Mussallem a bonus of \$541,000 based on the factors described above under "Annual Cash Incentive Payment." The Compensation Committee believes, after reviewing Mr. Mussallem's total direct compensation, individual performance and contribution to the Company's financial results during 2007, that Mr. Mussallem's total compensation and each component thereof were in line with the Company's compensation philosophy and objectives.

In February 2008, the Compensation Committee approved a \$16,000 increase (2%) in Mr. Mussallem's base salary, to \$800,000. The Compensation Committee approved an incentive pay target of \$1,600,000, twice Mr. Mussallem's base salary for 2008, so as to provide the Compensation Committee with the ability to apply only negative discretion (as required by Internal Revenue Code Section 162(m)) in determining his incentive payment. See "Tax and Accounting Implications Policy Regarding Section 162(m)" below. The Compensation Committee also approved Mr. Mussallem's personal performance objectives for 2008.

If Mr. Mussallem is involuntarily terminated by the Company without "cause," as defined in the employment agreement, the Company is required to pay certain severance benefits if he is not receiving the severance benefits under his change in control severance agreement. The material terms of the severance arrangement are described in the section "Potential Payments Upon Termination or Change in Control," below.

**Change in Control Severance Agreements.** The Company has entered into agreements with its named executive officers pursuant to which such individuals would be provided certain payments and benefits in the event of termination of employment following a change in control of the Company. The Company believes that this program enhances the likelihood of retaining the services of such officers in the event the Company was to become an acquisition target and allows the named executive officers to continue to focus their attention on the Company's business operations, stockholder value and the attainment of long-term and short-term objectives without undue concern over their employment or financial situations.

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Each agreement provides that the named executive officer will be entitled to severance benefits upon his or her involuntary termination or constructive termination within 24 months following a change in control of the Company. The Chairman and CEO will also receive severance benefits upon a voluntary termination of his employment at any time during the thirteenth month following a change in control. If any payments to a named executive officer would be subject to excise tax under Internal Revenue Code section 4999, the Company will pay an additional gross-up amount for any excise tax and federal, state and local income taxes, such that the net amount of the payments would be equal to the net payments after income taxes had the excise and resulting gross-up not been imposed. The level of severance benefits were established based on a review of severance benefits paid by similar companies. This review was conducted by the Company's compensation consultant at the time the Company became an independent public company. A subsequent review was conducted by the Compensation Committee's independent compensation consultant in January 2006. That analysis indicated that the benefits being provided under these agreements to the Chairman and CEO, and to the other named executive officers, were competitive. The material terms of the agreement are described in the section "Potential Payments Upon Termination or Change in Control," below.

The Company believes that the level of severance payments is fair and reasonable based on the years of service of the named executive officers and the value the Company would derive from the services provided by the executives with change in control agreements prior to, and following, a change in control.

**Tax and Accounting Implications.** Policy Regarding Section 162(m). Section 162(m) of the Internal Revenue Code generally limits the corporate deduction for annual compensation deemed paid to the named executive officers to \$1 million per individual, unless that compensation qualifies as performance-based under Section 162(m). The Compensation Committee intends to consider the impact of this tax code provision and attempts, to the extent practical, to implement compensation policies and practices that maximize the tax benefits to the Company's stockholders. The Long-Term Incentive Program is a stockholder approved plan which has been structured so that any compensation deemed paid in connection with the exercise of stock options will qualify as performance-based compensation not subject to the \$1 million limitation. The award to the Chairman and CEO under the Edwards Incentive Plan for 2008 has been structured to qualify as performance-based compensation and should not be subject to the \$1 million limitation. Accordingly, the 2008 target award has been established at twice Mr. Mussallem's base salary so as to provide the Compensation Committee with the ability to apply only negative discretion (as required Section 162(m)) in determining his actual bonus payout. By setting a high amount that can be reduced, the Edwards Incentive Plan should meet the requirements of Section 162(m). Any reduction from the target should not be viewed as a negative reflection on the executive's performance. If the Compensation Committee were to have both positive and negative discretion over the bonus amounts, those amounts would not qualify for the Section 162(m) tax deduction.

Non-performance based compensation paid to the executive officers in 2007 exceeded the \$1 million limitation by \$318,077. In the future, the Compensation Committee intends to structure awards to such officers to be performance-based under Section 162(m). However, the Compensation Committee recognizes the importance of preserving the Company's ability to design compensation programs to attract and retain skilled and qualified individuals in a highly competitive market. The Compensation Committee will continue to design salary, annual incentive bonuses and long-term incentive compensation in a manner that the Compensation Committee believes prudent or necessary to hire and retain the Company's named executive officers, and some of the compensation deemed paid to these executives may be nondeductible.

Accounting for Stock-Based Compensation. Effective January 1, 2006, the Company commenced accounting for stock-based payments in accordance with SFAS 123R. The fair value of each award is estimated on the date of grant and expensed in the income statement over the vesting period for the award.



**2008 Compensation Decisions.** At its February 2008 meeting, the Compensation Committee approved base salary increases of approximately 3% for the named executive officers (including the 2% increase for Mr. Mussallem referred to above) to maintain competitiveness as a result of wage inflation. The Compensation Committee also approved other base salary increases to recognize changes in positions and responsibilities for certain executives. In addition, the Compensation Committee established the incentive pay targets for each named executive officer, and established the Company's 2008 financial and operational goals under the Edwards Incentive Plan.

#### **Report of the Compensation and Governance Committee**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis disclosure with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement distributed in connection with the Company's 2008 Annual Meeting of Stockholders.

***The Compensation and Governance Committee:***

Mike R. Bowlin (Chairperson)

Robert A. Ingram

Vernon R. Loucks Jr.

Barbara J. McNeil, M.D., Ph.D

#### **Executive Compensation**

The following table sets forth a summary, for the years ended December 31, 2006 and 2007, of the compensation of the principal executive officer, the principal financial officer, and the three most highly compensated executive officers of the Company (not including the principal executive officer and the chief financial officer) whose total compensation for the 2007 fiscal year was in excess of \$100,000 and who were serving as executive officers at the end of 2007. No other executive officers that would have otherwise been includable in such table on the basis of total compensation for the 2007 fiscal year have been excluded by reason of their termination of employment or change in executive status during that year. The five individuals identified in the Summary Compensation Table are referred to as the "named executive officers" throughout this disclosure.

## Summary Compensation Table

Name and Principal Position	Year	Salary \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total \$
Mr. Mussallem	2006	747,308	921,649	2,147,346	459,940	94,444	263,581	4,634,268
Chairman of the Board and Chief Executive Officer	2007	777,077	1,036,815	1,983,925	541,000	236,100	66,955	4,641,872
Mr. Abate	2006	307,231	124,356	537,534	109,800	7,407	31,976	1,118,304
Corporate Vice President, CFO & Treasurer	2007	329,092	165,190	547,773	124,200	10,160	42,866	1,219,281
Mr. Foster	2006	410,385	155,446	873,280	152,500	34,277	50,337	1,676,225
Corporate Vice President(6)	2007	428,077	212,426	706,358	188,370	35,529	33,388	1,604,148
Ms. Bessler	2006	349,769	190,177	711,038	102,480	21,057	37,298	1,411,819
Corporate Vice President(6)	2007	365,308	205,844	606,386	161,460	33,949	33,478	1,406,425
Ms. Lyle	2006	359,231	157,168	552,719	144,265	462	49,204	1,263,049
Corporate Vice President	2007	373,538	195,030	471,788	155,250	981	45,262	1,241,849

- (1) Amounts shown for 2007 include amounts that were deferred into the Executive Deferred Compensation Plan ("EDCP") as follows: Mr. Mussallem \$0; Mr. Abate \$32,909; Mr. Foster \$64,212; Ms. Bessler \$18,266; and Ms. Lyle \$0. The EDCP provides officers and other key employees the opportunity to defer compensation to future dates specified by the participant with a return based on investment alternatives selected by the participant. The EDCP is more fully described in the section following the Nonqualified Deferred Compensation Plans table below.
- (2) Amounts disclosed in this column for 2007 reflect the dollar amount recognized for financial statement reporting purposes for the 2007 fiscal year for stock awards or options granted during or prior to 2007, computed in accordance with SFAS 123R disregarding the estimate of forfeitures during the year. The assumptions on which such amount is based are described in footnote 13 to the Consolidated Financial Statements in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on February 29, 2008. There were no forfeitures in 2006 or 2007.
- (3) Amounts shown in this column for 2007 were earned under the Edwards Incentive Plan based on achievement of performance criteria for 2007. Amounts shown include amounts that were deferred into the EDCP as follows: Mr. Mussallem \$0; Mr. Abate \$37,260; Mr. Foster \$56,511; Ms. Bessler \$16,146; and Ms. Lyle \$54,338. Amounts earned but not deferred were paid to the executives in 2008.
- (4) As the Company does not have a pension plan in which the named executive officers can participate, this column reflects dividend equivalents paid in cash under the Company's Executive Option Plan. Please refer to the section following the Nonqualified Deferred Compensation Plans table below for a description of the plan.
- (5) "All Other Compensation" includes the following amounts paid by the Company for the fiscal year ended December 31, 2007. The amounts disclosed are the actual costs to the Company of providing these benefits.

Type of Compensation	Mr. Mussallem	Mr. Abate	Mr. Foster	Ms. Bessler	Ms. Lyle
401(k) Company Match	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
EDCP Company Contribution		\$ 6,663	\$ 9,814	\$ 8,559	\$ 9,392
Car Allowance	\$ 13,200	\$ 10,800	\$ 10,800	\$ 10,800	\$ 10,800
Reimbursement for Financial Planning Expenses	\$ 40,000			\$ 1,400	\$ 11,499
Reimbursement for Club Membership Dues	\$ 2,943	\$ 973	\$ 450	\$ 300	\$ 3,024
Reimbursement for Home Office Supplies		\$ 14,027	\$ 2,169	\$ 2,252	\$ 476

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<b>Type of Compensation</b>	<b>Mr. Mussallem</b>	<b>Mr. Abate</b>	<b>Mr. Foster</b>	<b>Ms. Bessler</b>	<b>Ms. Lyle</b>
Reimbursement for Annual Physical Examination Expenses		\$ 730			\$ 69
Life Insurance Premiums	\$ 1,812	\$ 673	\$ 1,155	\$ 1,167	\$ 1,002
<b>Totals</b>	<b>\$ 66,955</b>	<b>\$ 42,866</b>	<b>\$ 33,388</b>	<b>\$ 33,478</b>	<b>\$ 45,262</b>

(6) On February 15, 2008, Ms. Bessler and Mr. Foster confirmed their planned departure from the Company in the middle of 2008.

