

BALL CORP  
Form 11-K  
June 24, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Annual Report Pursuant to Section 15(d) of the  
Securities Exchange Act of 1934

FORM 11-K

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

For the fiscal year ended December 31, 2009

OR

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

Commission file number 001-07349

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

BALL CORPORATION  
SALARY CONVERSION AND EMPLOYEE STOCK OWNERSHIP PLAN

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

BALL CORPORATION  
10 LONGS PEAK DRIVE  
BROOMFIELD, COLORADO 80021-2510

BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

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Note: Certain supplemental schedules have been omitted because they are not applicable.

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BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the  
Ball Corporation Salary Conversion and  
Employee Stock Ownership Plan  
Broomfield, Colorado

We have audited the accompanying statements of net assets available for benefits of the Ball Corporation Salary Conversion and Employee Stock Ownership Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Ball Corporation Salary Conversion and Employee Stock Ownership Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with United States generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Clifton Gunderson LLP  
Clifton Gunderson LLP  
Denver, Colorado  
June 24, 2010



BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2009	2008
<b>Assets</b>		
Investments, at fair value (Note 3):		
Mutual funds	\$785,493,492	\$625,884,353
Ball Corporation common stock	291,626,465	238,808,324
Investment contracts	135,119,387	132,043,351
Participant loans	22,235,606	21,314,785
Total investments	1,234,474,950	1,018,050,813
Contributions receivable:		
Participant	1,458,765	-
Employer	1,198,326	8,784,265
Net assets available for benefits at fair value	1,237,132,041	1,026,835,078
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(3,528,257 )	1,066,674
Net assets available for benefits	\$1,233,603,784	\$1,027,901,752

See accompanying notes to the financial statements.



BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Statements of Changes in Net Assets Available for Benefits

	For the year ended December 31,	
	2009	2008
<b>Additions to (Deductions from) Net Assets:</b>		
<b>Contributions:</b>		
Participant	\$53,737,472	\$55,828,995
Employer, net of forfeitures	22,695,451	31,045,005
Rollovers and Other Additions	9,213,455	2,717,982
<b>Total contributions</b>	<b>85,646,378</b>	<b>89,591,982</b>
<b>Investment income/(loss):</b>		
Dividends and interest	22,395,096	32,007,230
Interest on participant loans	1,419,418	1,718,918
Net appreciation/(depreciation) in fair value of investments	177,866,740	(274,449,108 )
<b>Total investment income/(loss)</b>	<b>201,681,254</b>	<b>(240,722,960 )</b>
Distributions to participants	(81,530,222 )	(91,651,861 )
Administrative expenses and other	(95,378 )	(74,609 )
<b>Increase/(Decrease) in net assets</b>	<b>205,702,032</b>	<b>(242,857,448 )</b>
<b>Net assets available for benefits:</b>		
Beginning of year	1,027,901,752	1,270,759,200
End of year	\$ 1,233,603,784	\$ 1,027,901,752

See accompanying notes to the financial statements.

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BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements

Note 1—Description of the Plan

The Ball Corporation Salary Conversion and Employee Stock Ownership Plan (the “Plan”) is a defined contribution plan established on September 1, 1983. The Plan was amended and restated on July 1, 1989, under the rules of Internal Revenue Code of 1986, as amended (“IRC”), Section 401(k), to add an employee stock ownership (the “ESOP”) feature which was qualified under IRC Sections 401(a) and 4975(e)(7). There is no active ESOP feature currently in the Plan. Participants should refer to the Summary Plan Description for more complete information. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

Participation

Essentially all U.S. salaried and U.S. hourly employees of Ball Corporation and participating subsidiaries (the “Company”) are eligible to participate in the Plan. Eligibility to participate in the Plan begins with the first day of employment. An eligible employee hired on or after January 1, 2005, who does not make an election about his or her participation in the Plan, is automatically enrolled 30 days after his or her hire date.

Employee Contributions

The Plan allows eligible participants to contribute a portion of their salaries or wages to the Plan on a before-tax basis within limits defined by the Plan. Such limits vary among certain employee classifications. In all cases, the maximum contribution for a participant may not exceed the annual maximum limits established under IRC Section 402(g). All income earned from invested contributions accumulates tax deferred until withdrawal.

The Plan provides for the automatic enrollment of a 3 percent pretax deferral of eligible pay for newly hired employees, unless the employee affirmatively elects to make no pretax contributions or elects to make pretax contributions of a different amount.

Effective January 1, 2007, the Plan was amended to provide an automatic one-step increase whereby the automatic deferral percentage of 3 percent for an employee automatically enrolled in the Plan on or after January 1, 2007, is automatically increased 1 percent each year, beginning in the calendar year following the calendar year of automatic enrollment until the deferral percentage equals 6 percent. Employees may opt-out of the automatic increases at any time.

Participants may change the level of their contribution or suspend contributions entirely at any time. The Plan also permits rollovers, which represent funds that participants transfer into the Plan from previous eligible Plans.

Company Matching Contributions

The Company generally makes a matching contribution each pay period that is based on the percentage of eligible pay that the participant contributes. The Company matching contribution differs depending on the employee group in

which the participant belongs. The maximum

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BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

percentage of eligible pay which the Company will match is 6 percent. The Plan includes matching provisions in accordance with the provisions of the applicable union contracts.

For certain employee groups, Company matching contributions are invested automatically in units of the Ball Corporation Common Stock Fund. The Ball Corporation Common Stock Fund included \$856,593 and \$995,702 in the Vanguard Prime Money Market Fund as of December 31, 2009, and 2008, respectively. These amounts are included in the mutual funds line in the Statements of Net Assets Available for Benefits. For remaining employee groups, Company matching contributions are invested according to participant elections. Participants whose Company matching contributions are automatically invested in the Ball Corporation Common Stock Fund may immediately diversify this investment.

Employees in the Company's aerospace division who are not participants in the Ball Corporation Economic Value Added Incentive Compensation Plan may receive an additional match under the Plan. This provision allows up to a maximum of 4 percent of the employee's pay if the Economic Value Added performance factor of Ball Aerospace & Technologies Corp. ("BATC") achieved is between 1.0 percent and 2.0 percent (inclusive) in accordance with conditions of the BATC Performance Sharing Match Program. The additional match is invested in accordance with participant elections. An additional match in the amount of \$8,288,978 was made for 2008, and was funded in 2009. There was no additional match required to be made for 2009. In addition, other receivables in the amounts of \$ 2,657,091 and \$495,287 were recorded for 2009 and 2008, respectively.

The Company makes additional contributions for some employee groups. Generally, this contribution is made each pay period and is based on the eligible hours worked by the employee during the pay period. Additional contributions are invested in accordance with participant elections.

