

Edwards Lifesciences Corp
Form DEF 14A
March 31, 2011

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Edwards Lifesciences Corporation

(Name of Registrant as Specified In Its Charter)

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

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March 31, 2011

To our Stockholders:

The Board of Directors joins me in inviting you to attend the 2011 Annual Meeting of Stockholders. The meeting will be held at our corporate headquarters located at One Edwards Way, Irvine, California, on Thursday, May 12, 2011, 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.

At the meeting, in addition to discussing matters described in the Proxy Statement, I will report on our 2010 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

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Edwards Lifesciences Corporation

One Edwards Way
Irvine, California USA 92614
949.250.2500

NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

To be held on Thursday, May 12, 2011

To the Stockholders of

EDWARDS LIFESCIENCES CORPORATION

The 2011 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 12, 2011, at 10:00 a.m., Pacific Daylight Time, for the following purposes:

1. To elect the two nominees identified in the attached proxy statement (the "Proxy Statement") as directors for the terms described therein;
2. To approve an amendment and restatement of the Company's Long-Term Stock Incentive Compensation Program (the "Long-Term Stock Program") to increase the total number of shares of common stock available for issuance under the Long-Term Stock Program by 1,500,000 shares;
3. To approve, in a non-binding vote, the compensation of the Company's named executive officers as described in the Proxy Statement;
4. To recommend, in a non-binding vote, whether a non-binding shareholder vote to approve the compensation of the Company's named executive officers should occur every one, two or three years;
5. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2011; and
6. 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 18, 2011, 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) complete, sign, date, and return the enclosed proxy card in the enclosed, postage-prepaid envelope; (2) call the toll-free number listed on the proxy card; or (3) access 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,

Denise E. Botticelli
*Vice President, Associate General Counsel
and Secretary*

March 31, 2011

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EDWARDS LIFESCIENCES CORPORATION

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EDWARDS LIFESCIENCES CORPORATION

PROXY STATEMENT FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

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 2011 Annual Meeting of Stockholders (the "Annual Meeting") to be held at 10:00 a.m., Pacific Daylight Time, on Thursday, May 12, 2011, 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 18, 2011, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. On March 18, 2011, the Company had outstanding 114,811,280 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 31, 2011.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 12, 2011: Pursuant to rules promulgated by the Securities and Exchange Commission (the "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 2010 Annual Report are available at our website at www.edwards.com. Additionally, as required by SEC rules, you may access our proxy statement at www.edwards.com/2011proxy, which does not have "cookies" that identify visitors to the site.

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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, including the election of directors and matters relating to equity compensation plans or executive compensation, 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. If you are a beneficial owner of the Company's shares and do not provide the stockholder of record with voting instructions, your beneficially owned shares may constitute broker non-votes, and, as such, will not be considered entitled to vote on 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 for the approval of the amendment and restatement of the Long-Term Stock Incentive Compensation Program (the "Long-Term Stock Program"), the approval of the compensation of the Company's named executive officers as described in this Proxy Statement, and the ratification of the appointment of PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm for fiscal year 2011. The number of years for the frequency of the advisory vote on the compensation of the Company's named executive officers that receives the highest number of votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be the frequency that stockholders approve.

If stockholder approval is not obtained for the amendment and restatement of the Long-Term Stock Program, then the number of shares reserved under the Long-Term Stock Program will not be increased. The Company would consider alternative annual cash compensation programs (including discretionary bonuses) that, in some cases, may result in annual cash compensation to executive officers that would not be deductible under Internal Revenue Code Section 162(m) ("Section 162(m)"). Because your votes on the compensation of the Company's named executive officers and the frequency of the advisory vote on the compensation of the Company's named executive officers are advisory, they will not bind the Board of Directors or the Compensation and Governance Committee (the "Compensation Committee"). However, the Board of Directors and the Compensation Committee will review the voting results and take the results into consideration in making future determinations on executive compensation and in determining how frequently future stockholder advisory votes on the compensation of the Company's named executive officers will occur.

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. Shares held by beneficial owners who do not provide voting instructions with respect to the Long-Term Stock Program, the compensation of the Company's named executive officers or the frequency of the advisory vote on the compensation of the Company's named executive officers to the stockholder of record may constitute broker non-votes with respect to such matters and as such will not be considered entitled to vote on such matters. However, in the event of such a failure to provide voting instructions with respect to the ratification of the appointment of PwC, the stockholder of record will have discretion to vote thereon.

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A stockholder may revoke his or her 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 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, **FOR** the approval of the compensation of the Company's named executive officers, **FOR** an advisory vote with respect to the compensation of the Company's named executive officers to be held once every **THREE** years, and **FOR** the ratification of the appointment of PwC as the Company's independent registered public accounting firm for fiscal year 2011. 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.