**Grants of Plan-Based Awards in Fiscal Year 2007**

The following table provides certain summary information concerning each grant of an award made to named executive officers in 2007 under a compensation plan.

Name	Grant Date(1)	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock/Units (#)	All Other Option Awards; Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards (\$/Sh)(3)	Closing Price on Grant Date	Grant Date Fair Value of Stock and Option Awards(4)
			Threshold (\$)	Target (\$)	Maximum (\$)					
Mr. Mussallem	4/3/2007	2/15/2007		\$ 784,000	\$ 1,568,000					\$ 81,243
	5/10/2007	5/10/2007								
Mr. Abate	4/3/2007	2/15/2007		\$ 180,000	\$ 360,000					\$ 17,187
	5/10/2007	5/10/2007								
Mr. Foster(9)	5/10/2007	5/10/2007		\$ 260,000	\$ 520,000					\$ 1,054,130
Ms. Bessler(9)	4/3/2007	2/15/2007		\$ 234,000	\$ 468,000					\$ 24,633
	5/10/2007	5/10/2007								
Ms. Lyle	5/10/2007	5/10/2007		\$ 225,000	\$ 450,000					\$ 927,590

- (1) The Company's practice is to grant equity-based awards on the date the Committee takes action to approve such grants. However, certain grants made in connection with the transition of certain employees (including some of the named executive officers) out of Baxter International Inc.'s pension plan are granted annually on the Company's founding anniversary and approved at the meeting of the Compensation Committee held in the preceding February. Please see footnote number 5 below regarding an explanation of such transition grants.
- (2) Awards payable under the Edwards Incentive Plan. See the discussion on "Annual Cash Incentive Payment," at page 21, for additional information.
- (3) The exercise price of an option is the fair market value per share of common stock on the option grant date. Pursuant to the terms of the Long-Term Stock Program under which those options are granted, the fair market value per share is the closing price of Company common stock on the trading day prior to the grant date.
- (4) Amounts disclosed reflect the grant date fair value of the stock award or option computed in accordance with SFAS 123R.
- (5) The Company is facilitating the transition of certain longer service salaried exempt employees (including some of the named executive officers) out of Baxter International Inc.'s pension plan in connection with the spin-off of the Company from Baxter International Inc. in 2000 by granting them annual equity-based awards to compensate them for their lost pension benefits (the "Transition Program"). The annual grants will continue until the earlier of when the employee reaches age 65 or terminates employment with the Company. Prior to 2005, the Company made the annual transition grants in the form of stock options. Commencing in 2005, the Company awarded the transition grants in the form of restricted stock units.
- The number of restricted stock units awarded to each participant was determined by dividing the amount equivalent to the participant's 401(k)-eligible earnings for 2007 (as adjusted by a factor based on the participant's "points" under the Baxter International Inc. pension plan) by the fair market value of the Company's common stock on the date of grant. The restricted stock units are granted under the Long-Term Stock Program and vest with respect to (i) 50% of the underlying shares upon an individual's completion of three years of service measured from the grant date and (ii) with respect to the remaining 50% of the underlying shares upon the individual's completion of four years of service measured from the grant date. On February 15, 2007, the Compensation Committee approved the transition grant eligible earnings for three named executives: Mr. Mussallem, Ms. Bessler and Mr. Abate. Consistent with the Transition Program, the transition grants were awarded on the Company's founding anniversary on April 3, 2007.

(6)

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The restricted stock units are granted under the Long-Term Stock Program and vest with respect to (i) 50% of the underlying shares upon individual's completion of three years of service measured from the grant date and (ii) with respect to the remaining 50% of the underlying shares upon the individual's completion of four years of service measured from the grant date.

- (7) Options to acquire common stock granted under the Long-Term Stock Program. The options become exercisable in thirty-six equal monthly installments beginning on June 10, 2007 subject to the officer's continued employment with the Company. The options have a seven-year term, but may terminate prior to the expiration date upon the officer's termination of employment with the Company.
- (8) Options to acquire common stock granted under the Long-Term Stock Program. The options become exercisable in four equal annual installments beginning on May 10, 2008 subject to the officer's continued employment with the Company. The options have a seven-year term, but may terminate prior to the expiration date upon the officer's termination of employment with the Company.
- (9) On February 15, 2008, Ms. Bessler and Mr. Foster confirmed their planned departure from the Company in the middle of 2008.

**Outstanding Equity Awards at 2007 Fiscal Year-End**

The following table provides certain summary information concerning outstanding equity awards held by the named executive officers as of December 31, 2007:

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options( # ) Exercisable	Number of Securities Underlying Unexercised Options( # ) Unexercisable	Option Exercise Price( \$ )	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ( \$ )( 9 )
Mr. Mussallem	350,198		\$ 13.88	04/03/2010		
	5,301		\$ 18.40	04/03/2011		
	4,923		\$ 26.94	04/03/2012		
	250,000		\$ 26.01	05/07/2012		
	7,056		\$ 27.62	04/03/2013		
	340,000		\$ 30.43	05/13/2010		
	4,095	1,366(1)	\$ 32.15	04/02/2011		
	82,250	82,250(2)	\$ 45.90	05/11/2012		
	49,500	148,500(3)	\$ 43.91	05/10/2013		
	30,916	128,084(4)	\$ 48.84	05/09/2014		
					1,362	\$ 62,638
				20,150	\$ 926,699	
				28,322	\$ 1,302,529	
				2,366	\$ 108,812	
				24,000	\$ 1,103,760	
				1,593	\$ 73,262	
				19,000	\$ 873,810	
Total	1,110,239	360,200			96,793	
Mr. Abate	12,000		\$ 18.50	02/08/2011		
	891		\$ 18.40	04/03/2011		
	666		\$ 26.94	04/03/2012		
	25,000		\$ 26.01	05/07/2012		
	913		\$ 27.62	04/03/2013		
	50,000		\$ 30.43	05/13/2010		
	690	230(1)	\$ 32.15	04/02/2011		
	11,250	3,750(5)	\$ 34.71	11/03/2011		
	11,550	11,550(2)	\$ 45.90	05/11/2012		
	6,250	18,750(6)	\$ 43.00	02/15/2013		
	11,500	34,500(3)	\$ 43.91	05/10/2013		
		47,000(7)	\$ 48.84	05/19/2014		
					250	\$ 11,498
				2,850	\$ 131,072	
				215	\$ 9,888	
				6,000	\$ 275,940	
				137	\$ 6,301	
				337	\$ 15,499	
				6,000	\$ 275,940	
Total	130,710	115,780			15,789	



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Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)(9)	
Mr. Foster	135,000		\$ 26.01	05/07/2012			
	180,000		\$ 30.43	05/13/2010			
	28,000	28,000(2)	\$ 45.90	05/11/2012			
	15,000	45,000(3)	\$ 43.91	05/10/2013			
	10,694	44,306(4)	\$ 48.84	05/09/2014			
					6,850	\$ 315,032	
					7,000	\$ 321,930	
					7,000	\$ 321,930	
Total	368,694	117,306			20,850		
Ms. Bessler	82,249		\$ 13.88	04/03/2010			
	1,369		\$ 18.40	04/03/2011			
	1,392		\$ 26.94	04/03/2012			
	105,000		\$ 26.01	05/07/2012			
	1,851		\$ 27.62	04/03/2013			
	135,000		\$ 30.43	05/13/2010			
	1,168	390(1)	\$ 32.15	04/02/2011			
	24,500	24,500(2)	\$ 45.90	05/11/2012			
	13,250	39,750(3)	\$ 43.91	05/10/2013			
	9,527	39,473(4)	\$ 48.84	5/09/2014			
						404	\$ 18,580
						6,000	\$ 275,940
						616	\$ 28,330
					6,000	\$ 275,940	
					34	\$ 1,564	
					483	\$ 22,213	
					6,000	\$ 275,940	
	502(8)		\$ 4.90	03/30/2011			
	124(8)		\$ 6.35	06/29/2011			
	162(8)		\$ 5.89	09/28/2011			
	110(8)		\$ 6.91	12/31/2011			
	238(8)		\$ 6.99	03/28/2011			
	130(8)		\$ 5.78	06/28/2012			
	133(8)		\$ 6.40	09/30/2012			
	118(8)		\$ 6.37	12/31/2012			
	231(8)		\$ 6.85	03/31/2013			
	96(8)		\$ 8.04	06/31/2013			
	129(8)		\$ 6.77	09/30/2013			
	102(8)		\$ 7.52	12/31/2013			
	151(8)		\$ 7.99	03/31/2014			
	86(8)		\$ 8.71	06/30/2014			
	107(8)		\$ 8.38	09/30/2014			
	87(8)		\$ 10.32	12/31/2014			
Total	377,812	104,113			19,537		



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Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)(9)
Ms. Lyle	110,000		\$ 30.43	05/13/2013		
	30,000		\$ 30.43	05/13/2010		
	24,500	24,500(2)	\$ 45.90	05/11/2012		
	13,250	39,750(3)	\$ 43.91	05/10/2013		
		49,000(7)	\$ 48.84	05/09/2014		
					6,000	\$ 275,940
					6,000	\$ 275,940
					6,000	\$ 275,940
Total	177,750	113,250			18,000	

- (1) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on April 3, 2005.
- (2) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on May 12, 2006.
- (3) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on May 11, 2007.
- (4) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in thirty-six equal monthly installments beginning on June 10, 2007.
- (5) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on November 4, 2005.
- (6) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on February 16, 2007.
- (7) Options to acquire common stock granted under the Long-Term Stock Program. The options are exercisable in four equal annual installments beginning on May 10, 2008.
- (8) Options to acquire common stock granted under the Executive Option Plan. The options are exercisable six months after the grant date. See "Nonqualified Deferred Compensation Plans," below, for a description of the Executive Option Plan.
- (9) Based on the closing selling price of Company common stock on December 31, 2007.

**Option Exercises and Stock Vested in Fiscal Year 2007**

The following table sets forth for each of the named executive officers the number of shares of the Company's common stock acquired and the value realized on each exercise of stock options during the year ended December 31, 2007. No stock appreciation rights were exercised by the named executive officers during the 2007 fiscal year, no restricted stock or restricted stock units held by such officers vested during the 2007

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fiscal year and none of those officers held any stock appreciation rights as of December 31, 2007.

Name	Option Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise (\$)(1)
Mr. Mussallem	168,000(2)	\$ 5,990,565
Mr. Abate		
Mr. Foster	74,000	\$ 2,711,305
Ms. Bessler	102,710	\$ 3,550,144
Ms. Lyle		

(1) Value realized is determined by multiplying (i) the amount by which the market price of the common stock on the date of exercise exceeded the exercise price by (ii) the number of shares for which the options were exercised.