#### Vesting

Participants are always fully vested in their own contributions and related earnings. With the exception of certain employee groups, participants are also always fully vested in Company matching contributions and any additional Company contributions, including related earnings. Certain employee groups vest ratably in Company contributions over a maximum of 6 years. Participants should refer to the summary Plan documents for further information. As of and for the years ended December 31, 2009 and 2008, there was no significant forfeiture activity.

#### Distribution of Benefits

Distributions to employees are normally made upon termination of employment and upon submission of a request. A request for distribution may be directed to the recordkeeper via written request, voice response system, internet site, or directly with the recordkeeper in accordance with Plan provisions.

At any time, a participant with an approved immediate and critical financial need may request a hardship withdrawal in an amount no greater than is necessary to satisfy such financial hardship.

BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

Participant Loans

Loans are interest bearing at 1 percent above the published prime rate and are limited to the lesser of \$50,000, reduced by the highest outstanding loan balance in the prior 12-month period, or 50 percent of a participant's eligible account balance. Participant loans at December 31, 2009, had interest rates ranging from 4 percent to 9.5 percent and maturity dates ranging from 2010 to 2036.

Participant Accounts

Each participant's account is credited with the participant's contribution; the Company's matching contribution and discretionary contribution, if applicable, and an allocation of Plan earnings and losses. Plan earnings and losses are allocated to individuals' accounts based on each participant's account balance in their respective investment options selected.

Voting Rights

Each participant receives voting rights on his/her shares of Ball Corporation common stock.

Company Stock Dividends

Participants have the option to either reinvest dividends paid on the Ball Corporation common stock or to receive the dividends in cash.

Note 2—Summary of Significant Accounting Policies

Basis of Accounting

The Plan financial statements are prepared on the accrual basis of accounting.

Valuation of Investments

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

The accounting guidance prescribes that investment contracts held by a defined contribution Plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under

the terms of the Plan. As required by the accounting guidance, the statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

#### Income Recognition

The net appreciation (depreciation) in the fair value of investments (net realized and unrealized gains and losses) is reflected in the accompanying statements of changes in net assets

BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

available for benefits. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment transactions are recorded on the date of purchase or sale (trade date).

Distributions

Distributions to participants are recorded when paid.

Expenses of the Plan

Certain costs and expenses incurred in establishing, amending and administering the Plan, including the fees and expenses of the trustees, are paid by the Company. The Plan pays for certain loan transaction fees that are charged to the related participants' accounts.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Plan's management to use estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

New Accounting Pronouncements

The Company adopted the Financial Accounting Standards Board ("FASB") guidance related to the FASB Accounting Standards Codification ("ASC") and the Hierarchy of Generally Accepted Accounting Principles ("GAAP"). This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are prepared in conformity with GAAP in the United States of America. This statement replaces prior guidance related to the hierarchy of GAAP and establishes the FASB ASC as the source of authoritative accounting principles by the FASB. Rules and interpretative releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for all SEC registrants. The adoption of this guidance did not have any impact on the Plan's financial statements.

For the year ending December 31, 2009, the Plan adopted the FASB's update to general standards on accounting for disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Adoption of this guidance had no impact on the Plan's financial statements. See Note 11, Subsequent Events, for further discussion of subsequent events.

Note 3—Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.



BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

Level 2—Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

Level 3—Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Ball Common Stock: Valued at the closing price reported on the active market on which the individual security is traded.

Participant loans: Valued at cost, which approximates fair value.

Investment contracts: The fair value of the investment contracts is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. The individual assets of the synthetic investment contracts are valued at the fair value of the underlying assets. The fair value of the wrapper contract for the synthetic investment contracts is determined using the market approach discounting methodology, which incorporates the difference between current market level rates for contract level wrapper fees and the wrapper fee being charged. The difference is calculated as a dollar value as discounted by the prevailing interpolated swap rate as of period end. The Plan's interests in common collective trusts are included in the Investment Contract Fund. The fair value is based on the fair value of the common collective trust's underlying investments as based on information reported by the investment advisor using the audited financial statements of the common collective trust at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The levels assigned to the Plan's investments as of December 31, 2009 and 2008, are summarized in the table below:



BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

## Notes to Financial Statements (cont.)

	Assets at Fair Value as of December 31, 2009		
	Level 1	Level 2	Total
<b>Mutual Funds:</b>			
Index funds	\$231,447,905		\$231,447,905
Balanced funds	146,468,265		146,468,265
Money Market	103,260,070		103,260,070
Growth funds	120,431,555		120,431,555
Value funds	73,458,518		73,458,518
Other funds	110,427,179		110,427,179
Total Mutual Funds	785,493,492		785,493,492
Ball Common Stock	\$291,626,465	\$-	\$291,626,465
<b>Investment Contracts:</b>			
Synthetic contracts		\$133,872,320	\$133,872,320
Traditional contracts		1,247,067	1,247,067
Total Investments contracts	\$-	\$135,119,387	\$135,119,387
Participant Loans		22,235,606	22,235,606
Total assets at fair value	\$1,077,119,957	\$157,354,993	\$1,234,474,950

	Assets at Fair Value as of December 31, 2008		
	Level 1	Level 2	Total
<b>Mutual Funds:</b>			
Index funds	\$179,336,852		\$179,336,852
Balanced funds	117,438,664		117,438,664
Money Market	107,958,183		107,958,183
Growth funds	78,814,990		78,814,990
Value funds	61,235,386		61,235,386
Other funds	81,100,278		81,100,278
Total Mutual Funds	625,884,353	\$-	625,884,353
Ball Common Stock	\$238,808,324		\$238,808,324
<b>Investment Contracts:</b>			
Synthetic contracts		\$127,176,792	\$127,176,792
Traditional contracts		4,866,559	4,866,559
Total Investments contracts	\$-	\$132,043,351	\$132,043,351
Participant Loans		21,314,785	21,314,785
Total assets at fair value	\$864,692,677	\$153,358,136	\$1,018,050,813



BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

Note 4—Investments

All funds are managed by the trustee of the Plan. The assets are maintained under the ERISA guidelines and guidelines provided by the Company.

The following investments individually represent 5 percent or more of the Plan's net assets available for benefits.