PROPOSALS TO BE VOTED ON

Proposal 1 Election of Directors

The Board of Directors nominates the nominees below to serve as directors for the terms indicated below, or until their successors are elected and qualified.

Nominees for Director to Serve Until the Annual Meeting in 2014:

John T. Cardis
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.

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

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

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 Program, subject to stockholder approval. The proposed amendment and restatement will increase the total number of shares of common stock available for issuance under the Long-Term Stock Program by 1,500,000 shares.

The Board of Directors and 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, link incentive awards to Company performance, encourage employee ownership in the Company and more closely align the interests of employees with those of our stockholders.

We have projected that we will need additional shares at this time to continue to use stock-based compensation to provide competitive long-term incentives to eligible employees during the next year. While our compensation strategy has been formulated for the long-term, we provide stockholders the opportunity to evaluate and vote annually on share increases to the Long-Term Stock Program. Therefore, the Company is requesting stockholder approval of an amount of shares we anticipate will be necessary to implement our equity-based compensation strategy in the near term.

The Company believes that the long-term component of our 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 we will be unable to fully implement the long-term incentive component of our compensation program. Without the ability to use stock, we 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 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 encourages stockholders to consider the following factors:

The Company believes that its incentive compensation program is essential to our financial success. Further, we believe our incentive compensation program has been a contributing factor in our many recent achievements, including a 289% return over the past five years. The following chart shows the cumulative total return of \$100 invested on December 31, 2005 in the Company, the Standard & Poor's 500 Index, and the Morgan Stanley Healthcare Products Index, including the reinvestment of dividends.

	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Edwards Lifesciences	\$ 100	\$ 113	\$ 111	\$ 132	\$ 209	\$ 389
S&P 500	\$ 100	\$ 116	\$ 122	\$ 77	\$ 97	\$ 112
Morgan Stanley Healthcare Products	\$ 100	\$ 110	\$ 111	\$ 92	\$ 104	\$ 105

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Each year since 2005, the Company has actively repurchased shares of its common stock through various stock repurchase programs.

	2005	2006	2007	2008	2009	2010
Shares Outstanding at Fiscal Year End (in millions)	119.0	115.4	113.2	111.9	113.7	115.0

On March 18, 2011, the Company had outstanding 114,811,280 shares of common stock.

On February 11, 2010, the Board of Directors authorized the Company to repurchase common stock with an aggregate value of up to \$500,000,000. Based on the closing price of our shares on the New York Stock Exchange (the "NYSE") of \$85.04 as of February 28, 2011, the amount remaining available for repurchase on that date represented approximately 4.1 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 our success 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 our key employees.

	2007	2008	2009	2010
Three Year Average Burn Rate(1)(2)	2.4%	2.1%	1.7%	1.6%

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

- (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 1,500,000 shares requested in this proposal represent 1.3% of the Company's outstanding shares at December 31, 2010.

Carve-out

When employees hold "in-the-money" stock options for a long time it can artificially skew the overhang, or the percentage of outstanding shares represented by all stock incentives awarded and those available for future awards under all plans. Therefore, certain proxy advisory firms have started using a "carve-out" methodology for this calculation. A company may apply the carve-out methodology for purposes of determining the number of new shares that can be requested, if they have sustained positive stock performance and high equity overhang (attributable to in-the-money options outstanding in excess of six years), along with sound compensation practices. We believe the carve-out method is applicable to our Company for the reasons noted below.

Edwards Lifesciences has:

demonstrated prolonged favorable cumulative total shareholder return ("TSR") as compared to averages in the medical device industry (comparisons of TSR for the medical device industry based on the Morgan Stanley Healthcare Products Index) through December 31, 2010:

One year TSR of 86.2% compared to industry performance of 1.0%;

3-year TSR of 251.5% compared to -5.3% for the industry;

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5-year TSR of 288.6% compared to 5.5% for the industry; and

10-year TSR of 810.9% compared to -12.6% for the industry.

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a significant portion of overhang attributed to a large population of employees who have held stock options due to their increasing value;

As of February 28, 2011, a total of 7,336,943 options were outstanding and vested with a weighted average exercise price of \$22.92. Approximately 25% of these options outstanding are (i) in excess of six years old, and (ii) substantially in-the-money, with a weighted average exercise price of \$13.43 (see table below). We believe these figures reflect employees' confidence in the Company's future prospects.

The following table provides information on vested stock options outstanding demonstrating the components of the overhang as of February 28, 2011.