(2) The options were exercised pursuant to a pre-arranged stock trading plan established by Mr. Mussallem under Rule 10b5-1 of the Securities and Exchange Act of 1934, as reported previously on March 17, 2006.

**Pension Benefits**

The Company does not have a pension plan in which the named executive officers can participate to receive payments or other benefits at, following, or in connection with retirement.

**Nonqualified Deferred Compensation Plans**

Information regarding the named executive officers' participation in the Company's nonqualified deferred compensation plans is included below.

*Executive Deferred Compensation Plan.* On December 24, 2004, the Compensation Committee adopted the Edwards Lifesciences Corporation Executive Deferred Compensation Plan, effective for compensation earned on or after January 1, 2005 (the "EDCP"). The following table sets forth information relating to the EDCP for 2007 for the named executive officers:

Name	Executive Contributions in Last Fiscal Year (\$)(1)	Registrant Contributions in Last Fiscal Year (\$)(2)	Aggregate Earnings in Last Fiscal Year (\$)(3)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
Mr. Mussallem	\$ 0	\$ 0	\$ 37,512	\$ 0	\$ 461,616
Mr. Abate	\$ 96,973	\$ 6,663	\$ 31,524	\$ 0	\$ 472,765
Mr. Foster	\$ 172,890	\$ 9,814	\$ 25,980	\$ 0	\$ 634,687
Ms. Bessler	\$ 67,430	\$ 8,559	\$ 32,556	\$ 0	\$ 392,857
Ms. Lyle	\$ 69,461	\$ 9,392	\$ 32,678	\$ 0	\$ 432,481

- (1) Executive contributions are included in the "Salary" reported under the Summary Compensation Table above.
- (2) Company contributions are included in the "All Other Compensation" reported under the Summary Compensation Table above.
- (3) Earnings is defined to reflect the difference in the account balance between the beginning and end of the year, less any executive or Company contributions and any amounts withdrawn or distributed. Earnings include realized and unrealized gains, capital gains and dividends paid.

The EDCP permits the named executive officers and certain other employees with the opportunity to defer specified percentages (up to 15%) of their cash compensation and receive matching employer contributions that could not be deferred or contributed to the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan because of the limitations under such plan imposed by the Internal Revenue Code. The EDCP also permits the participants to defer up to 100% of their base pay and annual incentive bonus, but the Company does not match the employee contribution above 15%. Participants may elect deferred amounts to be paid in the form of either a lump sum or in up to 15 annual installments either upon separation from service or a specified date. Deferrals are credited with gain or loss based on the performance of one or more investment alternatives selected by the participant from among investment funds chosen by the Compensation Committee. Investment elections made for each plan year may not be revoked, changed or modified except as permitted under the EDCP and subject to applicable law. No actual investments will be held in the participants' accounts and participants will at all times remain general unsecured creditors of the Company with respect to their account balances. During 2007, the rate of deemed earnings from the investments selected by the named executive officers averaged 9%; the deemed earnings are reported in the table above.

*Executive Option Plan.* In 2001, the Company adopted the Executive Option Plan (the "EOP"), which permitted the named executive officers and certain other employees to receive options to purchase shares of mutual funds or common stock of the Company in lieu of all or a portion of their compensation from the Company. The Company discontinued option grants under the EOP on December 31, 2004.

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The following table sets forth information relating to the EOP for 2007 for the named executive officers:

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year \$(1)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year-End \$(2)
Mr. Mussallem	\$ 0	\$ 0	\$ (40,729)	\$ 0	\$ 2,305,227
Mr. Abate	\$ 0	\$ 0	\$ 8,516	\$ 0	\$ 135,330
Mr. Foster	\$ 0	\$ 0	\$ (16,702)	\$ 0	\$ 668,967
Ms. Bessler	\$ 0	\$ 0	\$ 8,457	\$ 0	\$ 508,827
Ms. Lyle	\$ 0	\$ 0	\$ 584	\$ 0	\$ 23,691

(1) Earnings include realized and unrealized gains for the year and actual earnings but exclude dividend equivalents paid in cash which are discussed in the Summary Compensation Table, above.

(2) Balance is calculated by taking the fair value of options held less cost to exercise and less interest payments due to the Company.

Under the EOP, the named executive officers and certain other employees were provided with the opportunity to forego a portion of their cash compensation and receive in lieu thereof options to purchase shares of mutual funds or Company common stock (as selected by the participant) and matching employer contributions. Each plan participant received an option to purchase selected securities with a grant date value of one and one-third dollars for every dollar of his or her compensation foregone and any Company matching contributions, and an exercise price equal to 25% of the fair market value of the underlying securities on the grant date. Beginning January 1, 2005, any dividends and distributions paid on the securities underlying the outstanding options are payable in cash to the participants. Such amounts paid during 2007 are reported as Nonqualified Deferred Compensation Earnings under the Summary Compensation Table.

### Potential Payments Upon Termination or Change in Control

Included below is a summary of the material terms and conditions of the agreements the Company has entered into with its named executive officers (other than Mr. Foster and Ms. Bessler) that provide for certain payments and benefits upon termination of employment. The agreements are the only arrangements the Company has with its named executive officers to provide benefits upon termination that are not otherwise part of the Company's employee benefit plans, which apply to all salaried employees on the same terms. Also described below are the terms of the Long-Term Incentive Program which provide for the acceleration of outstanding equity awards in the event of a change in control of the Company.

**Change in Control Severance Agreements.** The Company has entered into change in control severance agreements with each of its named executive officers (other than Mr. Foster and Ms. Bessler). Pursuant to these agreements, the named executive officer is entitled to receive severance payments in the event (i) the executive is involuntarily terminated within six months prior to a change in control or (ii) the executive's employment terminates by reason of a qualifying termination within 24 calendar months following a change in control. A qualifying termination is: (a) the Company's involuntary termination of the executive's employment without cause; (b) the executive's voluntary termination for good reason; or (c) in the case of Mr. Mussallem only, voluntary termination during the 30 calendar day period immediately following the one year anniversary of a change in control of the Company. Good reason generally includes the assignment of the executive to duties materially inconsistent with the executive's authorities, duties, responsibilities, and status or a material reduction or alteration in the nature or status of the executive's authorities, duties, or responsibilities from those in effect as of 90 calendar days prior to the change in control, a relocation of at least 50 miles of the executive's principal job location or office or a reduction by the Company of the executive's base salary, incentive plans or benefits.

In the event of any such involuntary or qualifying termination, the named executive officer (including the Chairman and CEO) would be entitled to receive from the Company a lump sum payment within

10 days from the date of termination in an amount equal to (1) three times the executive's annual base salary in effect at the time of termination (or during the 12 months preceding the change in control, if higher), (2) three times the executive's target bonus for the year of termination (or the dollar amount of the bonus paid in the preceding year, if higher and (3) a pro-rata target bonus for the year of termination. In addition, the executive will be entitled to receive continued medical and dental coverage for up to 36 months, up to \$75,000 of outplacement services and an amount equal to any excise taxes (together with a gross-up for any federal or state income and employment taxes due on such payment) payable by the executive under Section 4999 of the Internal Revenue Code.

The level of payments and benefits under the change in control severance agreements were established to be competitive based on a review of severance benefits paid by the Comparator Group.

Employment Agreement with Chairman and CEO. Mr. Mussallem is eligible to receive certain termination benefits under his employment agreement.

The employment agreement provides that in the event that Mr. Mussallem is terminated by the Company without cause, the Company will pay him a lump sum cash payment equal to (1) two times the sum of (a) his highest base salary in the preceding 12 months and (b) his annual base salary for the year of termination (or the actual bonus paid in the preceding year, if higher) and (2) his pro rata target bonus for the year of termination. In addition, he will receive medical and dental coverage for up to 24 months. However, he will not be entitled to receive any such payments or benefits if he receives payments under the change in control severance agreement.

In the event of Mr. Mussallem's termination due to retirement, disability or death, he will be paid his pro rata target bonus for the year of termination in a lump sum payment within 30 calendar days of termination and additional benefits as determined in accordance with the Company's benefit plans.

Under the terms of his employment agreement, Mr. Mussallem may not, for a period of 24 months following his termination, employ or solicit for employment any employee or consultant of the Company.

Acceleration of Equity Awards. Pursuant to the terms of the Long-Term Incentive Program, in the event of a change in control all outstanding options, restricted stock and restricted stock units held by all salaried employees will vest in full.

Estimated Payments. The following tables set forth the estimated payments and benefits that would have been payable to the named executive officers (other than Mr. Foster and Ms. Bessler) under their agreements in the termination circumstances indicated below had their employment been terminated on December 31, 2007. Unless otherwise noted, all cash payments would be made in a lump sum and would be paid by the Company or its successor. The amounts set forth in these tables represent estimates and forward-looking information that is subject to substantial variation, based on the timing of the triggering event. The Company cautions the reader to consider these limitations in reviewing the following tables.

For purposes of estimating the amount of payments and benefits payable as a result of a termination following a change in control the Company has made the following assumptions:

The change in control occurs on December 31, 2007;

A stock price of \$45.99 per share which was the closing stock price on December 31, 2007;

All named executive officers were terminated on the date of the change in control;

All accelerated vested options and restricted stock units were cashed out on the date of the change in control; and

Continued health coverage was provided for the maximum period specified in each contract.

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For purposes of estimating the amount of payments and benefits payable as a result of Mr. Mussallem's termination of employment pursuant to his employment agreement, the Company used the following assumptions:

A termination date of December 31, 2007; and

All other amounts are included as provided by Mr. Mussallem's employment agreement.

### Executive Benefits and Payments Upon Termination: Mr. Mussallem

	Qualifying Termination, Following a Change in Control	Termination Due to Retirement, Disability, or Death	Involuntary Termination by the Company Without Cause
Salary Severance	\$ 2,352,000		\$ 1,568,000
Bonus Severance	\$ 2,352,000		\$ 784,000
Pro Rata Bonus 2007	\$ 784,000	\$ 784,000	\$ 784,000
Stock Option Acceleration	\$ 335,178		
Restricted Stock Unit Acceleration	\$ 4,097,540		
Medical and Dental Coverage Continuation	\$ 28,028		\$ 18,685
Outplacement	\$ 75,000		
Excise Tax Gross-up	(1)		
<b>Total</b>	<b>\$ 10,023,746</b>	<b>\$ 784,000</b>	<b>\$ 3,154,685</b>

### Executive Benefits and Payments upon Termination: Qualifying Termination, Following a Change in Control

	Mr. Abate	Ms. Lyle
Salary Severance	\$ 1,005,000	\$ 1,131,000
Bonus Severance	\$ 540,000	\$ 675,000
Pro Rata Bonus 2007	\$ 180,000	\$ 225,000
Stock Option Acceleration	\$ 174,345	\$ 84,885
Restricted Stock Unit Acceleration	\$ 713,075	\$ 827,820
Medical and Dental Coverage Continuation	\$ 40,932	\$ 30,604
Outplacement	\$ 75,000	\$ 75,000
Excise Tax Gross-up	\$ 892,646	\$ 917,833
<b>Total</b>	<b>\$ 3,620,998</b>	<b>\$ 3,967,142</b>

(1) Since the total change in control payments does not exceed the safe harbor threshold, none of the severance or benefits payable upon a change in control are subject to excise taxes.