	December 31, 2009	December 31, 2008
Vanguard 500 Index Fund	\$ 124,500,375	\$ 99,317,967
Vanguard Prime Money Market Fund	103,260,070	107,958,183
Vanguard Total Bond Market Index	64,613,988	54,287,488
Vanguard Wellington Investment Fund	146,468,265	117,438,664
Ball Corporation Common Stock	291,626,465	238,808,324

For the periods stated below, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	December 31, 2009	December 31, 2008
Mutual Funds	\$ 119,573,419	\$(255,768,988)
Ball Corporation Common Stock	58,293,321	(18,680,120 )
	\$ 177,866,740	\$(274,449,108)

Note 5—Investment Contracts

Participants invest in units of the Ball Corporation Investment Contract Fund which contains various benefit-responsive investment contracts with various banks and insurance companies ("Issuers") in the form of Guaranteed Investment Contracts ("GICs") and Synthetic Guaranteed Investment Contracts ("SICs"). The Ball Corporation Investment Contract Fund also included \$16,166,890 and \$11,517,574 in the Vanguard Prime Money Market Fund as of December 31, 2009, and 2008 respectively. These amounts are included in the mutual funds line in the Statements of Net Assets Available for Benefits. The Issuers of the GICs maintain the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The Issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The SICs are wrapper contracts paired with underlying investments of high quality, intermediate term, fixed income securities. The Plan purchases wrapper contracts from financial services institutions. The SICs credit stated interest rates for specified periods of time. Investment gains and losses are amortized over the expected duration through the

calculation of the interest rate applicable to the Plan on a prospective basis. SICs provide for a variable crediting rate, which typically resets at least quarterly, and the issuer of the wrapper contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero percent.

BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

The fair value of the wrapper contracts was not significant in 2009 or 2008. The crediting rate is primarily based on the current yield to maturity of the covered investments, plus or minus amortization of the difference between the market value and contract value of the covered investments over the duration of the covered investments at the time of computation. The crediting rate is most impacted by the change in the annual effective yield to maturity of the underlying securities, but is also affected by the differential between the contract value and the market value of the covered investments. This difference is amortized over the duration of the covered investments.

Certain events limit the ability of the Plan to transact at contract value with the Issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another Plan), (2) changes to Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The GICs do not permit the insurance companies to terminate the agreements prior to the scheduled maturity dates without additional termination charges. However, the SICs generally impose conditions on both the Plan and the issuer. If an event of default occurs and is not cured, the non-defaulting party may terminate the contract. The following may cause the Plan to be in default: a breach of material obligation under the contract; a material misrepresentation or a material amendment to the Plan agreement. The issuer may be in default if it breaches a material obligation under the investment contract, makes a material misrepresentation, has a decline in its long term credit rating below a threshold set forth in the contract, is acquired or reorganized and the successor issuer does not satisfy the investment or credit guidelines applicable to issuers.

If, in the event of default of an issuer and the Plan were unable to obtain a replacement investment contract, the Plan may experience losses if the value of the Plan's assets no longer covered by the contract is below contract value. The Plan may seek to add additional issuers over time to diversify the Plan's exposure to such risk, but there is no assurance the Plan will be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value. The terms of an investment contract generally provide for settlement of payments only upon termination of the contract or total liquidation of the covered investments. Contract termination may also occur by either party upon election and notice.

As described in Note 2, because the SICs and GICs are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by the Issuers, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.





BALL CORPORATION  
Salary Conversion and Employee Stock Ownership Plan

Notes to Financial Statements (cont.)

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed periodically for resetting.

The average yields based on actual earnings and interest rates credited to participants were 3.36 percent in 2009, and 3.65 percent in 2008.

Note 6—Plan Termination

Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In the event of termination of the Plan, all participants would become 100 percent vested in their accounts and the assets of the Plan, after payment of any expenses, would be distributed to the participants in proportion to their respective account balances.

Note 7—Federal Income Tax Status

The Internal Revenue Service informed the Company by a letter dated May 6, 2003, that the Plan and related trust were designed in accordance with the applicable provisions of the IRC. Thus, contributions to the Plan and earnings thereon are not taxable until distributed to the participant. No provision for income taxes has been included in the Plan's financial statements. The Plan has since been amended but the Company believes the Plan is designed and being operated in compliance with the applicable provisions of the IRC.

Note 8—Party-In-Interest Transactions

Plan assets include investments in funds managed by Vanguard Fiduciary Trust Company ("Vanguard"). Vanguard is the Plan's trustee/custodian and, as such, transactions with the trustee/custodian qualify as party-in-interest transactions. In addition, the Plan holds shares of Ball Corporation common stock, the Plan sponsor, which also qualifies as a party-in-interest. These transactions are covered by an exemption from the prohibited transaction provisions of ERISA and the IRC.

Note 9—Concentrations, Risks and Uncertainties

The Plan has a significant concentration of Ball Corporation common stock. A change in the value of the Company stock can cause the value of the Plan's net assets to change significantly due to this concentration.

The Plan provides for various investments in common stock, mutual funds and investment contracts, which, in general, are exposed to various risks, such as significant world events, interest rates, credit risk and overall market volatility risk. Through its direct investments, the Plan invests in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of those securities are sensitive

to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the Issuers and changes in interest rates. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term.

**BALL CORPORATION**  
**Salary Conversion and Employee Stock Ownership Plan**

Notes to Financial Statements (cont.)

1.75 percent of such earnings less 1.5 percent of Primary Social Security benefits multiplied by years of service.

Years of service under these formulas cannot exceed 35. Contributions to the Retirement Plan are made entirely by us and are paid into a trust fund from which the benefits of participants will be paid.

The Retirement Plan currently limits pensions paid under the Plan to an annual maximum of \$160,000, payable at age 65. We also have an unfunded supplemental plan that provides out of our general assets an amount substantially equal to the difference between the amount that would have been payable under the Retirement Plan, in the absence of legislation limiting pension benefits and earnings that may be considered in calculating pension benefits, and the amount actually payable under the Retirement Plan. In certain circumstances, we fund trusts established to secure obligations to make payments under the supplemental plan.

**Pension Plan Table**

The following table shows, for the final compensation and years of service indicated, the annual pension benefit payable commencing upon retirement at age 65 under the present benefit formula of the Retirement Plan and its related supplemental plan. The estimated retirement benefits have been computed on the assumptions that:

payments will be made in the form of a 50 percent joint and survivor annuity (and both the Retirement Plan member and spouse are age 65);

during the period of employment the employee received annual compensation increases of six percent; and

the employee retired as of December 31, 2002.

As of September 1, 2002, the date of his retirement, Dr. Niblack had 35 years; and as of December 31, 2002, Dr. McKinnell had 32 years; Ms. Katen had 28 years; Mr. Shedlarz had 26 years; Mr. Kindler had one year, and \_\_\_\_\_, had \_\_ years under the Retirement Plan and the related supplemental plan.

**Years of Service**

<b>Remuneration</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
\$ 100,000	\$ 17,075	\$ 22,766	\$ 28,458	\$ 34,149	\$ 39,841
500,000	100,274	133,699	167,124	200,548	233,973
1,000,000	204,274	272,365	340,456	408,548	476,639
2,000,000	412,273	549,697	687,122	824,456	961,970
3,000,000	620,272	827,029	1,033,787	1,240,544	1,447,301
4,000,000	828,271	1,104,362	1,380,452	1,656,542	1,932,633
5,000,000	1,036,270	1,381,694	1,727,117	2,072,541	2,417,964
7,500,000	1,556,268	2,075,024	2,593,780	3,112,536	3,631,292

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10,000,000	2,076,266	2,768,355	3,460,443	4,152,532	4,844,621
12,500,000	2,596,264	3,461,685	4,327,106	5,192,528	6,057,949
15,000,000	3,116,262	4,155,016	5,193,769	6,232,523	7,271,277
18,000,000	3,740,259	4,987,012	6,233,765	7,480,518	8,727,271
20,000,000	4,156,257	5,541,676	6,927,095	8,312,515	9,697,934

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Compensation covered by the Retirement Plan and its related supplemental plan for the Named Executive Officers equals the amounts set forth in the 2002 "Salary," "Bonus" and "LTIP Payouts" columns of the Summary Compensation Table, as well as restricted stock awards granted prior to April 26, 2001.