	Vested Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life
Vested Options outstanding in excess of six years	1,759,588	\$ 13.43	1.09
Vested Options outstanding less than six years	5,577,355	\$ 25.92	3.08
All vested options outstanding	7,336,943	\$ 22.92	2.60

One-hundred percent of all outstanding options that were vested as of February 28, 2011 are in-the-money, and 99% of total outstanding options are in-the-money.

pay for performance practices are aligned with industry standards.

The Company notes these additional factors:

As of February 28, 2011, a total of 12,051,956 shares (including 10,838,660 shares subject to outstanding options and 1,213,296 restricted shares and restricted stock units) were subject to outstanding options and stock awards under the Long-Term Stock Program. The 10,838,660 shares subject to outstanding options have a weighted average exercise price of \$28.75. The weighted average remaining contractual life of outstanding options was 3.49 years as of February 28, 2011 (see table below).

The following table provides information on stock options outstanding demonstrating the components of the overhang as of February 28, 2011.

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life
Options outstanding in excess of six years	1,759,588	\$ 13.43	1.09
Options outstanding less than six years	9,079,072	\$ 31.72	3.96
All options outstanding	10,838,660	\$ 28.75	3.49

Of the total 12,051,956 shares subject to options and stock awards that were outstanding as of February 28, 2011, approximately 37% were held by the Named Executive Officers (as defined in the section entitled "Compensation Discussion and Analysis" at page 30) as a group.

The Company adopted stock ownership guidelines for its executive officers beginning in 2000 to create additional owner commitment and to emphasize shareholder value creation. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Stock Ownership Guidelines" at page 39.) All executive officers 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 Stock Program is a component of total executive direct compensation (total cash compensation plus equity), which is targeted to be at approximately the median for comparable

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positions at competitive peer companies. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Compensation Process" at page 32.)

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

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

Our standard 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. (See "Executive Compensation and Other Information Compensation Discussion and Analysis Market Timing of Equity Awards" at page 39.);

The Company's practice is to grant equity to Named Executive Officers each year at its May meeting, in conjunction with the annual meeting of stockholders;

The Company has never engaged in a repricing of stock options, and our Long-Term Stock Program would require stockholder approval for any repricing actions; and

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

The Section below entitled "The Long-Term Stock Incentive Compensation 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 Advisory Vote on Executive Compensation

In accordance with Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act")) and the related rules of the SEC, the Company is providing its stockholders with the opportunity to vote, on an advisory, non-binding basis, on the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with SEC rules.

As described in the Compensation Discussion and Analysis, our compensation programs are designed to attract, retain, motivate, and engage executives with superior leadership and management capabilities. High-caliber talent is critical to our success and we strive to provide compensation that is competitive. Our strong "pay for performance" culture is reflected in the following:

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A significant portion of executive compensation is performance-based;

Our performance goals consist of a mix of company-wide financial and operating and strategic measures as well as personal objectives designed to further the Company's annual and long-term business performance; and

We strive to align the interests of our executives with the interests of our stockholders.

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The Compensation Committee regularly reviews our executive officer compensation programs to ensure that they achieve the desired goals.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 30 of this Proxy Statement, which describes in more detail how our executive compensation policies and procedures are designed and operate to achieve our compensation and strategic objectives, as well as the Summary Compensation Table and other related compensation tables and narrative appearing on pages 44 through 57. The Compensation Committee and the Board of Directors believe that the policies, procedures and compensation programs described in these sections have contributed to the Company's recent and long-term performance.

We are asking our stockholders to indicate their support for our Named Executive Officer compensation as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure included in the Proxy Statement."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board. However, our Board and our Compensation Committee value the opinions of our stockholders and will consider the voting results as appropriate when making future decisions regarding executive compensation.

The Board of Directors of the Company recommends a vote FOR the approval of the compensation of the Company's Named Executive Officers, as described in this Proxy Statement.

Proposal 4 Advisory Vote on Frequency of Advisory Vote on Executive Compensation

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Act) and the related rules of the SEC, the Company will present a separate resolution to its stockholders providing for a vote, on an advisory, non-binding basis, for their preference as to whether the Company should hold future advisory votes on the compensation of its Named Executive Officers as described in the preceding proposal every one, two or three years.

After careful consideration of this proposal, the Board of Directors has determined that it is appropriate and in the best interests of the Company to hold an advisory vote on the compensation of our Named Executive Officers every three years for a number of reasons, including the following:

A three-year frequency is consistent with our long-term approach to executive compensation;

Our compensation programs do not change materially from year to year;

Equity compensation is structured to vest over a multi-year period;

Voting every three years would also give our stockholders the opportunity to more fully and effectively assess our long-term compensation strategies and the related business outcomes; and

Starting with a longer cycle does not preclude the Company from going to shorter cycles in the future if that becomes more appropriate or desirable.