**Other Severance Agreements.** On February 15, 2008, Ms. Bessler and Mr. Foster confirmed their planned departure from the Company in the middle of 2008 and each entered into a Separation Agreement with the Company pursuant to which the Company agreed to provide monthly and lump-sum transition payments in the aggregate amount of \$254,000 to each of them in return for transition assistance and advice until January 1, 2010. In addition, the Company agreed to reimburse Ms. Bessler and Mr. Foster for the costs of COBRA coverage through December 31, 2008 or the date they secure other employment with health benefits. Payments under the Severance Agreements are contingent on compliance with customary confidentiality and non-solicitation covenants, and are in addition to payments under the Company's Severance Pay Plan.



## Nonemployee Director Compensation

**Nonemployee Directors Stock Incentive Program.** In order to align the directors' interests more closely with the interest of the Company's stockholders, the Company has implemented the Company's Nonemployee Directors Stock Incentive Program (the "Nonemployee Directors Program") pursuant to which each nonemployee director receives an annual grant of an option for up to 10,000 shares, or a restricted stock units award for up to 4,000 shares or a combination of an option and restricted stock units award with a maximum value of \$200,000. The Committee recommends the actual amount and type of awards for each year within such limitations to the Board for its approval.

The award is granted on the day after the Company's annual meeting. The exercise price of an option is the closing price of the common stock on the date prior to the award.

For purposes of the aggregate limit for a combination award, the value of an option share is equal to its fair value as estimated on the date of grant under a valuation model approved by the Financial Accounting Standards Board for purposes of the Company's financial statements under SFAS 123R (or any successor provision), and the value of any restricted stock units award is equal to the fair market value of the underlying shares of common stock on the date of such award.

Each option and restricted stock unit award vests in three equal annual installments upon the individual's completion of each year of service as a Board member measured from the grant date (or over such longer period as determined by the Committee). The individual may elect to receive the shares that vest under restricted stock units in up to three installments commencing upon the expiration of a designated period following vesting of the award. This election must be made in the year prior to the actual award.

On May 11, 2007, Dr. McNeil and Messrs. Bowlin, Cardis, Ingram, Loucks, Neal and Pyott each received a restricted stock units award of 3,727 shares as their annual grant. The restricted stock unit awards vest in three equal installments upon completion of each year of service as a Board member measured from the grant date.

In addition to the equity awards described above, upon a director's initial election to the Board, the director receives a grant of 5,000 shares of restricted stock units, which vest 50% per year over two years measured from the grant date.

The Nonemployee Directors Program was amended on February 17, 2005, to limit to no more than 60,000 the number of shares that will be used for initial awards with two-year vesting, after which the Company would provide initial awards with a minimum three-year vesting.

**Nonemployee Director Annual Retainer.** Cash compensation of nonemployee directors consists of a \$20,000 annual retainer. Committee members receive an additional annual retainer of \$2,000 per committee and the Chairpersons of the Audit Committee and the Compensation Committee receive an additional annual retainer of \$14,000 and \$10,000, respectively. A director may elect to receive an option or restricted shares in lieu of the fees as described in "Deferral Election Program," below.

**Deferral Election Program.** In lieu of all or part of a director's annual cash retainer, the director may elect to receive either an option to purchase shares of common stock or a grant of restricted shares under the Nonemployee Directors Program. If a director makes a timely election and elects to receive a stock option, such option is granted on the date the cash retainer would otherwise have been paid and the number of shares subject to the option is equal to four times the number of shares that could have been purchased on the grant date with the amount of the director's cash retainer foregone to receive the option. The option is exercisable and vested in full on the grant date and the exercise price per share is the fair market value per share of the common stock on the date of grant, as fair market value is defined in the Nonemployee Directors Program. If a director makes a timely election to receive a restricted share grant, the shares are granted on the date the cash retainer would otherwise have been paid and the number of shares granted is equal to the portion of the cash retainer to be paid in the form of restricted shares divided by the fair market



value per share of the common stock, as fair market value is defined in the Nonemployee Directors Program. The restrictions on the restricted share grant vests upon the director's completion of one year of board service measured from the date of grant.

On May 11, 2007, Messrs. Bowlin and Pyott each received an option to purchase 1,639 shares of the Company's common stock in lieu of their annual cash retainer. On the same date, Dr. McNeil and Messrs. Ingram and Neal each received a grant of 410 restricted shares in lieu of their annual cash retainer.

**Expense Reimbursement Policy.** Directors are reimbursed for travel expenses related to their attendance at Board and Committee meetings as well as for the costs of attending director continuing education programs.

**Nonemployee Director Compensation and Equity Awards Tables.** The following table sets forth certain information regarding the compensation earned by or awarded to each nonemployee director during 2007 who served on the Company's Board of Directors in such year:

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards(\$) (2)	Option Awards(\$) (2)	All Other Compensation(\$)	Total(\$)
Mr. Bowlin	\$ 12,000	\$ 140,802	\$ 21,225		\$ 174,027
Mr. Cardis	\$ 36,000	\$ 165,448	\$ 0		\$ 201,448
Mr. Ingram	\$ 2,000	\$ 188,587	\$ 0		\$ 190,587
Mr. Loucks	\$ 22,000	\$ 114,798	\$ 0		\$ 136,798
Dr. McNeil	\$ 2,000	\$ 234,230	\$ 0		\$ 236,230
Mr. Neal	\$ 2,000	\$ 215,810	\$ 0		\$ 217,810
Mr. Pyott	\$ 2,000	\$ 155,248	\$ 21,225		\$ 178,473

(1) Consists of annual retainer fees and meeting fees for service as a member of the Board. Please see the "Nonemployee Director Annual Retainer" section above. Excludes retainer fees deferred into stock-based awards as described in footnote 2 below.

(2) Includes annual retainer fees deferred under the deferral election program in effect under the Nonemployee Directors Stock Incentive Program. Messrs. Bowlin and Pyott each elected to convert his \$20,000 annual retainer into stock options and each received an option on May 11, 2007 with respect to 1,639 shares at an exercise price per share equal to \$48.84. Dr. McNeil and Messrs. Ingram and Neal elected to convert their \$20,000 annual retainer into 410 restricted shares awarded on May 11, 2007.

Reflects the dollar amount recognized for financial statement reporting purposes in 2007 for stock awards and options granted during or prior to 2007, computed in accordance with SFAS 123R. The assumptions on which such amount is based are described in footnote 13 to the Consolidated Financial Statements in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on February 29, 2008. There were no forfeitures in 2007. The grant date fair value of equity awards granted in 2007, as computed in accordance with FAS 123R, is as follows: Mr. Bowlin \$203,252; Mr. Cardis \$182,027; Mr. Ingram \$202,051; Mr. Loucks \$182,027; Dr. McNeil \$202,051; Mr. Neal \$202,051; and Mr. Pyott \$203,252. The aggregate shares under stock awards and the aggregate shares underlying option awards, which were outstanding at year-end, are reported below for each director.

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The following table sets forth, as of December 31, 2007, the options held by, and stock awards to acquire shares granted to, each nonemployee director under the Company's Nonemployee Director Stock Incentive Program who served on the Company's Board of Directors in 2007:

Name	Grant Date	Option Awards		
		Exercise Price	Options Awards Vested and Outstanding(1)	Stock Awards Not Vested(1)
Mr. Bowlin	7/1/2000	\$ 18.52	3,240	
	5/11/2001	\$ 22.49	10,000	
	7/1/2001	\$ 26.36	3,034	
	5/9/2002	\$ 25.77	10,000	
	7/1/2002	\$ 23.20	3,448	
	5/15/2003	\$ 30.40	10,000	
	7/1/2003	\$ 32.14	2,489	
	7/1/2004	\$ 34.85	2,295	
	5/12/2005			1,333
	7/1/2005	\$ 43.02	1,859	
	5/12/2006			3,300
	7/3/2006	\$ 45.43	1,760	
	5/11/2007	\$ 48.84	1,639	
	5/11/2007			3,727
Total			49,764	8,360
Mr. Cardis	6/1/2004			9,000
	7/1/2004	\$ 34.85	2,295	
	5/12/2005			4,000
	5/12/2006			2,200
	5/11/2007			3,727
Total			2,295	18,927
Mr. Ingram	5/15/2003	\$ 30.40	10,000	
	7/1/2003	\$ 32.14	1,866	
	7/1/2004	\$ 34.85	2,295	
	5/12/2005			1,333
	5/12/2006			2,200
	5/11/2007			410
	5/11/2007			3,727
Total			14,161	7,670

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Mr. Loucks	7/1/2000	\$	18.52	3,240	
	5/11/2001	\$	22.49	10,000	
	7/1/2001	\$	26.36	3,034	
	5/9/2002	\$	25.77	10,000	
	7/1/2002	\$	23.20	3,448	
	5/15/2003	\$	30.40	10,000	1,333
	5/12/2005				2,200
	5/12/2006				3,727
	5/11/2007				
Total				<u>39,722</u>	<u>7,260</u>

Dr. McNeil	2/16/2006				2,500
	5/12/2006				3,300
	5/11/2007				410
	5/11/2007				3,727
Total				<u></u>	<u>9,937</u>

Mr. Neal	7/1/2000	\$	18.52	3,240	
	5/11/2001	\$	22.49	10,000	
	7/1/2001	\$	26.36	3,034	
	5/9/2002	\$	25.77	10,000	
	7/1/2002	\$	23.20	3,448	
	5/15/2003	\$	30.40	10,000	
	7/1/2003	\$	32.14	2,489	
	5/12/2004				4,000
	5/12/2005				4,000
	5/12/2006				3,300
	7/3/2006	\$	45.43	1,760	
	5/11/2007				410
	5/11/2007				3,727
Total				<u>43,971</u>	<u>15,437</u>

Mr. Pyott	7/1/2000	\$	18.52	3,240	
	5/11/2001	\$	22.49	10,000	
	7/1/2001	\$	26.36	3,034	
	5/9/2002	\$	25.77	10,000	
	7/1/2002	\$	23.20	3,448	
	5/15/2003	\$	30.40	10,000	
	7/1/2003	\$	32.14	2,489	
	7/1/2004	\$	34.85	2,295	
	5/12/2005				1,333
	5/12/2006				2,200
	7/3/2006	\$	45.43	1,760	
	5/11/2007	\$	48.84	1,639	
	5/11/2007				3,727
Total				<u>47,905</u>	<u>7,260</u>

(1)

Amounts shown include annual retainer fees deferred into options and restricted shares that were deferred under the deferral election program, as follows: Mr. Bowlin 19,764 shares; Mr. Cardis 2,295 shares; Mr. Ingram 4,571 shares; Mr. Loucks 9,722 shares; Dr. McNeil 410 shares; Mr. Neal 14,381 shares; and Mr. Pyott 17,905 shares.