**2001 Performance-Contingent Share Award Plan**

Under the 2001 Performance-Contingent Share Award Plan, participating employees may be granted an opportunity by our Compensation Committee to earn shares of common stock, provided certain performance criteria are met. The performance formula is nondiscretionary and is comprised of two performance criteria:

total shareholder return (including reinvestment of dividends); and

growth in diluted earnings per share;

measured over the applicable performance period relative to the performance of the Peer Group. Our 100 highest-ranking employees are eligible to participate. All awards granted under the Plan are based upon a five-year performance period.

Awards under our previous Performance-Contingent Share Award Program were based on the same criteria. While no further awards may be granted under that Program, outstanding awards will continue to vest.

Awards earned by the Named Executive Officers under the previous Performance-Contingent Share Award Program for the performance period ended December 31, 2002, are shown in the "LTIP Payouts" column of the Summary Compensation Table. Receipt of shares awarded under the current Plan and the previous Program may be deferred.

**Executive Annual Incentive Plan**

The Named Executive Officers and other senior employees participate in the Executive Annual Incentive Plan. The purpose of this Plan is to ensure the tax deductibility of the bonus for the Company. The maximum individual annual bonus under this plan is 0.3% (three tenths of one percent) of Adjusted Net Income. The Annual Incentive Plan defines "Adjusted

Net Income" to mean income before cumulative effect of accounting changes as shown on the audited Consolidated Statement of Income of the Company. If income before cumulative effect of accounting changes is not shown on the Statement, then Adjusted Net Income will mean net income as shown on the Statement. Receipt of bonuses paid from this Plan can be deferred until a later date or retirement. Such deferred bonuses may be invested under the Pfizer Inc. Deferred Compensation Plan in either a Pfizer unit fund or an interest-bearing fund.

**2001 Stock and Incentive Plan**

Under the 2001 Stock and Incentive Plan, our employees may be granted stock options, stock awards (including restricted stock awards) or performance-based stock awards, either as a result of a general grant or as a result of an award based on having met certain performance criteria. Where an employee also is an elected corporate officer, the performance criteria are determined by the Compensation Committee. Our non-employee Directors are not eligible to participate in this Plan.

Awards and options granted under our previous Stock and Incentive Plan will continue to vest and the options may be exercised in the future.

**Warner-Lambert Company 1996 Stock Plan**

Under the Warner-Lambert 1996 Stock Plan, as a result of our merger with Warner-Lambert, all stock options and restricted stock awards outstanding as of June 19, 2000, became immediately exercisable or vested.

Under this Plan, the Directors of Warner-Lambert could elect to defer any or all of the compensation they received for their services. These deferred amounts could have been credited to a Warner-Lambert Common Stock Equivalent Account (the Equivalent Account). That Equivalent Account was credited, as of the day the fees would have been payable, with stock credits equal to the number of shares of Warner-Lambert common stock that could have been purchased with the dollar amount of such deferred fees. The former Warner-Lambert Directors, Messrs. Burt, Gray, Howell, and Lorch, who joined our Board after the

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merger, had deferred compensation and were entitled to Warner-Lambert stock credits in the Equivalent Account under this Plan. Upon the closing of the merger, these Warner-Lambert stock credits were converted into Pfizer stock units. These units will be payable in Pfizer common stock at various times in accordance with the individual's election. These units are described in footnote 6 to the table entitled "Securities Ownership of Officers and Directors."

### **Pfizer Savings Plan**

After our merger with Warner-Lambert on June 19, 2000, Pfizer maintained three savings plans for eligible U.S. employees—the Pfizer Savings and Investment Plan, the U.S. Warner-Lambert Savings and Stock Plan, and the Agouron 401(k) Plan. In February 2002, we combined the plans into the Pfizer Savings Plan (although the U.S. Warner-Lambert Plan will continue for a time to cover certain U.S. employees under the terms of a collective bargaining agreement).

Under the Pfizer Savings Plan (the Savings Plan), a tax-qualified retirement savings plan, participating employees may contribute up to 20 percent of compensation on a before-tax basis, or 15 percent of compensation on an after-tax basis, into their Savings Plan accounts. In addition, under the Savings Plan, we match an amount equal to one dollar for each dollar contributed by participating employees on the first three percent of their regular earnings and fifty cents for each additional dollar contributed on the next three percent of their regular earnings. Our matching contributions are invested solely in our common stock.

Effective for 2003, the Savings Plan limits the additions that can be made to a participating employee's account to \$40,000 per year. "Additions" include our matching contributions, before-tax contributions made by us at the request of the participating employee under Section 401(k) of the Internal Revenue Code, and employee after-tax contributions.

Of those additions, the current maximum before-tax contribution is \$12,000 per year (or \$14,000 per year for certain participants age 50 and over). In addition, no more than \$200,000 of annual compensation may be taken into account in computing benefits under the Savings Plan.

We have a Supplemental Savings Plan to pay out of general assets an amount substantially equal to the difference between the amount that, in the absence of legislation limiting such additions and the \$200,000 limitation on earnings, would have been allocated to an employee's account as before-tax contributions, our matching contributions and the amount actually allocated under the Savings Plan.

In certain circumstances, we fund trusts established to secure obligations to make payments under the Supplemental Plan.

Amounts deferred, if any, under the previous Pfizer Savings and Investment Plan and the related Supplemental Plan by the Named Executive Officers are included in the "Salary" and "Bonus" columns of the Summary Compensation Table. Our matching contributions allocated to the Named Executive Officers under the Pfizer Savings and Investment Plan and the related Supplemental Plan are shown in the "All Other Compensation" column of the Summary Compensation Table.

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## **Employment and Severance Agreements**

### **Employment Agreements**

#### **Chief Executive Officer**

In 2001, we entered into an employment agreement with Dr. McKinnell that provides for his employment as Chief Executive Officer of the Company through February 29, 2008. Dr. McKinnell's agreement provides that he will receive an annual base salary of at least \$1,350,000, and will be eligible to receive an incentive bonus in accordance with the guidelines established by the Executive Compensation Committee, as well

as to participate in our executive benefit and incentive plans (including stock-based plans).

