

PATHEON INC  
Form PRE 14A  
February 12, 2013  
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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**

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 Pursuant to Section 240.14a-12

**PATHEON INC.**  
(Name of Registrant as Specified in its Charter)

N/A  
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- (3) Filing Party:
  
  
  
  
  
  
  
  
  
  
- (4) Date Filed:



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March 4, 2013

Dear Shareholder:

You are invited to attend the Annual and Special Meeting of Shareholders to be held at The Hilton Hotel, 145 Richmond St W, Toronto, Ontario, Canada, M5H 2L2 ( *Osgoode Room* ) at 10:30 a.m. (EDT) on Thursday, March 28, 2013. In addition to standard annual business, there is special business to be conducted at the meeting. The special business consists of the consideration and, if thought appropriate, the approval of an amendment to our by-laws to change the quorum requirement for meetings of our shareholders. The purpose of this proposed change is to bring our by-laws into alignment with those customary for U.S. reporting companies.

We look forward to your attendance at the meeting. Registered shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy as soon as possible and return it using any of the methods available. You may also vote using one of the other methods described in further detail in the enclosed Proxy Statement and Management Information Circular. Non-registered shareholders who receive these materials through their broker or other intermediary should follow the instructions provided by their broker or intermediary.

For shareholders who are unable to attend the meeting, we invite you to listen to the simultaneous webcast of the meeting that will be available on our website at [www.patheon.com](http://www.patheon.com). A recording of the webcast will also be available on our website following the meeting.

Yours truly,

*Paul S. Levy*  
Chairman of the Board of Directors

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**NOTICE OF 2013 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that the Annual and Special Meeting of Shareholders of Patheon Inc. ( Patheon ) will be held at The Hilton Hotel, 145 Richmond St W, Toronto, Ontario, Canada, M5H 2L2 ( *Osgoode Room* ) at 10:30 a.m. (EDT) on Thursday, March 28, 2013 to:

- a) receive Patheon's consolidated financial statements for the fiscal year ended October 31, 2012, together with the report of the auditors thereon;
- b) elect nine directors;
- c) appoint Ernst & Young LLP as the auditors of Patheon for the ensuing year at remuneration to be fixed by Patheon's board of directors;
- d) consider, and if thought appropriate, approve a resolution to amend Patheon's By-law No. 1 (2008) to increase the quorum requirements for meetings of Patheon's shareholders; and
- e) transact such other business as may properly come before the meeting.

**Registered shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided for your convenience. You may also be able to vote using one of the other methods described in further detail in the Proxy Statement and Management Information Circular (the Proxy Statement ). Non-registered shareholders who receive these materials through their broker or other intermediary should follow the instructions provided by their broker or intermediary. For your vote by proxy to be recorded, your proxy must be received by Computershare Investor Services Inc., at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, Canada, M5J 2Y1, no later than 10:30 a.m. (EDT) on Tuesday, March 26, 2013, or, if the meeting is postponed or adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any postponed or adjourned meeting is (re)convened, unless otherwise determined by the chairperson of the meeting in his sole discretion.**

Only shareholders of record as at the close of business on February 21, 2013 will be entitled to notice of and to vote at the meeting and any postponement(s) or adjournment(s) thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Annual and Special Meeting of Shareholders to Be Held on March 28, 2013: the Proxy Statement and Annual Report to Shareholders are available at [www.envisionreports.com/Patheon2013](http://www.envisionreports.com/Patheon2013).**

By order of the Board of Directors,

Michael E. Lytton  
Executive Vice President, Corporate Development and

Strategy and General Counsel

March 4, 2013

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**PROXY STATEMENT AND MANAGEMENT INFORMATION CIRCULAR**

This Proxy Statement and Management Information Circular ( Proxy Statement ) is provided in connection with the solicitation by the management and board of directors (the Board ) of Patheon Inc. ( Patheon or the Company ) of proxies to be used at the annual and special meeting of shareholders of Patheon (the Meeting ), to be held at 10:30 a.m. (EDT) on Thursday, March 28, 2013 at The Hilton Hotel, 145 Richmond St W, Toronto, ON M5H 2L2 ( Osgoode Room ), and at any adjournment(s) or postponement(s) thereof, to transact the business set out in the accompanying Notice of Meeting. Requests for directions to the meeting location may be directed to the Assistant Corporate Secretary at Tel: 905-812-6801.

This solicitation is made by our management and Board. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by Patheon's officers and directors (who will not receive additional remuneration for this service). Patheon may also retain, and pay a fee to, one or more proxy solicitation firms to solicit proxies from shareholders in favour of the matters set forth in the Notice of Meeting. However, as of the date hereof, no such contract or arrangement has been entered into with any person. Patheon will pay brokers or other persons holding restricted voting shares in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and the Proxy Statement to beneficial owners of restricted voting shares and obtaining proxies therefor. The total cost of the solicitation will be borne directly by Patheon. The Proxy Statement and the form of proxy will be first sent to shareholders on or about March 4, 2013.

All information in this Proxy Statement is as of February 21, 2013, unless otherwise indicated. All currency references are in U.S. dollars, unless otherwise indicated.

**FORWARD-LOOKING STATEMENTS**

This Proxy Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ) and applicable Canadian securities laws, which reflect Patheon's expectations regarding its future growth, results of operations, performance (both operational and financial) and business prospects and opportunities. All statements, other than statements of historical fact, are forward-looking statements. Wherever possible, words such as plans , expects or does not expect , forecasts , anticipates or does not anticipate , believes , intends and similar expressions or certain actions, events or results may , could , should , would , might or will be taken, occur or be achieved have been used to identify forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause Patheon's actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. Patheon's current material assumptions include assumptions related to market conditions. For additional information regarding risks and uncertainties that could affect Patheon's business, please see Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012 and Patheon's subsequent filings with the U.S. Securities and Exchange Commission and the Canadian Securities Administrators. Although Patheon has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are provided to help

stakeholders understand Patheon's expectations and plans as of

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the date of this Proxy Statement and may not be suitable for other purposes. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, shareholders should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Proxy Statement and, except as required by law, Patheon assumes no obligation to update or revise them to reflect new events or circumstances.

## **PROXY INSTRUCTIONS**

A brief summary of the voting process is set out below. Please note that different rules apply to registered shareholders and non-registered shareholders. You are a non-registered shareholder if your shares are registered in the name of an intermediary (such as a broker, securities dealer, trust company or a bank).

### **Q1. Who can vote at the Meeting?**

#### **Registered Shareholders**

In respect of the election of directors, registered holders of Patheon's restricted voting shares or Class I Preferred Shares, Series D (the "Special Voting Preferred Shares") of record as at the close of business on February 21, 2013 will be entitled to vote at the Meeting.

In respect of the other business expected to be conducted at the Meeting as set forth in the Notice of Meeting, the registered holders of Patheon's restricted voting shares of record as at the close of business on February 21, 2013 will be entitled to vote at the Meeting.

Please see "Voting Securities and Principal Shareholders" below for further information.

#### **Non-Registered Shareholders**

Non-registered shareholders hold their shares through intermediaries, such as banks, trust companies, securities dealers or brokers. If you are a non-registered shareholder, you should receive a package from your intermediary containing either (i) a voting instruction form that must be completed and signed by the non-registered holder in accordance with the directions on the voting instruction form or (ii) a form of proxy which may be signed by the intermediary and specifies the number of restricted voting shares beneficially owned by you, but is otherwise incomplete. The voting instruction form or the signed form of proxy provided by your intermediary will constitute voting instructions that the intermediary must follow and should be returned in accordance with the instructions set out in the applicable form for your vote to count at the Meeting.

If you are a non-registered shareholder and have not received such a package, please contact your intermediary.

### **Q2. How do I vote if I am a REGISTERED shareholder?**

#### **Voting In Person**

If you are a registered shareholder as at the close of business on February 21, 2013 you have the right to attend and vote in person at the Meeting. Please register your attendance with the scrutineer, Computershare Investor Services Inc., upon arrival at the Meeting.

#### **Voting By Proxy**

If you are a registered shareholder as at the close of business on February 21, 2013 and are unable to be present at the Meeting in person, you can vote by using the form of proxy to appoint someone else to vote for you as your



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proxyholder. **You can choose any individual or company you want to be your proxyholder, including any individual or company who is not a shareholder, by inserting that person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. If you leave the space in your enclosed form of proxy blank, the persons designated in the form, who are directors or officers of Patheon, are appointed to act as your proxyholder.**

### **Voting By Telephone**

If you are a registered shareholder as at the close of business on February 21, 2013 and are unable to be present at the Meeting in person, you can vote by telephone, toll free, 24 hours a day, 7 days a week at 1-866-732-VOTE (8683).

### **Voting By Internet**

If you are a registered shareholder as at the close of business on February 21, 2013 and are unable to be present at the Meeting in person, you can vote by using the Internet by going to [www.investorvote.com](http://www.investorvote.com).

## **Q3. How do I vote if I am a NON-REGISTERED shareholder?**

### **Voting in Person**

Only registered shareholders or their duly appointed proxyholders are entitled to vote at the Meeting. If you are a non-registered shareholder and you wish to attend and vote in person at the Meeting, you must insert your own name in the space provided for the appointment of a proxyholder on the voting instruction form or proxy form provided by your intermediary and carefully follow the instructions provided by your intermediary for return of the executed form.

### **Voting by Voting Instruction Form or Intermediate Form of Proxy**

If you are a non-registered shareholder you can vote by completing and signing the voting instruction form, following the directions provided on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by fax, internet or telephone voting) or form of proxy enclosed in the package, which you should have received from your intermediary.

## **Q4. How will my shares be voted if I give my proxy?**

If you specify on the enclosed form of proxy that you want your restricted voting shares to be voted for or withheld from voting with respect to the election of directors or the appointment of auditors, then your proxyholder must vote or withhold your restricted voting shares accordingly. With respect to any other matter, if you specify on the enclosed form of proxy how you want your shares to be voted on a particular matter, then your proxyholder must vote your shares accordingly. If you specify that you abstain from voting on any matter, your shares will not be voted, but will be counted as shares present for the purpose of determining the presence of a quorum at the Meeting.

If you appoint the persons designated in the enclosed form of proxy as your proxyholders, but you do not specify how to vote on a particular matter, then your shares will be voted at the Meeting as follows:

**FOR** the election as directors of the nominees whose names are set out in this Proxy Statement;

**FOR** the appointment of Ernst & Young LLP as the auditors of Patheon for the ensuing year at remuneration to be fixed by the Board; and

**FOR** the resolution to approve an amendment to Patheon's By-law No. 1 (2008) (the By-laws) to increase the quorum requirement for meetings of Patheon's shareholders.



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If amendments are proposed to these matters, or if any other matters are properly brought before the Meeting, your proxyholder will vote in accordance with his or her judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters. As of the date of this Proxy Statement, Patheon's management is not aware of any such amendments or other matters to come before the Meeting.

**Q5. What is quorum for the Meeting?**

Two persons present and each holding or representing by proxy at least one issued share of Patheon shall be a quorum at the Meeting for the choice of a chairperson of the Meeting and for the adjournment of the Meeting to a fixed time and place but may not transact any other business. For all other purposes a quorum for the Meeting shall be two or more persons present and holding or representing by proxy not less than ten percent of the total number of the issued shares of Patheon for the time being enjoying voting rights at the Meeting. If a quorum is present at the opening of the Meeting, the shareholders present may proceed with the business of the Meeting, notwithstanding that a quorum is not present throughout the Meeting. With respect to transaction of business for which the class or series of shares entitled to vote has only one shareholder, that shareholder's presence in person or by proxy constitutes a quorum for the Meeting.

**Q6. How many votes are my shares entitled to?**

**Restricted voting shares**

Each holder of restricted voting shares is entitled to one vote for each share held on all matters to be voted on at the Meeting, except the election of the three directors who may only be elected by the holders of the Special Voting Preferred Shares.

**Special Voting Preferred Shares**

Each holder of Special Voting Preferred Shares is entitled to one vote for each share to elect up to three directors of Patheon, but is not entitled to vote in respect of any other matters expected to be considered at the Meeting.

**Q7. What votes are required for approval of the resolution to increase the quorum requirement in the By-laws?**

Shareholders will be asked to vote FOR or AGAINST or to ABSTAIN on the resolution to increase the quorum requirement in the By-laws. Only votes FOR or AGAINST this resolution will be counted towards determining the votes cast on this resolution. ABSTAIN selections will not be counted for determining the number of votes cast with respect to this resolution. A majority of votes cast at the Meeting, whether in person or by proxy, FOR this matter, will constitute approval of this resolution.

**Q8. What votes are required for election of directors?**

**Six directors to be elected by holders of restricted voting shares**

For the election of directors by holders of restricted voting shares, provided that the number of nominees is equal to the number of directors required to be elected by such holders (six directors), the chairperson may declare that the persons so nominated are elected by acclamation. If the number of nominees is greater than the number of directors required to be elected, a vote will be conducted by ballot of the holders of restricted voting shares represented in person or by proxy at the Meeting. Each shareholder or proxyholder entitled to vote at the Meeting is entitled to one vote per restricted voting share held or represented. The six nominees receiving the greatest number of votes, as determined by the scrutineer, will be elected as directors. WITHHOLD selections will not be considered in determining which nominees have received the greatest number of votes.

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**Three directors to be elected by holders of Special Voting Preferred Shares**

For the election of directors by holders of the Special Voting Preferred Shares, provided that the number of nominees is equal to the number of directors required to be elected by such holders (three directors), the chairperson may declare that the persons so nominated are elected by acclamation. If the number of nominees is greater than the number of directors required to be elected, a vote will be conducted by ballot of the holders of the Special Voting Preferred Shares represented in person or by proxy at the Meeting. Only holders of the Special Voting Preferred Shares are entitled to nominate directors to be elected by this class of shareholders. The three nominees receiving the greatest number of votes, as determined by the scrutineer, will be elected as directors. WITHHOLD selections will not be considered in determining which nominees have received the greatest number of votes.

**Q9. What are the consequences of a registered shareholder failing to sign and return a form of proxy?**

If a registered shareholder does not sign and return the form of proxy enclosed with this Proxy Statement or vote in person or by any other permitted fashion, no votes will be cast on behalf of such shareholder on any of the items of business at the Meeting.

**Q10. What are the consequences of a non-registered shareholder failing to instruct its bank, broker or intermediary how to vote?**

If a non-registered shareholder does not instruct its bank, broker or intermediary how to vote on any matter other than the appointment of auditors, no votes will be cast on behalf of such shareholder with respect to such proposal (including the election of directors) for which no instructions are given (a broker non-vote). Broker non-votes will be counted as shares present for the purpose of determining the presence of quorum at the Meeting.

**If you are a holder of restricted voting shares and are unable to attend the Meeting, please exercise your right to vote by (i) completing, signing, dating and returning the enclosed form of proxy in the envelope provided for your convenience to Computershare Investor Services Inc., Patheon's registrar and transfer agent, at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1; OR (ii) telephone, toll free, 24 hours a day, 7 days a week at 1-866-732-VOTE (8683); OR (iii) using the Internet by going to [www.investorvote.com](http://www.investorvote.com). For your vote by proxy to be recorded, it must be received by Computershare Investor Services Inc. by one of the available methods described no later than 10:30 a.m. (EDT) on Tuesday, March 26, 2013, or, if the Meeting is postponed or adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any postponed or adjourned Meeting is (re)convened, unless otherwise determined by the chairperson of the Meeting in his sole discretion.**

**If you are a holder of the Special Voting Preferred Shares and are unable to attend the Meeting, please exercise your right to vote by completing, signing, dating and returning the enclosed form of proxy in the envelope provided for your convenience to Patheon Inc., Attention: Corporate Secretary, 2100 Syntex Court, Mississauga, Ontario, Canada, L5N 7K9. For your vote by proxy to be recorded, it must be received by Patheon Inc. no later than 10:30 a.m. (EDT) on Tuesday, March 26, 2013, or, if the Meeting is postponed or adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any postponed or adjourned Meeting is (re)convened, unless otherwise determined by the chairperson of the Meeting in his sole discretion.**

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**REVOCATION OF PROXY**

You may revoke your proxy at any time prior to its use at the Meeting. In addition to revocation in any other manner permitted by law, a proxy may be revoked pursuant to Section 148(4) of the *Canada Business Corporations Act* (the "CBCA") by depositing an instrument in writing executed by the shareholder or by the shareholder's authorized attorney (or, if the shareholder is a corporation or other entity, the officers or other persons duly authorized to act on the shareholder's behalf):

at Patheon's registered office, located at 2100 Syntex Court, Mississauga, Ontario, Canada, L5N 7K9, at any time up to and including the last business day preceding the day of the Meeting or any adjournment of the Meeting; or

with the chairperson of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment of the Meeting.

You may also revoke your proxy by completing a proxy bearing a later date and returning it as specified above.

If you are a registered shareholder and you revoke your proxy and do not replace it with another that is deposited as specified above, you can still vote your shares, but must do so in person at the Meeting or any adjournment of the Meeting.

**VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS**

As at February 21, 2013, Patheon had \_\_\_\_\_ restricted voting shares issued and outstanding. Each restricted voting share carries one vote on all matters to be voted on at the Meeting, except the election of those directors who may only be elected by the holders of the Special Voting Preferred Shares.

As at February 21, 2013, Patheon had 150,000 Special Voting Preferred Shares issued and outstanding and held by JLL Patheon Holdings, LLC ( "JLL Patheon Holdings"). Each Special Voting Preferred Share carries one vote on the election of the three directors who may only be elected by the holders of the Special Voting Preferred Shares, but do not carry any votes with respect to any other matters to be considered at the Meeting. Accordingly, the Special Voting Preferred Shares currently entitle JLL Patheon Holdings and its affiliates (collectively, "JLL") to elect three directors of the Company.

The particulars of voting rights for each class of Patheon's shares on the election of directors are further discussed under "Business of Meeting Election of Directors" below. Reference is also made to the disclosure of the characteristics of each class of Patheon's shares set forth under "Description of Registrant's Securities to be Registered" in Patheon's Form 10/A, which was filed on April 13, 2011 with the U.S. Securities and Exchange Commission (the "SEC") at [www.sec.com](http://www.sec.com) and on April 26, 2011 on SEDAR at [www.sedar.com](http://www.sedar.com). Upon request, a copy of the Form 10/A (excluding exhibits) will be provided free of charge to a security holder of the Company.

**BUSINESS OF THE MEETING**

The annual business to be conducted at the Meeting is as follows:

receipt of the 2012 audited consolidated financial statements;

election of directors; and

appointment of Ernst & Young LLP as the auditors of Patheon for the ensuing year at remuneration to be fixed by the Board.

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The special business to be conducted at the Meeting is to consider and, if thought appropriate, to approve a resolution to amend the By-laws to increase the quorum requirement for meetings of Patheon's shareholders.

### ***Financial Statements***

Patheon's audited consolidated financial statements for the fiscal year ended October 31, 2012 (Fiscal 2012), together with the notes thereto and the report of the auditors thereon, were included in Patheon's Annual Report on Form 10-K filed with the SEC at [www.sec.gov](http://www.sec.gov) on December 18, 2012 and also filed on SEDAR at [www.sedar.com](http://www.sedar.com) on the same date. The Fiscal 2012 financial statements will be presented to the shareholders at the Meeting. In accordance with the provisions of the CBCA, the audited consolidated financial statements and the auditors' report thereon will not be voted on at the Meeting. These consolidated financial statements form part of Patheon's 2012 Annual Report, which has been mailed to each shareholder with this Proxy Statement. Copies of Patheon's 2012 Annual Report may also be downloaded in portable document format (PDF) from the SEDAR website or at [www.envisionreports.com/Patheon2013](http://www.envisionreports.com/Patheon2013).

### ***Election of Directors***

Patheon's articles of amalgamation dated November 1, 2003 provide for the Board to consist of a minimum of three and a maximum of 12 directors. The articles of amendment dated April 26, 2007 provide that the holders of Special Voting Preferred Shares are entitled to elect up to three directors depending on the number of restricted voting shares owned by such holders. See Interest of Informed Persons in Material Transactions Compensation Committee Interlocks and Insider Participation Arrangements with JLL.

### **Proposed Nominees for Election as Directors at the Meeting**

The Board has determined that the total number of directors to be elected at the Meeting is nine, consisting of six directors to be individually elected by the holders of restricted voting shares and three directors to be individually elected by the holders of Special Voting Preferred Shares. **UNLESS OTHERWISE INSTRUCTED, THE PERSONS DESIGNATED IN THE FORM OF PROXY WILL VOTE FOR THE ELECTION OF EACH OF THE DIRECTORS WHOSE NAMES ARE SET FORTH ON THE FOLLOWING PAGES. IF, FOR ANY REASON, AT THE TIME OF THE MEETING ANY OF THE NOMINEES IS UNABLE TO SERVE, AND UNLESS OTHERWISE SPECIFIED IN THE SIGNED PROXY, THE PERSONS DESIGNATED IN THE FORM OF PROXY WILL VOTE IN THEIR DISCRETION FOR A SUBSTITUTE NOMINEE OR NOMINEES.**

The Board has approved the following nominees as the six directors of Patheon for election by the holders of restricted voting shares:

Daniel Agroskin

James C. Mullen

Brian G. Shaw

David E. Sutin

Joaquín B. Viso

Derek J. Watchorn

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	<b>Restricted Voting Shares Owned, Controlled or Directed as at</b>	<b>Outstanding</b>
<b>Director*</b>	<b>February 21, 2013</b>	<b>Options as at February 21, 2013</b>
<b>JAMES C. MULLEN</b>	2,312,085	4,000,000

*Massachusetts, USA*

Director since: February 2011

Not Independent

Member of: N/A

Mr. Mullen, age 54, joined Patheon as Chief Executive Officer and became a member of our Board in February 2011, bringing over 30 years of experience in the pharmaceutical and biotechnology industries, over 20 of which have been spent at the executive level. Mr. Mullen served as the President and Chief Executive Officer of Biogen Idec Inc. (formerly known as Biogen, Inc.) ( Biogen ), a biotechnology company, from June 2000 to June 2010. Prior to that, Mr. Mullen held various operating positions at Biogen, including Vice President, Operations, and several manufacturing and engineering positions at SmithKline Beckman (now GlaxoSmithKline). Mr. Mullen previously served on the board of Biogen until June 2010 and currently serves on the board of PerkinElmer, Inc., a technology and service provider for diagnostics, research, environmental and industrial and laboratory services markets. Mr. Mullen holds a Bachelor of Science degree in Chemical Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration degree from Villanova University. Our Board has previously determined that Mr. Mullen's extensive executive experience in the pharmaceutical and biotechnology industries and scientific and business educational background qualify him for service as a member of our Board and add value to the Company.