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**AUDIT MATTERS**


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**Report of the Audit and Public Policy Committee**

Management is responsible for the Company's internal controls, financial reporting process, and compliance with laws, regulations and ethical business practices. The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America and to issue a report thereon. The Company's independent registered public accounting firm is also responsible for independently auditing the Company's internal control over financial reporting and attesting to management's assessment of the effectiveness of such internal controls. The Audit Committee's responsibility is to monitor and oversee these processes.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2007. The Audit Committee has discussed with the Company's independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. The Audit Committee has received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with the independent registered public accounting firm their independence.

Based on the reviews and discussions referred to above, and relying thereon, the Audit Committee recommended to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

***The Audit and Public Policy Committee:***

John T. Cardis (Chairperson)  
Philip M. Neal  
David E.I. Pyott

**Fees Paid to Principal Accountants**

During 2007, the Company retained its independent registered public accounting firm, PricewaterhouseCoopers LLP, to provide services in the following categories and amounts:

	<u>2007</u>	<u>2006</u>
	(in millions)	
Audit Fees	\$ 2.0	\$ 1.8
Audit Related Fees		
Tax Fees	0.9	0.7
All Other Fees		

**Audit Fees.** Amounts paid under "Audit Fees" includes aggregate fees for the audit of the Company's consolidated financial statements, which included PricewaterhouseCoopers LLP's attestation report on management's assessment of the effectiveness of the Company's internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act and the three quarterly reviews of the Company's reports on Form 10-Q and other SEC filings.

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**Audit-Related Fees.** There were insignificant or no amounts paid under "Audit Related Fees" in 2007 and 2006.

**Tax Fees.** Amounts paid under "Tax Fees" in 2007 were for tax compliance (\$0.6) and consulting (\$0.3), and in 2006 were for tax compliance (\$0.5) and consulting (\$0.2).

**All Other Fees.** There were insignificant or no amounts paid under "All Other Fees" in 2007 and 2006. The Audit Committee has considered the compatibility of the non-audit services provided by PricewaterhouseCoopers LLP with their independence.

### Pre-Approval of Services

The Audit Committee is required to pre-approve the audit and non-audit services performed by the Company's independent registered public accounting firm in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it requires specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels require specific pre-approval by the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee at least annually reviews and pre-approves the services that may be provided by the independent registered public accounting firm without obtaining specific pre-approval from the Audit Committee. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. The Audit Committee may delegate, and has delegated, pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of February 29, 2008 by:

Each stockholder known by the Company to own beneficially more than 5% of the common stock;

Each of the named executive officers;

Each of the Company's directors; and

All of the Company's directors, named executive officers and executive officers as a group.

The number of shares subject to options that each beneficial owner has the right to acquire on or before April 29, 2008 is listed separately under the column "Number of Shares Underlying Options." These shares are not deemed exercisable for purposes of computing the beneficial ownership of any other person. Percent of beneficial ownership is based upon 56,067,113 shares of the Company's common stock outstanding as of February 29, 2008. The address for those individuals for which an address is not otherwise provided is c/o Edwards Lifesciences Corporation, One Edwards Way, Irvine, California 92614. Unless otherwise indicated, the Company believes that the stockholders listed have sole voting and investment power with respect to all shares, subject to applicable community property laws.

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Name and Address	Number of Outstanding Shares Beneficially Owned	Number of Shares Underlying Options	Total Shares Beneficially Owned	Percentage of Class
<b>Principal Stockholders:</b>				
T. Rowe Price Associates, Inc.(1) 100 E. Pratt Street Baltimore, MD 21202	5,701,279		5,701,279	10.2%
Baron Capital Group, Inc.(2) 767 Fifth Avenue New York, New York 10153	5,298,400		5,298,400	9.5%
Iridian Asset Management LLC(3) 276 Post Road West Westport, CT 06880-4704	4,042,137		4,042,137	7.2%
Renaissance Technologies LLC(4) 800 Third Avenue New York, New York 10022	2,865,800		2,865,800	5.1%
<b>Named Executive Officers, Executive Officers and Directors:</b>				
Mr. Mussallem	145,577	917,135	1,062,712	2.0%
Mr. Abate	16,161	90,640	106,801	*
Ms. Bessler	34,715	332,907	367,622	*
Mr. Foster	24,863	310,056	334,919	*
Ms. Lyle	28,389	140,000	168,389	*
Mr. Bowlin	20,027	49,764	69,791	*
Mr. Cardis	19,727	2,295	22,022	*
Mr. Ingram	21,341	14,161	35,502	*
Mr. Loucks	21,582	39,722	61,304	*
Dr. McNeil	12,437		12,437	*
Mr. Neal	21,474	43,971	65,445	*
Mr. Pyott	20,491	47,905	68,396	*
All directors, named executive officers, and executive officers as a group (17 persons)	464,308	2,905,929	3,368,437	6.0%

\*

Less than 1%

- (1) Based solely on information contained in the Schedule 13G/A filed with the SEC by T. Rowe Price Associates, Inc., on its own behalf, on February 13, 2008. The Schedule 13G/A indicates T. Rowe Price Associates, Inc. has sole voting power for 1,079,069 shares and sole investment power for 5,701,279 shares.
- (2) Based solely on information contained in the Schedule 13G filed with the SEC by Baron Capital Group, Inc., on its own behalf, on February 12, 2008. The Schedule 13G indicates Baron Capital Group Inc. has sole voting and investment power for 60,000 shares, shared voting power for 4,817,600 shares, and shared investment power for 5,238,400 shares.
- (3) Based solely on information contained in the Schedule 13G/A filed with the SEC by Iridian Asset Management LLC, on its own behalf, on February 5, 2007. The Schedule 13G/A indicates Iridian Asset Management LLC does not have sole voting or investment power for any of the shares listed, and has shared voting power for 4,042,137 shares and shared investment power for 4,042,137 shares.
- (4) Based solely on information contained in the Schedule 13G filed with the SEC by Renaissance Technologies LLC, on its own behalf, on February 13, 2008. The Schedule 13G indicates Renaissance Technologies LLC has sole voting power for 2,865,800 shares and sole investment power for 2,865,800 shares.

**OTHER MATTERS AND BUSINESS**

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**Additional Information**

The Company will provide a copy of its Governance Guidelines, the Company's Global Business Practice Standards (applicable to all of the Company's employees, executive officers and directors), the Audit Committee charter and the Compensation Committee charter without charge to any person upon request to: Edwards Lifesciences Corporation, Attention: Secretary, One Edwards Way, Irvine, California 92614. The Company's Governance Guidelines, Global Business Practice Standards and Bylaws, and charters of each of the Audit Committee and Compensation Committee, are also posted under the "Investor Relations Corporate Governance and Responsibility" section of the Company's website ([www.edwards.com](http://www.edwards.com)).

**Section 16(a) Beneficial Ownership Reporting Compliance**

The Company believes that all reports that were required to be filed by the Company's executive officers, directors and beneficial owners of more than 10% of its common stock under Section 16 of the Securities and Exchange Act of 1934 during 2007 were filed on a timely basis.

**Related Party Transactions**

The Company or one of its subsidiaries may occasionally enter into transactions with certain "related persons." Related persons include executive officers and directors of the Company, nominees for directors, 5% or more beneficial owners of Company common stock and immediate family members of these persons. Transactions involving amounts in excess of \$120,000 and in which the related person has a direct or indirect material interest are referred to as "related person transactions." Under the Company's Global Business Practice Standards, which are applicable to all employees of the Company and to all members of the Company's Board of Directors, conflicts of interest are prohibited unless approved in accordance with the requirements of such Global Business Practice Standards, which in the case of transactions involving executive officers or directors of the Company may be given only by the Board of Directors or a Committee of the Board of Directors and must be disclosed promptly to stockholders. Under the Global Business Practice Standards, a conflict of interest includes holding a "significant financial interest" in any company that does business with the Company. A "significant financial interest" is deemed to exist if the related person owns more than 1% of the outstanding capital of a business or if the investment represents more than 5% of the total assets of the related person. The Board of Directors generally considers all relevant factors when determining whether to approve a related person transaction.

**Deadline for Receipt of Stockholder Proposals for the 2009 Annual Meeting**

In order for a stockholder proposal to be eligible for inclusion in the Company's Proxy Statement for fiscal 2008, the written proposal must be received by the Secretary of the Company at the Company's offices no later than November 28, 2008. The proposal must comply with the requirements of the proxy rules established by the SEC.

Shareholder proposals submitted for consideration at the 2009 Annual Meeting but not submitted for inclusion in our Proxy Statement for fiscal 2008, including shareholder nominations for candidates for election as directors, generally must be received by us at our executive offices on or prior to November 28, 2008 in order to be considered timely under SEC rules and our bylaws. However, if the date of the 2009 Annual Meeting is a date that is not within 30 days before or after May 8, 2009, the anniversary date of the 2008 Annual Meeting, notice by the shareholder of a proposal must be received no later than the close of business on the 10<sup>th</sup> calendar day after the first to occur of (i) the day on which notice of the 2009 Annual Meeting is mailed or (ii) public disclosure of the date of the 2009 Annual Meeting is made, including disclosure in a Quarterly Report on Form 10-Q filed by us with the SEC. Under applicable rules of the



SEC, our management may vote proxies in their discretion regarding these proposals if (1) we do not receive notice of the proposal on or prior to November 28, 2008, or (2) we receive written notice of the proposal on or prior to November 28, 2008, describe the proposal in our proxy statement relating to the 2009 Annual Meeting and state how the management proxies intend to vote with respect to such proposal.

The Company's bylaws require that a stockholder must provide specified information concerning the nominee or proposal, as applicable, and information regarding the stockholder's ownership of the Company's common stock. Nominations and proposals not meeting the requirements set forth in the Company's bylaws will not be entertained at the 2009 Annual Meeting. Stockholders should contact the Secretary of the Company in writing at One Edwards Way, Irvine, California 92614 to obtain additional information as to the proper form and content of stockholder nominations or proposals. The Company did not receive any stockholder nominations or proposals for consideration at the 2008 Annual Meeting.