Under the terms of the agreement, if Dr. McKinnell's employment is terminated by reason of death, disability or retirement, he is entitled to receive (a) a payment equal to his base salary through the date of termination to the extent not already paid, (b) a prorated portion of his incentive bonus based on his prior year's incentive bonus, (c) his actual earned incentive bonus for any period not already paid, (d) amounts to which he is entitled under our benefit plans, (e) vesting of outstanding unvested stock options and other equity-based awards, and (f) continued coverage in our health benefit plans. If Dr. McKinnell's employment is terminated by the Company without cause or by Dr. McKinnell for good reason (as defined in the agreement), he is entitled to receive (a) a payment equal to his base salary earned but unpaid through the date of termination, a prorated portion of his incentive bonus based on the prior year's incentive bonus, and any incentive bonus amount earned but not yet paid, (b) a payment equal to his annual base salary plus the most recent year's incentive bonus multiplied by the greater of (i) two or (ii) the number of years remaining on the contract, (c) vesting of outstanding stock options and equity-based awards, (d) benefits under all plans for a period of two years following termination, as well as vesting of all awards under the plans, and (e) continued coverage in the Company's health benefit plans.

If any payment or distribution by the Company to Dr. McKinnell is determined to be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, he is entitled to receive from the Company a payment on an after-tax basis equal to the federal, state and local income and excise taxes imposed, and any penalties and interest. The agreement also contains provisions that restrict Dr. McKinnell's ability to engage in any business which is competitive with the Company's business for a period of one year following his retirement or termination for cause or without good reason or to solicit Company employees for a period of two years following such retirement or termination.

### **General Counsel**

In 2002, we entered into an agreement with Mr. Kindler in connection with his employment as our General Counsel.

Under the terms of the agreement, if at any time before January 1, 2005, Mr. Kindler's employment is terminated by the Company without cause or by Mr. Kindler for good reason (as those terms are defined in the agreement), Mr. Kindler will be entitled to receive a lump sum payment equal to the sum of: (a) his base salary, earned but unpaid, through the date of termination; and (b) a prorated portion of his Annual Incentive Compensation. Annual Incentive Compensation is defined to mean the greater of (x) the amount of the annual incentive award, if any, paid to Mr. Kindler for the year immediately preceding the year in which the termination occurs or (y) the target amount of his annual incentive award for the year in which termination occurs. In addition, he will be entitled to receive a lump sum amount equal to (a) one full year's base salary, plus (b) his Annual Incentive Compensation, as previously defined.

The benefits provided under this agreement will be reduced by any benefits payable to Mr. Kindler as a result of termination of his employment following a change in control of the Company that occurs during the term of this agreement.

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### **Severance Agreements**

We have entered into severance agreements with our elected corporate officers, including each of the Named Executive Officers. The agreements continue through September 30 of each year, and provide that they are to be automatically extended in one-year increments unless we give prior notice of termination.

These agreements are intended to provide for continuity of management in the event of a change in control. The agreements provide that covered executive officers could be entitled to certain severance benefits following a change in control of the Company. If, following such a change in control, the executive officer is terminated for any reason, other than for disability or for cause, or if such executive officer terminates his or her employment for good reason (as defined in the agreements), then the executive officer is entitled to a severance payment that will be 2.99 times the greater of (i) the executive officer's base amount, as defined in the agreements or (ii) the sum of the executive officer's (a) base salary in effect at the time of termination and (b) the higher of the (x) last full-year annual incentive payment or (y) target annual incentive payment for the year in which termination occurs. The severance payment generally would be made in the form of a lump sum.

In addition, in the event of such a termination following a change in control, under the agreements each executive officer would receive a payout of all outstanding Performance-Contingent Share Awards that had been granted prior to the date of termination at the maximum amounts that could have been earned pursuant to the awards, along with all shares earned but deferred in accordance with the deferral feature of the Performance-Contingent Share Award Plan and its predecessor Program. The executive officer also would receive a benefit payable from our general funds calculated using the benefit calculation provisions of our Retirement Annuity Plan and our unfunded Supplemental Retirement Plan with the following additional features:

the executive officer would receive credit for an additional three years of

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service and compensation for purposes of calculating such benefit;

the benefit would commence at age 55 (or upon the date of termination, if the executive officer is then over age 55) and for this purpose, three years would be added to the executive officer's age;

such benefit would be further determined without any reduction on account of its receipt prior to age 65; and

such benefit would be offset by any amounts otherwise payable under our Retirement Annuity Plan and unfunded Supplemental Retirement Plan.

The executive officer would also become vested in all other benefits available to our retirees. All restrictions on restricted stock awarded to such executive officer would lapse and all unvested options granted to such executive officer would vest and become exercisable for the remainder of the term of the option.

If a change in control occurs, the agreements are effective for a period of four years from the end of the then existing term. Under the severance agreements, a change in control would include any of the following events:

any "person," as defined in the Securities Exchange Act of 1934, as amended, acquires 20 percent or more of our voting securities;

a majority of our Directors are replaced during a two-year period; or

shareholders approve certain mergers, or a liquidation or sale of our assets.

In the event that any payments made in connection with a change in control would be subjected to the excise tax imposed by Section 4999 of the Code, we will "gross up" the executive officer's compensation for all federal, state and local income and excise taxes and any penalties and interest.

In certain circumstances, we fund trusts established to secure our obligations to make payments under the severance agreements in advance of the time payment is due.

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### **REQUIREMENTS, INCLUDING DEADLINES, FOR SUBMISSION OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND OTHER BUSINESS OF SHAREHOLDERS**

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Under the rules of the SEC, if a shareholder wants us to include a proposal in our Proxy Statement and form of proxy for presentation at our 2004 Annual Meeting of Shareholders, the proposal must be received by us at our principal executive offices at 235 East 42nd Street, New York, NY 10017-5755 by November 14, 2003. The proposal should be sent to the attention of the Secretary of the Company.

Under our By-laws, and as permitted by the rules of the SEC, certain procedures are provided which a shareholder must follow to nominate persons for election as Directors or to introduce an item of business at an Annual Meeting of shareholders. These procedures provide that nominations for Director nominees and/or an item of business to be introduced at an Annual Meeting of shareholders must be submitted in writing to the Secretary of the Company at our principal executive offices. We must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2004 Annual Meeting no later than:

60 days in advance of the 2004 Annual Meeting if it is being held within 30 days preceding the anniversary date (April 24, 2003) of this year's meeting; or

90 days in advance of the meeting if it is being held on or after the anniversary date of this year's meeting.

For any other meeting, the nomination or item of business must be received by the tenth day following the date of public disclosure of the date of the meeting.

Our annual meeting of shareholders is generally held on the fourth Thursday of April. Assuming that our 2004 Annual Meeting is held on schedule, we must receive notice of your intention to introduce a nomination or other item of business at that meeting by February 22, 2004. If we do not receive notice by that date, or if we meet other requirements of the SEC rules, the persons named as proxies in the proxy materials

relating to that meeting

will use their discretion in voting the proxies when these matters are raised at the meeting.