<b>BRIAN G. SHAW</b>	110,939
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*Ontario, Canada*

Director since: December 2009

Independent

Member of: Audit Committee

Mr. Shaw, age 59, joined our Board in December 2009. Mr. Shaw is a self-employed corporate advisor with substantial financial industry executive experience and particular expertise in capital markets and investing activities. From December 2004 to February 2008, Mr. Shaw served as Chief Executive Officer and Chairman of CIBC World Markets, the wholesale banking arm of a leading North American financial institution ( CIBC ). In addition, from 2002 to December 2004, Mr. Shaw served as the head of CIBC's Global Equities Division. Mr. Shaw is currently a director of three privately held companies, Manulife Bank of Canada and Manulife Trust Company, each a financial services institution, and Ivey Canadian Exploration, Ltd., a natural resources exploration company. Mr. Shaw is a Chartered Financial Analyst ( CFA ) and holds a Master of Business Administration degree from the University of Alberta. Our Board has previously determined that Mr. Shaw's executive experiences in the financial services industry, his CFA status and service as a director of the Toronto CFA Society and his educational background in business administration qualify him for service as a member of our Board and add value to the Company.

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	<b>Restricted Voting Shares Owned, Controlled or Directed as at</b>	<b>Outstanding</b>
<b>Director*</b>	<b>February 21, 2013</b>	<b>Options as at February 21, 2013</b>
<b>DAVID E. SUTIN</b>	36,454	

*Ontario, Canada*

Director since: March 2011

Independent

Member of: N/A

Mr. Sutin, age 60, joined our Board in March 2011. From May 2008 until December 2011, Mr. Sutin was a Managing Partner of Quest Partners Ltd., a financial advisory boutique. Since 2001, Mr. Sutin has been an independent financial advisor and investor, as well as a board member of several companies. Until 2001, Mr. Sutin was Executive Vice President of Harrowston Inc., a private equity firm. Mr. Sutin has over 30 years experience in corporate and real estate investment activity, including acquisitions, divestitures, public and private debt and equity financings, financial restructurings and operational turnarounds. Between June 2009 and December 2010, Mr. Sutin was a director of Sun Gro Horticulture Canada Ltd., and a trustee of Sun Gro Horticulture Income Fund. From March 2007 to May 2009, Mr. Sutin served as a director of Pay Linx Financial Corporation. Mr. Sutin is currently Chairman and a director of two private companies, Brampton Engineering Inc. and Furnace Mineral Products Inc. Mr. Sutin holds a Bachelor of Arts degree and Masters of Business Administration degree from York University. Our Board has previously determined that Mr. Sutin's extensive corporate and financial advisory and investment experience, service on boards of directors and M.B.A. qualify him for service as a member of our Board and add value to the Company.

**JOAQUIN B. VISO***Puerto Rico, USA*Director from: December 2004   April 2009  
and since

December 2009

Independent

Member of: Audit Committee, Corporate  
Governance Committee, Compensation  
and Human Resources Committee

Mr. Viso, age 70, joined our Board in December 2004, on which he served until April 29, 2009 and re-joined on December 4, 2009. From August 2005 to December 2006, Mr. Viso served as Chairman of Patheon Puerto Rico, Inc. ( Patheon P.R. ), formerly known as MOVA Pharmaceutical Corporation, which he founded in 1986. From December 2004 to August 2005, Mr. Viso served as President and Chief Executive Officer of Patheon P.R. Prior to founding MOVA Pharmaceutical Corporation, Mr. Viso was with SmithKline Beecham (now GlaxoSmithKline) for 16 years, where he held various senior management positions, including President and General Manager of Glaxo's operations in Puerto Rico from 1978 to 1986. Currently, he is Chairman of MC-21 Corporation, a provider of pharmacy benefit management programs, and Grupo VL, Inc., a management services company. Mr. Viso is also a controlling shareholder of Alara Pharmaceutical Corporation ( Alara ). Mr. Viso holds a Bachelor of Science in Mechanical Engineering from the University of Puerto Rico and a Master of Science in Engineering from the University of Michigan. Our Board has previously determined that Mr. Viso's service to the

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Company and extensive experience in the pharmaceutical industry, qualify him for service as a member of our Board and add value to the Company.

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<b>Director*</b>	<b>Restricted Voting Shares Owned, Controlled or Directed as at February 21, 2013</b>	<b>Outstanding Options as at February 21, 2013</b>
<b>DANIEL AGROSKIN (1)</b>		
<i>New York, USA</i>		
Director since: December 2009		
Not Independent		
Member of: Compensation and Human Resources Committee, Corporate Governance Committee		
<p>Daniel Agroskin, age 36, joined our Board in December 2009. Since January 2012, Mr. Agroskin has been a Managing Director of JLL Partners, a private equity firm, which he joined in July 2005 as a Vice President and for which he served as a Principal from July 2007 through December 2011. Prior to joining JLL Partners, Mr. Agroskin worked at JP Morgan Partners, a private equity investment firm, and in Merrill Lynch's Mergers and Acquisitions Group. Mr. Agroskin is also a director on the boards of PGT, Inc., Builders FirstSource, Inc., American Dental Partners, Inc. and Medical Card System, Inc. Mr. Agroskin was previously a director on the board of PharmaNet Development Group, Inc. until July 2011. Mr. Agroskin holds a Bachelor of Arts degree from Stanford University and a Masters of Business Administration degree from the Wharton School of the University of Pennsylvania. Our Board has previously determined that Mr. Agroskin's extensive experience in the finance industry and M.B.A. from the Wharton School qualify him for service as a member of our Board and add value to the Company.</p>		
<b>DEREK J. WATCHORN</b>	51,438	15,000
<i>Ontario, Canada</i>		
Director since: February 1998		
Independent		
Member of: N/A		
<p>Mr. Watchorn, age 70, joined our Board in February 1998. Since November 2009, Mr. Watchorn has served as a senior advisor to Armadale Company Ltd. ( Armadale ), a privately held company based in Ontario, Canada, in connection with the proposed redevelopment of the Buttonville Airport lands located in the greater Toronto area. Mr. Watchorn is also currently a member of the Management Committee formed by the joint venture between the Cadillac Fairview Corporation and Armadale to undertake this redevelopment. From January 2007 to June 2009, Mr. Watchorn served as President, Chief Executive Officer and director of Revera Inc., a provider of accommodation and care for seniors. From October 2004 to January 2007, Mr. Watchorn served as President, Chief Executive Officer and a trustee of Retirement Residences Real Estate Investment Trust, also a provider of accommodation and care for seniors, which was acquired by Revera Inc. in January 2007. From October 2004 to December 2007, Mr. Watchorn also held a position as a trustee of IPC US Real Estate Investment Trust, an asset and property management trust. He served as Executive Vice-President, Strategic Initiatives, of Canary Wharf Group plc, a commercial property company, in London, England from January 2003 to June 2004 and as Executive Director of TrizecHahn Europe plc from 1999 until 2001. Before and after his senior management roles in Europe, Mr. Watchorn was a senior</p>		

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<b>Director*</b>	<b>Restricted Voting Shares Owned, Controlled or Directed as at</b>	<b>Outstanding</b>
	<b>February 21, 2013</b>	<b>Options as at February 21, 2013</b>
	<p>partner of the law firm Davies Ward Phillips &amp; Vineberg LLP. Mr. Watchorn is currently a director of Timbercreek Mortgage Investment Corporation, a mortgage loan investment company. He is also a director of each of Treegrove Capital Limited and Limerdale Ventures Limited, both private companies incorporated in Cyprus, which indirectly own, and provide asset and property management services to, office and retail properties located in Central and Eastern Europe. Mr. Watchorn holds an LL.B. from the University of Toronto. Our Board has previously determined that Mr. Watchorn's executive and legal experiences qualify him for service as a member of our Board and add value to the Company. a director of Timbercreek Mortgage Investment Corporation, a mortgage loan investment company. He is also a director of each of Treegrove Capital Limited and Limerdale Ventures Limited, both private companies incorporated in Cyprus, which indirectly own, and provide asset and property management services to, office and retail properties located in Central and Eastern Europe. Mr. Watchorn holds an LL.B. from the University of Toronto. Our Board has previously determined that Mr. Watchorn's executive and legal experiences qualify him for service as a member of our Board and add value to the Company.</p>	

\* Each director's current term of office will expire immediately following the Meeting.

JLL has approved the following nominees as the three directors of Patheon to be elected by the holders of the Special Voting Preferred Shares:

Michel Lagarde

Paul S. Levy

Nicholas O'Leary

<b>Director*</b>	<b>Restricted Voting Shares Owned, Controlled or Directed as at</b>	<b>Outstanding</b>
	<b>February 21, 2013</b>	<b>Options as at February 21, 2013</b>
<b>MICHEL LAGARDE (1)</b>		
<i>New York, USA</i>		
Director since: December 2011		
Not Independent		
Member of: Audit Committee, Compensation and Human Resources Committee,		
Corporate Governance Committee		

Mr. Lagarde, age 38, joined our Board in December 2011. Mr. Lagarde is a Managing Director of JLL Partners, which he joined in January 2008. From February 1996 to December 2007 Mr. Lagarde was employed with the Philips Electronics group of companies. Mr. Lagarde served as Chief Executive Officer of Philips Electronics North America, Domestic Appliances and Personal Care division from April 2004 and as Chief Financial Officer from May 2006. Mr. Lagarde is also

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a director on the boards of American Dental Partners, Inc. and ACE Cash Express, Inc. Mr. Lagarde was previously a director on the board of PharmaNet Development Group, Inc. until July 2011. Mr. Lagarde holds a Bachelor of Business Administration degree from European University Antwerp, and an Executive Masters degree in Finance & Control from University of Amsterdam. Our

**Table of Contents****Restricted Voting Shares Owned,****Controlled or Directed as at****Outstanding****Director\*****February 21, 2013****Options as at February 21, 2013**

Board has previously determined that Mr. Lagarde's executive and finance positions at a manufacturer of consumer products and business and finance degrees qualify him for service as a member of our Board and add value to the Company.

**PAUL S. LEVY (1)***New York, USA*

Director since: April 2007

Not Independent

Member of: N/A

Mr. Levy, age 65, joined our Board in April 2007 and became the Chair of our Board in February 2012. Mr. Levy is a Managing Director of JLL Partners, which he founded in 1988. Prior to founding JLL Partners, Mr. Levy was a Managing Director at Drexel Burnham Lambert, an investment bank, where he was responsible for the firm's restructuring and exchange offer business in New York. Previously, Mr. Levy was Chief Executive Officer of Yves Saint Laurent Inc., New York, a fashion and cosmetics company, Vice President of Administration and General Counsel of Quality Care, Inc., a home healthcare company, and an attorney at Stroock & Stroock & Lavan LLP. Mr. Levy also serves on the boards of Builders FirstSource, Inc., PGT, Inc., Ross Education, LLC, Education Affiliates, Inc., ACE Cash Express, Inc., Medical Card System, Inc., IASIS Healthcare, LLC, American Dental Partners, Inc. and Lear Group, LLC. Mr. Levy is a director of J.G. Wentworth, LLC and J.G. Wentworth, Inc., which is the managing member of JGW Holdco, LLC. In May 2009, J.G. Wentworth LLC, J.G. Wentworth, Inc., and JGW Holdco, LLC filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Mr. Levy previously served as a director of New World Pasta Company, which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2004 and as director of Motor Coach Industries International, Inc., which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2008. Mr. Levy holds a Bachelor of Arts degree from Lehigh University, where he graduated summa cum laude and Phi Beta Kappa, and a Juris Doctor degree from the University of Pennsylvania Law School. He also holds a Certificate from the Institute of Political Science in Paris, France. Our Board has previously determined that Mr. Levy's extensive service on boards of directors, executive experiences and his academic achievements and legal education qualify him for service as a member of our Board and add value to the Company.

**NICHOLAS O. LEARY***New York, USA*

Director since: February 2012

Not Independent

Member of: N/A

Mr. O. Leary, age 29, joined our Board in February 2012. Mr. O. Leary joined JLL Partners as an Associate in July 2009 and was promoted to Senior Associate in July 2011 and Vice President in July 2012. Mr. O. Leary was employed with Merrill Lynch & Co., a financial management and advisory firm, in its Mergers and Acquisitions Group as an Analyst from June 2006 to June 2008 and as a Senior Analyst from June 2008 to June 2009. Mr. O. Leary holds a Bachelor of Arts degree from Washington and Lee University, where he graduated Phi Beta Kappa and magna cum

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laude. Our Board has previously determined that Mr. O'Leary's experience in the finance industry qualifies him for service as a member of our Board and adds value to the Company.

\* Each director's current term of office will expire immediately following the Meeting.

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- (1) JLL Patheon Holdings beneficially owns, directly or indirectly, restricted voting shares and 150,000 Special Voting Preferred Shares (collectively the JLL Shares ). The 150,000 Special Voting Preferred Shares are held directly by JLL Patheon Holdings; JLL Patheon Holdings beneficially owns the restricted voting shares by virtue of its position as a controlling member of JLL Patheon Holdings, Cooperatief U.A. ( JLL CoOp ), which holds the restricted voting shares directly.

By virtue of his position as managing director of JLL Associates G.P. V (Patheon), Ltd ( Cayman Limited ), the general partner of JLL Associates V (Patheon), L.P., which in turn is the general partner of JLL Partners Fund V (Patheon), L.P. ( Cayman LP ), which controls JLL Patheon Holdings, Mr. Levy may be deemed the beneficial owner of the JLL Shares. Mr. Levy disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.

Each of Messrs. Agroskin, Levy and Lagarde is a stockholder and member of the 11 person nominating committee of Cayman Limited. By virtue of their positions as members of the nominating committee, these individuals have shared voting power with respect to the JLL Shares. Each of Messrs. Agroskin, Levy and Lagarde disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.

It is not contemplated that any of these nominees will be unable or will become unwilling, for any reason, to serve as a director. Each of these proposed nominees, if elected, will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed.

### **Majority Voting Policy**

The Toronto Stock Exchange (the TSX ) has adopted amendments to its policies which require listed companies to disclose whether they have adopted a majority voting policy for the election of directors for non-contested meetings and, if not, (i) explain their practices for electing directors and (ii) why they have not adopted such a policy. A majority voting policy generally provides that a director who has received a majority of withhold selections must tender his or her resignation immediately after the meeting, to be effective upon acceptance by the board of directors, in which case the board would consider whether to accept the resignation and disclose its decision within a limited time period after receipt. Given the recent adoption of the policy by the TSX and the rights to elect directors attached to our restricted voting shares and Special Voting Preferred Shares, the Board has not yet determined whether to adopt a majority voting policy. Our directors are elected at each annual general meeting of shareholders. As discussed above under Proxy Instructions Q8. What votes are required for election of directors? , holders of restricted voting shares are entitled to vote for the election of six directors at the Meeting. Holders of Special Voting Preferred Shares are entitled to vote for the election of three directors at the Meeting. If the number of nominees for election exceeds the number fixed for such election, the persons with the most FOR votes will be elected. If the number of persons nominated for election is the same as, or less than, the number of directors fixed by the Board, then the persons so nominated will be elected by acclamation.

### ***Appointment of Auditors***

On the recommendation of the Audit Committee, the Board recommends that Ernst & Young LLP be re-appointed as Patheon s auditors until the next annual meeting of shareholders at remuneration to be fixed by the Board. Ernst & Young LLP have been auditors to Patheon and its predecessor corporation since May 1984. A representative from Ernst & Young LLP is expected to be present at the Meeting, will have the opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

The Board recommends a vote FOR the appointment of Ernst & Young LLP as Patheon s auditors for the ensuing year at remuneration to be fixed by the Board. **THE PERSONS NAMED IN THE FORM OF PROXY WILL, UNLESS SPECIFICALLY INSTRUCTED OTHERWISE, VOTE FOR THE REAPPOINTMENT OF ERNST & YOUNG LLP AS AUDITORS OF PATHEON AT REMUNERATION TO BE FIXED BY THE BOARD.**

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### ***Amendment to the By-Laws with Respect to Quorum Requirements***

Patheon's By-Laws provide that two persons present and each holding or representing by proxy at least one issued share of Patheon shall be a quorum at a meeting of shareholders for the choice of a chair of such meeting and for the adjournment of the meeting to a fixed time and place, but may not transact any other business. For all other purposes, a quorum for a meeting of shareholders shall be persons present not being less than two in number and holding or representing by proxy not less than ten percent (10%) of the total number of the issued shares of Patheon enjoying voting rights at the meeting of shareholders. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. With respect to transaction of business for which the class or series of shares entitled to vote has only one shareholder, that shareholder's presence in person or by proxy constitutes a quorum for the meeting.

In order to bring our By-Laws into alignment with those customary for U.S. reporting companies, the Board has approved the submission to holders of restricted voting shares of the ordinary resolution set forth below to change the quorum requirement for meetings of shareholders to not less than two persons present in person or by proxy who together hold or represent at least one-third (33-1/3%) of Patheon's outstanding restricted voting shares as follows:

RESOLVED, as an ordinary resolution that:

1. Paragraph 37 of By-law No. 1 (2008) of Patheon Inc. (the Corporation) enacted February 22, 2008 and confirmed by the Corporation's shareholders on March 27, 2008, is hereby repealed without prejudice to any action heretofore taken thereunder and replaced with the following:

37. Quorum.

Two persons present and each holding or representing by proxy at least one issued share of the Corporation shall be a quorum for any meeting of shareholders of the choice of a chair of the meeting and for the adjournment of the meeting to a fixed time and place but may not transact any other business; for all other purposes a quorum for any meeting shall be persons present not being less than two in number and holding or representing by proxy not less than one-third (33-1/3%) of the total number of issued and outstanding restricted voting shares of the Corporation entitled to vote at such meeting. If a quorum is present at the opening of the meeting of shareholders, the shareholders present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

Notwithstanding the foregoing, if the Corporation has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting and a quorum for such meeting.

2. Any one officer or any one director of the Corporation is hereby authorized to execute and deliver all documents and to do all acts and things necessary or desirable to give effect to this resolution; and
3. The amendment to By-law No. 1 (2008) shall take effect upon confirmation by the shareholders of the Corporation at the 2013 Annual and Special Meeting of Shareholders.

### **Vote Required and Recommendation of Board**

In order to be effective, the resolution with respect to the amendment to the By-laws requires the approval of a majority of the votes cast by the holders of restricted voting shares present or represented by proxy at the Meeting. If the resolution with respect to the amendment to the By-laws is approved by the holders of restricted voting shares at the Meeting, the amendment to the By-laws will take effect immediately.

For the reasons indicated above, the Board and management of Patheon believe that the proposed amendment to the quorum requirements is in the best interests of Patheon and, accordingly, recommend that shareholders vote FOR the resolution to amend the By-laws to change the quorum requirement for meetings of shareholders in the form set forth above.



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**THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE FOR THE ORDINARY RESOLUTION, THE TEXT OF WHICH IS LOCATED IN THIS PROXY STATEMENT, UNLESS THE SHAREHOLDER SPECIFIES OTHERWISE. IN THE ABSENCE OF INSTRUCTIONS, THE PERSON NAMED IN THE ENCLOSED FORM OF PROXY INTENDS TO VOTE FOR THE ORDINARY RESOLUTION.**

**AUDIT COMMITTEE REPORT AND OTHER AUDIT INFORMATOIN**

**Audit Committee Report**

The Audit Committee is composed of the following members of the Board of Directors of Patheon Inc. (the "Company"): Brian G. Shaw (Chair), Michel Lagarde and Joaquín B. Viso. The general role of the Audit Committee is to assist the Board in overseeing the Company's accounting and financial reporting processes and the audit of the Company's consolidated financial statements.

In the performance of its oversight function, the Audit Committee has met and held discussions with management, who represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed the audited consolidated financial statements with both management and the Company's independent registered public accounting firm. The Audit Committee also discussed with the Company's independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended (AICPA, *Professional Standards*, Vol. 1., AU section 380), as adopted by the Public Company Accounting Oversight Board. The Company's independent registered public accounting firm also provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and the Audit Committee discussed the independent registered public accounting firm's independence with it. In connection with such review and discussions, the Audit Committee has considered whether the provision of audit and non-audit services (and the aggregate fees billed for these services) to the Company is compatible with maintaining the independence of the Company's independent registered public accounting firm.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including in respect of auditor independence. Management is responsible for the Company's internal control over financial reporting and the financial reporting process. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with applicable auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes, including the Company's system of internal control over financial reporting and the preparation of the Company's consolidated financial statements, and members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the Company's independent registered public accounting firm. The Audit Committee also hires and sets the compensation for the Company's independent registered public accounting firm.

The Audit Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the Company's independent registered public accounting firm do not assure that the audited consolidated financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company's consolidated financial statements has been carried out in accordance with applicable auditing standards or that the Company's independent registered public accounting firm is in fact independent.

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Based upon the reviews and discussions described above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee's charter, the Audit Committee recommended to the Company's Board of Directors that the Company's audited consolidated financial statements for the fiscal year ended October 31, 2012 be included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors of Patheon Inc.

