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Division of Corporation Finance

Securities & Exchange Commission  
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Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Baker International Corporation  
Floating Interest Rate Convertible  
Subordinated Debentures

Dear Sir:

Our client, Baker International Corporation ("Baker") proposes to offer its Floating Interest Rate Convertible Subordinated Debentures (the "Debentures") to approximately 100 of its key employees (the "Purchasers"). In that connection and on behalf of Baker, we respectfully request that the Staff (the "Staff") of the Securities and Exchange Commission (the "Commission") issue an interpretive letter regarding the issues set forth below arising under Rules 16b-3 and 16b-9 adopted by the Commission, pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Act").

A substantially final draft of the Indenture under which the Debentures are to be issued in 1982 is attached as Exhibit A. The form of the Debenture is included in the Indenture.

I.

Statement of Facts

Baker anticipates that it will offer Debentures annually to selected key executives. In future years, Baker may allow relatives of such executives or entities related to the executives, such as trusts, to purchase Debentures.

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The terms of the Debentures which Baker will offer to Purchasers in the first year of the program pursuant to the Baker Debenture Purchase Plan (the "Plan") are described below. From year to year under this program, Baker may offer Debentures in series which differ somewhat from the terms described below (e.g., term, principal amount), but the essential design parameters will not vary substantially.

The aggregate principal amount of the Debentures to be issued is estimated to be \$10,000,000 in the first year. The principal amount of a Debenture is payable at maturity, which will be seven years after issuance. Interest on the Debentures will be payable quarterly at a rate equal to the prime rate then prevailing at Security Pacific National Bank plus one-half percent.

Each annual offering of a series of Debentures will be made pursuant to an effective separate Registration Statement filed with the Commission. Each series of Debentures will be issued pursuant to an Indenture, stating the terms of the Debentures and governing the rights and duties of both Baker and the Purchasers. The Indenture will be qualified under the Trust Indenture Act of 1939.

A Purchaser may convert all or a portion of a Debenture into shares of Baker common stock after the Purchaser has held the Debenture for a period of at least one year. The conversion price will be determined according to a formula established at issuance, which will refer to the then current market price of Baker common stock. The conversion price will remain constant while the Debentures are outstanding, except that it will automatically be adjusted for stock splits and other transactions (primarily those affecting the number of shares of Baker common stock outstanding). No one other than the Purchaser (or the estate of the Purchaser or a beneficiary of the estate, as described below) may exercise the conversion right.

After a Debenture becomes convertible, a Purchaser who retires or who becomes disabled and discontinues his or her employment with Baker, must exercise the right to convert any Debentures that the Purchaser holds into Baker common stock within three years after retirement or disability. If a Purchaser dies owning a Debenture or Debentures, the estate of the deceased Purchaser or a beneficiary of the estate to whom the Debenture is distributed must exercise the right to convert the Debentures which the Purchaser held at death

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during the one year period following the Purchaser's death. A Purchaser discharged by Baker for fraud, theft or embezzlement committed against Baker or a customer, or for a conflict of interest (other than legitimate competition) must exercise the conversion right prior to such termination of employment. A Purchaser who terminates his or her employment with Baker for any reason other than those described above must exercise any conversion right arising from the purchase of Debentures within three months after termination of employment. If the conversion privilege is not exercised within these periods, the privilege terminates. In no event may any Purchaser, or the estate of a deceased Purchaser or a beneficiary under such estate, exercise the conversion right associated with a Debenture before the initial one year period has elapsed or after the end of the seven year term of the Debenture.

In certain cases, Purchasers may pledge the Debentures as security for loans which will provide all or a part of the financing necessary to purchase the Debentures. Baker expects that the Purchasers who pledge the Debentures as security for loans to finance the purchase of the Debentures will receive financing from a number of different banks and financial institutions. In certain cases, Purchasers may seek financing for the purchase of Debentures from banks which have had prior business relationships with Baker.