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In making its decision, our Board of Directors took into account the fact that some stockholders believe that annual say-on-pay votes provide a higher level of accountability and direct communication. The Board recognizes the importance of receiving regular input from stockholders on significant matters such as our executive compensation policies and practices. In that respect, we note that in recent years we have submitted our Long-Term Stock Program to a stockholder vote annually. However, we believe that an annual say-on-pay vote could inappropriately lead to a short-term perspective bearing on our overall executive compensation program. Accordingly, the Board believes that an annual say-on-pay vote would be more limited in value than a vote which reflects the long-term executive compensation philosophy of the Company. Furthermore, we view the say-on-pay vote as just one opportunity for stockholders to communicate with us regarding their views on the Company's executive compensation program. We encourage stockholders who have concerns about executive compensation during the period between say-on-pay votes to bring such concerns to the attention of the Company by contacting the Investor Relations department at Edwards Lifesciences Corporation, One Edwards Way, Irvine, California 92614, or by email at investor_relations@edwards.com.

Finally, although we believe that holding say-on-pay votes every three years reflects the right balance of considerations for the Company, we will periodically reassess that view and hold say-on-pay votes more frequently if such action is warranted by input from stockholders, material changes to our compensation programs, or other circumstances.

Stockholders are not voting to approve or disapprove of the Board's recommendation. Instead, the proxy card provides stockholders with three choices with respect to this proposal: one year, two years or three years. In addition, stockholders may abstain from voting on the proposal.

This vote is an advisory vote only, and therefore it will not bind the Company or our Board of Directors. However, the Board of Directors and the Compensation Committee will consider the voting results, as appropriate, when adopting a policy on the frequency of future say-on-pay votes. The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be considered by the Board of Directors as the stockholders' recommendation as to the frequency of future say-on-pay votes. Nevertheless, because this vote is advisory and not binding, the Board may decide that it is in the best interests of our stockholders and the Company to hold say-on-pay votes more or less frequently than the option approved by our stockholders.

The Board of Directors of the Company recommends a vote FOR an advisory vote with respect to the compensation of the Company's Named Executive Officers to be held once EVERY THREE YEARS.

Proposal 5 Ratification of Appointment of the Independent Registered Public Accounting Firm

The Audit and Public Policy Committee (the "Audit Committee") has appointed PwC as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2011. Representatives of PwC 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. PwC 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

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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 2011.

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.

CORPORATE GOVERNANCE

Board Composition

The Board of Directors currently consists of eight directors divided into three classes as indicated below.

Current Class II Directors Nominated for Reelection for a Term Expiring in 2014

John T. Cardis, age 69. Mr. Cardis has been a director of the Company since 2004. Mr. Cardis, a senior partner of Deloitte & Touche until his retirement in 2004, served at Deloitte & Touche for 41 years in positions of increasing responsibility, including as National Managing Partner-Global Strategic Clients, as a member of its executive committee for 18 years, and as a member of its board of directors. He has been a director of Avery Dennison Corporation since 2004. Mr. Cardis remains actively involved as a private investor and serves a number of non-profit and community organizations.

Mr. Cardis possesses in-depth, practical knowledge of financial and accounting principles as well as experience in overseeing enterprise risk and risk mitigation strategies. Throughout his career, he has worked with numerous boards and audit committees on technical and governance matters. This background, and his management and operations experience as a senior partner at Deloitte & Touche, provide a valuable perspective to the Board as a whole, and are important to his role as Chairman of the Audit and Public Policy Committee.

David E.I. Pyott, age 57. 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 April 2001, Allergan's Chief Executive Officer since January 1998, and its President from 1998 through January 2006 and again beginning March 27, 2011. Mr. Pyott has been a director of Avery Dennison Corporation since 1999. He serves on the board and executive committee of the California Healthcare Institute, on the board and on the executive committee of the Biotechnology Industry Organization (BIO), on the Directors' Board of the Paul Merage School of Business at the University of California (Irvine), and is a Trustee of Chapman University. Mr. Pyott holds a Diploma in European and International Law from the Europa Institute at the University of Amsterdam, a Master of Arts from the University of Edinburgh, and an MBA from the London Business School.

Mr. Pyott's many years of experience as the chairman and chief executive officer of a complex global multi-specialty healthcare company enable him to make important contributions to the Board in a full range of company management issues and processes, particularly in the areas of global marketing, international regulatory requirements, and other unique aspects of doing business outside the United States. His legal background and insights also add a valuable perspective to the Board's discussions.