*Brian G. Shaw, Chair*  
*Michel Lagarde*  
*Joaquín B. Viso*

**Independent Auditor Fee Information**

The fees of Ernst & Young LLP for Fiscal 2012 and the fiscal year ended October 31, 2011 ( Fiscal 2011 ) were as follows:

	<b>Fiscal 2012</b>	<b>Fiscal 2011</b>
Audit Fees	\$ 1,480,620	\$ 1,335,425
Audit-Related Fees	22,467	105,481
Tax Fees	51,965	248,958
All Other Fees	2,529	
<b>Total</b>	<b>\$ 1,557,581</b>	<b>\$ 1,689,864</b>

**Audit Fees**

This category includes fees billed for the fiscal year shown for professional services for the audit of the Company's annual financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements. The services comprising the fees disclosed under this category in Fiscal 2012 and Fiscal 2011 included the audits and reviews of our financial statements and services in connection with our U.S. and Canadian regulatory filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and (in Fiscal 2012) services performed in connection with the Form 8-K we filed on October 2, 2012 recasting certain historical financial information into accounting principles generally accepted in the United States ( U.S. GAAP ) and the shelf registration statement we filed on the same date.

**Audit-Related Fees**

This category includes fees billed in the fiscal year shown for assurance and related services that are reasonably related to the performance of the audits and reviews of the Company's financial statements and are not reported under the category Audit Fees. The services comprising the fees disclosed under this category included employee benefit audits, accounting assistance, due diligence services and (in Fiscal 2012) XBRL process consultations.

**Tax Fees**

This category includes fees billed in the fiscal year shown for professional services for tax compliance, tax planning and tax advice. The services comprising the fees disclosed under this category in each of Fiscal 2012 and Fiscal 2011 included transfer pricing studies, tax return preparation and/or review and technical tax assistance.

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### **All Other Fees**

This category includes fees billed in the fiscal year shown for products and services provided by Ernst & Young LLP that are not reported in any other category.

All audit and permissible non-audit services provided by the Company's independent auditors must be pre-approved by the Audit Committee. All audit and non-audit services provided by the Company's independent auditors during Fiscal 2012 and Fiscal 2011 were pre-approved by the Audit Committee.

## **PRINCIPAL SHAREHOLDERS AND SHARE OWNERSHIP BY MANAGEMENT**

To the knowledge of the directors and officers of Patheon, the only person or company that beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the two classes of voting shares of Patheon is JLL. JLL beneficially owns, directly or indirectly, \_\_\_\_\_ restricted voting shares of the Company (representing \_\_\_\_\_ % of the issued and outstanding restricted voting shares) and 150,000 Special Voting Preferred Shares of the Company (representing 100% of the issued and outstanding Special Voting Preferred Shares). The Special Voting Preferred Shares of the Company are held directly by JLL Patheon Holdings, and JLL Patheon Holdings beneficially owns the \_\_\_\_\_ restricted voting shares by virtue of its position as a controlling member of JLL CoOp, which holds such shares directly. The Special Voting Preferred Shares currently entitle JLL to elect three directors of the Company.

The following table sets forth information regarding the beneficial ownership of each class of our voting shares of stock as of February 21, 2013 for:

each person who is known by us to own beneficially more than 5% of any class of our voting shares;

each of our named executive officers;

each of our directors; and

all of our executive officers and directors as a group.

The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information does not necessarily indicate beneficial ownership for any other purpose. Under SEC rules, the number of shares of voting stock deemed outstanding includes shares issuable upon exercise of stock options held by the respective person or group that may be exercised within 60 days after February 21, 2013. For purposes of calculating each person's or group's percentage ownership, shares of voting stock issuable pursuant to stock options exercisable within 60 days after February 21, 2013 are reflected in the table below and included as outstanding and beneficially owned for that person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

The percentages of shares outstanding provided in the table are based on \_\_\_\_\_ shares of our restricted voting shares outstanding as of February 21, 2013 and 150,000 shares of our Special Voting Preferred Shares outstanding as of February 21, 2013. The information as to securities beneficially owned, or controlled or directed, directly or indirectly, by each director, officer or other beneficial owner has been furnished to us by the respective person. Unless otherwise indicated, to our knowledge, all persons named in the table have sole voting and

investment power with respect to the shares beneficially owned by them, except, where applicable, to the extent authority is shared by spouses under community property laws.

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The address for JLL Patheon Holdings is JLL Patheon Holdings, LLC, c/o JLL Partners, 450 Lexington Avenue, 31st Floor, New York, New York, 10017. The address of each of our directors and executive officers listed below is Patheon Inc., c/o Patheon Pharmaceuticals Services Inc., 4721 Emperor Boulevard, Suite 200, Durham, North Carolina, 27703.

Class of Voting Shares	Name of Beneficial Owner	Number of Outstanding Shares Beneficially Owned	Shares Underlying Options Exercisable Within 60 Days	Total Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Special Voting Preferred Shares (Class I Preferred Shares, Series D)	JLL investors (1)	150,000		150,000	100.0%
Restricted Voting Shares	JLL investors	78,144,986		78,144,986	55.9%
	James C. Mullen	2,312,085	1,000,000	3,312,085	2.4%
	Michael Lytton (2)	299,030		299,030	*%
	Stuart Grant		85,000	85,000	*%
	Antonella Mancuso		200,598	200,598	*%
	Geoffrey M. Glass		246,800	246,800	*%
	Michel Lagarde (3)				
	Paul S. Levy (4)				
	Daniel Agroskin (5)				
	Nicholas O. Leary (6)				
	Brian G. Shaw	110,939		110,939	*%
	David E. Sutin	36,454		36,454	*%
	Joaquín B. Viso (7)	11,689,698		11,689,698	8.4%
	Derek J. Watchorn (8)	51,438	15,000	66,438	*%
	Mark J. Kontny (9)	25,000		25,000	*%
	Eric W. Evans (10)				*%
	All directors and executive officers as a group (18 persons)	14,524,644	1,829,198	16,353,842	11.6%

\* Represents less than 1%

- (1) JLL Patheon Holdings beneficially owns, directly or indirectly, of our restricted voting shares and 150,000 of our Special Voting Preferred Shares. The Special Voting Preferred Shares are held directly by JLL Patheon Holdings, and JLL Patheon Holdings beneficially owns of our restricted voting shares by virtue of its position as a controlling member JLL CoOp, which holds the shares directly.
- (2) These shares are owned jointly by Mr. Lytton and his wife.
- (3) Mr. Lagarde is a Managing Director at JLL Partners and a shareholder and member of the 11 person nominating committee of Cayman Limited. By virtue of his position as a member of such nominating committee, Mr. Lagarde has shared voting power with respect to the JLL Shares. Mr. Lagarde disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.
- (4) Mr. Levy is a Managing Director of JLL Partners. By virtue of his position as Managing Director of Cayman Limited, Mr. Levy may be deemed the beneficial owner of the JLL Shares. Mr. Levy is a shareholder and member of the 11 person nominating committee of Cayman Limited. By virtue of his position as a member of such nominating committee, Mr. Levy has shared voting power with respect to the JLL Shares. Mr. Levy disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.
- (5) Mr. Agroskin is a Managing Director at JLL Partners and a shareholder and member of the 11 person nominating committee of Cayman Limited. By virtue of his position as a member of such nominating committee, Mr. Agroskin has shared voting power with respect to the JLL Shares. Mr. Agroskin disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.

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- (6) Mr. O'Leary is a member of the 11 person nominating committee of Cayman Limited. By virtue of his position as a member of such nominating committee, Mr. O'Leary has shared voting power with respect to the JLL Shares. Mr. O'Leary disclaims beneficial ownership of the JLL Shares except to the extent of any pecuniary benefit thereof.
- (7) These shares are owned jointly by Mr. Viso and his wife.
- (8) Mr. Watchorn holds 30,384 shares directly, and 21,054 shares through his personal investment company, DJW Investment Holdings Limited.
- (9) The number of shares shown for Dr. Kontny represents the number of shares registered in the name of Dr. Kontny, as determined from our list of registered shareholders as of the date hereof. Dr. Kontny ceased to be an executive officer of the Company as of August 13, 2012; therefore information on Dr. Kontny's beneficial ownership of shares is not within our knowledge.
- (10) Mr. Evans ceased to be an executive officer of the Company as of November 1, 2011; therefore information on his beneficial ownership of shares is not within our knowledge.

**EXECUTIVE OFFICERS*****Executive Officers***

Our executive officers, their ages and their positions are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
James C. Mullen	54	Chief Executive Officer
Stuart Grant	57	Executive Vice President, Chief Financial Officer
Geoffrey M. Glass	39	President, Product and Technology Commercialization
Michael J. Lehmann	50	President, Global Pharmaceutical Development Services
Antonella Mancuso	47	President, Global Commercial Operations and Chief Manufacturing Officer
Aqueel A. Fatmi	62	Executive Vice President, Global Research & Development and Chief Scientific Officer
Paul M. Garofolo	42	Executive Vice President, Global PDS Operations
Michael E. Lytton	55	Executive Vice President, Corporate Development and Strategy and General Counsel
Harry R. Gill, III	52	Senior Vice President, Quality and Continuous Improvement
Rebecca Holland New	38	Chief HR Officer and Senior Vice President, Human Resources and Corporate Communications

*James C. Mullen*, age 54, joined Patheon as Chief Executive Officer and became a member of our Board in February 2011, bringing over 30 years of experience in the pharmaceutical and biotechnology industries, over 20 of which have been spent at the executive level. Mr. Mullen served as the President and Chief Executive Officer of Biogen, a biotechnology company, from June 2000 to June 2010. Prior to that, Mr. Mullen held various operating positions at Biogen, including Vice President, Operations, and several manufacturing and engineering positions at SmithKline Beckman (now GlaxoSmithKline). Mr. Mullen previously served on the board of Biogen until June 2010 and currently serves on the board of PerkinElmer, Inc., a technology and service provider for diagnostics, research, environmental and industrial and laboratory services markets.

*Stuart Grant*, age 57, joined Patheon in February 2012 as Executive Vice President, Chief Financial Officer, bringing over 30 years of financial management experience to the Company, over 15 of which have been in the pharmaceutical industry. From 2007 to 2011, Mr. Grant served as Senior Vice President and Chief Financial Officer of BioCryst Pharmaceuticals, Inc., a pharmaceutical development company. Prior to that, Mr. Grant progressed through a variety of financial management positions at Serono SA (now Merck Serono), a global pharmaceutical services company, including Chief Financial Officer, USA, from 2002 to 2004 and Group Chief Financial Officer from 2004 to 2007. Mr. Grant also spent 15 years in finance at Digital Equipment Company and several years working as a tax consultant and senior auditor for Price Waterhouse (now PricewaterhouseCoopers) in Glasgow, Scotland.



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*Geoffrey M. Glass*, age 39, joined Patheon in April 2009 as Senior Vice President, Marketing, Strategy and Corporate Development and Integration, and was subsequently promoted to Executive Vice President, Global Strategy, Sales and Marketing in October 2009. On December 17, 2012, following our acquisition of Sobel USA Inc., a Delaware corporation ( *Sobel* ), and Banner Pharmacaps Europe B.V., a private limited company organized under the laws of The Netherlands ( *Banner Pharmacaps* ), and together with *Sobel*, *Banner* ), Mr. Glass was promoted to President, Product and Technology Commercialization. Prior to joining Patheon, Mr. Glass served approximately five years as an executive at Valeant Pharmaceuticals International, Inc., a California based global specialty pharmaceutical company ( *Valeant* ), including as Senior Vice President, Asian Operations, from April 2007 to June 2008, where he was responsible for all of Valeant's business affairs in the region, which included over 250 products in 14 countries. Prior to leading the Asian business for Valeant, Mr. Glass served as Senior Vice President and Chief Information Officer of Valeant from March 2004 to April 2007, where he was responsible for all information technology-related matters for the company. Prior to joining Valeant, Mr. Glass was the Global Leader of Life Sciences Operations Excellence Practice for Cap Gemini (formerly known as Ernst & Young LLP Consulting). During his tenure at Cap Gemini, Mr. Glass led global teams through the successful implementation of business transformations at a number of leading life sciences organizations.

*Michael J. Lehmann*, age 50, joined Patheon in November 2012 as President, Global Pharmaceutical Development Services. From September 2005 to September 2012, Mr. Lehmann was employed by Covance, Inc. ( *Covance* ), one of the world's largest drug development services companies, and from January 2009, held the position of Corporate Senior Vice President and General Manager in the Global Early Development business of Covance. In that role, Mr. Lehmann was responsible for global early development and profit and loss management. Previously, he served at Covance as Corporate Senior Vice President and President of the Global Nonclinical Safety Assessment business from January 2009 to October 2011, as Corporate Vice President and President of the Labs North America business from January 2008 to January 2009 and as General Manager of the Madison Site from September 2005 to January 2008. Prior to joining Covance, Mr. Lehmann worked for 17 years at GE Healthcare (a division of General Electric Company) in key operational and management roles.

*Antonella Mancuso*, age 47, joined Patheon in 2001 as Production Manager of Patheon's facility in Monza, Italy and was appointed Site Director in June 2002. She became Director, Italian Operations in January 2005, with responsibility for integrating and managing both the Monza and Ferentino sites. In February 2009, Ms. Mancuso was appointed to the role of Senior Vice President and Managing Director, European Operations. In January 2012, Ms. Mancuso was appointed President, Global Commercial Operations and Chief Manufacturing Officer. Prior to joining Patheon, Ms. Mancuso held progressively senior roles in production and manufacturing during her six years at Bristol-Myers Squibb, a global biopharmaceutical company, in Italy.

*Aqeel A. Fatmi*, age 62, joined Patheon in January 2013 as Executive Vice President Global R&D and Chief Scientific Officer, bringing over 30 years of experience in the pharmaceutical industry. From August 2000 to January 2013, Dr. Fatmi served on Banner global leadership team as Global Vice President, Research and Development and Operations. Prior to joining Banner, from January 1998 to July 2000, Dr. Fatmi was a Co-Founder of the Georgia Combinatorial Chemistry Center at Georgia State University, which focused on discovering small molecules of drugs for the treatment of cancer, HIV and other infectious diseases. Prior to co-founding the Georgia Combinatorial Chemistry Center at Georgia State University, Dr. Fatmi spent a major part of his career, from June 1982 to December 1997, at Solvay Pharmaceuticals, Inc., formerly a pharmaceutical and chemical company ( *Solvay* ) that sold off its pharmaceutical division to Abbott Labs in February 2010. From January 1991 to December 1997, in his most recent positions at Solvay, Dr. Fatmi served as Vice President of Preclinical followed by Senior Vice President of Research and Development, where he was responsible for the development, approval and launch of new drugs. Dr. Fatmi holds a Ph.D. in Medicinal Chemistry from The University of Georgia, Athens, GA. After graduation in June 1981 Dr. Fatmi was a National Science Foundation Post-Doctoral Fellow for one year in the Department of Chemistry at The University of Georgia.

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*Paul M. Garofolo*, age 42, joined Patheon in May 2008 as Senior Vice President and Chief Information Officer and was subsequently promoted to Executive Vice President and Chief Technology Officer in November 2008. Effective August 1, 2011, Mr. Garofolo's role was revised to Executive Vice President - PDS Global Business Operations. Prior to joining Patheon, Mr. Garofolo had more than 17 years of information and management consulting leadership experience. Most recently, he served as Chief Information Officer and Vice President of Global IT at Valeant from 2004 to April 2008, where he was responsible for Valeant's global IT organization, including the implementation of a series of new applications and processes. Prior to his service at Valeant, from 2000 to 2004, Mr. Garofolo was the Chief Technology Officer and Senior Vice President of Technology Services for Broadlane, the fourth largest Group Purchasing Organization within the U.S. healthcare market. He also worked in the management consulting industry for both Ernst & Young Global Limited and Oracle Corp.

*Michael E. Lytton*, age 55, joined Patheon in May 2011 as Executive Vice President, Corporate Development and Strategy and General Counsel. From January 2009 through February 2011, Mr. Lytton was Executive Vice President of Corporate and Business Development of Biogen. Prior to joining Biogen, from January 2001 through December 2008, Mr. Lytton was a General Partner with Oxford Bioscience Partners (Oxford), a venture capital firm investing in therapeutic, diagnostic and life science tool companies. Prior to Oxford, Mr. Lytton practiced law for 17 years and specialized in representing biomedical companies; he is a past Partner and member of the Executive Committee of the law firm Edwards Wildman Palmer and previously was a Partner of the law firm WilmerHale. From September 2004 to October 2011, Mr. Lytton was the Chairman of the Board of Santhera Pharmaceuticals AG, and he has also served on various boards of many other academic, non-profit and private and public for-profit companies throughout his career.

*Harry R. Gill, III*, age 52, joined Patheon in July 2010 as Global Vice President of Operational Excellence and Vice President of Business Management. In September 2012, Mr. Gill was promoted to his current position as Senior Vice President, Quality and Continuous Improvement. Prior to joining Patheon, he had over 25 years of experience in quality, plant operations, technical services and operational excellence. Mr. Gill held the position of Site General Manager at Wyeth (now Pfizer Inc.), a pharmaceutical company, from September 2006 to July 2010. Prior to Wyeth, Mr. Gill served as Director of Engineering at Baxter Healthcare from August 1998 to May 2001. In addition, he has eight years of combined international experience in Asia and Puerto Rico.

*Rebecca Holland New*, age 38, joined Patheon in August 2011 and currently serves as Chief HR Officer and Senior Vice President, Human Resources and Corporate Communications. Most recently, from November 2007 to July 2011, Ms. Holland New was Global Vice President, Human Resources at Bausch & Lomb, Inc. Prior to that, from April 2007 to October 2007, Ms. Holland New held global human resources leadership positions at Bausch & Lomb's business operations, talent, corporate and pharmaceutical business units as well as global research and development. Prior to joining Bausch & Lomb, Ms. Holland New held human resources leadership positions at Novo Nordisk, Inc., from November 2003 to April 2007, and Bristol-Myers Squibb, from August 1996 to November 2003.

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**EXECUTIVE COMPENSATION**

The following executives were our named executive officers for Fiscal 2012:

<b>Name</b>	<b>Position</b>
James C. Mullen	Chief Executive Officer
Stuart Grant	Executive Vice President, Chief Financial Officer (from February 15, 2012)
Geoffrey M. Glass	President, Product and Technology Commercialization (from December 17, 2012)
Antonella Mancuso	President, Global Commercial Operations and Chief Manufacturing Officer (from January 26, 2012)
Michael E. Lytton	Executive Vice President, Corporate Development and Strategy and General Counsel
Eric W. Evans	Former Chief Financial Officer (until November 1, 2011)
Mark J. Kontny	Former President, Global Pharmaceutical Development Services and Chief Scientific Officer (until August 13, 2012)

Mr. Evans's employment with us terminated on November 1, 2011. Dr. Kontny's employment with us terminated on August 13, 2012.

***Compensation Discussion and Analysis***

The Compensation Discussion and Analysis describes our executive compensation philosophy, components and policies, including analysis of the compensation earned by our named executive officers for Fiscal 2012 as detailed in the accompanying tables.

**Executive Summary**

*Setting Fiscal 2012 Compensation.* In making compensation decisions for Fiscal 2012, our Compensation and Human Resources Committee (the "CHR Committee") took into account a number of factors, including (i) the need to attract talented executives, including a new Chief Financial Officer; (ii) our financial performance and achievement of corporate objectives; and (iii) the achievement of individual objectives by each executive officer.

*Elements of Compensation.* Consistent with our philosophy that executive compensation should incentivize our executive officers to enhance shareholder value, each of our executive officers is compensated with base salary, short-term cash incentives and long-term incentives tied to the value of our restricted voting shares, as well as (to a lesser extent) perquisites and personal benefits, retirement benefits and termination and change of control benefits.

*Key Compensation Decisions During Fiscal 2012.* Our CHR Committee and our Board made the following key executive compensation decisions for Fiscal 2012:

Approval of compensation and related benefits in connection with the hiring of our CFO

Approval of compensation and related benefits in connection with promotion of new President, Global Commercial Operations and Chief Manufacturing Officer

Approval of option grants to certain of our executive officers

Approval of the Patheon Global Bonus Plan (the 2012 Bonus Plan )

Approval of discretionary bonus payments to our executive officers

Approval of salary increases for certain of our executive officers

Approval of compensation

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### **Compensation Philosophy and Objectives**

Our compensation philosophy is based on pay for performance. We reward our executive officers for delivering superior performance that contributes to our long-term success and the creation of shareholder value.

The objectives of our compensation program are to:

attract and retain qualified and experienced individuals to serve as executive officers;

align the compensation level of each executive officer with his or her level of responsibility;

motivate each executive officer to achieve short and long-term corporate goals;

align the interests of executive officers with those of shareholders; and

reward executive officers for excellent corporate and individual performance.

### **Process for Determining Executive Compensation**

#### **Role of Our CHR Committee and Board**

Our CHR Committee and Board share responsibility for determining executive compensation. Our Board's involvement in the executive compensation process reflects its desire to oversee compensation decisions regarding our executive officers, particularly our Chief Executive Officer. Accordingly, our CHR Committee makes recommendations regarding, and our Board approves, our executive compensation policies and programs, the compensation of our CEO and the grant of equity awards. Our CHR Committee is solely responsible for approving the compensation of our executive officers other than our CEO, for establishing and approving payments under our annual cash incentive plan and for reporting such decisions to our Board.

#### **Role of Executive Officers**

Other than providing input into their individual performance objectives, neither our Chief Executive Officer nor our other executive officers have any role in recommending or setting their own compensation. Our Chief Executive Officer makes recommendations to our CHR Committee regarding the compensation of our other executive officers and provides input regarding executive compensation programs and policies generally.