The nomination must contain the following information about the nominee:

name;

age;

business and residence addresses;

principal occupation or employment;

the number of shares of common stock beneficially owned by the nominee;

the information that would be required under the rules of the SEC in a Proxy Statement soliciting proxies for the election of such nominee as a Director; and

a signed consent of the nominee to serve as a Director of the Company, if elected.

Notice of a proposed item of business must include:

a brief description of the substance of, and the reasons for conducting, such business at the annual meeting;

the shareholder's name and address as they appear on our records;

the number of shares of common stock beneficially owned by the shareholder (with supporting documentation where appropriate); and

any material interest of the shareholder in such business.

The Board is not aware of any matters that are expected to come before the 2003 Annual Meeting other than those referred to in this Proxy Statement. If any other matter should come before the Annual Meeting, the persons named in the accompanying proxy intend to vote the proxies in accordance with their best judgment.

The chairman of the meeting may refuse to allow the transaction of any business not

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presented beforehand, or to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

Whether or not you plan to attend the Meeting, please vote by telephone, on the Internet, or by mail.

If you vote by telephone, the call is toll-free. No postage is required for mailing in the United States.

By order of the Board of Directors,

Margaret M. Foran  
Secretary  
March 14, 2003

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**Amended and Restated Charter  
Audit Committee**

**Status**

The Audit Committee is a committee of the Board of Directors.

**Membership**

The Audit Committee shall consist of three or more directors all of whom in the judgment of the Board of Directors shall be independent in accordance with New York Stock Exchange listing standards. Each member shall in the judgment of the Board of Directors have the ability to read and understand the Company's basic financial statements or shall at the time of appointment undertake training for that purpose. At least one member of the Audit Committee shall in the judgment of the Board of Directors be an audit committee financial expert in accordance with the rules and regulations of the Securities and Exchange Commission and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board of Directors have accounting or related financial management expertise in accordance with New York Stock Exchange listing standards.

**Purpose**

The Audit Committee shall represent and assist the Board of Directors with the oversight of: (a) the integrity of the Company's financial statements and internal controls, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of the Company's internal audit function and the independent auditor. Except as otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

**Responsibilities**

1. Appoint and retain (subject to approval by the Company's stockholders), and terminate when appropriate, the independent auditor, set the independent auditor's compensation, and pre-approve all audit services to be provided by the independent auditor.
2. Pre-approve all permitted non-audit services to be performed by the independent auditor and establish policies and procedures for the engagement of the independent auditor to provide permitted non-audit services.
3. Receive and review: (a) a report by the independent auditor describing the independent auditor's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (b) other required reports from the independent auditor.
4. At least annually, consider the independence of the independent auditor, including whether the provision by the independent auditor of permitted non-audit services is compatible with independence, and obtain and review a report from the independent auditor describing all relationships between the auditor and the Company.
5. Review with the independent auditor: (a) the scope and results of the audit; (b) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; and (c) any questions, comments or suggestions the auditor may have relating to the internal controls, and accounting practices and procedures, of the Company or its subsidiaries.
6. Review, at least annually, the scope and results of the internal audit program, including then current and future programs of the Company's Internal Audit

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Department, procedures for implementing accepted recommendations made by the independent auditor, and any significant matters contained in reports from the Internal Audit Department.

7. Review with the independent auditor, the Company's Internal Audit Department, and management: (a) the adequacy and effectiveness of the systems of internal controls (including any significant deficiencies and significant changes in internal controls reported to the Audit Committee by the independent auditor or management), accounting practices, and disclosure controls and procedures (and management reports thereon), of

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the Company and its subsidiaries; and (b) current accounting trends and developments, and take such action with respect thereto as may be deemed appropriate.

8. Review with management and the independent auditor the annual and quarterly financial statements of the Company, including:  
(a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; (b) any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 10-K or 10-Q with the Securities and Exchange Commission; and (c) the items required by Statement of Auditing Standards 61 as in effect at that time in the case of the annual statements and Statement of Auditing Standards 71 as in effect at that time in the case of the quarterly statements.
9. Recommend to the Board of Directors, based on the review described in paragraphs 4 and 8 above, whether the financial statements should be included in the annual report on Form 10-K.
10. Review earnings press releases, as well as Company policies with respect to earnings press releases, financial information and earnings guidance provided to analysts and rating agencies.
11. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.
12. Review: (a) the status of compliance with laws, regulations, and internal procedures; and (b) the scope and status of systems designed to promote Company compliance with laws, regulations and internal procedures, through receiving reports from management, legal counsel and third parties as determined by the Audit Committee.
13. Establish procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters.
14. Establish policies for the hiring of employees and former employees of the independent auditor.
15. Obtain the advice and assistance, as appropriate, of independent counsel and other advisors as necessary to fulfill the responsibilities of the Audit Committee.
16. Conduct an annual performance evaluation of the Audit Committee and annually evaluate the adequacy of its charter.

### **Meetings**

The Audit Committee shall meet at least six times each year and at such other times as it deems necessary to fulfill its responsibilities. The Audit Committee shall periodically meet separately, in executive session, with management, the internal auditor and the outside auditor. The Audit Committee shall report regularly to the Board of Directors with respect to its activities and make recommendations to the Board of Directors as appropriate.

### **Report**

The Audit Committee shall prepare a report each year for inclusion in the Company's proxy statement relating to the election of directors.

## **Amended and Restated Charter Corporate Governance Committee**

### **Status**

The Corporate Governance Committee is a committee of the Board of Directors.

## Membership

The Corporate Governance Committee shall consist of directors all of whom in the judgment of the Board of Directors shall be independent in accordance with the New York Stock Exchange listing standards.

## Responsibilities

The Corporate Governance Committee is responsible for considering and making recommendations to the Board concerning the appropriate size, function and needs of the Board. The Corporate Governance Committee may, at its sole discretion, engage director search firms. The Corporate Governance Committee also has the authority, as necessary and appropriate, to consult with outside advisors to assist in their duties to the Company. This responsibility includes:

- establishing the criteria for Board membership; criteria should cover, among other things, diversity, experience, skill set and the ability to act on behalf of shareholders;

- considering, recommending and recruiting candidates to fill new positions on the Board;

- reviewing candidates recommended by shareholders;

- conducting the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates; and

- recommending the Director nominees for approval by the Board and the shareholders.