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Continuing Class III Directors Term Scheduled to Expire in 2012

Mike R. Bowlin, age 68. Mr. Bowlin has been a director of the Company since 2000 and is currently serving as the Presiding Director of the Board. 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 has been a director of FMC Technologies, Inc., since 2001 and also is a director of the University of North Texas Foundation.

Mr. Bowlin's general management experience as Chairman and Chief Executive Officer at Atlantic Richfield Company, a complex global corporation, and business and risk oversight experience as a member of its Board of Directors, make him particularly well-suited to serve as a member of the Company's Board of Directors and as its Presiding Director. In addition, his extensive experience in managing diverse compensation and incentive programs is especially valuable in his role as Chairman of the Compensation and Governance Committee.

Barbara J. McNeil, M.D., Ph.D., age 70. Dr. McNeil has been a director of the Company since 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. Dr. McNeil served as a director of CV Therapeutics, Inc., from 1994 to 2008. She also served as a director of Flagship Global Health, Inc., from 2005 to 2008. Dr. McNeil is a member of the Institute of Medicine of the National Academy of Sciences (where she was formerly chair of its Board of Healthcare Services) and the American Academy of Arts and Sciences. She is a member and former chair of the Medicare Evidence Development and Advisory Committee and is a member of the Blue Cross Medical Advisory Panel. Dr. McNeil holds an M.D. from Harvard Medical School and a Ph.D. in Biological Chemistry from Harvard University.

Dr. McNeil provides the Board with expertise related to a variety of scientific and medical matters from her broad experience in the academic and health care delivery worlds. Her experience in the health care policy arena also gives her insights into other medical-related organizations and the issues they face, and is quite complementary to the Board's experience and insight.

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Michael A. Mussallem, age 58. Mr. Mussallem has been Chairman of the Board and 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., including Group Vice President of its Cardio-vascular business from 1994 to 2000, and Group Vice President of its Biopharmaceutical business from 1998 to 2000. 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 was a director of Advanced Medical Optics, Inc., from 2002 to 2009, where he chaired the Organization, Compensation and Corporate Governance committee, and World Heart Corporation from 2000 to 2003. Mr. Mussallem is a director of the OCTANE Foundation for Innovation, is a director and former chairman of the California Healthcare Institute, and was chairman of the Advanced Medical Technology Association ("AdvaMed") from 2008 through 2010.

Mr. Mussallem has an extensive knowledge of the medical device industry in general, and of the people, operations, processes, and products of the Company, in particular, built over a 30-year career with the Company and its predecessor. In addition, he has played a leadership role in the medical device industry and, particularly through his recent role as Chairman of AdvaMed, the largest medical device trade organization in the world, has made important contributions to the healthcare policy discussions in California, the United States, and the key global markets that the Company serves. These external experiences also have allowed relationships which are helpful in developing the Board's strategic perspective and enhanced his leadership of the Company.

Continuing Class I Directors Term Scheduled to Expire in 2013

Robert A. Ingram, age 68. Mr. Ingram has been a director of the Company since 2003. He has been a General Partner in the firm Hatteras Venture Partners, a venture capital firm that invests in early-stage life science companies since 2007. Mr. Ingram has served as a strategic advisor to the Chief Executive Officer of GlaxoSmithKline plc, a pharmaceutical research and development company, since January 1, 2010. He previously served as Vice Chairman Pharmaceuticals, GlaxoSmithKline plc, from 2003 through 2009 and Chief Operating Officer and President of Pharmaceutical Operations, GlaxoSmithKline plc, from January 2001 through January 2003. Previously, he was Chief Executive Officer of Glaxo Wellcome plc from 1997 to 2000 and Chairman of Glaxo Wellcome Inc., Glaxo Wellcome plc's United States subsidiary, from 1999 to 2000. Mr. Ingram has been on the board of directors of Valeant Pharmaceuticals International since 2003, serving as its Chairman of the Board from 2006 to 2008, when he became its lead director. He was again named Chairman of the Board of Valeant in December 2010. Mr. Ingram has also been a director of Cree, Inc., since 2008; Lowe's Companies, Inc., since 2001; Allergan, Inc. since 2005; and Elan Corporation, since December 2010. He was elected as Chairman of the Board of Elan Corporation in January 2011. Mr. Ingram was a director of Mysis plc, Nortel Networks Corporation, Wachovia Corporation, and OSI Pharmaceuticals, Inc., until 2005, 2006, 2008, and 2010, respectively.

Mr. Ingram is a seasoned executive and corporate director with extensive knowledge and experience in the management of highly regulated pharmaceutical and medical device companies. His in-depth knowledge and understanding of the regulatory environment and governmental processes, coupled with the relationships he has developed with key governmental officials, have been particularly helpful to the Board's perspective.