#### **Role of Compensation Consultants**

We retained Mercer to act as our independent compensation consultant. Mercer reports directly to our CHR Committee. For Fiscal 2012, we engaged Mercer to assist our CHR Committee in implementing our compensation philosophy for the executive officers in keeping with our overall objectives, including by gathering relevant market data to assist our CHR Committee in making compensation decisions for our named executive officers. On occasion, we also engage Mercer to provide consulting services for non-executive compensation matters. The fees paid to Mercer for these additional services did not exceed \$120,000 in Fiscal 2012.

#### **Role of Benchmarking and Comparative Analysis**

Our CHR Committee used market analyses provided by Mercer as a reference point to evaluate the competitiveness of the total compensation, and competitive positioning, of our executive officers. Under the terms of its engagement, and with our assistance, Mercer constructed a peer group of publicly traded companies with U.S. operations that are similar to us in terms of revenue size, industry and operating characteristics (the Mercer Peer Group) and compared the compensation of each of our executive officers to executive officers in similar positions at companies

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in the Mercer Peer Group. The companies comprising the Mercer Peer Group were as follows: PAREXEL International Corporation, The Cooper Companies, Inc., Charles River Laboratories International, Inc., ResMed Inc., Par Pharmaceutical Companies, Inc., Impax Laboratories, Inc., Integra

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Lifesciences Holdings Corporation, Medicas Pharmaceutical Corp., Cubist Pharmaceuticals, Inc., Alexion Pharmaceuticals, Inc., Regeneron Pharmaceuticals, Inc., Kendle International Inc., BioMarin Pharmaceutical Inc., Myriad Genetics, Inc., Immucor, Inc., Onyx Pharmaceuticals, Inc. and Affymetrix, Inc. In addition, Mercer also reviewed proxy statement data for a number of companies in published compensation surveys, namely, (i) 2010 Mercer Executive Remuneration Survey; (ii) Radford Global Life Sciences Survey 2010; and (iii) Towers Watson Data Services 2010/2011 Survey Report on Top Management Compensation. The companies comprising each of the aforementioned surveys are listed in Appendices C, D, and E, respectively. Companies for which proxy statement data were collected are noted in italics. As discussed below, we used the results of Mercer's review in connection with certain compensation decisions for our named executive officers.

**Role of the Advisory (Non-binding) Vote to Approve Executive Compensation**

We provide our shareholders with the opportunity to cast an advisory (non-binding) vote to approve executive compensation, or the Say-on-Pay proposal, every three years. At the 2012 Annual and Special Meeting of Shareholders, a substantial majority of the votes cast (over 94%) at that meeting voted in favor of the Say-on-Pay proposal, which our CHR Committee believes affirms our shareholders' support of our executive compensation program. Our CHR Committee considered the result of this vote, and following such consideration, did not make any changes to our executive compensation decisions or policies. Our CHR Committee will continue to consider the outcome of the Say-on-Pay votes when making future compensation decisions for our named executive officers.

**Elements of Compensation**

Our overall executive compensation program includes the following major elements:

<b>Element</b>	<b>Form</b>	<b>Performance Period</b>	<b>Determination</b>
Base Salary	Cash	One year	Periodically reviewed against market and further adjusted based on individual experience and performance
Short-Term Incentives	Annual Cash Incentive Bonus	One year	Subject to our performance against pre-determined corporate objectives, individual achievement of personal performance objectives and the discretion of the CHR Committee
Long-Term Incentives	Stock Options	Generally vest over or after five years, depending on the award.	Based on share price appreciation up to a 10-year term with vesting typically over the initial five years
			Exercise price based on the closing market price on the grant date
			Final value based on market value at time of exercise relative to the exercise price
Perquisites	Relocation expenses and incentives, automobile allowances, health and sports club memberships, education allowances, enhanced medical, dental, life insurance and disability benefits, executive allowances	Provided in connection with executive benefit plans, recruitment and retention programs	Based on individually negotiated terms of employment or as introduced from time to time to enhance executive retention, in alignment with benefits plans and consistently applied precedents

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<b>Element</b>	<b>Form</b>	<b>Performance Period</b>	<b>Determination</b>
Broad-Based Benefits	Health, dental, retirement, life insurance and disability	Ongoing	Consistent with the broad-based benefits offered by other multinational organizations
Termination/ Change of Control Benefits	Severance and related benefits in connection with certain terminations and changes of control	Provided in connection with specified events	Based on individually negotiated terms of employment or as introduced from time to time to enhance executive retention
<b>Factors Considered in Making Individual Pay Decisions</b>			

**Compensation Elements**

At this time, we do not target a specific mix of executive compensation by allocating total compensation between cash and noncash pay, between current and long-term pay or among different types of long-term incentive awards. The profile of our executive compensation is driven by decisions made for each component of pay separately, which we intend to be appropriately competitive, as well as the impact of our decisions on total compensation. However, consistent with our compensation philosophy, our CHR Committee believes that a significant portion of each named executive officer's compensation will be at risk.

**Role of Company and Individual Performance**

Our compensation philosophy is based on pay for performance. We reward our executive officers for delivering superior performance that contributes to our long-term success and the creation of shareholder value. In measuring such performance, we consider the achievement of both corporate and individual goals.

We reward significant contributions by our executive officers through salary increases, payments under our annual cash incentive plans and through long-term equity awards. In particular, our 2012 Bonus Plan was designed to focus our executive officers on the achievement of both corporate and individual performance objectives. The corporate performance objectives under our 2012 Bonus Plan were recommended to our CHR Committee by our Chief Executive Officer and approved by our CHR Committee.

The individual performance objectives under our 2012 Bonus Plan were determined by our CHR Committee in consultation with our Chief Executive Officer. Our Chief Executive Officer submitted individual performance objectives for our executive officers (who themselves had input into the determination of their individual objectives), other than himself, to our CHR Committee. Our CHR Committee reviewed the submitted individual performance objectives and approved them with any such changes as it believed appropriate. Our CHR Committee reviewed and approved the individual performance objectives for our current Chief Executive Officer.

**Internal Pay Equity**

We consider internal pay equity when setting compensation for our executive officers. Although we have not established a policy regarding the ratio of total compensation of our Chief Executive Officer to that of our other executive officers, we do review compensation levels to ensure that appropriate equity exists between our CEO and our other executive officers, as well as among our executive officers (other than the CEO). Differences in compensation among our named executive officers are attributable to differences in levels of experience, performance and market demand for executive talent.

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### **Fixed Compensation Base Salary**

#### **Overview**

Base salary is intended to reflect the skills, competencies, experience and performance of each named executive officer. Base salary levels also are targeted to be comparable to salaries offered for positions involving similar responsibilities and complexity at other companies. Competitive base salaries enable us to attract and retain qualified individuals to serve as named executive officers. Base salary also aligns the compensation level of each named executive officer to his or her level of responsibility. Base salaries are adjusted annually where appropriate based on levels of responsibility and sustained performance. Base salary is linked to other elements of compensation such as the annual cash incentive bonus, certain retirement plan benefits and termination and change of control benefits.

#### **Fiscal 2012 Base Salaries**

The key salary decisions made during Fiscal 2012 for our named executive officers were as follows:

*James C. Mullen.* We did not provide Mr. Mullen a base salary increase during Fiscal 2012. Our CHR Committee reviewed Mr. Mullen's salary in Fiscal 2012 and determined that it would not recommend a base salary increase to our Board because Mr. Mullen was recently hired in Fiscal 2011 at a base salary level appropriate for an individual with his experience and skills necessary to induce him to join the Company.

*Stuart Grant.* Mr. Grant was hired during Fiscal 2012, and his salary was based on the amount our CHR Committee determined to be appropriate to induce him to join the Company. Our CHR Committee determined Mr. Grant's salary based on his past experience, skills and compensation from prior employers.

*Geoffrey M. Glass.* We increased Mr. Glass's base salary during Fiscal 2012 from \$350,000 to \$383,000. Our CHR Committee determined that the increase was appropriate to reward individual merit, reflect additional responsibilities Mr. Glass had recently undertaken and to align his salary slightly above the peer group average for retention purposes.

*Antonella Mancuso.* We increased Ms. Mancuso's base salary during Fiscal 2012 from 242,000 EUR to 280,000 EUR. Our CHR Committee determined that the increase was appropriate in connection with Ms. Mancuso's promotion to make her base salary competitive among our peer companies and reflect additional responsibilities undertaken in her new role.

*Michael E. Lytton.* We did not provide Mr. Lytton a base salary increase during Fiscal 2012. Our CHR Committee reviewed Mr. Lytton's salary in Fiscal 2012 and determined not to increase his salary since he was recently hired in Fiscal 2011 at a base salary level determined appropriate for an individual with his experience and skills.

*Eric W. Evans.* Since Mr. Evans' employment with us terminated on November 1, 2011, our CHR Committee did not review his salary for Fiscal 2012.

*Mark J. Kontny.* We did not provide Dr. Kontny a base salary increase during Fiscal 2012. Dr. Kontny's employment with us terminated on August 13, 2012.

For executives hired or receiving salary increases during Fiscal 2012, the target compensation range was between 100-120% of the Mercer Peer Group median.

### **Variable Compensation Short-Term and Long-Term Incentives**

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The variable elements of our compensation include short-term incentives in the form of the opportunity for an annual cash incentive bonus and long-term incentives in the form of stock options. The level of variable compensation offered to our named executive officers is determined, in part, based on an overall assessment of our business performance, including achievement against stated corporate objectives.

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### **Short-Term Incentive Annual Cash Incentive Bonus**

#### *Overview*

Under our 2012 Bonus Plan, our named executive officers and other members of our senior management may receive cash incentive bonuses based on certain performance criteria, subject to certain prescribed limits. The annual cash incentive bonus is intended to motivate our named executive officers to achieve short-term corporate and individual goals and to ultimately reward them for excellent corporate and individual performance. For Fiscal 2012, the annual cash incentive bonus for our named executive officers and other members of senior management was made in the discretion of our CHR Committee based on the achievement of certain corporate and individual objectives established by our CHR Committee and CEO.

#### *2012 Bonus Opportunity*

Target awards under our 2012 Bonus Plan are set forth in each named executive officer's employment agreement. All of our named executive officers, other than Mr. Mullen, have a target bonus of 45% of base salary. For Fiscal 2012, Ms. Mancuso's target bonus was 40% of her annual base salary through January 25, 2012, and 45% of her annual base salary following her promotion effective January 26, 2012. Mr. Mullen has a target bonus of 100% of base salary. We believe that maintaining the same target bonuses for each of our named executive officers other than our CEO appropriately rewards their performance, is consistent with principles of pay equity and helps us attract and retain the executives we need to run our business. Since Mr. Evans was no longer employed by us at the time we implemented the 2012 Bonus Plan, he never had any bonus opportunity under it. Dr. Kontny was no longer employed by us at the time of payout and therefore was not eligible to receive a payout under our 2012 Bonus Plan.

Our CHR Committee approved the various weights allocated to the different financial performance objectives under our 2012 Bonus Plan to incentivize contributions by our named executive officers to our overall corporate performance. In addition, our CHR Committee determined that part of the bonus opportunity should be based on the achievement of individual objectives to focus our named executive officers to execute on projects without an immediately quantifiable financial impact but that would contribute to both our short-term and long-term success.

#### *Financial Objectives*

Corporate Adjusted EBITDA comprised 50% of the corporate objectives for our named executive officers and is defined as income (loss) before discontinued operations before repositioning expenses, interest expense, foreign exchange losses reclassified from other comprehensive income, refinancing expenses, acquisition-related expenses, gains and losses on sale of capital assets, gain on extinguishment of debt, income taxes, asset impairment charges, depreciation and amortization and other income and expenses, with additional adjustments for foreign currency exchange differences versus budgeted exchange rates and other one-time, non-operating gains or losses at the discretion of management.

Corporate Net Free Cash Flow comprised 25% of the corporate objectives for our named executive officers and is defined as cash flow from operations minus capital spending.

Corporate Revenue, as determined under U.S. GAAP, comprised 25% of the corporate objectives for our named executive officers.

Under our 2012 Bonus Plan, if we did not meet threshold performance of 90% of target for each of Corporate Adjusted EBITDA and Corporate Revenue and the threshold performance of positive Corporate Free Cash Flow, there would be no payout to our named executive officers under the Plan. If performance were to fall between threshold and target for Corporate Adjusted EBITDA and Corporate Revenue or if performance were to fall between target and maximum for these measures, payout factors would be interpolated on a straight-line basis.

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In setting the financial targets under our 2012 Bonus Plan, our CHR Committee focused on establishing targets for which attainment was not assured and which would require significant effort on the part of our named executive officers. For Fiscal 2012, target Corporate Adjusted EBITDA, Corporate Net Free Cash Flow and Corporate Revenue were based on our 2012 budget.

The following table shows the payout percentages related to the achievement of each of our corporate goals under our 2012 Bonus Plan:

	Corporate Adjusted EBITDA	Corporate Net Free Cash Flow	Corporate Revenue	Performance (% of Target)	Payout Factor(1)	Payout (% of Target Bonus)
	Goal (millions of \$)					
Threshold	65.0	Positive	650.2	90%	0.5x	50%
Target	72.2	Positive	722.4	100%	1.0x	100%
Maximum	97.5	Positive	975.2	135%	1.5x	150%

(1) Not applicable to Corporate Net Free Cash Flow objective. This component has a payout factor of 1.0 if positive, or 0 if negative.

*Individual Objectives*

In addition to corporate and/or financial objectives, a component of each named executive officer's bonus eligibility was based on the achievement of individual objectives. At the end of Fiscal 2012, the Chief Executive Officer discussed with each then-employed named executive officer his or her achievement of individual objectives and assigned a performance rating. The CHR Committee discussed with the Chief Executive Officer his achievement of his individual objectives and assigned a performance rating. Under the 2012 Bonus Plan, the named executive officer's performance rating served as a multiplier for his or her bonus eligibility based on achievement of the financial objectives as follows:

Rating	Description	Pay for Performance Multiplier
1	Not Acceptable	0
2	Sometimes Meets Expectations	0-0.5
3	Meets Expectations	0.75-1.0
4	Exceeds Expectations	1.0-1.25
5	Outstanding	1.25-1.75

Individual objectives for our named executive officers other than Mr. Evans included individual performance goals specific to such individual or his or her area of responsibility. Because Mr. Evans's employment with us terminated on November 1, 2011, he did not have individual objectives for Fiscal 2012. Individual goals included timely achievement of certain strategic and financial goals, functional financial and budget goals, design and implementation of productivity measures, quality and compliance results, and development of new business opportunities, as follows:

James C. Mullen: (i) achieve certain goals under our transformation plan and strategic plan; (ii) fill key executive positions; (iii) improve our performance standards and culture, including customer focus; and (iv) achieve the financial goals under the 2012 Bonus Plan.

Stuart Grant: (i) achieve certain financial goals, including those contained in the 2012 Bonus Plan; (ii) create an effective worldwide finance function and process to support our strategic transformation; (iii) ensure accounting regulatory compliance; and (iv) build relationships and an investor relations plan to add shareholder value.



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Geoffrey M. Glass: (i) create partnership and senior relationships with certain identified customers; (ii) successfully launch certain service offerings and partnerships for offerings; (iii) establish and implement a comprehensive sales plan; and (iv) achieve certain financial and operational goals.

Antonella Mancuso: (i) achieve the financial goals in the 2012 Bonus Plan for our CMO business, which include achieving certain Fiscal 2012 CMO revenue; (ii) define and implement a new organizational model for our CMO business; (iii) meet target procurement expectations; and (iv) achieve certain goals under our transformation plan.

Michael E. Lytton: (i) coordinate and support the progression of certain strategic initiatives related to our transformation plan; (ii) work with other members of our executive team to develop a strategy for inorganic growth and the business adjacencies and mergers and acquisitions elements of our strategic plan; (iii) centralize management of our legal function; (iv) support the sales and marketing function; and (v) work with certain other functions to pursue an appropriate risk management approach.

Mark J. Kontny: (i) achieve the financial goals in the 2012 Bonus Plan for our PDS business, which include achieving certain Fiscal 2012 revenue and earnings before interest, taxes, depreciation and amortization; (ii) complete the reorganization of our PDS business structure; (iii) achieve certain goals under our transformation plan, including in connection with our One-Patheon initiative; and (iv) create specific plans to facilitate downstream revenue growth.

**2012 Bonus Plan Results**

The following table shows the percentage of achievement of the financial objectives applicable to our named executive officers eligible for a bonus for Fiscal 2012:

(in millions of \$ unless otherwise noted)

Financial Objective	Target	Actual	Achievement (%)
Corporate Adjusted EBITDA	72.2	79.4	110
Corporate Net Free Cash Flow	Positive	Negative	0
Corporate Revenue	722.4	773.3	107

Since we did not meet our threshold goals for all three corporate financial objectives under the 2012 Bonus Plan, none of our named executive officers received a payout under the 2012 Bonus Plan. However, under certain circumstances, as authorized by its charter, our CHR Committee may deem it appropriate to award discretionary bonuses to certain named executive officers. Our CHR Committee determined that awarding discretionary cash bonuses to these individuals was consistent with our pay-for-performance philosophy because, among other things, we exceeded our Corporate Adjusted EBITDA and Corporate Revenue targets under the 2012 Bonus Plan, we exceeded our operational excellence goals, and each of these individuals made significant contributions to the Company's success. The bonuses awarded to these individuals were as follows:

Name(1)	Target Bonus Opportunity	Target Fiscal 2012 Bonus (\$)	Actual Bonus Paid (\$)
James C. Mullen	100%	900,000	1,000,000
Stuart Grant	45%	193,500	200,000
Geoffrey M. Glass	45%	172,350	170,000
Antonella Mancuso	40-45%	142,739(2)	210,000
Michael E. Lytton	45%	180,000	200,000
Mark J. Kontny	45%		(3)

(1) Mr. Evans was not eligible to receive a bonus for Fiscal 2012. See 2012 Bonus Opportunity.

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- (2) The amount shown for Ms. Mancuso's target Fiscal 2012 bonus represents 40% of her annual base salary through January 25, 2012, and 45% of her annual base salary following her promotion effective January 26, 2012, based on an exchange rate of 1 EUR to 1.30 USD in effect on December 1, 2012.

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- (3) Dr. Kontny's employment with the Company ended on August 13, 2012. Since he was not employed with us at the time of payout, he was not eligible for a discretionary bonus. In connection with the termination of his employment, Dr. Kontny received termination benefits as described below under Potential Payments Upon Termination or Change in Control.

Long-Term Incentives Incentive Stock Option Plan*Overview*

Long-term incentives are intended to motivate our named executive officers to achieve long-term corporate goals and to ultimately reward them for excellent corporate performance. Long-term incentives do not influence any other element of compensation. Our Incentive Stock Option Plan is designed to grant options to purchase our restricted voting shares to our named executive officers, directors and certain other persons in order to (i) encourage their productivity in furthering our growth and development; (ii) assist us in retaining and attracting executives with experience; and (iii) give us the ability to reward significant performance achievements.

*Fiscal 2012 Grants*

In connection with her promotion to President, Global Commercial Operations and Chief Manufacturing Officer, we granted Ms. Mancuso 66,252 options to purchase our restricted voting shares. Our CHR Committee believes that this grant was appropriate to achieve compensation equity between Ms. Mancuso and other executives at the same functional level following her promotion.

In connection with his hiring, we granted Mr. Grant 425,000 options to purchase our restricted voting shares. Our CHR Committee approved this award to induce Mr. Grant to join the Company based on his experience, skills and compensation received from former employers, while also providing a significant incentive for him to increase shareholder value.

In connection with Mercer's review of our executives' compensation, Mercer indicated to our CHR Committee that, in general, the executives' total direct compensation was below the Mercer Peer Group median primarily due to the level of long-term incentive compensation that had previously been provided to our named executive officers and, with respect to certain named executive officers, their targeted bonus amounts. Mercer therefore recommended increasing long-term incentives provided to our executives as a percentage of base salary to bring both their long-term incentive compensation and total compensation more in line with the median of the Mercer Peer Group data.

Our CHR Committee considered Mercer's recommendation, along with factors specific to the Company, such as the price of our restricted voting shares, the quantity of shares available to grant and the effect of long-term equity incentives on the pursuit of recently established strategic goals for the Company. Following such consideration, our CHR Committee decided to recommend grants of options to purchase our restricted voting shares to certain of our named executive officers in addition to the awards made upon new hire or promotion. The following table discloses information regarding each such grant, including (i) Mercer's analysis of the Peer Group median long-term incentive award values (expressed as a percentage of base pay), (ii) Mercer's recommended grant values (expressed as a percentage of base pay and in dollars), (iii) the number of options actually granted by our Board, and (iv) the value of such awards (expressed as a percentage of base pay and in dollars):

Name	Peer Group Long-Term Incentive (% of Base Pay)	Mercer Recommendation for Long-Term Incentive (% of Base Pay)	Mercer Proposed Long-Term Incentive Value	Number of Options Granted	Long-Term Incentive Value Granted(1)	Long-Term Incentive Value Granted (% of Base Pay)
James C. Mullen	314%	250%	\$ 2,250,000			
Stuart Grant	169%	169%	\$ 627,000	125,000	\$ 115,313	27%

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Name	Peer Group Long-Term Incentive (% of Base Pay)	Mercer Recommendation for	Mercer	Number of Options Granted	Long-Term Incentive Value Granted(1)	Long-Term Incentive Value Granted (% of Base Pay)
		Long-Term Incentive (% of Base Pay)	Proposed Long- Term Incentive Value			
Geoffrey M. Glass	72%	72%	\$ 252,000	175,000	\$ 161,438	42%
Antonella Mancuso	133%	133%	\$ 463,000	235,000	\$ 216,788	58%
Michael E. Lytton	135%	135%	\$ 540,000	175,000	\$ 161,438	40%
Paul M. Garofolo	72%	72%	\$ 233,000	150,000	\$ 138,375	42%
Mark J. Kontny	135%	135%	\$ 540,000	87,500	\$ 80,719	20%

(1) The amounts shown in this column represent the number of options granted x grant price (\$2.05) x BSV (.45)

In recommending the granting of these options, our CHR Committee sought to bring our executives' total compensation more in line with market practice, promote retention and generally recognize our executives' contributions to our success, but also endeavored to scale the individual awards to appropriately reflect each executive's contributions to our strategic goals and to account for the current level of each executive's current ownership interest in the Company. For example, our CHR Committee determined not to grant Mr. Mullen any additional options because it felt that the extent of his current ownership interest in the Company was sufficient to promote retention and pursuit of our long term strategic goals.