The Committee's additional functions are:

- to consider questions of possible conflicts of interest of Board members and of our senior executives;

- to monitor and recommend the functions of the various committees of the Board;

- to recommend members of the committees;

- to advise on changes in Board compensation;

- to make recommendations on the structure of Board meetings;

- to recommend matters for consideration by the Board;

- to consider matters of corporate governance and to review, periodically, our Corporate Governance Principles;

- to consider, and review periodically, Director Qualification Standards;

- to review, periodically, our Shareholder Rights Plan;

- to establish Director retirement policies;

- to review the functions of the senior officers and to make recommendations on changes;

- to review annually with the Chairman and Chief Executive Officer the job performance of elected corporate officers and other senior executives;

- to review the outside activities of senior executives;

- to review periodically with the Chairman and Chief Executive Officer the succession plans relating to positions held by elected corporate officers, and to make recommendations to the Board with respect to the selection of individuals to occupy these positions; and

- to prepare an annual performance evaluation of the Corporate Governance Committee.

## **Amended and Restated Charter Compensation Committee**

### **Status**

The Compensation Committee is a committee of the Board of Directors.

### **Membership**

The Compensation Committee shall consist of three or more directors all of whom in the judgment of the Board of Directors shall be independent. A person may serve on the Compensation Committee only if the Board of Directors determines that he or she (i) is a "Non-employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, (ii) satisfies the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code, and (iii) is "independent" in accordance with New York Stock Exchange listing standards.

### **Purpose**

The purposes of the Compensation Committee are (i) to discharge the responsibilities of the Board of Directors relating to compensation of the Company's CEO and other executives, and (ii) to produce an annual report on executive compensation for inclusion in the Company's annual proxy statement that complies the rules and regulations of the Securities and Exchange Commission, the New York Stock Exchange and any other applicable rules and regulations. Except as otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

### **Duties and Responsibilities**

The Compensation Committee is responsible for establishing annual and long-term performance goals and objectives for our elected officers. This responsibility includes:

- (i) evaluating the performance of the CEO and other elected officers in light of the approved performance goals and objectives;
- (ii) setting the compensation of the CEO and other elected officers based upon the evaluation of the performance of the CEO and the other elected officers, respectively;
- (iii) making recommendations to the Board of Directors with respect to new cash-based incentive compensation plans and equity-based compensation plans; and
- (iv) preparing an annual performance self-evaluation of the Compensation Committee.

In addition, the Compensation Committee:

- (ii) administers the 2001 Stock and Incentive Plan and the 2001 Performance-Contingent Share Award Plan;
- (iii) determines and certifies the shares awarded under the 2001 Performance-Contingent Share Award Plan;
- (iv) grants options and awards under the 2001 Stock and Incentive Plan;
- (v) advises on the setting of compensation for senior executives whose compensation is not otherwise set by the Committee; and
- (vi) monitors compliance by officers with our program of required stock ownership.

In determining the long-term incentive component of the Company's CEO and other elected officers, the Compensation Committee may consider: (i) the Company's performance and relative shareholder return; and, (ii) the value of similar incentive awards to chief executive

officers and elected officers at comparable companies.

The Compensation Committee may, in its sole discretion, employ a compensation consultant to assist in the evaluation of the compensation of the Company's CEO or other elected officers. The Compensation Committee shall have the sole authority to approve the fees and other retention terms with respect to such a compensation consultant.

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### **Meetings**

The Compensation Committee shall meet at least four times each year and at such other times as it deems necessary to fulfill its responsibilities.

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**ANNEX 4**

## **Charter Science and Technology Committee**

### **Status**

The Science and Technology Committee is a committee of the Board of Directors.

### **Purpose**

The Science and Technology Committee shall periodically examine management's direction and investment in the Company's pharmaceutical research and development and technology initiatives. The Committee will function as a broadly knowledgeable and objective group of scientists and non-scientists to consider and report periodically to the Board on matters relating to the investment in the Company's research and development and technology initiatives.

### **Membership**

The Science and Technology Committee shall consist of three or more directors. At least one member of the Committee shall, in the judgment of the Board of Directors, have scientific research expertise. The Committee may engage external consultants, providing a broad range of expertise in both basic and clinical sciences, as well as technologies. Their individual service will extend for a one-year term, renewable at the discretion of the Science and Technology Committee of the Board.

### **Responsibilities**

The Science and Technology Committee may meet privately with independent consultants and be free to speak directly and independently with any members of management in discharging its responsibilities.

The Committee shall meet at such times as it deems to be necessary or appropriate, but not less than twice each year, and shall report at the next board meeting following each such committee meeting.

The Committee will conduct an annual evaluation of its effectiveness, to determine if

the purpose and responsibilities are consistent with the guidelines of the Charter of the Science and Technology Committee, and are clearly aligned with the Company's strategic science and technology research goals and objectives.

In addition, the Committee will:

review, evaluate and report to the Board of Directors regarding performance of the research leaders in achieving the long-term strategic goals and objectives and the quality and direction of the Company's pharmaceutical research and development programs.

Identify and discuss significant emerging science and technology issues and trends.

determine whether there is sufficient and ongoing external review from world-class experts across both research and development, pertaining to the Company's therapeutic areas.

review the Company's approaches to acquiring and maintaining a range of distinct technology positions (including, but not limited to, contracts, grants, collaborative efforts, alliances and venture capital).

evaluate the soundness/risks associated with the technology in which the Company is investing its research and development efforts.

periodically review the Company's overall patent strategies.

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ANNEX 5

## Director Qualification Standards

### Determination of Independence.

To be considered "independent" for purposes of these standards, a director must be determined, by resolution of the Board as a whole, after due deliberation, to have no material relationship with the Company other than as a director. In each case, the Board shall broadly consider all relevant facts and circumstances and shall apply the following standards:

1. In no event will a director be considered "independent" if, within the preceding five years: (i) the director was employed by the "Company" or any of its direct or indirect subsidiaries; (ii) an immediate family member of the director was employed by the Company as an officer; (iii) the director was employed by or affiliated with the Company's independent auditor; (iv) an immediate family member of the director was employed by the Company's independent auditor as a partner, principal or manager; or (v) an executive officer of the Company was on the board of directors of a company that employed either the director or an immediate family member of the director as an officer.
2. Audit Committee members may not have any direct or indirect financial relationship whatsoever with the Company other than as directors. Audit committee members may receive directors' fees, in the form of cash, stock, stock units, stock options or other in-kind consideration ordinarily available to directors, as well as regular benefits that other directors receive.
3. The following commercial or not for profit relationships will not be considered to be material relationships that would impair a director's independence: (i) if a director of the Company is an executive officer of another company that does business with the Company and the annual sales to, or purchases from, the Company are less than one percent of the annual revenues of the company he or she serves as an executive officer; (ii) if a director of the Company is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company he or she serves as an executive officer; and (iii) if a director of the Company serves as an officer, director or trustee of a not for profit organization, and the Company's, or the Pfizer Foundation's discretionary charitable contributions to the organization, in the aggregate, are less than one percent (or \$50,000, whichever is greater) of that organization's latest publicly available operating budget. Annually, the board will review all commercial and charitable relationships of directors. Whether directors meet these categorical independence tests will be reviewed and will be made public annually prior to their standing for re-election to the board.
4. For relationships not covered by the guidelines in paragraph 3, above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth in paragraphs 1 and 3, above. The Company would explain in the next proxy statement the basis for any board determination that a relationship is immaterial despite the fact that it does not meet the categorical standards of immateriality set forth in paragraph 3, above.
5. The Company will not make any personal loans or extensions of credit to directors or executive officers.
6. To help maintain the independence of the Board, all directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances material to the director that might be perceived as a conflict of interest.