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William J. Link, Ph.D., age 64. Dr. Link has been a director of the Company since May 2009. He is Managing Director and co-founder of Versant Ventures, a venture capital firm investing in early-stage health care companies. Prior to co-founding Versant Ventures in 1999, Dr. Link was a general partner at Brentwood Venture Capital. From 1986 to 1997, Dr. Link was founder, Chairman and Chief Executive Officer of Chiron Vision, which was later sold to Bausch & Lomb, Inc. He also founded and served as President of American Medical Optics, Inc., which was acquired by Allergan, Inc. Dr. Link served as a director of Advanced Medical Optics, Inc., from 2002 to 2009. Before entering the health care industry, Dr. Link was an assistant professor in the Department of Surgery at the Indiana University School of Medicine. Dr. Link earned his Bachelor's, Master's and Doctorate degrees in Mechanical Engineering from Purdue University.

Dr. Link's experience in identifying new business opportunities and successfully commercializing products in the medical device industry provide the Board with a valuable perspective in evaluating the prospects of existing business operations and assessing the potential for future innovative opportunities.

Wesley W. von Schack, age 66. Mr. von Schack has been a director of the Company since February 2010. He served as Chairman, President and Chief Executive Officer of Energy East Corporation, an energy service company, from 1996 until his retirement in 2009 (Energy East Corporation was acquired by Iberdrola S.A. in 2008). Mr. von Schack has been a director of the Bank of New York Mellon Corporation since 2007 and is its lead director and chairman of its executive committee. He was a director of Mellon Financial Corporation from 1989 to 2007. He has been a member of the board of Directors of AEGIS Insurance Services since 1997 and its chairman since 2006, and has been a director of Teledyne Technologies, Inc., since 2006. Mr. von Schack served on the board of RTI International Metals, Inc., from 1991 to 2003 and was chairman of the RTI audit committee from 1995 to 2003. Mr. von Schack received his Bachelor's degree in Economics from Fordham University, an MBA from St. John's University, and Doctorate from Pace University.

Mr. von Schack's experience of more than 30 years' managing operations in the highly regulated energy industry as both a chief executive officer and a chief financial officer, combined with many years of Board experience and audit and compensation committee chairmanships enable him to contribute his significant insights in assessing and managing the risks and opportunities inherent in complex organizations.

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 continuing members of the Board as well as all of the nominees for director, other than Mr. Mussallem, are independent under the NYSE rules. In making its determinations, the Board of Directors considered previous positions held by such individuals and concluded, as it had in prior years, that such prior positions did not impair or otherwise affect director independence.

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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 under "Investor Relations Corporate Governance and Responsibility."

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.

Board Leadership Structure

The Company's Chief Executive Officer also serves as the Chairman of the Board of Directors. This leadership structure has been in place since the Company first became a public company in 2000. This approach is commonly used by other public companies in the United States, and the Board believes it has been effective for this Company as well. The Company has a single leader, and the Company's Chairman and Chief Executive Officer is seen by customers, business partners, investors, and others as providing strong leadership for the Company in the communities it serves and in its industry. The Board believes that combining the roles of Chairman of the Board and Chief Executive Officer has fostered a more constructive and cooperative relationship between the Board and management, and that communications between the Board and management are more open and effective than they would be under a different structure. The Board also believes that, given its size and the constructive working relationships of its members, changing the existing structure would not improve the performance of the Board. The directors bring a broad range of leadership experience to the boardroom and regularly contribute to the thoughtful discussion involved in overseeing the affairs of the Company. All directors are well engaged in their responsibilities, express their views, and are open to the opinions expressed by other directors.

Nevertheless, the Board believes that it is important to have an active, engaged and independent Board. The requirements of the NYSE are that a majority of the members of the Board be independent. All members of the Company's Board, other than the Chairman, are independent. In order to assure that the independent directors are not inappropriately influenced by management, the non-management members of the Board meet in executive session, without management, in conjunction with each of the regularly scheduled meetings of the Board and each committee, and otherwise, as deemed necessary. This allows directors to speak candidly on any matter of interest, without the Chief Executive Officer or other members of management present. Mr. Bowlin is currently designated as the Presiding Director and, as such, he presides at the executive sessions of the Board. In addition, among other things, the Presiding Director serves as a liaison between the independent members of the Board and the Chairman and other members of management, providing feedback to management from the Board's executive sessions; coordinates the activities of the independent directors, including calling meetings of the independent directors as necessary and appropriate to address their responsibilities; and provides advice and counsel to the Chairman.