Our CHR Committee structured the awards to promote strategic goal attainment by linking vesting to corporate performance. These options have a ten-year expiration term and vest upon the earlier of (i) our achievement of \$175,000,000 of Corporate Adjusted EBITDA during any fiscal year ending after the date of grant or (ii) the fifth anniversary of the date of grant. For these particular grants, the term "adjusted EBITDA" means Adjusted EBITDA as reported by the Company in its publicly filed periodic financial reports, excluding any contributions from transactions outside the standard course such as mergers and acquisitions as determined by the CHR Committee.

#### *Equity Award Grant Practices*

Our stock option grant practices provide that we may not issue stock options during a blackout period as defined in our trading policies. Quarterly blackout periods begin two weeks before the end of each fiscal quarter and end at the close of business on the second business day following the public release of our quarterly or annual financial results. In addition, supplemental blackout periods are imposed to allow the receipt of material information by the market or in certain cases as determined by our CEO or General Counsel.

#### *Perquisites and Personal Benefits*

We provide certain perquisites and personal benefits to recruit and retain our named executive officers. The level of perquisites and personal benefits provided to our named executive officers does not influence any other element of compensation.

Our group benefits are intended to provide competitive and adequate protection in case of sickness, disability or death. We offer health, dental, pension or retirement, life insurance and disability programs to all of our employees on the same basis. In addition, our named executive officers receive certain enhanced benefits for medical, dental, vision, life insurance and disability, including premium waivers and enhanced coverage.

In addition to enhanced health, life insurance and related benefits, during Fiscal 2012, certain of our named executive officers received automobile allowances or the use of a company car, and certain of our named executive officers received relocation benefits and incentives (and related tax gross-ups) to offset the cost of their relocation to our U.S. headquarters.

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### **Benefits Relating to Termination and Change in Control**

Our named executive officers are covered by termination and change in control provisions in their employment agreements. The events that trigger payment under these arrangements were determined through the negotiation of the applicable employment agreement. In addition, our Incentive Stock Option Plan and certain of the award agreements entered into thereunder contain change in control provisions.

### **Risk Management**

Our CHR Committee and our Board endeavor to design our compensation programs to help ensure that these programs do not encourage our executive officers to take unnecessary and excessive risks that could harm our long-term value. We believe that the following components of our executive compensation program, which are discussed more fully above, discourage our executive officers from taking unnecessary or excessive risks:

Base salaries and personal benefits are sufficiently competitive and not subject to performance risk.

The vesting periods of our stock option awards are designed to better align our executives' interests with the long-term interests of our shareholders.

Corporate and individual performance objectives for our executive officers are generally designed to be achievable with sustained and focused effort.

Minimum thresholds apply to all components of our annual incentive plans for both (i) the funding of the plans and (ii) payout levels of performance objectives, including individual performance objectives.

Our annual incentive plans are, subject to applicable regulations, discretionary, and we have documented our reserved right to amend or discontinue our incentive plans at any time with or without notice.

In order for an employee to receive a payout under one of our annual incentive plans, he or she must be employed at the time of payout, unless our CHR Committee determines otherwise.

In order for an employee to be an eligible participant in one of our annual incentive plans, he or she must have completed at least three months of active employment with us prior to the applicable fiscal year's end.

### **Tax and Accounting Considerations**

Tax and accounting considerations generally do not have a material impact on our compensation decisions. However, our CHR Committee does consider the accounting and cash flow implications of various forms of executive compensation.

In our consolidated financial statements, we record salaries and bonuses as expenses in the amount paid or to be paid to the named executive officers. Accounting rules also require us to record an expense in our consolidated financial statements for stock option awards, even though such awards are not paid as cash to employees. Our CHR Committee believes that the many advantages of equity compensation more than compensate for the non-cash accounting expense associated with it.

### **Policy with Respect to Short-Term Trading and Short Selling**

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Under our trading policy, except with the prior approval of our Chief Executive Officer or our General Counsel, our directors, officers and certain designated employees may not buy and sell, or sell and buy, our restricted voting shares within a six-month time period. Our directors, officers and certain designated employees are also prohibited from short selling our restricted voting shares.

**Table of Contents*****Compensation Committee Report***

The Compensation and Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

## THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

Michel Lagarde, Chair

Daniel Agroskin

Joaquín B. Viso

***Compensation Program Risk Assessment***

We have conducted a risk assessment of our compensation policies and practices for all of our employees (not just our executive officers). Based on this review, we concluded that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on us. Our risk assessment included a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control and the support of the programs and their risks to our strategy. Although we reviewed all compensation programs, we focused on the programs with variability of payout (e.g., short-term and long-term incentive programs), with the ability of a participant to directly affect payout and the controls on participant action and payout. As part of our review, we specifically noted the following factors that reduce the likelihood that excessive risk taking would have a material adverse effect on us: (i) a strong internal control structure, including business, legal and finance review of our customer contracts prior to entry into such contracts; (ii) payment to our employees of competitive base salaries and benefits that are not subject to performance risk; and (iii) a mix between cash and noncash and short-term and long-term compensation.

***Summary Compensation Table***

Name and Principal Position	Fiscal Year	Salary (\$)(1)	Bonus (\$)(2)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
<b>James C. Mullen</b>	2012	900,000	1,000,000			65,354	1,965,354
Chief Executive Officer	2011	661,730	26,493	7,007,005	423,507	59,176	8,177,911
<b>Stuart Grant</b>	2012	305,123	200,000	1,042,500		17,219	1,564,842
Executive Vice President, Chief Financial Officer (from February 15, 2012)							
<b>Geoffrey M. Glass</b>	2012	376,906	170,000	358,750		23,432	929,088
President, Product and Technology Commercialization	2011	350,000			110,250	25,950	486,200
<b>Antonella Mancuso(6)</b>	2012	351,958	210,000	604,316		229,406	1,395,680
President, Global Commercial Operations and Chief Manufacturing Officer							

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<b>Name and Principal Position</b>	<b>Fiscal Year</b>	<b>Salary (\$)(1)</b>	<b>Bonus (\$)(2)</b>	<b>Option Awards (\$)(3)</b>	<b>Non-Equity Incentive Plan Compensation (\$)(4)</b>	<b>All Other Compensation (\$)(5)</b>	<b>Total (\$)</b>
<b>Michael E. Lytton</b> Executive Vice President, Corporate Development and Strategy and General Counsel	2012	400,000	200,000	358,750		27,061	985,811
<b>Eric W. Evans</b> Former Chief Financial Officer (until November 1, 2011)	2012	1,427				539,188	540,615
	2011	371,000				35,980	406,980
<b>Mark J. Kontny</b> Former President, Global Pharmaceutical Development Services and Chief Scientific Officer (until August 13, 2012)	2012	319,214		179,375		618,201	1,116,790
	2011	400,000	43,000		55,800	99,720	598,520

- (1) We have entered into employment agreements with each of our named executive officers that set an initial base salary at the time of hire. Thereafter, base salary for our CEO is determined by our Board, and base salary for our other executive officers is approved by our CHR Committee. See Compensation Discussion and Analysis Fixed Compensation Base Salary.
- (2) The amounts shown in this column represent discretionary bonuses awarded by our CHR Committee to the executive officers.
- (3) The amounts shown in this column represent the aggregate grant date fair value of awards granted during Fiscal 2012 or Fiscal 2011, as applicable, computed in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 718 and do not reflect the compensation actually received by the named executive officer. These award values have been determined based on certain assumptions, which are described in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for Fiscal 2012.
- (4) For Fiscal 2011, this column reflects the amounts paid under our 2011 Leadership Incentive Plan. No amounts were paid under a non-equity incentive plan for Fiscal 2012. See Short-Term Incentive Annual Cash Incentive Bonus.
- (5) The amounts shown in this column represent company matching contributions to the 401(k) retirement plan, the cost of supplemental health and insurance benefits, life insurance premiums, the cost of automobile allowances, relocation expenses, tax gross-ups and other perquisites or personal benefits. Details are provided below in All Other Compensation Table. The amount shown for Mr. Evans includes severance payments in the amount of \$537,950. See Termination and Change in Control Benefits. The amount shown for Dr. Kontny includes severance payments in the amount of \$520,000, payable in equal monthly installments over twelve months. See Termination and Change in Control Benefits.
- (6) Until January 26, 2012, Ms. Mancuso's employment agreement provided that she would receive a gross base salary of 242,000 EUR. In connection with her promotion to President, Global Commercial Operations and Chief Manufacturing Officer, Ms. Mancuso's annual base pay was increased to 280,000 EUR. The annual average exchange rate of 1.29 USD: 1.00 EUR for the period from November 1, 2011 through October 31, 2012 was used to calculate the U.S. dollar equivalent of amounts actually paid to Ms. Mancuso in EUR and reflected in the Summary Compensation Table.

**Table of Contents****All Other Compensation Table**

The following table sets forth each component of the All Other Compensation column of the Summary Compensation Table for Fiscal 2012.

Name	Defined Contribution Plan Contributions \$(1)	Cost of Supplemental Health and Insurance Benefits and Life Insurance \$(2)	Cost of Automobile Allowance \$(3)	Relocation Expenses \$(4)	Other \$(5)	Tax Gross-Ups \$(6)	Total \$(7)
<b>James C. Mullen</b>		14,526		27,565		23,263	65,354
<b>Stuart Grant</b>		11,105		5,000		1,114	17,219
<b>Geoffrey M. Glass</b>	1,750	6,205	15,000			477	23,432
<b>Antonella Mancuso</b>	165,342	9,356	23,736		30,972		229,406
<b>Michael E. Lytton</b>	11,103	14,526				1,432	27,061
<b>Eric W. Evans</b>		1,133	55		537,950	50	539,188
<b>Mark J. Kontny</b>	7,076	12,058	11,760	33,084	520,000	34,223	618,201

- (1) The amounts in this column represent matching contributions to the 401(k) retirement plans of Messrs. Glass, Lytton and Dr. Kontny. For Ms. Mancuso, the amount represents mandatory company contributions to a voluntary savings plan for executives (dirigenti) in Italy (Previndai).
- (2) The amounts in this column represent the incremental dollar value of medical, vision, dental, and long-term disability insurance premiums paid by us on behalf of our named executive officers in Fiscal 2012 above the amounts generally available to all employees, as well as supplemental health benefits, including enhanced medical benefits beyond those generally available to all employees, as well as the value of life insurance premiums paid for the benefit of our named executive officers. Some of these amounts are taxable benefits, which are grossed-up based on the individual's applicable tax rate. For Ms. Mancuso, this amount also represents costs for mandatory National Collective Law Agreement healthcare programs including medical check-up, life, accidental death and disability.
- (3) Some of our named executive officers receive a car allowance to pay for automobile-related expenses. The amounts in this column reflect the cost of such allowances.
- (4) In Fiscal 2012, Messrs. Mullen and Grant and Dr. Kontny received benefits pursuant to our executive relocation program. These amounts are taxable benefits, which are grossed-up based on the individual's applicable tax rate.
- (5) The amounts in this column for Mr. Evans and Dr. Kontny represent severance payments in the amounts of \$537,950 and \$520,000, respectively. See Termination and Change in Control Benefits. For Ms. Mancuso, the amount in this column represents contributions by the Company to the *Trattamento di Fine Rapporto*, or TFR, which is a government-mandated program applicable to all employees in Italy that requires us to accrue and eventually pay such employees a lump sum upon termination of employment for any reason.
- (6) The amounts in this column represent tax gross-ups paid to our named executive officers in connection with relocation expenses and health benefits provided to them.

**Grants of Plan-Based Awards in Fiscal 2012**

The following table provides information about stock options and non-equity incentive plan awards granted to our named executive officers in Fiscal 2012. All stock options were granted under our Incentive Stock Option Plan. Estimated possible payouts under non-equity incentive plan awards were based on our 2012 Bonus Plan; however, no actual payouts were made under our 2012 Bonus Plan since we did not meet our threshold goals for the three required corporate financial objectives, as shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Instead, the CHR Committee approved discretionary bonuses for

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certain of our named executive officers, as shown in the Bonus column of the Summary Compensation Table. Our performance measures and financial results are discussed more fully in Compensation Discussion and Analysis. Since Mr. Evans was not employed with us at the time we adopted the 2012 Bonus Plan, he was not eligible for any potential payments thereunder. Since Dr. Kontny was not employed with us at the end of Fiscal 2012, he did not have any eligible earnings under the 2012 Bonus Plan and was therefore not eligible for any potential payments thereunder.

Name	Grant Date	Approval Date (1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (Canadian \$/share) (5)	Grant Date Fair Value of Option Awards (\$)
			Threshold (\$ (2)	Target (\$ (3)	Maximum (\$ (4)			
<b>James C. Mullen</b>			450,000	900,000	1,800,000			
<b>Stuart Grant</b>			96,750	193,500	387,000			
	March 14, 2012	March 8, 2012				425,000	1.85	786,250
	June 18, 2012	June 12, 2012				125,000	2.05	256,250
<b>Antonella Mancuso</b>			71,370	142,739	285,478			
	March 14, 2012	March 8, 2012				66,252	1.85	122,566
	June 18, 2012	June 12, 2012				235,000	2.05	481,750
<b>Geoffrey M. Glass</b>			86,180	172,350	344,700			
	June 18, 2012	June 12, 2012				175,000	2.05	358,750
<b>Michael E. Lytton</b>			90,000	180,000	370,000			
	June 18, 2012	June 12, 2012				175,000	2.05	358,750
<b>Mark J. Kontny</b>								
	June 18, 2012	June 12, 2012				87,500	2.05	179,375

- (1) This column indicates the dates on which our Board approved options that could not be granted on the same day due to a blackout period in effect at that time.
- (2) There is no minimum amount payable under the 2012 Bonus Plan. No payout is earned if we fail to achieve the threshold levels of performance for each of our corporate financial performance measures under the plan. In addition, even if we meet minimum corporate financial metrics, the incentive payments under the 2012 Bonus Plan are subject to the individual executive's personal performance multiplier, which could be 0% for a rating of less than Meets Expectations. The threshold amount is 50% of the target amount shown, and the amount shown in this column represents the amount payable under the 2012 Bonus Plan if the threshold levels are met for each corporate performance measure and a 1.0 personal performance multiplier is applied.
- (3) The amounts in this column represent the amounts payable under the 2012 Bonus Plan if we meet 100% of the target corporate financial performance measures and a 1.0 personal performance multiplier is applied.
- (4) The maximum amount payable under the 2012 Bonus Plan is 200% of the executive's target amount.
- (5) The exercise price displayed equals the closing price of our restricted voting shares on the TSX on the date of grant.

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### **Narrative Discussion of Summary Compensation Table and Grants of Plan-Based Awards Table**

This section discusses certain plans and arrangements pursuant to which our named executive officers received the compensation reported in the Summary Compensation Table and Grants of Plan-Based Awards Table. For further information about the process for determining executive compensation, compensation decisions made for Fiscal 2012 and the relationships among different elements of compensation, see Compensation Discussion and Analysis.

#### **Employment Agreements**

We have entered into employment agreements with each of our named executive officers that generally outline, among other things, the officer's term of employment, initial base salary, signing bonus, initial option grants and performance bonus eligibility. Our named executive officers are generally entitled to participate in all benefit plans, including deferred compensation and retirement, welfare, perquisites, fringe benefit and life insurance plans, that may be in effect from time to time for senior executives generally. Additional information regarding the material terms of our employment agreements with each of our named executive officers, including information regarding initial option awards granted during Fiscal 2012, is described below. For information about the termination and change in control benefits provided for in these agreements, see Termination and Change in Control Benefits.

#### ***James C. Mullen***

Mr. Mullen's employment agreement provides Mr. Mullen with an annual base salary of \$900,000, subject to revisions by our Board for increase only. Mr. Mullen is also eligible to receive a target performance bonus of up to 100% of his base salary based on achieving financial and other targets set by our Board and our CHR Committee.

#### ***Stuart Grant***

Mr. Grant's employment agreement provides Mr. Grant with an annual base salary of \$430,000 and a target bonus of 45% of his annual base salary based on achieving predetermined financial and other targets set by our Chief Executive Officer and approved by the CHR Committee, which target bonus for Fiscal 2012 is to be pro-rated from the effective date of his agreement. In addition, we granted Mr. Grant an initial award of 425,000 stock options on March 14, 2012. These options vest in five annual installments commencing on the first anniversary of the effective date of Mr. Grant's employment agreement and have a ten-year term.

#### ***Geoffrey M. Glass***

Mr. Glass's employment agreement, as amended in connection with his December 2012 promotion, provides Mr. Glass with an annual base salary of \$400,000, subject to review by our Chief Executive Officer for increase only, and a target bonus of 45% of his annual base salary based on achieving predetermined financial and other targets set by our Chief Executive Officer. In addition, Mr. Glass is entitled to a car allowance of \$1,200 per month and certain relocation benefits pursuant to our executive relocation program. Mr. Glass's employment agreement that was in effect during Fiscal 2012, was substantially similar to the above description, except that he was entitled to a base salary of \$350,000, which during Fiscal 2012 was increased to \$383,000 by the CHR Committee.

#### ***Antonella Mancuso***

Ms. Mancuso's employment agreement, as amended, provides Ms. Mancuso with an annual base salary of 280,000 EUR (increased from 242,000 EUR in connection with her January 2012 promotion) and a target bonus of 45% (increased from 40% in connection with her January 2012 promotion) of her annual base salary (which

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target bonus for Fiscal 2012 was pro-rated to reflect the salary change effective January 26, 2012) based on achieving predetermined financial and other targets set by our Chief Executive Officer and approved by the CHR Committee. In addition, in connection with her January 2012 promotion, we granted Ms. Mancuso an award of 66,252 stock options on March 14, 2012. These options vest in five annual installments commencing on the first anniversary of the effective date of the amendment to Ms. Mancuso's employment agreement and have a ten-year term. In addition, Ms. Mancuso is entitled to the use of a company car.

### *Michael E. Lytton*

Mr. Lytton's employment agreement provides Mr. Lytton with an annual base salary of \$400,000 per year, subject to review by our Chief Executive Officer, for increase only, and a target bonus of 45% of his annual base salary based on achieving predetermined financial and other targets set by our Chief Executive Officer.

### *Eric W. Evans*

Mr. Evans's employment agreement provided Mr. Evans with an annual base salary of \$350,000, subject to review by our Chief Executive Officer, for increase only, and a performance bonus of not less than 45% of his base salary based on achieving financial and other targets set by our Chief Executive Officer. In Fiscal 2010, our CHR Committee approved a base salary increase for Mr. Evans to \$371,000, effective May 1, 2010. In addition, Mr. Evans was entitled to \$2,000 annually for club membership expenses, \$1,200 per month for car related expenses and certain relocation benefits pursuant to our executive relocation program. Mr. Evans's employment with us was terminated effective November 1, 2011.

### *Mark J. Kontny, Ph.D.*

Dr. Kontny's employment agreement provided Dr. Kontny with an annual base salary of \$400,000 and a target bonus of 45% of his annual base salary based on achieving predetermined financial and other targets set by our Chief Executive Officer. In addition, Dr. Kontny was entitled to a car allowance of \$1,200 per month and certain relocation benefits pursuant to our executive relocation program. Dr. Kontny's employment with us was terminated effective August 13, 2012.

## **Option Awards**

During Fiscal 2012, we made option awards under our Incentive Stock Option Plan. These option awards included (i) grants of 425,000 options to our CFO, Stuart Grant, and 62,525 options to our President, Global Commercial Operations and Chief Manufacturing Officer, Antonella Mancuso, which vest in five annual installments commencing on the first anniversary of the grant date and have a term of ten years and (ii) grants to certain of our named executive officers, which have a ten-year term and which vest upon the earlier of (A) the Company's achievement of \$175 million of Corporate Adjusted EBITDA during any fiscal year ending after the date of grant or (B) the fifth anniversary of the date of grant and have a term of ten years. For these particular grants, the term "Adjusted EBITDA" means Adjusted EBITDA as reported by the Company in its publicly filed periodic financial reports, excluding any contributions from transactions outside the standard course such as mergers and acquisitions as determined by the CHR Committee. Dr. Kontny forfeited all of his unvested options, including the 87,500 options granted to him during Fiscal 2012, on August 13, 2012, the date of his separation from the Company. The exercise price of restricted voting shares subject to an option is determined at the time of grant. Our Incentive Stock Option Plan provides that the exercise price may not be less than the closing price of the restricted voting shares on the TSX (or on such other stock exchange in Canada or the United States on which restricted voting shares may be then listed and posted) on the date of the grant. See "Summary of Incentive Stock Option Plan" below.

## **Retirement Benefits**

Our executives in locations outside the United States receive retirement benefits designed to be competitive with benefits provided to executives in comparable positions within their regions. As a senior executive in Italy during

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Fiscal 2012, Ms. Mancuso was covered under a national labor agreement for Industrial Dirigenti, which stipulates certain compensatory arrangements and benefits for industrial executives in Italy. One of the benefits mandated by the agreement is a voluntary defined contribution plan, Previndai, in which Ms. Mancuso participated and contributed during Fiscal 2012. We were required by Italian law to contribute a percentage of Ms. Mancuso's pensionable pay to the Previndai plan, which is administered by third parties.

