

**IN THE MATTER OF The Securities Legislation of  
Quebec, British Columbia, Alberta, Manitoba, Ontario,  
New Brunswick, Nova Scotia and Newfoundland**

**AND**

**IN THE MATTER OF the Mutual Reliance Review  
System for Exemptive Relief Applications**

**AND**

**IN THE MATTER OF Baxter International Inc.**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Quebec, British Columbia, Alberta, Manitoba, Ontario, New Brunswick, Nova Scotia and Newfoundland (the "**Jurisdictions**") has received an application from Baxter International Inc. (the "**Company**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that:

(a) the requirements contained in the securities legislation in each of the Jurisdictions other than British Columbia and Ontario to be registered to trade in a security (the "**Registration Requirements**") shall not apply to certain trades under the Company's Global Stock Option Plan (the "**Plan**") to eligible employees of the Company and its affiliates ("**Plan Participants**" or individually, a "**Plan Participant**") and the subsequent first trades in the Company's common shares ("**Shares**" or individually, a "**Share**") by Plan Participants resident in the Provinces of Quebec, Alberta, Manitoba, New Brunswick, Nova Scotia and Newfoundland;

(b) the requirements contained in the securities legislation in each of the Provinces of Quebec, New Brunswick and Nova Scotia to file and obtain a receipt for a preliminary prospectus and prospectus (the "**Prospectus Requirements**") shall not apply to certain trades in Options (or other securities issuable upon the exercise of such Options) under the Plan and the subsequent first trades in Shares by Plan Participants resident in the Provinces of Quebec, New Brunswick and Nova Scotia; and

(c) the requirements contained in the securities legislation in each of the Jurisdictions other than New Brunswick relating to delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, taking up and paying for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration and collateral benefits (collectively, the "**Issuer Bid Requirements**") shall not apply to certain acquisitions by the Company of Shares

pursuant to the Plan in each of Quebec British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and Newfoundland.

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**") the Commission des valeurs mobilières du Québec is the principal regulator for this application;

**AND WHEREAS** the Company has represented to the Decision Makers that:

1. The Company, a Delaware corporation whose head office is located in Deerfield, Illinois, U.S.A., is a global medical products and services company that focuses on critical therapies for life-threatening conditions.
2. The Company is registered with the Securities Exchange Commission in the United States of America under the United States *Securities Exchange Act of 1934* (the "**Exchange Act**") and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12G 3-2 made thereunder.
3. The authorized capital of the Company consists of 350,000,000 common shares (the "**Shares**" or individually, a "Share") and 100,000,000 preferred shares. As of November 3, 2000, approximately 294,142,946 Shares of the Company were issued and outstanding.
4. The Company is not a reporting issuer or equivalent in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions
5. Shares subject to the Plan are listed and posted for trading in the United States on the New York Stock Exchange (the "**NYSE**").
6. As at January 19, 2001, the Company and its Canadian subsidiaries employed approximately 827 employees in the Jurisdictions who are eligible to participate in the Plan (157 in Quebec, 25 in British Columbia, 9 in Alberta, 2 in Manitoba, 626 in Ontario, 2 in New Brunswick, 3 in Nova Scotia and 3 in Newfoundland).

#### *The Plan*

1. The Plan will be available in Canada only to employees of subsidiaries in which the Company owns more than 50%, either directly or indirectly, of the voting interests and for the purposes of this application, the term "subsidiary" in the Plan shall be so construed as it applies to the Company's Canadian employees.
2. The Plan is intended to increase stockholder value, and to advance the interests of the Company and its affiliates by providing economic incentives designed to attract, retain and motivate employees.
3. All eligible employees, as determined in accordance with the terms of the Plan, of the Company and its affiliates may participate in the Plan.

4. Pursuant to the Plan, Plan Participants are granted options to purchase Shares ("**Options**") which Options are non-transferable otherwise than by will or the laws of descent and distribution.
5. Participation in the Plan is voluntary and eligible employees are not induced to participate in the Plan by expectation of or as a condition of employment or continued employment with the Company or an affiliate.
6. Plan Participants will be provided with a Plan prospectus prepared in accordance with U.S. securities laws that describes the terms and conditions of the Plan.
7. Plan Participants resident in the jurisdictions who acquire any Options under the Plan will be provided with all disclosure material relating to the Company which is provided to holders of Options resident in the United States
8. As at January 19, 2001, Canadian shareholders do not hold, directly or indirectly, more than 10% of the issued and outstanding Shares of the Company and do not constitute more than 10% of the shareholders of the Company. If at any time during the effectiveness of the Plan Canadian shareholders of the Company hold in aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders constitute more than 10% of all shareholders of the Company, the Company will apply to the relevant Decision Maker for an order with respect to further trades to and by Plan Participants in that Jurisdiction in respect of Shares acquired under the Plan.
9. The maximum number of Shares of the Company that may be covered by Options issued under the Plan does not exceed 10% of the outstanding Shares of the Company. Although the aggregate number of Shares of the Company approved for use under the Plan and any other similar stock option and/or stock purchase plan of the Company may exceed 10% of the outstanding Shares of the Company, such number of Shares approved for use under the Plan and other similar plan(s) is in compliance with applicable securities laws of the United States.
10. The Company has engaged PaineWebber Incorporated to act as administrators under the Plan (the "**Agent**") to administer the operation of the Plan, including the exercise of Options by Plan Participant under the Plan and the, sale by Plan Participants of Shares acquired pursuant to the exercise of Options under the Plan.
11. The Agent is not a registrant under the Legislation but is registered to trade in securities under applicable legislation in the United States.
12. Pursuant to the Plan, the following acquisition of Shares by the Company from Plan Participants in the Jurisdictions may constitute an "issuer bid" as defined under the Legislation. The terms of the Plan permit Plan Participants to tender Shares to the Company as payment of the exercise price for Options granted. The Plan also permits the Company to acquire outstanding Options from Plan Participants pursuant to a "Change of Control" of the Company (as defined in the Plan).