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Board Role in Oversight of Risk

It is management's responsibility to manage risk and bring to the Board of Directors' attention the most material risks to the Company. The Board has oversight responsibility of the processes established to monitor systems and operations, and identify material risks applicable to the Company. The Audit Committee regularly reviews enterprise-wide risk management, which focuses primarily on manufacturing processes and supplier quality, product development processes and systems, and regulatory compliance issues. The Audit Committee also regularly reviews treasury risks (insurance, credit, and debt), financial and accounting risks, legal and compliance risks, information technology security risks, and other risk management functions. In addition, the Audit Committee considers risks to the Company's reputation and reviews risks related to the sustainability of its operations.

The Compensation Committee considers risks related to succession planning, the attraction and retention of talent, and risks relating to the design of compensation programs and arrangements. As part of its normal review of these risks, the Compensation Committee considers the Company's compensation policies and practices to determine if their structure or implementation provides incentives to employees to take unnecessary or inappropriate risks that could have a material adverse effect on the Company. They have concluded that the Company's compensation programs appropriately encourage employees to achieve a strong balance sheet, improve operating performance, and create value for stockholders, without encouraging unreasonable or unrestricted risks. For these reasons, the Compensation Committee has determined that the Company's compensation policies and practices do not encourage risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee also reviews compensation and benefits plans affecting employees in addition to those applicable to executive officers. The full Board considers strategic risks and opportunities and regularly receives detailed reports from the committees regarding risk oversight in their areas of responsibility.

Meetings of the Board of Directors

During the year ended December 31, 2010, the Company's Board of Directors held seven 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 2010.

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 Board of Directors is permitted to establish other committees from time to time as it deems appropriate.

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 is 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).

As described more fully in the Audit Committee charter, the primary purpose of the Audit Committee is to assist the Board of Directors 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

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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). 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 2010 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 Senior Director of Internal Audit, the Company's Chief Financial Officer, and the Company's General Counsel. The current members of the Audit Committee are: Messrs. Cardis (Chairperson), Pyott, and von Schack.

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).

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 and is otherwise responsible for matters relating to the nomination of directors. 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, including experience, interest in the Company, intelligence, honesty, judgment, high ethics and standards, the absence of conflicts of interest, independence of mind, willingness to devote the required time, and compatibility with the Board of Directors and management. In addition to these requirements, the Compensation Committee also evaluates 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

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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 five meetings in 2010. The current members of the Compensation Committee are: Messrs. Bowlin (Chairperson) and Ingram, and Drs. Link and McNeil.

Board Diversity Policy

The Compensation Committee is responsible for identifying, evaluating, and recommending to the Board of Directors, individuals qualified to be directors of the Company. The Compensation Committee's charter sets forth the membership criteria against which potential director candidates are evaluated. These written membership criteria state that the Company "seeks a board with diversity of background among its members, including diversity of experience, gender, race, ethnic or national origin, and age." In performing this responsibility, the Compensation Committee considers women and minority candidates consistent with the membership criteria and the Company's non-discrimination policies. The Compensation Committee also considers fundamental qualities of intelligence, honesty, perceptiveness, good judgment, maturity, high ethics and standards, integrity, fairness, and responsibility; a background that demonstrates an understanding of business and financial affairs and the complexities of a large, multifaceted, global business, governmental, or educational organization; and the ability to hold independent opinions and express them in a constructive manner. Of equal importance, the Compensation Committee and the Board of Directors seek individuals who are compatible and able to work well with other directors and executives. As a result, the members of the Company's Board represent diverse backgrounds and experience in many areas, including financial, industrial, entrepreneurial, and educational.

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 toward 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 STOCK INCENTIVE COMPENSATION PROGRAM

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 rights in, or options to purchase, shares of the Company's common stock 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 28, 2011, approximately 7,200 employees (including 12 executive officers) were eligible to participate in the Long-Term Stock Program. Four independent contractors have participated in the Long-Term Stock Program. Nonemployee 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 (the "Nonemployee Directors Program").

Share Reserve

Subject to adjustment for certain changes in the Company's capitalization, a total of 45,900,000 shares of the Company's common stock will have been authorized for issuance under the Long-Term Stock Program, including the 1,500,000 shares that are the subject of 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 withheld from an award to satisfy tax withholding obligations, shares 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.

Subject to adjustment for certain changes in the Company's capitalization, no more than 2,000,000 shares in the aggregate may be granted in the form of stock options to a participant per fiscal year.

Subject to adjustment for certain changes in the Company's capitalization, not more than 3,600,000 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 400,000 shares may be issued as restricted stock or restricted stock units to any one participant during a fiscal year. As of February 28, 2011, a total of 1,068,815 shares remained available to be issued as restricted stock or restricted stock units under the Long-Term Stock Program.

