

Mérieux is prepared as soon as practicable after implementation of the investment to appoint to the board of directors of Institut Mérieux S.A. at least two of the "resident Canadians" elected to the board of Connaught.

Connaught will retain its name, a strong Canadian identity, its headquarters, all key corporate functions and a full range of activities in Canada.

Connaught will enjoy autonomy and decision-making authority in setting its own direction, priorities, plans and budgets and will have operational authority in managing its international operations, including the continued reporting of Connaught's U.S. subsidiaries to Canadian headquarters.

Company Development and Growth

Connaught will be maintained and developed as a world-class company in the vaccine, biotechnology and health care products industries, with the mandate and resources to vie for the position of a leading worldwide vaccine producer.

The employment level at Connaught will not be reduced from that attained in 1988.

Connaught's current production activity will not be reduced or moved from Canada, nor will the level of employment in its production operations fall below that attained in 1988.

Mérieux will transfer to Connaught in Canada production of certain Mérieux-developed products for the North American market.

Connaught's products will be marketed and distributed worldwide, employing Connaught's existing distribution system in North America and that of Institut Mérieux in Europe in particular. Institut Mérieux will afford Connaught every opportunity to play a leading role in developing new and expanded export markets in such areas as the Caribbean, Commonwealth, Pacific Rim, and Central and Latin America and will cause Connaught to have the resources to exploit these opportunities (with the exception of sales to international relief agencies such as UNICEF and WHO for which Connaught and Institut Mérieux will continue to bid separately, as they have in the past).

Connaught will have a world product mandate for every new and existing product and their derivatives developed by Connaught and will have proportionally equal, fair and full opportunity to develop new products.

Divestitures

Mérieux will recommend to the Board of Connaught the disposal of Connaught's interest in BioResearch Inc. with priority given to any competitive bid at fair market value by a Canadian purchaser or purchasers.

Mérieux will also recommend that preference be given to any competitive bid at fair market value by a Canadian purchaser or purchasers if Connaught's

Board decides to sell its interest in Nordic Laboratories Inc.

R&D and Technology Transfer

Mérieux will appoint an R&D Committee to conduct an extensive review of R&D projects currently under way at Mérieux and Connaught, the Committee being composed of an equal number of Mérieux and Connaught employees.

Connaught's management will retain a substantial measure of control over the company's R&D direction.

Connaught's annual R&D spending in Canada will not fall below the amount of R&D spending attained in 1988 (expressed in constant dollars).

There will be no reduction in the level of employment in Connaught's R&D in Canada from the 1988 level.

Connaught's industrial process development skills and capabilities will be enhanced.

Mérieux will make available to Connaught its proprietary production technology, including its microcarrier culture techniques and purification processes.

Security of Supply/Self-Sufficiency

Connaught will continue to supply vaccines to the Department of National Defence.

Connaught will provide at least six months notice to Health and Welfare Canada and to Investment Canada of any plan to discontinue Canadian production of any vaccine or commence production abroad of any new or improved vaccine which would render obsolete a product made by Connaught in Canada.

Connaught will develop, within six months of the implementation of the investment, a satisfactory contingency plan to supply Canada, whether alone or in collaboration with other vaccine makers, with vaccines of strategic importance.

Both Mérieux and Connaught will assure that Canada receives a fair and appropriate share of the supply of new products which may be in high demand in the initial stages of production and distribution.

The availability and price of insulin in Canada sold by Connaught will not be adversely affected by the investment and Connaught will continue its support of diabetes education and research programs in Canada.

The prices of vaccines and other products currently produced and/or marketed by Connaught in Canada will not increase as a result of the investment.

Connaught will not take any action that would have the effect of impairing or hindering Connaught's ability to meet its past liabilities for vaccine injury.

Collaboration with Canadian Universities, Research Centres and Biotechnology Firms

Connaught's outreach programs to universities and other research institutions in Canada to assist in basic and applied research, particularly biotechnology, will