#### **Annual Report on Form 10-K**

**The Company will furnish without charge to each person whose proxy is solicited upon the written request of such person a copy of the Company's annual report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC, including the financial statements and financial statement schedules (upon request, exhibits thereto will be furnished subject to payment of a specified fee). Requests for copies of such report should be directed to: Edwards Lifesciences Corporation, Attention: Secretary, One Edwards Way, Irvine, California 92614.**

By Order of the Board of Directors,

Jay P. Wertheim  
*Vice President,  
Associate General Counsel  
and Secretary*

**ALL STOCKHOLDERS ARE URGED TO SUBMIT  
THEIR PROXIES PROMPTLY**

**Appendix A**

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**EDWARDS LIFESCIENCES CORPORATION  
LONG-TERM STOCK INCENTIVE COMPENSATION PROGRAM  
(Amended and Restated as of February 14, 2008)**

**Article 1. Establishment, Objectives, and Duration**

**1.1 Establishment of the Program.** Edwards Lifesciences Corporation, a Delaware corporation (hereinafter referred to as the "Company"), hereby amends and restates the incentive compensation plan established April 1, 2000 and known as the "Edwards Lifesciences Corporation Long-Term Stock Incentive Compensation Program" (hereinafter, as amended and restated, referred to as the "Program"), as set forth in this document. The Program permits the grant of Nonqualified Stock Options, Incentive Stock Options, Restricted Stock and Restricted Stock Units.

The Program became effective as of April 1, 2000 (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

The Program was amended and restated effective as of July 12, 2000 to clarify the definition of "Subsidiary" and was subsequently further amended and restated as of May 8, 2002, February 20, 2003, February 17, 2005, February 16, 2006, March 6, 2007, and February 14 and March 24, 2008.

**1.2 Objectives of the Program.** The objectives of the Program are to optimize the profitability and growth of the Company through long-term incentives which are consistent with the Company's goals and which link the personal interests of Participants to those of the Company's stockholders; to provide Participants with an incentive for excellence in individual performance; and to promote teamwork among Participants. Awards generally are made in conjunction with services performed by the Participant within the previous twelve (12) months.

The Program is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants who make significant contributions to the Company's success and to allow Participants to share in the success of the Company.

**1.3 Duration of the Program.** The Program shall commence on the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Board to amend or terminate the Program at any time pursuant to Article 14 hereof, until all Shares subject to it shall have been purchased or acquired according to the Program's provisions. However, in no event may an Award be granted under the Program on or after April 1, 2018.

**Article 2. Definitions**

Whenever used in the Program, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

**2.1 "Award"** means, individually or collectively, a grant under this Program of Nonqualified Stock Options, Incentive Stock Options, Restricted Stock or Restricted Stock Units.

**2.2 "Award Agreement"** means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Program.

**2.3 "Board" or "Board of Directors"** means the Board of Directors of the Company.

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**2.4 "Change in Control"** of the Company shall mean the occurrence of any one of the following events:

- (a) Any "Person", as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, and any trustee or other fiduciary holding securities under an employee benefit plan of the Company or such proportionately owned corporation), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities; or
- (b) During any period of not more than twenty-four (24) months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2.4(a), 2.4(c), or 2.4(d) of this Section 2.4) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or
- (c) The consummation of a merger or consolidation of the Company with any other entity, other than: (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty percent (60%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than thirty percent (30%) of the combined voting power of the Company's then outstanding securities; or
- (d) The Company's stockholders approve a plan of complete liquidation or dissolution of the Company, or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

**2.5 "Code"** means the Internal Revenue Code of 1986, as amended from time to time.

**2.6 "Committee"** means the Compensation and Governance Committee or any other committee appointed by the Board to administer Awards to Participants, as specified in Article 3 herein.

**2.7 "Company"** means Edwards Lifesciences Corporation, a Delaware corporation, and any successor thereto as provided in Article 16 herein.

**2.8 "Contractor"** means an individual providing services to the Company who is not an Employee or member of the Board, and who does not participate in the Edwards Lifesciences Corporation Nonemployee Directors and Consultants Stock Incentive Program.

**2.9 "Covered Employee"** means a Participant who is one of the group of "covered employees," as defined in the regulations promulgated under Code Section 162(m), or any successor statute.

**2.10 "Disability"** shall have the meaning ascribed to such term in the Participant's governing long-term disability plan, or if no such plan exists, at the discretion of the Board.

**2.11 "Effective Date"** shall have the meaning ascribed to such term in Section 1.1 hereof.

**2.12 "Employee"** means any employee of the Company or of a Subsidiary of the Company. Directors who are employed by the Company shall be considered Employees under this Program.

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**2.13 "Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**2.14 "Fair Market Value"** means, at any date, the closing sale price on the principal securities exchange on which the Shares are traded on the last previous day on which a sale was reported.

**2.15 "Incentive Stock Option" or "ISO"** means an option to purchase Shares granted under Article 6 herein and which is designated as an Incentive Stock Option and which is intended to meet the requirements of Code Section 422.

**2.16 "Insider"** shall mean an individual who is, on the relevant date, an officer, director, or beneficial owner of more than ten percent (10%) of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

**2.17 "Nonqualified Stock Option" or "NQSO"** means an option to purchase Shares granted under Article 6 herein and which is not intended to meet the requirements of Code Section 422.

**2.18 "Option"** means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 herein.

**2.19 "Option Price"** means the price at which a Share may be purchased by a Participant pursuant to an Option.

**2.20 "Participant"** means an Employee or Contractor who has been selected to receive an Award or who has outstanding an Award granted under the Program.

**2.21 "Performance-Based Exception"** means the performance-based exception from the tax deductibility limitations of Code Section 162(m) applicable to compensation payable to Covered Employees.

**2.22 "Period of Restriction"** means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 7 herein.

**2.23 "Restricted Stock"** means an Award granted to a Participant pursuant to Article 7 herein.

**2.24 "Restricted Stock Units"** means an Award granted to a Participant pursuant to Article 8 herein.

**2.25 "Retirement"** means, unless otherwise defined in the applicable Award Agreement, any termination of an Employee's employment or a Contractor's service after age fifty-five (55) other than due to death, Disability or, with respect to Awards made after May 8, 2002, Cause, provided that such Employee or Contractor has at least a combined ten (10) years of service with the Company and Baxter International Inc. A Participant's number of years of service with the Company and Baxter International Inc. shall be determined by calculating the number of complete twelve-month (12) periods of employment from the Participant's original date of hire as an Employee or Contractor with the Company or Baxter International Inc. to the Participant's date of employment or service termination. Employment or service with Baxter International Inc. shall be included for purposes of determining qualification for Retirement only to the extent that such employment or service immediately, and without any break, precedes employment or service with the Company. For purposes of this definition, unless defined otherwise in the applicable Award Agreement, "Cause" means: (a) a Participant's willful and continued failure to substantially perform his duties with the Company or a Subsidiary (other than any such failure resulting from Disability); (b) a Participant's willfully engaging in conduct that is demonstrably and materially injurious to the Company or a Subsidiary, monetarily or otherwise; or (c) a Participant's having been convicted of a felony. For the purpose of determining "Cause," no act, or failure to act, on a Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the action or omission was in the best interests of the Company or a Subsidiary.

**2.26 "Shares"** means the shares of common stock of the Company.

**2.27 "Subsidiary"** means any business, whether or not incorporated, in which the Company beneficially owns, directly or indirectly through another entity or entities, securities or interests representing more than fifty percent (50%) of the combined voting power of the voting securities or voting interests of such business.

### **Article 3. Administration**

**3.1 General.** The Program shall be administered by the Compensation and Governance Committee of the Board, or by any other Committee appointed by the Board, which shall consist of two (2) or more nonemployee directors within the meaning of the rules promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act who also qualify as outside directors within the meaning of Code Section 162(m) and the related regulations under the Code, except as otherwise determined by the Board. Any Committee administering the Program shall be comprised entirely of directors. The members of the Committee shall be appointed from time to time by, and shall serve at the sole discretion of, the Board.

The Committee shall have the authority to delegate administrative duties to officers, Employees, or directors of the Company; provided, however, that the Committee shall not be able to delegate its authority with respect to: (i) granting Awards to Insiders; (ii) granting Awards that are intended to qualify for the Performance-Based Exception; and (iii) certifying that any performance goals and other material terms attributable to Awards that are intended to qualify for the Performance-Based Exception have been satisfied.

**3.2 Authority of the Committee.** Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions of the Program, the Committee shall have the authority to: (a) interpret the provisions of the Program, and prescribe, amend, and rescind rules and procedures relating to the Program; (b) grant Awards under the Program, in such forms and amounts and subject to such terms and conditions as it deems appropriate, including, without limitation, Awards which are made in combination with or in tandem with other Awards (whether or not contemporaneously granted) or compensation or in lieu of current or deferred compensation; (c) subject to Article 14, modify the terms of, cancel and reissue, or repurchase outstanding Awards; (d) prescribe the form of agreement, certificate, or other instrument evidencing any Award under the Program; (e) correct any defect or omission and reconcile any inconsistency in the Program or in any Award hereunder; (f) to design Awards to satisfy requirements to make such Awards tax-advantaged to Participants in any jurisdiction or for any other reason that the Company desires; and (g) make all other determinations and take all other actions as it deems necessary or desirable for the administration of the Program; provided, however, that no outstanding Option will be amended to lower the exercise price or will be canceled for the purpose of reissuing such Option to a Participant at a lower exercise price (other than, in both cases, pursuant to Section 5.4) without the approval of the Company's stockholders. The determination of the Committee on matters within its authority shall be conclusive and binding on the Company and all other persons. The Committee shall comply with all applicable laws in administering the Plan. As permitted by law (and subject to Section 3.1 herein), the Committee may delegate its authority as identified herein.

**3.3 Decisions Binding.** All determinations and decisions made by the Committee pursuant to the provisions of the Program and all related orders and resolutions of the Board shall be final, conclusive, and binding on all persons, including the Company, its stockholders, directors, Employees, Contractors, Participants, and their estates and beneficiaries.

### **Article 4. Eligibility and Participation**

**4.1 Eligibility.** Persons eligible to participate in this Program shall include all Employees and Contractors. Directors who are not Employees of the Company shall not be eligible to participate in the Program.

**4.2 Actual Participation.** Subject to the provisions of the Program, the Committee may, from time to time, select from all eligible Employees and Contractors those to whom Awards shall be granted and shall determine the nature and amount of each Award.