**Outstanding Equity Awards as of October 31, 2012**

Name	Grant Date	Option Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (Canadian \$ /share)	Option Expiration Date (1)
<b>James C. Mullen</b>	03/14/2011(3)	1,000,000	4,000,000	2.62	03/13/2021
<b>Stuart Grant</b>	03/14/2012(3)		425,000	1.85	03/13/2022
	06/18/2012(4)		125,000	2.05	06/17/2022
<b>Geoffrey M. Glass</b>	10/26/2009(2)	150,000		2.58	10/26/2016
	03/17/2010(3)	36,000	54,000	2.59	03/16/2020
	06/15/2010(3)	42,800	64,200	2.60	06/14/2020
	06/18/2012(4)		175,000	2.05	06/17/2022
<b>Antonella Mancuso</b>	01/21/2008(2)	49,748		3.25	01/21/2015
	10/26/2009(2)	50,000		2.58	10/26/2016
	03/17/2010(3)	28,000	42,000	2.59	03/16/2020
	06/15/2010(3)	45,600	68,400	2.60	06/14/2020
	03/14/2012(3)		66,525	1.85	03/13/2022
	06/18/2012(4)		235,000	2.05	06/17/2022
<b>Michael E. Lytton</b>	06/15/2011(3)	80,000	320,000	2.09	06/14/2021
	06/18/2012(4)		175,000	2.05	06/17/2022
<b>Eric W. Evans</b>	06/19/2008(2)	200,000(6)		4.16	06/19/2015
	10/26/2009(2)	100,000(6)		2.58	10/26/2016
	03/17/2010(3)	44,000(6)	(5)	2.59	03/16/2020
	06/15/2010(3)	54,000(6)	(5)	2.60	06/14/2020
<b>Mark J. Kontny</b>	06/15/2010(2)	233,333	(7)	2.60	06/14/2017
	06/18/2012(4)		(7)		

- (1) Options have either a seven-year or a ten-year term. Upon termination of employment, the recipient forfeits all rights to unvested options. In addition, depending on the nature of the termination and whether our CHR Committee exercises its discretion in certain circumstances, vested options generally expire on the earlier of the expiration date shown and between 12 and 24 months following termination if not exercised. As amended in March 2011, our Incentive Stock Option Plan provides that the post-termination expiration period for vested options is generally between three and 12 months following termination.
- (2) This option grant vests in three equal installments of one-third on each of the first, second and third anniversaries of the grant date.
- (3) This option grant vests in five equal installments of one-fifth on each of the first, second, third, fourth and fifth anniversaries of the grant date.
- (4) This option grant vests upon the earlier of (i) the Company's achievement of \$175 million of Corporate Adjusted EBITDA during any fiscal year ending after the date of grant or (ii) the fifth anniversary of the grant date.

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- (5) Mr. Evans forfeited all of his unvested option awards on November 1, 2011, the date of his separation from the Company.
- (6) Mr. Evans forfeited all of his vested but unexercised option awards on November 1, 2012, 12 months following the date of his separation from the Company.
- (7) Dr. Kontny forfeited all of his unvested option awards on August 13, 2012, the date of his separation from the Company.

***Option Exercises and Stock Vested During Fiscal 2012***

Name	Number of Shares	Option Awards	Value Realized
	Acquired on Exercise (#)		on Exercise (\$)
<b>Eric W. Evans(1)</b>	115,666		\$134,488

- (1) (1) Amounts for Mr. Evans include exercises of 66,666 options at CAD \$2.58, 22,000 options at CAD \$2.59 and 27,000 options at CAD \$2.60, all on October 31, 2012, when the closing price of our restricted voting shares was CAD \$3.71, based on the exchange rate in effect at the close of October 31, 2012 of US \$1 to CAD \$0.9994.

***Termination and Change in Control Benefits***

The following contracts, agreements, plans and arrangements provide for payments to the applicable named executive officers at, following or in connection with either (i) certain terminations of employment or (ii) a change in control of the Company.

**Stock Option Awards**

Our Incentive Stock Option Plan includes change in control provisions. Under our Incentive Stock Option Plan, a change in control means the occurrence of either of the following: (i) any person, other than JLL, becomes a beneficial owner of more than 30% of the voting power of our then outstanding securities entitled to vote generally in the election of directors (with certain exceptions); or (ii) the consummation of a merger, amalgamation, arrangement, business combination, reorganization or consolidation or sale or other disposition of substantially all of the assets of the Company, with certain exceptions. Under the terms of the options granted beginning in Fiscal 2011, a change in control means the occurrence of any of the following: (i) any person other than JLL becomes a beneficial owner of more than 50% of the voting power of our then outstanding securities entitled to vote generally in the election of directors; (ii) our shareholders' approval of a dissolution or liquidation of the Company; (iii) the consummation of a reorganization, merger, consolidation or amalgamation to which the Company is a party and, as a result of which, persons other than the shareholders of the Company immediately prior to such reorganization, merger, consolidation or amalgamation cease to own at least 50% of the voting power of the then outstanding voting securities of the surviving corporation in such reorganization, merger, consolidate or amalgamation entitled to vote generally in the election of directors; (iv) the sale or other disposition of all or substantially all the assets of the Company; and (v) a majority of the seats of our Board, other than vacant sets, are held by persons who were not directors at the option's grant date and were neither (A) nominated for election by our Board nor (B) appointed by directors so nominated.

In the event of a change of control, each option granted and outstanding under our Incentive Stock Option Plan will become immediately exercisable, even if such option is not otherwise vested or exercisable in accordance with its terms. Further, in the event of a change in control or potential change in control, our Board will have the power, subject to restrictions on amendments for which shareholder approval is required, to change the terms of the options as it considers fair and appropriate in the circumstances.

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### **Employment Agreements**

Our employment agreements with our named executive officers contain certain provisions concerning benefits in the event of their termination generally or their termination after a change in control of the Company. The employment agreements generally provide that upon termination within a certain period of time following a change in control, to the extent not otherwise provided in our Incentive Stock Option Plan or the stock option award agreement, the executive officer's unvested stock options will immediately vest and become exercisable.

Additionally, the employment agreements generally provide that if we terminate an executive officer without Cause (as defined below) or if he or she terminates his or her employment for Good Reason (as defined below), our Affiliated Group (defined as the Company or any entity controlled by, controlling or under common control with the Company) will pay or provide, or cause to be paid or provided, to the executive officer any other amounts or benefits required to be paid or provided or which the executive officer is eligible to receive under any plan, program, policy or practice or contract or agreement of our Affiliated Group, in accordance with the terms of such plan, program, policy or practice or contract or agreement, based on accrued and vested benefits through the date of such termination. Generally, executive officers are only entitled to receive severance benefits under their employment agreements if they execute and do not revoke a waiver and release drafted by us within a prescribed time following termination of employment.

In addition, the employment agreements with each of our named executive officers other than Ms. Mancuso include requirements related to confidentiality, non-solicitation and noncompetition. The non-solicitation and noncompetition requirements extend for 12 months following each named executive officer's termination of employment (24 months for Mr. Mullen). These requirements apply to all terminations, except that Mr. Glass's noncompetition provisions do not apply, and Mr. Evans's noncompetition provisions did not apply, to employment terminations other than for Cause (as defined in the applicable agreement).

Additional information regarding the material terms of our employment agreements with each of our named executive officers is described below.

#### **James C. Mullen**

Mr. Mullen's employment agreement provides that if we terminate his employment without Cause, or if he terminates his employment for Good Reason, we are required to pay him severance equal to two years of his then current base salary, payable in 24 equal monthly installments. In addition, with respect to the initial grant to Mr. Mullen of 5,000,000 options, if we terminate his employment without Cause, for incapacity or for death, or if he terminates his employment for Good Reason, a pro-rata portion of such options in which he would have become vested on the following anniversary of the effective date of his agreement will become immediately vested and exercisable on the date of his termination. If Mr. Mullen is terminated under circumstances entitling him to accelerated vesting of his options, he will be permitted to exercise his vested options within three months after the date of such termination. Mr. Mullen's right to such benefits is contingent upon his continued compliance with the confidentiality, non-disparagement, non-solicitation and non-competition provisions of his employment agreement.

#### **Stuart Grant**

Mr. Grant's employment agreement provides that if we terminate his employment without Cause, or if he terminates his employment for Good Reason, we are required to pay him severance equal to his annual base salary, plus an amount determined by the CHR Committee in its sole discretion to reflect the annual incentive Mr. Grant would have otherwise earned during the year in which the termination occurs, in 12 equal monthly payments.

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### **Geoffrey M. Glass**

Mr. Glass's employment agreement, as amended, provides that if we terminate his employment other than for Cause or if he terminates his employment for Good Reason, we are required to pay him severance equal to his annual base salary, plus an amount determined by our Board in its sole discretion to reflect the annual incentive he would have otherwise earned during the year in which the termination occurs, in 12 equal monthly payments.

### **Antonella Mancuso**

Ms. Mancuso's employment agreement, as amended, provides that her employment may be terminated in accordance with the provisions of the National Bargaining Agreement currently in force for executives of industrial companies in Italy. Pursuant to Italian law, we are required under the TFR to accrue annually and eventually pay to Ms. Mancuso when her employment terminates, regardless of the reason for the termination, a lump-sum amount that is calculated as a percentage of base pay, bonus and equity earnings.

### **Michael E. Lytton**

Mr. Lytton's employment agreement, as amended, provides that if we terminate his employment other than for Cause or if he terminates his employment for Good Reason, we are required to pay him severance equal to his annual base salary, plus any performance bonus for periods of service completed prior to the date of termination, in 12 equal monthly payments.

### **Eric W. Evans**

Mr. Evans's employment agreement provided that if we terminated his employment other than for Cause or if he terminated his employment for Good Reason, we were required to pay him a lump sum severance payment equal to his annual base salary for one year, plus the average bonus he earned during the previous two years of employment prior to the termination, within 30 days after termination. If such termination occurred at any time within a 12-month period following a Change in Control, Mr. Evans would have instead been entitled to receive a lump sum severance payment equal to his annual base salary, plus his target annual bonus, within 60 days of the termination date.

Mr. Evans resigned from his employment with us as of November 1, 2011. In accordance with the terms of his separation agreement, following his execution of a customary general release, Mr. Evans received \$537,950 in cash in satisfaction of the amounts payable to him under his employment agreement.

### **Mark J. Kontny**

Dr. Kontny's employment agreement provided that if we terminated his employment other than for Cause or if he terminated his employment for Good Reason, we were required to pay him severance equal to his annual base salary, plus an amount determined by our Board in its sole discretion to reflect the annual incentive Dr. Kontny would have otherwise earned during the year in which the termination occurred, in 12 equal monthly payments. Dr. Kontny's employment with us was terminated on August 13, 2012. In connection with his termination, Dr. Kontny will receive a total of \$520,000, payable in 12 monthly installments, pursuant to the terms of his separation agreement.

For purposes of the employment agreements with our named executive officers, other than Ms. Mancuso, the terms below have the following meanings:

Cause means the determination, in good faith, by our Board, after notice to the executive officer and, if curable, a reasonable opportunity to cure, that one or more of the following events have occurred: (i) the executive officer has failed to perform his material duties, and such failure has not been cured after a period of 30

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days notice from us; (ii) any reckless or grossly negligent act by the executive officer having the effect of injuring the interests, business or reputation of any member of our Affiliated Group; (iii) the executive officer's commission of any felony (including entry of a *nolo contendere* plea); (iv) any misappropriation or embezzlement of the property of any member of our Affiliated Group; or (v) breach by the executive officer of any material provision of his employment agreement. Under Messrs. Mullen's, Grant's and Lytton's employment agreements, such breach of a material provision must, if curable, remain uncured for a period of 30 days after receipt by him of written notice from us of such breach, which notice must contain the specific reasonable cure requested, in order to constitute Cause.

Change in Control means any of the following events: (i) any person, other than JLL, becomes a beneficial owner of more than 50% of the voting power of our then outstanding securities entitled to vote generally in the election of directors; (ii) consummation of a merger or consolidation of the Company or any of our direct or indirect subsidiaries with any other company (with certain exceptions); or (iii) shareholder approval of complete liquidation or dissolution of the Company or disposition by us of all or substantially all of our assets.

Good Reason means the occurrence of any of the following events without the executive officer's consent: (i) a material reduction in the executive officer's duties or responsibilities or the assignment to the executive officer of duties materially inconsistent with his position; or (ii) a material breach by us of the executive officer's employment agreement. Good Reason also included, under Dr. Kontny's employment agreement, requiring Dr. Kontny to work more than 50 miles from his principal office on commencement of his employment. Under Mr. Glass's employment agreement, any future reduction or total elimination of Mr. Glass's global sales and marketing duties or responsibilities by us will not constitute, for the purposes of determining the existence of Good Reason, (i) a material reduction by us of Mr. Glass's duties or responsibilities; (ii) the assignment of duties or responsibilities materially inconsistent with his position; or (iii) a material breach of the employment agreement. A termination of the executive officer's employment by him is not deemed to be for Good Reason unless (i) he gives notice to us of the existence of the event or condition constituting Good Reason within 30 days after such event or condition initially occurs or exists; (ii) we fail to cure such event or condition within 30 days after receiving such notice; and (iii) his separation from service within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the Code), occurs not later than 90 days after such event or condition initially occurs or exists. Under Mr. Mullen's employment agreement, Good Reason also includes removal of him from his position. Mr. Mullen's agreement also provides that no termination for Good Reason is effective unless (i) he gives us written notice within 60 days of becoming aware of the initial occurrence of the event or condition constituting Good Reason and the specific reasonable cure requested by him; (ii) we have failed to cure such event or condition within 30 days of receiving such notice; and (iii) he resigns within 30 days of the initial occurrence. Furthermore, Mr. Mullen may not resign for Good Reason if, on the date of notice to us, (i) grounds exist for his termination by us for Cause or (ii) he has already given us notice of (a) the non-renewal of his agreement at the end of its term or (b) his intention to resign without Good Reason.

## **Potential Payments Upon Termination or Change in Control**

The following table summarizes the estimated amounts payable to each named executive officer (other than Mr. Evans and Dr. Kontny, whose actual payments paid in connection with their respective terminations are discussed above) in the event of a termination of employment or change in control, or both. These estimates are based on the assumption that the various triggering events occurred on October 31, 2012, the last business day of Fiscal 2012.

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We have noted below the other material assumptions used in calculating the estimated payments under each triggering event. The actual amounts that would be paid to a named executive officer upon termination of employment can only be determined at the time an actual triggering event occurs.

Name	Triggering Event (1)	Severance \$(2)	Bonus \$(2),(3)	Equity (\$)	Total \$(3)
<b>James C. Mullen</b>	Death/Disability			1,090,000	1,090,000
	Other than for Cause/ For Good Reason	1,800,000		1,090,000	2,890,000
	Change in Control	1,800,000		5,450,000	7,250,000
<b>Stuart Grant</b>	Other than for Cause/ For Good Reason	430,000			430,000
	Change in Control	430,000		998,000	1,428,000
<b>Geoffrey M. Glass</b>	Other than for Cause/ For Good Reason	383,000		257,328	640,328
	Change in Control	383,000		679,570	1,062,570
<b>Antonella Mancuso</b>	Other than for Cause/ For Good Reason	1,190,000		161,360	1,351,360
	Change in Control	1,190,000		798,161	1,988,161
	Any Termination	390,000			390,000
<b>Michael E. Lytton</b>	Other than for Cause/ For Good Reason	400,000		129,600	529,600
	Change in Control	400,000		808,900	1,208,900

- (1) The triggering event is termination from employment as described in the preceding section except that, in the case of a change in control, the triggering event is termination other than for cause (or without cause) or for good reason (as defined) following a change in control (double trigger) for all elements except equity (as the value of accelerated vesting occurs upon a change in control regardless of whether employment is terminated).
- (2) The values shown represent the payments that could have been made to our named executive officers pursuant to their respective employment agreements or, with respect to Ms. Mancuso, the National Bargaining Agreement applicable to directors of industrial companies, and under the TFR. See Employment Agreements.
- (3) As none of our named executive officers would have been entitled to receive a bonus under the 2012 Bonus Plan for Fiscal 2012 on October 31, 2012, no bonus amounts have been included in these calculations. However, in December 2012, our CHR Committee approved discretionary bonuses for certain named executive officers, whose employment agreements provide for discretionary bonuses upon termination or change in control, as follows: Stuart Grant: \$200,000; Geoffrey M. Glass: \$170,000; and Michael E. Lytton: \$200,000. See 2012 Bonus Plan Results.

**Director Compensation for Fiscal 2012**

Name	Fees Earned or Paid in		
	Cash \$(1)	Stock Awards \$(2)	Total (\$)
<b>Daniel Agroskin</b>	67,367	32,000	99,367
<b>Brian G. Shaw</b>	92,000	32,000	124,000
<b>David E. Sutin</b>	53,000	32,000	85,000
<b>Joaquín B. Viso</b>	82,000	32,000	114,000
<b>Derek J. Watchorn(3)</b>	53,000	32,000	85,000
<b>Michel Lagarde(4)</b>	80,738	60,174	140,912
<b>Paul S. Levy(5)</b>	112,812	8,000	120,817



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Name	Fees Earned or Paid in		Total (\$)
	Cash \$(1)	Stock Awards \$(2)	
Nicholas O. Leary(4)	35,583	54,933	90,516
Ramsey A. Frank(6)	41,486		41,486
Thomas S. Taylor(7)	4,185	3,826	8,011

- (1) Amounts in this column represent fees earned or paid in cash. For Messrs. Sutin, Viso, Watchorn and Agroskin, such amounts include \$35,000 in retainer fees elected to be received in deferred share units ( DSUs ). For Mr. Shaw, such amount includes \$17,500 in retainer fees elected to be received in DSUs.
- (2) These stock awards represent the value of DSUs credited to our directors for Board retainers. See Discussion of Director Compensation Table.
- (3) As of October 31, 2012, Mr. Watchorn held an aggregate of 15,000 outstanding stock options. There were no other stock option awards outstanding as of October 31, 2012 for any of our directors.
- (4) Each of Messrs. Lagarde and O. Leary received an initial retainer upon being appointed to our Board and a pro-rated portion of both the base and annual retainers for Fiscal 2012. See Discussion of Director Compensation Table.
- (5) Mr. Levy was appointed Chairman of the Board on February 13, 2012, at which time he received a pro-rated portion of the annual Chairman's Retainer of \$140,000. Such amount includes \$67,000 elected to be received in DSUs and the balance in cash for Fiscal 2012. See Discussion of Director Compensation Table.
- (6) Mr. Frank resigned from our Board effective February 13, 2012.
- (7) Mr. Taylor resigned from our Board effective December 14, 2011.

**Discussion of Director Compensation Table**

Our compensation program for non-employee directors consists of (i) cash retainers and fees and (ii) deferred share units ( DSUs ) granted pursuant to a directors deferred share unit plan (the DSU Plan ), all as more fully described below.

**Cash Retainers and Fees**

The following table summarizes the cash retainers and fees to which our directors were entitled in Fiscal 2012. Each director except the Chair of our Board was entitled to (i) an annual retainer; (ii) an annual committee Chair retainer, if applicable; (iii) an annual committee member retainer, if applicable; and (iv) meeting attendance fees, as applicable. The Chair of our Board was entitled to an annual retainer and an annual committee member retainer.

Position	Retainer Per Annum (\$) (per meeting for meeting fees)
<b>Initial Retainer (upon being appointed or elected to our Board)</b>	32,000 (1)
<b>Board Retainer</b>	67,000 (2)
<b>Chair's Retainer</b>	140,000 (3)
<b>Committee Chair Retainer</b>	
Chair of Audit Committee	14,000
Chair of Other Standing Board Committee	5,000
<b>Committee Member Retainer</b>	
Member of Audit Committee	6,000
Member of Other Standing Board Committee	4,000
<b>Board and Standing Committee Meeting Attendance Fees</b>	1,500 (4)

- (1) This amount is payable in DSUs.

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- (2) \$32,000 of this amount is payable in DSUs, and the remainder is payable in cash or DSUs at the election of the director. See *Deferred Share Unit Plan*.
- (3) \$67,000 out of \$140,000 is payable in cash or DSUs at the election of the Chair, and the remainder is payable in cash.
- (4) The Chair of our Board is not entitled to any meeting attendance fees for Board or standing committee meetings.

### **Deferred Share Unit Plan**

The DSU Plan was first approved by our Board on February 22, 2008 and was amended on March 27, 2008. The purposes of the DSU Plan are to (i) promote a greater alignment of interests between our directors and our shareholders and (ii) provide a compensation system for directors that, together with our other director compensation mechanisms, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of duties required of the various committees of our Board. Only our directors who are not our employees or employees of any of our affiliates, including any non-executive Chair of our Board (each an *Eligible Director*) are eligible to participate in the DSU Plan. The DSU Plan is administered by our CHR Committee.

Under the DSU Plan, each *Eligible Director* (other than the Chair of our Board) will receive in DSUs (i) an initial retainer fee for serving as a director payable on initiation of the DSU Plan or on being elected or appointed a director (the *Initial Retainer*) and (ii) a base retainer in respect of each fiscal year (the *Base Retainer*). In addition, each *Eligible Director* may elect to receive an annual retainer for serving as a director (the *Annual Retainer*) or an annual chairman's retainer (the *Chair's Retainer*), as applicable, in the form of DSUs or cash or any combination thereof.

DSUs allocated to an *Eligible Director* pursuant to the DSU Plan are credited to an account maintained by us on the last day of each fiscal quarter in which the remuneration provided in DSUs accrued. The number of DSUs is determined by dividing the remuneration provided in DSUs by the *Market Price* on the particular payment day. The *Market Price* is defined to mean, in respect of any date, the weighted-average price at which our restricted voting shares have traded on the TSX during the two trading days immediately prior to such date. If any dividends are paid on our restricted voting shares, an *Eligible Director* will be credited with dividend equivalents in respect of the DSUs credited to his account as of the record date for payment of dividends, which dividend equivalents will be converted into additional DSUs. DSUs are fully vested upon being credited to an *Eligible Director's* account.