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ANNEX 6

**Proposed Amendments to the Company's  
Certificate of Incorporation**

Paragraphs (2), (3), (4) and (13) of Article SEVENTH of Pfizer's Certificate of Incorporation are amended to read as follows:

(2) Election of directors need not be by ballot unless the By-laws so provide.

(3) Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the Board of Directors, acting by not less than a majority of the Directors then in office, although less than a quorum. Any director so chosen shall hold office until his successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

(4) Deleted.

(13) Notwithstanding any other provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class of Voting Stock required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least 80% of all of the then outstanding shares of capital stock of the Corporation as are entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class, shall be required to alter, amend or repeal paragraphs (1),(3),(5), (8), (10) or this paragraph (13) of this Article SEVENTH.

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**Directions to Pfizer's Ann Arbor Laboratories**

**2800 Plymouth Road,  
Ann Arbor, Michigan**

***North of Ann Arbor***

Take US-23 South. Exit at Plymouth Road (Exit #41). Turn right and proceed for about 1 mile. Turn left at Nixon Road to facility entrance.

***South of Ann Arbor***

Take US-23 North. Exit at Plymouth Road (Exit #41). Turn left and proceed for about 1 mile. Turn left at Nixon Road to facility entrance.

***East of Ann Arbor***

Take I-94 West to US-23 North. Exit at Plymouth Road (Exit #41). Turn left and proceed for about 1 mile. Turn left at Nixon Road to facility entrance

***West of Ann Arbor on I-94***

Take I-94 East to US-23 North. Exit at Plymouth Road (Exit #41). Turn left and proceed for about 1 mile. Turn left at Nixon Road to facility entrance.

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**Life is our life's work**

Pfizer Inc

235 East 42nd Street

New York, NY 10017-5755

212 573 2323

www.pfizer.com

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**PFIZER INC.  
PROXY  
SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned appoints Henry A. McKinnell, Margaret M. Foran and Jeffrey B. Kindler, and each of them, as proxies, each with full power of substitution, and authorizes them to represent and to vote, as designated on the reverse side of this form, all the shares of common stock of Pfizer Inc. held of record by the undersigned on February 28, 2003, and all of the shares as to which the undersigned then had the right to give voting instructions to the record holder under the Pfizer Inc. Shareholder Investment Program, the Pfizer Savings Plan, the Pfizer Inc. Employee Benefit Trust, the Warner-Lambert Company Savings and Stock Plan and the Warner-Lambert Company Savings and Stock Plan for Colleagues in Puerto Rico at the Annual Meeting of Shareholders to be held on April 24, 2003 at 10:00 a.m. at Pfizer's Ann Arbor Laboratories, 2800 Plymouth Road, Building 18, Ann Arbor, Michigan or any adjournment or postponement.

**IF NO OTHER INDICATION IS MADE ON THE REVERSE SIDE OF THIS FORM, THE PROXIES WILL VOTE (AND ANY VOTING INSTRUCTIONS TO RECORD HOLDERS WILL BE GIVEN) FOR ALL ITEMS AND, IN THEIR DISCRETION, UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.**

**SEE REVERSE  
SIDE**

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**^PLEASE FOLD AND DETACH HERE IF YOU ARE VOTING BY MAIL^**

**If you plan to attend the Annual Meeting, please bring this admission ticket with you.**

**ADMISSION TICKET**

**PFIZER INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

**Thursday, April 24, 2003  
10:00 a.m.**

**Pfizer s Ann Arbor Laboratories  
2800 Plymouth Road, Building 18  
Ann Arbor, Michigan**



**Shareholders will be admitted to the Annual Meeting beginning at 9:00 a.m. If you wish to attend, please plan to arrive early since seating will be limited. Please see the inside back cover of the Proxy Statement for directions.**

**/X/** Please mark your vote with an X.

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The Board of Directors recommends a vote **FOR** Items 1, 2, and 3, and **AGAINST** Item 4.

1. Election of Directors.  
(Mark ONE box only.)

**FOR**            **WITHHELD**  
/ /            / /

FOR all nominees, except vote withheld from the following nominees (if any):

Vote WITHHELD from all nominees:

Nominees:

- 01. M. Anthony Burns
- 02. William H. Gray III
- 03. William R. Howell
- 04. Stanley O. Ikenberry

2. A proposal to approve the appointment of KPMG LLP as independent auditors for 2003.

**FOR**            **AGAINST**            **ABSTAIN**  
/ /            / /            / /

3. A proposal to amend the Certificate of Incorporation to eliminate the classification of the Board of Directors and related amendments.

**FOR**            **AGAINST**            **ABSTAIN**  
/ /            / /            / /

4. A shareholder proposal relating to a Payments Report.

**FOR**            **AGAINST**            **ABSTAIN**  
/ /            / /            / /

**SPECIAL ACTIONS**

Comments on reverse side / /

Change of Address / /

IF ACTING AS ATTORNEY, EXECUTOR, TRUSTEE, OR IN OTHER REPRESENTATIVE CAPACITY, PLEASE SIGN NAME AND TITLE.

(SIGNATURE IF SHAREHOLDER)

DATE

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(SIGNATURE IF HELD JOINTLY)

DATE

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**^FOLD AND DETACH HERE IF YOU ARE VOTING BY MAIL^**

**READ INSTRUCTIONS BELOW IF YOU ARE VOTING BY INTERNET OR TELEPHONE**

## **VOTE YOUR PFIZER SHARES**

Dear Pfizer Shareholder:

Your vote is important! We encourage you to vote promptly, and to take advantage of Internet or telephone voting, both of which are available 24 hours a day, seven days a week. Have your control number (printed in the box above) handy when voting by Internet or telephone.

**Vote by Internet:** Go to [www.eproxyvote.com/pfe](http://www.eproxyvote.com/pfe) and follow the prompts.

**Vote by Telephone:** Call 1-877-PRX-VOTE (1-877-779-8683). Outside the U.S., Canada and Puerto Rico call 201-536-8073.

*(If you vote by Internet or telephone, please do not mail your proxy card.)*

### **Receive Future Proxy Materials Electronically**

Help us make a difference by eliminating paper proxy mailings to your home or business. With your consent, we will send all future proxy voting materials to you by e-mail, along with a link to the Pfizer proxy voting site. To register for electronic delivery of future proxy materials, go to [www.econsent.com/pfe](http://www.econsent.com/pfe) and follow the prompts.

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