## Article 5. Shares Subject to the Program and Maximum Awards

**5.1 Number of Shares Available for Grants.** Subject to adjustment as provided in Section 5.4 herein, the number of Shares hereby reserved for delivery to Participants under the Program shall be nineteen million seven hundred thousand (19,700,000) Shares. No more than one million two hundred thousand (1,200,000) Shares reserved for issuance under the Program may be granted in the form of Shares of Restricted Stock or Restricted Stock Units. The Committee shall determine the appropriate methodology for calculating the number of Shares issued pursuant to the Program. The following rules shall apply to grants of such Awards under the Program:

- (a) **Options:** The maximum aggregate number of Shares that may be granted in the form of Options in any one (1) fiscal year to any one (1) Participant shall be one million (1,000,000).
- (b) **Restricted Stock and Restricted Stock Units:** The maximum aggregate number of Shares that may be granted in the form of Restricted Stock and Restricted Stock Units in any one (1) fiscal year to any one (1) Participant shall be two hundred thousand (200,000).

**5.2 Type of Shares.** Shares issued under the Program in connection with Stock Options or Restricted Stock Units may be authorized and unissued Shares or issued Shares held as treasury Shares. Shares issued under the Program in connection with Restricted Stock shall be issued Shares held as treasury Shares; provided, however, that authorized and unissued Shares may be issued in connection with Restricted Stock to the extent that the Committee determines that past services of the Participant constitute adequate consideration for at least the par value thereof.

### 5.3 Reuse of Shares.

- (a) **General.** In the event of the expiration or termination (by reason of forfeiture, expiration, cancellation, surrender, or otherwise) of any Award under the Program, that number of Shares that was subject to the Award but not delivered shall again be available as Awards under the Program.
- (b) **Restricted Stock.** In the event that Shares are delivered under the Program as Restricted Stock and are thereafter forfeited or reacquired by the Company pursuant to rights reserved upon the grant thereof, such forfeited or reacquired Shares shall again be available as Awards under the Program.
- (c) **Limitation.** Notwithstanding the provisions of Sections 5.3(a) or 5.3(b) above, the following Shares shall not be available for reissuance under the Program: (i) Shares which are withheld from any Award or payment under the Program to satisfy tax withholding obligations; (ii) Shares which are surrendered to fulfill tax obligations incurred under the Program; and (iii) Shares which are surrendered in payment of the Option Price upon the exercise of an Option.

**5.4 Adjustments in Authorized Shares.** In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which may be delivered under Section 5.1, in the number and class of and/or price of Shares subject to outstanding Awards granted under the Program, and in the Award limits set forth in Section 5.1, as shall be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number. In a stock-for-stock acquisition of the Company, the Committee may, in its sole discretion, substitute securities of another issuer for any Shares subject to outstanding Awards.

## Article 6. Stock Options

**6.1 Grant of Options.** Subject to the terms and provisions of the Program, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. If all or any portion of the exercise price or taxes incurred in connection with the exercise are paid by delivery (or, in the case of payment of taxes, by withholding of Shares) of other Shares of the Company, the Options may provide for the grant of replacement Options.

**6.2 Award Agreement.** Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO.

**6.3 Option Price.** The Option Price for each grant of an Option under this Program shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

**6.4 Duration of Options.** Each Option granted to a Participant on or after February 16, 2006 shall expire at such time, not later than the seventh (7th) anniversary date of its grant, as the Committee shall determine.

**6.5 Exercise of Options.** Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant; provided, however, that each option shall become exercisable over a minimum period of three (3) years measured from the date of grant of the option.

**6.6 Payment.** Options granted under this Article 6 shall be exercised by the delivery of a written notice (or such other form of notice as the Company may specify) of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares (or a satisfactory "cashless exercise" notice).

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) by tendering previously acquired Shares (by either actual delivery or attestation) having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months, or such shorter or longer period, if any, as is necessary to avoid variable accounting treatment); (c) by a cashless exercise, as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions and such procedures and limitations as the Company may specify from time to time, (d) by any other means which the Committee determines to be consistent with the Program's purpose and applicable law, or (e) by a combination of two or more of (a) through (d).

Subject to any governing rules or regulations, including cashless exercise procedures, as soon as practicable after receipt of a notification of exercise and full payment (or a satisfactory "cashless exercise" notice), the Company shall cause to be issued and delivered to the Participant, in certificate form or otherwise, evidence of the Shares purchased under the Option(s).

**6.7 Restrictions on Share Transferability.** The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

**6.8 Termination of Employment or Service.** Each Participant's Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company or service to the Company as a Contractor. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement

entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination.

**6.9 Nontransferability of Options.**

(a)

**Incentive Stock Options.** No ISO granted under the Program may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Program shall be exercisable during his or her lifetime only by such Participant.

(b)

**Nonqualified Stock Options.** Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

**6.10 Substitution of Cash.** Unless otherwise provided in a Participant's Award Agreement, and notwithstanding any provision in the Program to the contrary (including but not limited to Section 14.2), in the event of a Change in Control in which the Company's stockholders holding Shares receive consideration other than shares of common stock that are registered under Section 12 of the Exchange Act, the Committee shall have the authority to require that any outstanding Option be surrendered to the Company by a Participant for cancellation by the Company, with the Participant receiving in exchange a cash payment from the Company within ten (10) days of the Change in Control. Such cash payment shall be equal to the number of Shares under Option, multiplied by the excess, if any, of the greater of (i) the highest per Share price offered to stockholders in any transaction whereby the Change in Control takes place, or (ii) the Fair Market Value of a Share on the date the Change in Control occurs, over the Option Price.

**Article 7. Restricted Stock**

**7.1 Grant of Restricted Stock.** Subject to the terms and provisions of the Program, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

**7.2 Restricted Stock Agreement.** Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine. The Period of Restriction shall be a minimum of three (3) years measured from the grant date of the Restricted Stock.

**7.3 Restriction on Transferability.** Except as provided in this Article 7, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to a Participant under the Program shall be available during his or her lifetime only to such Participant.

**7.4 Other Restrictions.** Subject to Article 9 herein, the Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Program as it may deem advisable including, without limitation, any or all of the following:

(a)

A required period of employment or service as a Contractor with the Company, as determined by the Committee, prior to the vesting of Shares of Restricted Stock.



- (b) A requirement that Participants forfeit (or in the case of Shares sold to a Participant, resell to the Company at his or her cost) all or a part of Shares of Restricted Stock in the event of termination of his or her employment or service as a Contractor during the Period of Restriction.
- (c) A prohibition against employment of Participants holding Shares of Restricted Stock by any competitor of the Company, against such Participants' dissemination of any secret or confidential information belonging to the Company, or the solicitation by Participants of the Company's employees for employment by another entity.

Shares of Restricted Stock awarded pursuant to the Program shall be registered in the name of the Participant and, if such Shares are certificated, in the sole discretion of the Committee, may be deposited in a bank designated by the Committee or with the Company. The Committee may require a stock power endorsed in blank with respect to Shares of Restricted Stock whether or not certificated.

Except as otherwise provided in this Article 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Program shall become freely transferable (subject to any restrictions under any applicable securities law) by the Participant after the last day of the applicable Period of Restriction.

**7.5 Voting Rights.** Unless the Committee determines otherwise, Participants holding Shares of Restricted Stock issued hereunder shall be entitled to exercise full voting rights with respect to those Shares during the Period of Restriction.

**7.6 Dividends and Other Distributions.** Unless the Committee determines otherwise, during the Period of Restriction, Participants holding Shares of Restricted Stock issued hereunder shall be entitled to regular cash dividends paid with respect to such Shares. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Shares of Restricted Stock is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Shares of Restricted Stock, such that the dividends and/or the Shares of Restricted Stock maintain eligibility for the Performance-Based Exception.

**7.7 Termination of Employment or Service.** Each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to vest in previously unvested Shares of Restricted Stock following termination of the Participant's employment with the Company or service to the Company as a Contractor. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock issued pursuant to the Program, and may reflect distinctions based on the reasons for termination.

## Article 8. Restricted Stock Units

**8.1. Restricted Stock Units Awards.** Subject to the terms and conditions of the Program, the Committee, at any time and from time to time, may issue Restricted Stock Units which entitle the Participant to receive the Shares underlying those units following the lapse of specified restrictions (whether based on the achievement of designated performance goals or the satisfaction of specified services or upon the expiration of a designated time period following the vesting of the units).

**8.2. Restricted Stock Units Award Agreement.** Each Restricted Stock Units award shall be evidenced by a Restricted Stock Units Award Agreement that shall specify the vesting restrictions, the number of Shares subject to the Restricted Stock Units award, and such other provisions as the Committee shall determine. Restricted Stock Units shall vest over a minimum period of three (3) years measured from the grant date of the award.

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**8.3. Restrictions.** The Committee shall impose such other conditions and/or restrictions on the issuance of any Shares under the Restricted Stock Units granted pursuant to the Program as it may deem advisable including, without limitation, any or all of the following:

- (a) A required period of service with the Company, as determined by the Committee, prior to the issuance of Shares under the Restricted Stock Units award.
- (b) A requirement that the Restricted Stock Units award be forfeited in whole or in part in the event of termination of the Participant's employment or service as a Contractor during the vesting period.
- (c) A prohibition against employment of Participants holding Restricted Stock Units by any competitor of the Company, against such Participants' dissemination of any secret or confidential information belonging to the Company, or the solicitation by Participants of the Company's employees for employment by another entity.

Except as otherwise provided in this Article 8, Shares subject to Restricted Stock Units under the Program shall be freely transferable (subject to any restrictions under applicable securities law) by the Participant after receipt of such shares.

**8.4. Stockholder Rights.** Participants holding Restricted Stock Units issued hereunder shall not have any rights with respect to Shares subject to the award until the award vests and the Shares are issued hereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom Shares, on outstanding Restricted Stock Units awards, subject to such terms and conditions as the Committee may deem appropriate.

**8.5. Termination of Employment or Service.** Each Restricted Stock Units Award Agreement shall set forth the extent to which the Participant shall have the right to vest in previously unvested Shares subject to the Restricted Stock Units award following termination of the Participant's employment with the Company or service to the Company as a Contractor. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Restricted Stock Unit awards issued pursuant to the Program, and may reflect distinctions based on the reasons for termination.