A Purchaser may not sell, assign, transfer, pledge or otherwise hypothecate a Debenture without the written consent of Baker, except that a Purchaser may pledge a Debenture for a loan to finance all or a portion of the purchase of a Debenture without Baker's consent by providing Baker with written notice of the pledge. If a Purchaser pledges a Debenture as collateral for a loan to finance the purchase of the Debenture, the conversion right associated with the Debenture will not be exercisable during such time as the Debenture is pledged. Upon notice from the Purchaser and the lender to which the Debenture was pledged that the obligation has been discharged, the conversion right will again be exercisable. If a Purchaser sells, assigns, transfers, pledges (except pledges requiring only written notice to Baker) or otherwise hypothecates a Debenture without the Company's consent, the conversion right will permanently cease to exist.

A Debenture will become immediately due and payable if the conversion privilege for that Debenture is permanently

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terminated. Otherwise, the Debenture may not be prepaid or otherwise redeemed prior to maturity without the consent of the Purchaser.

Purchase of a Debenture does not entitle the Purchaser to any rights as a shareholder of Baker until the Purchaser exercises the conversion right included in the Debenture.

The Plan will be approved by a majority of the shareholders of Baker present or represented and entitled to vote at a shareholders meeting duly held in accordance with the California Corporations Code.

Debentures will be offered and sold only to Purchasers who are eligible to participate under the Plan. The Plan will provide that a majority of the Board of Directors making any determination regarding a Purchaser's eligibility for participation in the Plan (or exercising any other discretion in the administration of the Plan) will be disinterested. Baker intends that the sale of Debentures will be exempt from Section 16(b) of the Act by virtue of the provisions of Rule 16b-3 and will rely on the response to Item III of Release No. 34-18114 (September 23, 1981), 17 C.F.R. 241.18114, 3 Fed. Sec. L.Rep. (CCH) ¶26,062.

The Plan will limit the aggregate dollar amount which a Purchaser can invest in Debentures. This limitation will be subject to provisions for adjustment of the Plan to prevent dilution or enlargement of rights.

None of the Purchasers is a dealer in securities and none will purchase the Debentures other than for investment.

Baker common stock is registered under Section 12(b) of the Act and is listed on the New York Stock Exchange.

## II.

### ISSUES AND ANALYSES

We request that the Staff issue an interpretive letter setting for the following response: The provisions contained in the Indenture requiring suspension of the exercisability of conversion rights during such time that a Debenture is pledged as collateral for a loan do not constitute a "change in conversions privilege" for the purposes of Rule 16b-9(a)(1).

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In a letter to Portec, Inc., dated July 15, 1976 (CCH Transfer Binder '76-77 Decisions ¶80,685), the Staff determined that a change in the conversion price of notes by reason of the operation of existing anti-dilution provisions would not be deemed to be an acquisition of or change in a conversion privilege for purposes of Rule 16b-9(a)(1). That interpretation was apparently based upon the rationale that the operation of the anti-dilution provisions would not involve or result from any further actions by or negotiations with the holders/purchasers of the notes. Operation of anti-dilution provisions apparently does not create the potential for unfair use of inside information, which Section 16(b) was designed to prevent.

The rationale of the Portec, Inc. letter is applicable here. The provisions relating to the exercisability of conversion rights are set forth in the Indenture and are known to all Purchasers upon purchase pursuant to the Plan. A pledgee's ability to exercise its conversion rights after discharge of its pledge is not a change in conversion privilege, but is rather a result from the operation of the Indenture provisions. Reinstatement of the exercisability of conversion rights upon discharge of the pledge is automatic, and requires no negotiations on behalf of the pledgee/Purchaser. Therefore, just as there would be no opportunity for the unfair use of inside information under the Portec, Inc. situation, so, too, would there be no potential for insider abuse upon reinstatement of the exercisability of conversion rights.

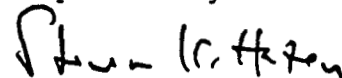
For these reasons, we believe that the provisions suspending exercisability of the conversion privilege should not be deemed to be an "acquisition or a change in a conversion privilege" under Rule 16b-9.

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Pursuant to Release No. 33-6269, we are submitting seven copies of this letter along with this original.

In order for Baker to meet its current time schedule, it would be appreciated if the interpretive response could be delivered by the first week of September. Please feel free to call the undersigned collect at (213) 489-4000, should you have any questions or comments regarding this request. Should the Staff contemplate unfavorable responses in this letter, we would appreciate having an opportunity to meet with you to discuss the matters herein.

Respectfully submitted,



Steven K. Hazen  
for PAUL, HASTINGS, JANOFSKY & WALKER