As of February 28, 2011, options covering 10,838,660 shares of common stock and restricted stock units covering 1,213,296 shares were outstanding under the Long-Term Stock Program. As of the same date, 28,886,115 shares had been issued pursuant to the exercise of outstanding options, 1,317,889 shares had been issued upon vesting of restricted stock units, and 2,144,040 shares remained available for future option grants, restricted stock units or direct issuance.

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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 grant date. As of February 28, 2011, the closing price of the Company's common stock on the NYSE was \$85.04 per share.

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 \$1,000,000 limitation on nonperformance-based compensation pursuant to Section 162(m). To allow for the possibility that such awards may qualify for exclusion from the \$1,000,000 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 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;

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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;

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

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 Section 162(m).

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

Table of Contents**Stock Awards**

The table below shows the number of options granted under the Long-Term Stock Program between January 1, 2010 and February 28, 2011, 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 Nonemployee Directors 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	300,000	\$ 50.96
Thomas M. Abate Corporate Vice President, Chief Financial Officer	61,800	\$ 50.96
Patrick B. Verguet Corporate Vice President	64,000	\$ 50.96
Carlyn D. Solomon Corporate Vice President	85,200	\$ 50.96
Larry L. Wood Corporate Vice President	76,800	\$ 50.96
All current executive officers as a group (12 persons)	881,843	\$ 52.78
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 (approximately 7,200 persons as of February 28, 2011)	1,010,790	\$ 54.86

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, 2010 and February 28, 2011 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	2,580
Mr. Abate Corporate Vice President, Chief Financial Officer	5,986
Mr. Verguet Corporate Vice President	0
Mr. Solomon Corporate Vice President	0
Mr. Wood Corporate Vice President	0
All current executive officers as a group (12 persons)	28,476
All non-executive directors as a group (7 persons)	0
All employees, including current officers who are not executive officers, as a group (approximately 7,200 persons as of February 28, 2011)	226,581

On April 4, 2011, 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 ("Baxter") pension plan as a result of the spin-off of the Company from Baxter. The number of restricted stock units to be awarded to each participant will be determined by dividing the amount equivalent to the participant's

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transition grant eligible earnings for 2010 by the fair market value of the Company's common stock on the date of grant. On February 10, 2011, the Board of Directors approved the transition grant eligible earnings for two named executives: Messrs. Mussallem and Abate. Please see footnote 5 to the Grants of Plan-Based Awards in Fiscal Year 2010 table at page 45, for more information.

Amendment of the Long-Term Stock Incentive Compensation Program

The Board of Directors 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 ability to grant an award under the Long-Term Stock Program will terminate on April 1, 2018.

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 1,500,000 share increase which forms part of Proposal 2.

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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:

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.

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.

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.

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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 Section 162(m) and will not have to be taken into account for purposes of the \$1,000,000 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 \$1,000,000 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 applicable accounting guidance, the Company is required to expense all share-based payments including option grants, restricted stock and restricted stock units. 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 the applicable accounting guidance; 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.

Table of Contents**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, 2010 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 (the "U.S. ESPP"), 2001 Employee Stock Purchase Plan for International Employees (the "International ESPP") and Executive Option Plan (the "EOP"). 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(4)	12,634,094(5) \$	27.62	3,691,811(6)
Equity compensation plans not approved by stockholders(7)	11,263(8) \$	3.39	406,000(9)
Total	12,645,357	n/a	4,097,811

- (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 1,395,012 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) As of February 28, 2011, there were in the Long-Term Stock Program and Nonemployee Directors Program a total of 2,681,584 shares available for future grants, which included up to 1,606,359 full value award shares (shares that may be issued as restricted stock or restricted stock units). 10,921,958 stock options were outstanding with a weighted average exercise price of \$28.67 and a weighted average term of 3.48 years. 1,348,901 shares subject to full value award were outstanding. After considering the option carve out for the Long-Term Stock Program listed in proposal two, the total remaining options outstanding are 9,162,370 with a weighted average price of \$31.60 and a weighted average term of 3.94 years.
- (5) This amount includes 1,395,012 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 U.S. ESPP. Approximately 169,164 shares would be issuable under purchase rights outstanding under the U.S. 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, 2010.
- (6) As of December 31, 2010, 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 2,244,655; (b) Nonemployee Directors Program 537,544; and (c) 2001 U.S. ESPP 909,612. If Proposal 2 is approved by the stockholders, as of February 28, 2011, 3,644,040 shares of common stock would be available for future issuance under the Long-Term Stock Program.
- (7) Reflects information for the EOP, which was discontinued on December 31, 2004, and 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

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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

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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 1,300,000 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.

(8)

This amount excludes purchase rights outstanding under the International ESPP and represents only shares subject to option under the EOP. Approximately 32,793 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, 2010.