An *Eligible Director* will be paid the value of the DSUs credited to his account on voluntary resignation or retirement, death or disability, removal from our Board whether by shareholder resolution or failure to be re-elected, and in the case of an *Eligible Director* who is a U.S. taxpayer, on the date on which he has a separation from service within the meaning of the Code. Each DSU represents the right to receive a payment for such DSU equal to the *Market Price* on the redemption date applicable to such DSU.

Under the current compensation program, our Board approved the *Initial Retainer* of \$32,000 (to be paid in DSUs), the *Base Retainer* of \$32,000 (to be paid in DSUs) and the *Annual Retainer* of \$35,000 (to be paid in cash or DSUs) for *Eligible Directors* other than the Chair of our Board. Our Board approved the *Chair's Retainer* of \$140,000 (\$67,000 of which to be paid in cash or DSUs) for the Chair of our Board.

During Fiscal 2012, a total of 258,706.54 DSUs were credited to *Eligible Directors* under the DSU Plan. As of October 31, 2012, a total of 745,011.58 DSUs were outstanding.

**Table of Contents*****Equity Compensation Plan Information***

The following table sets forth aggregate information regarding our equity compensation plans as of October 31, 2012. The only equity compensation plan that we currently maintain is our Incentive Stock Option Plan, pursuant to which we may grant options to purchase our restricted voting shares to eligible persons.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) (Canadian \$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Equity compensation plans approved by security holders</b>	12,479,678	\$ 2.54	3,020,473
<b>Equity compensation plans not approved by security holders</b>			
<b>Total</b>	12,479,678	\$ 2.54	3,020,473

**Summary of Incentive Stock Option Plan**

The following is a summary of certain important features of the Incentive Stock Option Plan. The Incentive Stock Option Plan was originally adopted by the Board on February 22, 2008 subject to shareholder approval, and subsequently approved by shareholders on March 27, 2008. The Incentive Stock Option Plan was subsequently amended by the Board, with such amendments approved by shareholders on March 10, 2011.

The Incentive Stock Option Plan was established for the benefit of officers, key employees, directors and certain consultants of Patheon and its subsidiaries (each an eligible person). The CHR Committee is responsible for designating the persons who are considered eligible persons. The CHR Committee also recommends and the Board approves, if appropriate, the terms of each option granted, including the number of options granted, the exercise price, the expiry date and the vesting dates. The Board may at any time suspend or terminate the Incentive Stock Option Plan in whole or in part.

*Expiry of Options.* Option periods generally will commence on the date of grant and terminate not later than ten years after such date. Options are subject to early expiry upon death, retirement, resignation, or termination of employment of an option holder. Pursuant to amendments to the Incentive Stock Option Plan approved by shareholders on March 10, 2011 and effective on that date, the early expiry provisions in the event of death, retirement or termination of employment were reduced as follows:

in the event of death or retirement, from 24 months to 12 months;

in the event of termination of employment for any cause other than death, retirement or Just Cause (as defined in the Incentive Stock Option Plan), from 12 months to 3 months.

In the event of termination of employment for Just Cause, options terminate immediately.

*Extension of Expiry for Blackout.* Any options that expire during or within 10 business days of the expiration of a blackout period will be automatically extended to the close of business on the 10th business day following the expiration of the blackout period.

*Exercise Price.* The exercise price of any options granted under the Incentive Stock Option Plan will be not less than the closing price of the restricted voting shares on the TSX (or on such other stock exchange in Canada or the United States on which Shares may be then listed and posted) on the date of the grant.



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*Plan Limits.* In amendments to the Incentive Stock Option Plan approved by shareholders on March 10, 2011 and effective on that date, the maximum number of restricted voting shares that may be issued under the Incentive Stock Option Plan was fixed at \_\_\_\_\_ (representing 11.1% of the issued and outstanding voting shares as of February 21, 2013), while the maximum aggregate number of restricted voting shares reserved for issuance under options to any one individual was fixed at \_\_\_\_\_ (representing 5% of the then issued and outstanding restricted voting shares and representing 4.6% of the issued and outstanding voting shares as of February 21, 2013). The aggregate number of restricted voting shares reserved for issuance pursuant to option grants to directors of Patheon who are not employees of Patheon may not exceed 1% of Patheon's then issued and outstanding restricted voting shares (which, as of February 21, 2013 is \_\_\_\_\_ restricted voting shares). The number of restricted voting shares issued to insiders of Patheon, within any one-year period and under all security-based compensation arrangements, may not exceed 10% of Patheon's then issued and outstanding restricted voting shares. In addition, the number of restricted voting shares issuable to insiders of Patheon, at any time, under all security-based compensation arrangements, may not exceed 10% of Patheon's then issued and outstanding restricted voting shares. As of February 21, 2013, an aggregate of \_\_\_\_\_ restricted voting shares have been issued pursuant to the exercise of options under the Incentive Stock Option Plan (representing \_\_\_\_\_ % of the current issued and outstanding restricted voting shares as of February 21, 2013) and \_\_\_\_\_ restricted voting shares are issuable upon the exercise of currently outstanding options (representing \_\_\_\_\_ % of the current issued and outstanding restricted voting shares as of February 21, 2013). Options exercisable to acquire up to \_\_\_\_\_ restricted voting shares may be still issued under the Incentive Stock Option Plan.

*Adjustments.* The Incentive Stock Option Plan provides for adjustments to be made to the type, number and/or price of the securities subject to the options in such events as subdivision, consolidation, stock dividend, reclassification or conversion, recapitalization or reorganization.

*Vesting.* As noted above, the CHR Committee determines the vesting period of each grant on the date of grant. In the past, options have generally vested over three years, one-third on each of the first, second and third anniversary of the grant date, or alternatively, over five years, one-fifth on each of the first through fifth anniversaries of the grant date.

*Non-assignable.* Options are not assignable or transferable other than by will or law of succession. In the event of the death of the option holder, vested, unexpired options may be exercised by the legal representative(s) of the option holder on or before the first anniversary of the death of the option holder.

*No Financial Assistance.* Patheon provides no financial assistance to the optionees in connection with the exercise of stock options. However, in amendments to the Incentive Stock Option Plan approved by shareholders on March 10, 2011 and effective on that date, a cashless exercise feature was included. Option holders are able to elect a cashless exercise in a written notice of exercise if the restricted voting shares issuable on the exercise are to be immediately sold. In such case, the option holder will not be required to deliver to Patheon a check for the applicable option price. Instead the option holder will:

directly or through an intermediary, instruct a broker to sell through the stock exchange or market on which the restricted voting shares are listed or quoted, the shares issuable on the exercise of options, as soon as possible at the then applicable bid price of the restricted voting shares;

on the trade date, deliver the written notice of exercise to the Company electing the cashless exercise and the Company will direct its registrar and transfer agent to issue a certificate in the name of the broker for the number of restricted voting shares issued on the exercise of the options, against payment by the broker to the Company of (i) the option price for such restricted voting shares; and (ii) the amount the Company determines, in its discretion, is required to satisfy the Company's withholding tax and source deduction remittance obligations in respect of the exercise of the options and issuance of restricted voting shares; and

instruct the broker to deliver to the option holder the remaining proceeds of sale, net of the brokerage commission.

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The cash to be received by the option holder will be equal to the applicable bid price multiplied by the number of restricted voting shares subject to the exercised options, less the option price multiplied by the number of restricted voting shares subject to the exercised options, less the amount Patheon determines, in its discretion, is required to satisfy its withholding tax and source deduction remittance obligations in respect of the exercise of the options and issuance of restricted voting shares.

*Incentive Stock Option Plan Amendments.* The following is a summary of the approval requirements for amendments to the Incentive Stock Option Plan, as approved by shareholders on March 10, 2011 and effective on that date:

### **Amendments Not Requiring Shareholder Approval**

The Board may from time to time in its absolute discretion, subject to certain exceptions and applicable law and rules and regulations of any stock exchange on which the restricted voting shares are listed, make amendments, modifications and changes to the Incentive Stock Option Plan or to any option granted under the Incentive Stock Option Plan without notice to or approval by the shareholders including the following specific amendments:

minor changes of a housekeeping nature, including any amendments to any definitions in the Incentive Stock Option Plan or any option;

changes in the administration of the Incentive Stock Option Plan, including to the delegation by the Board of responsibility for the Incentive Stock Option Plan to any committee of the Board;

changes implemented pursuant to a Change in Control (as defined in the Incentive Stock Option Plan);

changing the exercise method and frequency, the option price (including the method of determining the market price), the option period (including any alteration, extension or acceleration of the vesting of options) or the provisions relating to the effect of termination of an optionee's employment (for greater certainty, any reduction in the option price benefiting an insider or an extension of the option period benefiting an insider will require shareholder approval);

changing the terms and conditions of any financial assistance which may be provided by the Company to optionees to facilitate the purchase of restricted voting shares under the Incentive Stock Option Plan;

adding, removing or changing a cashless exercise feature or automatic exercise feature payable in cash or securities;

changes required for compliance with applicable laws or regulations, tax or accounting provisions or the rules or requirements of any tax or regulatory authority or stock exchange;

correcting errors or omissions or clarifying the provisions of the Incentive Stock Option Plan or any option;

changes to enable the options to qualify for favourable treatment under applicable tax laws;

changing the application of Section 11 (Effects of Alteration of Share Capital) and Section 14 (Change in Control); and

suspending or terminating the Incentive Stock Option Plan.

Amendments Requiring Shareholder Approval

The following specific types of amendments cannot be made by the Board without shareholder approval:

an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of Patheon's outstanding capital represented by such securities (other than pursuant to an adjustment for share consolidations, subdivisions etc., as described above under Adjustments)

a change in the class of Eligible Persons (as defined in the Incentive Stock Option Plan);

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a reduction in the exercise price or purchase price benefiting an insider of the Company;

an extension of the term of an option benefiting an insider of the Company;

any increase in the maximum term of an option permitted under the Incentive Stock Option Plan;

any increase in the maximum number of restricted voting shares that may be reserved for issuance to insiders under the Incentive Stock Option Plan;

any increase in the maximum number of restricted voting shares that may be reserved for issuance to insiders in any one year under the Incentive Stock Option Plan;

the cancellation and reissue of any option;

any change to permit options to be transferred or assigned other than by will or the law of succession; and

any change to the amendment provisions of the Incentive Stock Option Plan.

In addition, notwithstanding any other provision of the Incentive Stock Option Plan, any amendment for which shareholder approval would be required to bring the Incentive Stock Option Plan within the performance-based compensation exception under Section 162(m) of Section 422 of the U.S. Internal Revenue Code of 1986, as amended from time to time, will require shareholder approval.

*Change in Control:* The Incentive Stock Option Plan contains certain provisions with respect to the impact of a change in control on outstanding options under the plan. These provisions are discussed above under Executive Compensation Termination and Change in Control Benefits Stock Option Awards.

## **Interest of Informed Persons in Material Transactions**

### ***Compensation Committee Interlocks and Insider Participation***

Our CHR Committee is currently comprised of Mr. Lagarde, Mr. Agroskin and Mr. Viso. During Fiscal 2012, Mr. Taylor also served on our CHR Committee. Other than Mr. Viso, who served as President and Chief Executive Officer of one of our subsidiaries, Patheon P.R., from December 2004 to August 2005, and as Chairman of Patheon P.R., from August 2005 to December 2006, none of the members of our CHR Committee has served as an officer or employee of the Company or any of its subsidiaries. Messrs. Taylor, Lagarde and Agroskin are Managing Directors of JLL Partners, one of the JLL affiliated entities. JLL Patheon Holdings, another JLL affiliated entity, is the beneficial owner of approximately                      of our restricted voting shares and 100% of our Special Voting Preferred Shares. The following is information with respect to related person transactions involving Mr. Viso and the Company and JLL and the Company.

### **Arrangements with JLL**

Our controlling shareholder is JLL Partners, a New York private equity firm that owns its shares through various affiliated entities. As a result of various arrangements with us, some of which are more fully described below, JLL Partners and its affiliates currently have the right to determine three of our nine board seats and the right to approve our entry into certain types of transactions. Our Board currently consists of three nominees of JLL Patheon Holdings, and as of February 21, 2013, JLL beneficially owned an                      aggregate of restricted voting shares, representing approximately      % of our total restricted voting shares outstanding. The following further describes certain of our transactions and relationships with JLL Partners and its affiliates.

## **Background**

## Edgar Filing: PATHEON INC - Form PRE 14A

In 2007, we entered into a definitive agreement with JLL Partners Fund V, L.P. ( JLL Partners Fund ), under which its affiliate, JLL Patheon Holdings, purchased our convertible Series C Preferred Shares and special voting Special

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Voting Preferred Shares through a private placement with aggregate gross proceeds to us of \$150 million. JLL Patheon Holdings also acquired a number of rights in connection with the private placement, including the right to elect up to three directors to our Board pursuant to the terms of the Special Voting Preferred Shares. In connection with certain rights under the terms of the Series C Preferred Shares held by JLL Patheon Holdings, we entered into an agreement with JLL Patheon Holdings on September 4, 2008, pursuant to which JLL Patheon Holdings waived its redemption rights under the Series C Preferred Shares in exchange for the issuance of additional restricted voting shares and the right to acquire, through the facilities of the TSX, over a one-year period, up to 1.26 million restricted voting shares. In 2009, after JLL made an offer to acquire all of our outstanding shares (the JLL Offer), litigation ensued. Pursuant to an agreement between JLL and the Company, which settled all the legal actions then outstanding in connection with the JLL Offer and related matters, JLL Patheon Holdings converted its 150,000 Series C Preferred Shares into a total of 38,018,538 restricted voting shares, and we entered into the Settlement Agreement with JLL Patheon Holdings in respect of all of legal actions then outstanding in connection with the JLL Offer and related matters pursuant to which we agreed to pay JLL Patheon Holdings \$1.5 million.

### **Special Voting Preferred Shares**

The Special Voting Preferred Shares provide JLL Patheon Holdings with the right to elect the following number of directors to our Board:

so long as JLL Patheon Holdings holds at least 22,811,123 restricted voting shares, it has the right to elect three members to our Board;

so long as JLL Patheon Holdings holds at least 11,405,561 restricted voting shares, it has the right to elect two members to our Board; and

so long as JLL Patheon Holdings holds at least 5,702,781 restricted voting shares, it has the right to elect one member to our Board.

### **Investor Agreement**

On April 27, 2007, we entered into the Investor Agreement with JLL Patheon Holdings in connection with its purchase of our Series C Preferred Shares and Series D Preferred Shares with aggregate gross proceeds to us of \$150 million. The following is a summary of the key terms of the Investor Agreement:

### **Special Approval Rights**

Provided that JLL Patheon Holdings holds at least 13,306,488 restricted voting shares, the approval of JLL Patheon Holdings is required before we may:

create or issue any shares of capital stock ranking pari passu with or senior to the Series C Preferred Shares, or issue any additional restricted voting shares or other equity securities, or securities convertible for or exchangeable into such securities, other than pursuant to our Incentive Stock Option Plan or any other security-based compensation arrangement consented to by JLL Patheon Holdings;

declare or pay dividends or other distributions (including capital) on our restricted voting shares or other equity securities;

redeem, repurchase or acquire any restricted voting shares or other equity securities;

change our articles of amalgamation;

change the rights of our existing classes of shares;

merge, consolidate or sell all or substantially all of our assets or undertake any similar business combination transaction;

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incur any indebtedness for borrowed money in excess of \$20 million, excluding borrowings under our credit facilities;

initiate any insolvency, restructuring or reorganization process, voluntary liquidation, dissolution or winding-up of the Company;

change our Chief Executive Officer; or

change the size of our Board.

### *Transfer of Special Voting Preferred Shares*

The Special Voting Preferred Shares are not transferable, except to an affiliate of JLL Patheon Holdings.

### *Registration Rights*

JLL Patheon Holdings may request us to effect a qualification under Canadian securities laws (or, if we are eligible to use Form F-10 and JLL Patheon Holdings so requests, under the Securities Act) of the distribution to the public in any or all of the provinces of Canada (or in the United States, if applicable) of all or part of the restricted voting shares received on conversion of the Series C Preferred Shares held by JLL Patheon Holdings (a Demand Registration), subject to a maximum of two Demand Registrations. In addition, each time we elect to proceed with the preparation and filing of a prospectus under any Canadian securities laws in connection with a proposed distribution of any of our securities for cash, JLL Patheon Holdings will be entitled to request that we cause any or all of the shares held by JLL Patheon Holdings to be included in such prospectus (an Incidental Registration). We will bear all registration expenses, excluding underwriting or placement discounts and commissions. The Demand Registration rights terminate when JLL Patheon Holdings and its affiliates no longer beneficially own at least 12,500,000 restricted voting shares received on conversion of Series C Preferred Shares and the Incidental Registration rights terminate when JLL Patheon Holdings and its affiliates no longer beneficially own at least 6,250,000 restricted voting shares received on conversion of the Series C Preferred Shares.

The Investor Agreement also contains other customary provisions such as, among other things, general indemnification provisions by which we indemnify JLL Patheon Holdings and JLL Patheon Holdings indemnifies us.

### *Board Representation*

In furtherance of the right to elect directors to our Board pursuant to the terms of the Special Voting Preferred Shares, the Investor Agreement provides that our Board will consist of up to nine members and that JLL Patheon Holdings has the right to designate nominees for election or appointment to our Board (the JLL Representatives) as follows:

so long as JLL Patheon Holdings holds at least 22,811,123 restricted voting shares, it has the right to designate three JLL Representatives;

so long as JLL Patheon Holdings holds at least 11,405,561 restricted voting shares, it has the right to designate two JLL Representatives; and

so long as JLL Patheon Holdings holds at least 5,702,781 restricted voting shares, it will be entitled to designate one JLL Representative.

We have agreed to cause the JLL Representatives to be included as nominees proposed by our Board to the shareholders at future meetings and to use reasonable commercial efforts to cause the election of the JLL Representatives and solicit proxies in favor of their election.

In the event that JLL Patheon Holdings no longer holds any Special Voting Preferred Shares and is therefore not entitled to elect directors to our Board pursuant to the terms thereof, the board representation provisions of the Investor Agreement will be controlling.



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### **Equity Commitment Letter**

In connection with the entry into a stock purchase agreement to acquire Banner, we entered into an equity commitment letter (the Equity Commitment Letter ) on October 28, 2012, pursuant to which JLL agreed to, at the time of the consummation of the acquisition, contribute or cause to be contributed equity financing by participating in a rights offering or private placement of us, in either case, in an amount of up to \$30 million, less amounts invested in us by other shareholders. On December 3, 2012, we mailed our shareholders of record as of November 27, 2012 offering materials related to a \$30 million offering of transferable subscription rights, with each right entitling the holder to subscribe for one whole restricted voting share at a price of, at such holder's choice, either US\$3.19 per whole share or CAD\$3.19 per whole share (the Rights Offering ). The Rights Offering remained open until December 28, 2012. To satisfy its obligations under the Equity Commitment Letter, JLL exercised its rights under the basic subscription privilege in full, as well as the available over-subscription privilege, such that JLL purchased a total of 5,786,805 of our restricted voting shares for an aggregate sum of \$18,459,907.95.

### **Relationships with Alara Pharmaceutical Corporation**

On January 1, 2002, Patheon P.R. entered into a commercial manufacturing agreement with Alara. Alara is wholly owned by Joaquín B. Viso, a member of our board and who, together with his wife, owned approximately % of our outstanding restricted voting shares as of February 21, 2013. This agreement pertains to a significant product for Patheon P.R., and under this agreement, Patheon P.R. has the right to manufacture 85% of the worldwide requirements of Alara for such product. The approximate dollar amount of value derived from this agreement during Fiscal 2012 was \$14.4 million. The right to place orders for such product has been assigned to a third party who purchases this product directly from Patheon P.R.; however, the new drug application for this product remains the property of Alara. This agreement was amended in 2002 and 2004 and expires in 2019. We believe that terms of this agreement are standard for agreements of this nature.

### **Relationship with Patheon P.R.**

On December 23, 2004, we acquired Patheon P.R. from Joaquín B. Viso and his wife and the other Patheon P.R. shareholders. Patheon P.R. is now our wholly owned subsidiary. Mr. Viso, one of our current directors, was the founder and, together with his wife, an 83.18% owner of Patheon P.R. Mr. Viso served as the President of Chief Executive Officer of Patheon P.R. from December 2004 to August 2005 and as its Chairman from August 2005 to December 2006. The stock purchase agreement and a related escrow agreement pursuant to which we acquired Patheon P.R. allocated responsibility for the payment of certain amounts owed by Patheon P.R. to the Puerto Rico Industrial Development Company ( PRIDCO ). Following our acquisition of Patheon P.R., a dispute arose among Patheon P.R., the selling shareholders, including Mr. Viso, who acted as the sellers' representative, and us regarding certain amounts owed by Patheon P.R. to PRIDCO. The parties agreed to settle the dispute pursuant to a letter agreement dated September 28, 2006, which provided that (i) the former Patheon P.R. shareholders (including Mr. Viso and his wife) were responsible for two payments to PRIDCO in 2006, each in the amount of \$1,193,549; (ii) Patheon P.R. was responsible for nine quarterly payments to PRIDCO beginning in March 2007, each in the amount of \$265,233; and Patheon P.R. agreed to make quarterly royalty payments to selling shareholders in the amount of 1% of all revenue received by Patheon P.R. in respect of the manufacture by Patheon P.R. of certain products. The calculation of the quarterly royalty payments is based on the revenues received by Patheon P.R. during each calendar quarter from the manufacture of those products, beginning with the quarter ended June 30, 2009, and will continue until the aggregate amount of royalty payments made has reached \$2,387,098.88. As of the end of Fiscal 2012, Patheon P.R. has paid the selling shareholders \$ 437,797, of which \$ 147,625 has been paid since the beginning of Fiscal 2012.