13. Under the Plan, the fair market value, of a Share, is equal to the closing sale price of a Share as -reported on The National Association of Securities Dealers' NYSE Composite Reporting Tape (or if the Shares are not traded on the NYSE, the closing sale price on the exchange on which it is traded or as reported on an applicable automated quotation system) ("**Composite Tape**") on the applicable date, or, if no sales of Shares are reported on such date, the closing sale price of a Share on the date the Share was last reported on the Composite Tape (or such other exchange or automated quotation system, if applicable) (the "**Fair Market Value**").

14. There is no market in the Jurisdictions for the Shares and none is expected to develop.

15. The Legislation of certain of the Jurisdictions does not contain exemptions from the Prospectus Requirements and/or Registration Requirements for intended trades in Options (or other securities issuable upon the exercise of the rights attaching to such Options) under the Plan.

16. Where a U.S. registrant sells Shares on behalf of a Plan Participant, neither the Plan Participant nor the U.S. registrant is able to rely on the exemption from the Registration Requirements contained in the Legislation of certain of the Jurisdictions for trades made by a person acting solely through a registered dealer under the Legislation.

17. The Legislation of certain of the Jurisdictions deems any trade in Shares acquired under the Plan to be a distribution unless, among other things, the Company is a reporting issuer and has been a reporting issuer for the 12 months immediately preceding the trade.

18. The exemptions in the Legislation from the Issuer Bid Requirements may not be available for certain acquisitions by the Company of the Shares in accordance with the terms of the Plan, since certain acquisitions may occur at a price that exceeds the "market price", as that term is defined in the Legislation. Under the Plan, the Company will acquire such tendered Shares at the Shares' Fair Market Value. In the event of a Change of Control of the Company whereby the Company acquires outstanding Options from Plan Participants for cancellation in return for a cash payment, the amount paid to Plan Participants is the greater of (i) the highest per share price offered to the stockholders of the Company pursuant to the change of control, or (ii) the Fair Market Value on the date of occurrence of the Change of Control, over the purchase price per Share subject to the Option.

**AND WHEREAS** under the System this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met;

**THE DECISION** of the Decision Makers pursuant to the Legislation is that:

The Registration Requirements shall not apply to the trades made by the Agent on behalf of the Company or by Plan Participants under the Plan through the Agent in Shares acquired under the Plan where such trades are in accordance with the provisions of the Plan., as applicable.

Dated this "1<sup>st</sup>" day of "June", 2001.

*"Jean Lorrain"*

Director of compliance and enforcement

**THE DECISION** of the Decision Makers pursuant to the Legislation is that:

1. The Registration Requirements shall not apply to trades in Options which may be made under the Plan where such trades are in accordance with the provisions of the Plan, as applicable.
2. The Prospectus Requirements shall not apply to trades in Options (or other securities issuable upon the exercise of such Options) under the Plan where such trades are in accordance with the provisions of the Plan, as applicable.
3. An intended trade in Shares acquired by Plan Participants under the Plan is deemed a distribution or a primary distribution to the public unless such trade, is executed through the facilities of a stock exchange or on an organized market outside of Canada and in accordance with the laws applicable to such exchange or market.
4. Acquisitions of Shares by the Company from Plan Participants as a means of satisfying the exercise price for Options granted pursuant to the Plan and acquisitions of Options in circumstances where there is a Change of Control of the Company shall be exempt from the Issuer Bid Requirements where such acquisitions are effected in accordance with the provisions of the Plan.
5. A French language offering notice which describes in detail the operation of the Plan must be distributed to all Plan Participants in each Jurisdiction which by law requires such distribution.

Dated this "1<sup>st</sup>" day of "June", 2001.

*"Josée Deslauriers"*

Chief corporate financing department