### Article 9. Performance Measures

Unless and until the Board proposes for stockholder vote and stockholders approve a change in the general performance measures set forth in this Article 9, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees which are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such grants shall be chosen from among:

- (i) return measures (including, but not limited to, return on assets, capital, investment, equity or sales);
- (ii) earnings per share;
- (iii) net income (before or after taxes) or operating income;
- (iv) earnings before interest, taxes, depreciation and amortization or operating income before depreciation and amortization;
- (v) sales or revenue targets;
- (vi) market to book value ratio;
- (vii) cash flow or free cash flow (cash flow from operations less capital expenditures);
- (viii)

market share;

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- (ix) cost reduction goals;
- (x) budget comparisons;
- (xi) implementation, completion or progress of projects, processes, products or product-lines strategic or critical to the Company's business operations;
- (xii) measures of customer satisfaction;
- (xiii) share price (including, but not limited to, growth measures and total shareholder return);
- (xiv) working capital;
- (xv) economic value added;
- (xvi) percentage of sales generated by new products;
- (xvii) progress of research and development projects or milestones;
- (xviii) growth in sales of products or product-lines;
- (ix) any combination of, or a specified increase in, any of the foregoing; and
- (x) the formation of joint ventures, research and development collaborations, marketing or customer service collaborations, or the completion of other corporate transactions intended to enhance the Company's revenue or profitability or expand the Company's customer base.

Subject to the terms of the Program, each of these measures shall be defined by the Committee on a corporation, subsidiary, group or division basis or in comparison with peer group performance, and may include or exclude specified extraordinary items, as determined by the Company's auditors.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals or the size of Awards; provided, however, that Awards which are designed to qualify for the Performance-Based Exception, and which are held by a Covered Employee, may not be adjusted upward in terms of either the degree of goal attainment or size (but the Committee shall retain the discretion to adjust the degree of goal attainment or the size of the Awards downward).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

### **Article 10. Beneficiary Designation**

Each Participant under the Program may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Program is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

**Article 11. Deferrals**

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units. If any

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such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals which shall be consistent with the requirements of Code Section 409A and the Treasury regulations and rulings promulgated thereunder.

#### **Article 12. Rights of Employees and Contractors**

**12.1 Employment.** Nothing in the Program or any Award Agreement shall interfere with or limit in any way the right of the Company to terminate at any time any Participant's employment or service to the Company as a Contractor, nor confer upon any Participant any right to continue in the employment of the Company or to provide services to the Company as a Contractor.

**12.2 Participation.** No Employee or Contractor shall have the right to be selected to receive an Award under this Program, or, having been so selected, to be selected to receive a future Award.

#### **Article 13. Change in Control**

Except as may otherwise be provided in a Participant's Award Agreement, upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws or by the rules and regulations of any governing governmental agencies or national securities exchanges:

- (a) Any and all Options granted hereunder shall become immediately exercisable, and, if granted before May 8, 2002, shall remain exercisable throughout their entire term;
- (b) Any restriction periods and restrictions imposed on Shares of Restricted Stock and Restricted Stock Units that are not performance-based shall lapse;
- (c) The vesting of all performance-based Awards denominated in Shares such as performance-based Restricted Stock and Restricted Stock Units shall be accelerated as of the effective date of the Change in Control, and there shall be paid out to Participants within thirty (30) days following the effective date of the Change in Control a pro rata number of Shares based upon an assumed achievement of all relevant targeted performance goals and upon the length of time within the Performance Period(s) which has elapsed prior to the Change in Control; provided, however, that if an Option or Share of Restricted Stock or Restricted Stock Unit granted after May 8, 2002 becomes exercisable or vests only after either (i) a minimum fixed period of employment or service (the duration of which is determined by the Committee at the time of the grant of the Award) or (ii) the earlier achievement of a performance-related goal, its exercisability or vesting shall not automatically accelerate in full in accordance with Article 13 (a) or (b) above, but may accelerate if and to the extent provided in the applicable Award Agreement.

#### **Article 14. Amendment, Modification, and Termination**

**14.1 Amendment, Modification, and Termination.** Subject to the terms of the Program, including Section 14.2, the Board may at any time and from time to time, alter, amend, suspend or terminate the Program in whole or in part. However, stockholder approval shall be required for any amendment of the Program that (a) materially increases the number of Shares available for issuance under the Program (other than pursuant to Article 5.4), (b) expands the type of awards available under the Program, (c) materially expands the class of participants eligible to receive Awards under the Program, (d) materially extends the term of the Program, (e) materially changes the method of determining the Option Price under the Program or (f) deletes or limits any provision of the Program prohibiting the repricing of Options. The Committee may amend Awards previously granted under the Program.

**14.2 Awards Previously Granted.** Notwithstanding any provision of the Program or of any Award Agreement to the contrary (but subject to Section 6.10 hereof), no termination, amendment, or modification of the Program or amendment of an Award previously granted under the Program shall adversely affect in



any material way any Award previously granted under the Program, without the express consent of the Participant holding such Award.

#### **Article 15. Compliance with Applicable Law and Withholding**

**15.1 General.** The granting of Awards and the issuance of Shares under the Program shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding anything to the contrary in the Program or any Award Agreement, the following shall apply:

- (a) The Company shall have no obligation to issue any Shares under the Program if such issuance would violate any applicable law or any applicable regulation or requirement of any securities exchange or similar entity.
- (b) Prior to the issuance of any Shares under the Program, the Company may require a written statement that the recipient is acquiring the Shares for investment and not for the purpose or with the intention of distributing the Shares and that the recipient will not dispose of them in violation of the registration requirements of the Securities Act of 1933.
- (c) With respect to any person who is subject to Section 16(a) of the Exchange Act, the Committee may, at any time, add such conditions and limitations to any incentive or payment under the Program or implement procedures for the administration of the Program which it deems necessary or desirable to comply with the requirements of Rule 16b-3 of the Exchange Act.
- (d) If, at any time, the Company, determines that the listing, registration, or qualification (or any updating of any such document) of any Award, or the Shares issuable pursuant thereto, is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, any Award, the issuance of Shares pursuant to any Award, or the removal of any restrictions imposed on Shares subject to an Award, such Award shall not be granted and the Shares shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

**15.2 Securities Law Compliance.** With respect to Insiders, transactions under this Program are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of the Program or action by the Committee or the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

**15.3 Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Program.

**15.4 Share Withholding.** Awards payable in Shares may provide that with respect to withholding required upon any taxable event arising thereunder, Participants may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares to satisfy their withholding tax obligations; provided that Participants may only elect to have Shares withheld having a Fair Market Value on the date the tax is to be determined equal to or less than the minimum withholding tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations, including prior Committee approval, that the Committee, in its sole discretion, deems appropriate.



**Article 16. Indemnification**

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Program and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

**Article 17. Successors**

All obligations of the Company under the Program with respect to Awards granted hereunder shall, to the extent legally permissible, be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**Article 18. Legal Construction**

**18.1 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

**18.2 Severability.** In the event any provision of the Program shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Program, and the Program shall be construed and enforced as if the illegal or invalid provision had not been included.

**18.3 Governing Law.** To the extent not preempted by federal law, the Program, and all Award or other agreements hereunder, shall be construed in accordance with and governed by the laws of the state of Delaware without giving effect to principles of conflicts of laws.

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**Edwards Lifesciences Corporation  
Annual Meeting of Stockholders  
Thursday, May 8, 2008 at 10:00 a.m. PDT**

**One Edwards Way  
Irvine, California 92614  
(949) 250-2500  
www.edwards.com**

**Telephone vote at 1-800-652-8683  
Internet vote at WWW.INVESTORVOTE.COM**

**ONLINE ANNUAL MEETING MATERIALS ([www.econsent.com/ew](http://www.econsent.com/ew))**

Although you received these materials by regular mail this year, you can still vote your shares conveniently on-line or by telephone. Please see the instructions on the reverse side. Additionally, you may choose to receive future Annual Meeting materials (annual report, notice of annual meeting, proxy statement and proxy card) on-line. By choosing to become one of Edwards Lifesciences Corporation's future electronic recipients, you help support Edwards Lifesciences Corporation in its efforts to control printing and postage costs.

If you choose the option of electronic delivery and voting on-line, you will receive an email before all future annual and/or special meetings of stockholders, notifying you of the website containing the Proxy Statement and other materials to be carefully reviewed before casting your vote.

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

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**Proxy Edwards Lifesciences Corporation**

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**Proxy for Annual Meeting on May 8, 2008**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Mike R. Bowlin, Barbara J. McNeil, M.D., Ph.D., and Michael A. Mussallem proxies, each with the power to appoint his/her substitute and with authority in each to act in the absence of the others, to represent and to vote all shares of stock of Edwards Lifesciences Corporation which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Edwards Lifesciences Corporation to be held at the corporate headquarters of Edwards Lifesciences Corporation, One Edwards Way, Irvine, California 92614, on Thursday, May 8, 2008, at 10:00 a.m., Pacific Daylight Time, and any adjournments thereof, on the proposals described in the Proxy Statement and all other matters properly coming before the meeting in accordance with the instructions on the reverse side. This proxy revokes all proxies previously given by the undersigned to vote at such meeting and any adjournments thereof.

This proxy will also serve to instruct the trustees of Edwards Lifesciences Corporation 401(k) Saving and Investment Plan and the Edwards Lifesciences Corporation of Puerto Rico Savings and Investment Plan to vote in accordance with the instructions on the reverse side all shares held for the undersigned in such plans. For shares in your Savings and Investment Plan account, voting instructions submitted over the internet, by telephone or by mail must be received by the Trustees by 11:59 p.m., Eastern Daylight Time, on Wednesday, May 7, 2008. The Trustee will vote allocated shares for which it receives no written instructions in the same proportion as the allocated shares for which voting instructions have been received.

**IMPORTANT This Proxy Must Be Signed And Dated On the Reverse Side If Voting By Mail.**

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Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. ý

**Electronic Voting Instructions**

**You can vote by Internet or telephone!**  
**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Eastern Time, on May 8, 2008.**

**Vote by Internet**

Log on to the Internet and go to [www.investorvote.com](http://www.investorvote.com)  
 Follow the steps outlined on the secured website.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.  
 Follow the instructions provided by the recorded message.

**Annual Meeting Proxy Card**

123456 C0123456789 12345

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

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**Proposals The Board of Directors recommends a vote FOR all three nominees for election as directors and FOR Proposals 2 and 3.**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>		<b>For</b>	<b>Against</b>	<b>Abstain</b>		<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>+</b>
1. Election of Directors:												
01 -John T. Cardis	o	o	o	02 - Philip M. Neal	o	o	o	03 - David E.I. Pyott	o	o	o	
					<b>For</b>	<b>Against</b>	<b>Abstain</b>					
2. Approval of the amendment and restatement of the Long-Term Stock Incentive Compensation Program.					o	o	o					
					<b>For</b>	<b>Against</b>	<b>Abstain</b>					
3. Ratification of appointment of the independent registered public accounting firm.					o	o	o					

**B**

**Non-Voting Items**

**Change of Address** Please print new address below.

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**C**

**Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below**

Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. Only authorized officers should sign for corporations. PLEASE SIGN AND DATE HERE AND RETURN PROMPTLY ONLY IF YOU ARE VOTING BY MAIL.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

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