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### **CORPORATE GOVERNANCE**

#### ***The Board of Directors***

##### **Composition of the Board**

Patheon's articles of amalgamation provide that the Board will consist of a minimum of three directors and a maximum of 12 directors. At the annual and special meeting of shareholders held on March 10, 2011, Patheon's shareholders approved, by a special 2/3 majority vote, a resolution to amend our articles to permit the Board to appoint one or more additional directors in between meetings of shareholders, who will hold office for a term expiring not later than the close of the next annual meeting of shareholders, so long as the total number of directors so appointed does not exceed one-third of the number of directors elected at the previous annual meeting of shareholders. Notwithstanding the approval of the foregoing special resolution, the Board may revoke this special resolution without any further shareholder approval at any time prior to the issuance of the articles of amendment relating to it. Articles of amendment have not been issued. The Investor Agreement further provides that the Board will consist of up to nine members and that JLL Patheon Holdings must approve any change in the size of the Board. As Patheon is not listed on a U.S. national securities exchange or an inter-dealer quotation system that has requirements that a majority of the board of directors be independent, the Board uses the definition of independence of the NASDAQ Stock Market LLC ( "NASDAQ" ) to determine whether Patheon's directors are independent for purposes of U.S. securities laws. The Board has determined that Derek J. Watchorn, Brian G. Shaw, Joaquín B. Viso and David E. Sutin are independent directors as defined by NASDAQ Rule 5605(a)(2).

Patheon's securities are listed on the TSX, and Patheon is a Canadian reporting issuer. Canadian securities laws employ a different definition of independence than NASDAQ. As prescribed in National Instrument 58-101 *Disclosure of Corporate Governance Practices*, in all Canadian jurisdictions other than British Columbia, independence is determined by Section 1.4 of National Instrument 52-110 *Audit Committees* ( "NI 52-110" ). Under NI 52-110, a director is generally considered to be independent unless in the view of the Board, a director has a direct or indirect material relationship with Patheon that could be reasonably expected to interfere with the exercise of the director's independent judgment. The Board has determined that Derek J. Watchorn, Brian G. Shaw, Joaquín B. Viso and David E. Sutin are independent under the Canadian securities laws.

The Board has determined that the following five directors are not independent under either the NASDAQ rules or Canadian securities laws: Paul S. Levy, Michel Lagarde and Daniel Agroskin (each a Managing Director of JLL Partners); Nicholas O. Leary (a Vice President of JLL Partners); and James C. Mullen, the Chief Executive Officer. The Board has also determined that Ramsey A. Frank, who resigned as a director February 13, 2012, and Thomas S. Taylor, who resigned as a director December 15, 2011, were not independent under either the NASDAQ rules or Canadian securities laws. Specifically, the Board has determined that under NI 52-110, Messrs. Frank and Taylor were not, and Messrs. Levy, Lagarde, Agroskin and O. Leary are not, independent directors because of their positions with JLL Patheon Holdings and/or its affiliates and the degree of control that JLL Patheon Holdings exercises over Patheon, and that under NASDAQ Rule 5605(a)(2), these directors are not independent directors because of their positions with JLL Patheon Holdings and/or its affiliates and the fact that JLL Patheon Holdings owns or controls a majority of Patheon's outstanding voting securities. Mr. Mullen is not independent because he is a member of Patheon's management. As a result, a majority of the Company's directors are not independent. Our Board relies on the independent directors to facilitate the Board's exercise of independent judgment in carrying out its responsibilities. Our Board believes that it is comprised of a number of independent directors that is reflective of the share ownership of Patheon and in accordance with Patheon's contractual and other legal obligations.

**Table of Contents****Other Directorships**

Certain of Patheon's directors are also presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or elsewhere. Information as to such directorships is set out below.

Mr. Levy	Builders FirstSource, Inc.
	PGT, Inc.
Mr. Mullen	PerkinElmer, Inc.
Mr. Agroskin	Builders FirstSource, Inc.
	PGT, Inc.
Mr. Watchorn	Timbercreek Mortgage Investment Corporation

**Board Leadership and Risk Oversight**

Since 1996, the office of Chair of the Board has been separate from that of the CEO. It is anticipated that after the election of directors at the meeting of shareholders, the office of the Chair of the Board will continue to be separate from that of the CEO and will continue to be held by an individual who is not a member of management. Our Board believes that separating the Chair of the Board and CEO roles promotes greater accountability and more effective decision-making and is appropriate to effectively manage the affairs of the Company and the best interests of its shareholders.

Ramsey Frank served as Chair of the Board during Fiscal 2012 until his resignation on February 13, 2012. Mr. Frank was not considered an independent director within the meaning of NI 52-110 or NASDAQ Rule 5605(a)(2). Following Mr. Frank's resignation, Paul Levy was appointed as Chair of the Board on February 13, 2012. Mr. Levy is not considered an independent director within the meaning of NI 52-110 or NASDAQ Rule 5605(a)(2), and therefore the current Chair of the Board is not independent. Our Board believes that Mr. Levy is able to exercise the impartial judgment necessary for fulfillment of his responsibilities as Chair and that his appointment is in the best interests of the Company and our shareholders. An independent lead director has not been appointed. To provide leadership for its independent directors, the Board provides for the independent directors to hold at least one meeting per year at which non-independent directors and members of management are not in attendance. Accordingly, we do not believe there is a need to designate a lead independent director at this time.

As described in Item 1A of our Annual Report on Form 10-K for Fiscal 2012, as filed with the SEC on December 18, 2012, we operate in a complex environment and are subject to a number of significant risks. Our Board works with our senior management to manage the various risks we face. The role of our Board is one of oversight of our risk management processes and procedures; the role of our management is to implement those processes and procedures on a daily basis and to identify, manage and mitigate the myriad risks that we face. As part of its oversight role, our Board regularly discusses, both with and without management present, our risk profile and how our business strategy effectively manages and leverages the risks that we face. Our Board believes that its leadership structure is appropriate to carry out its risk oversight responsibilities.

**Attendance at Meetings of the Directors**

We do not have a stated policy regarding director attendance at annual shareholder meetings, but strongly encourage our directors to attend each such meeting. At our 2012 Annual and Special Meeting of Shareholders, held on March 22, 2012, five of our directors as of that date were present. In addition to the Board, Patheon has three standing committees of the Board which meet on a regular basis: the Audit Committee, the Corporate Governance Committee (our CG Committee) and the CHR Committee. Attendance at Board and committee meetings during Fiscal 2012 was as follows:

	Board	Audit Committee	CG Committee	CHR Committee
Mr. Agroskin	10/10		1/1 <sup>(1)</sup>	6/6
Mr. Frank	2/2 <sup>(2)</sup>		1/1 <sup>(2)</sup>	



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	Board	Audit Committee	CG Committee	CHR Committee
Mr. Shaw	10/10	5/5		
Mr. Taylor	0/0 <sup>(3)</sup>	0/0 <sup>(3)</sup>	0/0 <sup>(3)</sup>	0/0 <sup>(3)</sup>
Mr. Viso	8/10	5/5	3/3	5/6
Mr. Watchorn	10/10			
Mr. Mullen	10/10			
Mr. Sutin	10/10			
Mr. O Leary	7/7 <sup>(4)</sup>			
Mr. Lagarde	10/10	5/5	3/3	6/6

- (1) A total of three meetings were held by the CG Committee during Fiscal 2012. Mr. Agroskin was appointed to the CG Committee effective February 13, 2012, following which one meeting of the CG Committee was held.
- (2) A total of ten meeting were held by the Board during Fiscal 2012 and a total of three meeting were held by the CG Committee during Fiscal 2012. Prior to Mr. Frank's resignation from the Board and the CG Committee, effective February 13, 2012, two meetings of the Board and one meeting of the CG Committee were held.
- (3) During Fiscal 2012, Mr. Taylor resigned from the Board and the Committees effective December 15, 2011 up to which date no meetings of the Board or the Committees were held.
- (4) A total of ten meeting were held by the Board during Fiscal 2012. Mr. O Leary was appointed to the Board effective February 13, 2012, following which seven meetings of the Board were held.

**Meetings of the Independent Directors**

During Fiscal 2012, the independent directors held one meeting at which non-independent directors and members of management were not in attendance. In accordance with the Charter of the Board, the independent directors are expected to hold at least one meeting per year at which non-independent directors and members of management are not in attendance. This requirement is intended to facilitate open and candid discussion among the Board's independent directors.

**Board Charter**

The Charter of the Board was reviewed and reaffirmed by the Board on December 13, 2012 and is attached as Appendix A of this Proxy Statement.

**Board Committees**

Patheon has three standing committees of the Board: the Audit Committee, the CG Committee and the CHR Committee.

**Audit Committee***Composition*

The Audit Committee is currently comprised of the following three members: Mr. Shaw (Chairman), Mr. Lagarde and Mr. Viso. Mr. Taylor also served on the Audit Committee during Fiscal 2012. Mr. Shaw and Mr. Viso are considered to be independent within the meaning of NI 52-110 and NASDAQ Rule 5605(c)(2), the Canadian and NASDAQ rules concerning Audit Committee independence, respectively. Mr. Lagarde is not, and Mr. Taylor was not, considered to be independent because of his positions with JLL Patheon Holdings and/or its affiliates. Each of the members of the Audit Committee is financially literate within the meaning of NI 52-110. The Board has determined that Mr. Shaw is an audit committee financial expert under SEC rules.

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For the purposes of compliance with audit committee composition requirements under NI 52-110, we are relying on the exemption found in section 3.3(2) (Controlled Companies) thereunder from the requirement that every audit committee member be independent. Sections 3.3(2) and 3.7 of NI 52-110 permit us, in certain circumstances, to have a non-independent director serve on our Audit Committee, as long as a majority of our Audit Committee members (in our case, two out of three) are independent. For purposes of reliance on this exemption, our Board has determined in its reasonable judgment that Mr. Lagarde is able to exercise the impartial judgment necessary for fulfillment of his responsibilities as an Audit Committee member and his appointment is in the best interests of us and our shareholders.

### *Charter and Responsibilities*

The Charter of the Audit Committee was reviewed and reaffirmed by the Board on December 13, 2012, is available at [www.patheon.com](http://www.patheon.com) and is also attached as Appendix B of this Proxy Statement. The Charter of the Audit Committee establishes its (i) objectives; (ii) constitution; (iii) authority; and (iv) responsibilities relating to, among other things, assisting Patheon's Board in fulfilling its oversight responsibilities relating to Patheon's financial statements, assisting the Board in fulfilling its oversight responsibilities relating to the integrity of Patheon's internal control and management information systems, and fulfilling the responsibilities assigned to the Audit Committee by the Board.

The functions and responsibilities of the Audit Committee include the following:

oversight of Patheon's external auditor;

pre-approval of non-audit services;

review of financial statements;

review of public disclosure of financial information;

establishing submission systems and treatment of complaints regarding accounting, internal accounting controls, or audit matters;

review and approval of hiring policies;

review and monitoring the integrity and adequacy of internal controls and management information systems; and

reviewing Patheon's policies and procedures for the review, approval or ratification of related person transactions.

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary or advisable to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee, and to communicate directly with the internal and external auditors.

### *Policies and Procedures Regarding Review, Approval or Ratification of Related Person Transactions*

In December 2010, Patheon's Board adopted written policies and procedures for the review and approval or ratification of any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which Patheon was or is to be a participant, the amount involved exceeds \$120,000, and an officer, director, director nominee or 5% shareholder of Patheon (or their immediate family members), each of whom Patheon refers to as a related person, had or will have a direct or indirect material interest.



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A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the Audit Committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transactions;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of Patheon's business;

whether the terms of the transaction are no less favorable to Patheon than terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to Patheon of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transactions.

The Audit Committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is in, or is not in conflict with, Patheon's best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, Patheon's Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (i) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (ii) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (iii) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction; and

a transaction that is specifically contemplated by provisions of Patheon's charter and By-laws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by our CHR Committee in the manner specified in its charter.

The policy provides that any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing in nature shall be reviewed by the Audit Committee annually. The Audit Committee approved all related person transactions entered into during Fiscal 2012, and reviewed all related person transactions already existing at the beginning of Fiscal 2012 that are ongoing in nature, in accordance with the terms of the policy.

Corporate Governance Committee

*Composition*

The CG Committee is currently comprised of the following three members: Mr. Lagarde (Chairman), Mr. Agroskin and Mr. Viso. Messrs. Frank and Taylor also served on the CG Committee during Fiscal 2012. Mr. Lagarde and Mr. Agroskin are considered, and Messrs. Frank and Taylor were considered, not to be independent because of their positions with JLL Patheon Holdings and/or its affiliates. As a result, the CG Committee, which serves as the Board's nominating committee, is not composed entirely of independent directors.

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### *Charter and Responsibilities*

The Charter of the CG Committee was reviewed and reaffirmed by the Board on December 13, 2012 and is available on Patheon's website, [www.patheon.com](http://www.patheon.com). The Charter of the CG Committee establishes its (i) objectives; (ii) constitution; and (iii) responsibilities relating principally to corporate governance and nominations.

With respect to its corporate governance responsibilities, the CG Committee is responsible for developing and monitoring Patheon's approach to corporate governance and making recommendations to the Board concerning the corporate governance of Patheon, including:

the effectiveness of Patheon's system of corporate governance, including methods for assessing the effectiveness and contribution of the Board as a whole, each of the committees of the Board and each of the individual directors;

communication processes between the Board and management;

the mandates/charters, composition and membership of each committee of the Board;

position descriptions for individual directors, the Chair of the Board, the Chair of each committee of the Board and the CEO;

an appropriate orientation program for new members of the Board and continuing education opportunities for all directors;

procedures to enable directors or committees of the Board to engage outside counsel and any other external advisors at the expense of Patheon in appropriate circumstances;

reviewing the disclosure about Patheon's governance practices and considering any differences of Patheon's governance practices, if any, from the guidelines of applicable regulatory authorities or stock exchanges;

reviewing Patheon's Code of Business Conduct and making recommendations to the Board concerning compliance; and

reviewing Patheon's trading policies.

The CG Committee may retain, at Patheon's expense, such consultants or advisors as it may require to assist it and may invite directors, officers and employees of Patheon or any other person to attend meetings of the CG Committee to assist in the discussion and examination of the matters under consideration by the CG Committee.

### *Nomination Process*

Except where we are legally required by contract, bylaw or otherwise to provide third parties with the right to nominate directors, the CG Committee is responsible for identifying individuals qualified to become members of the Board and making recommendations to the Board as it may consider appropriate from time to time concerning the nomination of individuals for election or appointment to the Board, including recommendations relating to:

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the size and composition of the Board and the competencies and skills required for nomination, re-election or appointment of any individual to the Board; and

those individuals to be nominated for election, to stand for re-election or for appointment to the Board.

In making its recommendations with respect to the nomination of individuals for election or appointment to the Board, the CG Committee considers the following:

the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;

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the competencies and skills that the Board considers each director to possess;

the competencies and skills that each individual will bring to the Board; and

whether or not each individual can devote sufficient time and resources to his or her duties as a Board member.

While the CG Committee does not have a formal or informal diversity policy, it recognizes the value of a diverse Board and considers diversity, among the other factors indicated above, when assessing potential candidates for our Board. The CG Committee considers diversity to include cultural, gender and ethnic diversity, as well as diversity of experience, viewpoints and education.

Pursuant to the terms of the Special Voting Preferred Shares, JLL designates up to three directors depending on the number of restricted voting shares owned by JLL. JLL is currently entitled to designate three directors. The CG Committee must recommend each such JLL nominee to the Board unless it reasonably determines that the nominee lacks the business experience, stature and character appropriate for service on the Board. Upon the resignation of Mr. Taylor from our Board on December 15, 2011, JLL designated, the CG Committee recommended and the Board appointed Michel Lagarde to replace him. Upon the resignation of Mr. Frank as a director and Chair of our Board on February 13, 2012, JLL designated, the CG Committee recommended and the Board appointed Nicholas O Leary to replace him. The Board appointed Paul Levy to replace Mr. Frank as Chair of our Board.

Patheon will consider director nominations of shareholders proposed by (i) any person eligible to make a shareholder proposal, including nominations for the election of directors, if the proposal is signed by one or more holders of shares representing in the aggregate, not less than 5% of the shares or 5% of the shares of a class of shares of the Company entitled to vote at the meeting to which the proposal is to be presented and is otherwise properly submitted; and (ii) shareholders or their appointed proxyholders who properly make nominations at a meeting of shareholders. See Shareholder Proposals.

The Board then considers the recommendations of the CG Committee with respect to nominations and with respect to the size and composition of the Board and nominates individuals for election as directors by the shareholders. In selecting individuals for nomination as directors, the Board considers what competencies and skills the Board, as a whole, should possess and assesses what competencies and skills each existing director possesses.

As the CG Committee is not composed entirely of independent directors, to encourage an objective nomination process, the Board will generally consider the views of the directors relating to nominations.

### **Compensation and Human Resources Committee**

#### ***Composition***

The CHR Committee is currently comprised of the following three members: Mr. Lagarde (Chairman), Mr. Agroskin and Mr. Viso. Mr. Taylor also served on the CHR Committee during Fiscal 2012. Mr. Lagarde and Mr. Agroskin are considered, and Mr. Taylor was considered, not to be independent because of their positions with JLL Patheon Holdings and/or its affiliates. As a result, the CHR Committee, which serves as the Board's compensation committee, is not composed entirely of independent directors.

#### ***Charter and Responsibilities***

The Charter of the CHR Committee was reviewed and reaffirmed by the Board on December 13, 2012 and is available on Patheon's website at [www.patheon.com](http://www.patheon.com). The Charter of the CHR Committee establishes its (i) objectives; (ii) constitution; and (iii) responsibilities relating principally to compensation and succession planning.

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The functions and responsibilities of the CHR Committee include the following:

reviewing management proposals regarding compensation policies and compensation programs for the members of the Board and the CEO;

reviewing Patheon's executive and management compensation policies and programs;

reviewing the fees and other compensation arrangements in place for members of the Board;

reviewing and recommending to the Board, as appropriate, any employment contract between Patheon and the CEO;

recommending to the Board an appropriate overall compensation package for the CEO;

reviewing and, if appropriate, approving, the CEO's recommendation with respect to the compensation of the CEO's direct reports and reporting to the Board thereon;

reviewing and, if appropriate, approving matters relating to annual cash incentive plans (and any other discretionary annual cash incentive payments) for the executive officers (including the CEO) and senior management of Patheon and reporting to the Board thereon;

assuring itself that Patheon's executive and director compensation programs have been administered in accordance with their terms;

reviewing, discussing with management and recommending to the Board, all executive compensation disclosure in particular, Patheon's Compensation Discussion and Analysis and any reports related thereto;

administering each compensation plan, designating eligible persons under such plans and recommending to the Board for approval the grant of options and/or units to such eligible persons; and

reviewing the succession plans for the CEO and other senior executives of Patheon and providing any recommendations to the Board as appropriate.

The CHR Committee may retain, at Patheon's expense, such consultants or advisors as it may require to assist it, and may invite directors, officers and employees of Patheon or any other person to attend meetings of the CHR Committee to assist in the discussion and examination of the matters under consideration by the CHR Committee. In particular, Patheon has retained outside advisors from time to time to advise the CHR Committee on Patheon's compensation policies and programs. Additionally, the CHR Committee may delegate its authority to individual members or to subcommittees of the CHR Committee.

### *Compensation Process*

Each year, the CHR Committee generally reviews compensation matters for the CEO, the other executive officers and certain members of senior management. The CHR Committee reviews information it receives from the CEO and management, as well as advice it receives from outside advisors, if any. The CHR Committee then makes recommendations to the Board about the CEO's compensation and, if appropriate, approves

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any annual cash incentive for the CEO. The CHR Committee also, if appropriate, approves the CEO's recommendations with respect to the compensation of other executive officers and senior management of the Corporation, including any annual cash incentive for such persons and reports to the Board thereon. The CHR Committee also, if appropriate, recommends to the Board for approval the grant of options and/or units under Patheon's compensation plans.

As the CHR Committee is not composed entirely of independent directors, to ensure an objective process for determining compensation, the Board provides for the engagement of outside advisors to obtain advice on compensation matters. In Fiscal 2012, the Company engaged Mercer to advise on certain executive compensation matters. See Compensation Discussion and Analysis.

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### **Position Descriptions**

The Board has adopted a position description for the Chair of the Board which defines the Chair's responsibilities. Among other things, the Chair is required to fulfill responsibilities relating to board management, meetings, adequate and timely information, liaising with management and monitoring director performance.

The Board has also adopted a position description for each of the Chairs of its committees and for its directors. Among other things, the Chair of each committee is required to fulfill responsibilities relating to meetings, leadership and organization of the applicable committee. Among other things, directors are required to fulfill certain responsibilities and legal requirements, possess appropriate competencies and skills and meet specific standards for effective contribution to the Board.

The Board has adopted a position description for the CEO which defines the CEO's responsibilities. Among other things, the CEO is required to fulfill responsibilities relating to planning, management, ethics, culture, policy and public representation, and communications with the Board.

The CG Committee is responsible for making recommendations to the Board on these position descriptions.

### **Orientation and Continuing Education**

The CG Committee is responsible for making recommendations to the Board regarding an appropriate orientation program for new members of the Board and continuing education opportunities for all directors.

In order to orient new directors regarding the role of the Board, its committees and directors, including the business and operations of Patheon, all potential new directors are given the opportunity to meet with the CEO, the Chair of the Board and other directors to ask questions and become familiar with Patheon prior to being elected or appointed as a director. New directors are also presented with information packages prepared by management which include incorporation documents, By-laws, the Board and committee charters, position descriptions for the Chair of the Board, for the Chairs of committees, and for the CEO, the policies of Patheon, and summaries on the existing operations of Patheon, the industries it is serving and its ongoing strategic and other plans.

With respect to continuing education for directors, management regularly makes presentations to the Board on the pharmaceutical industry generally, and provides reports on Patheon's business and affairs specifically. Management also keeps the Board apprised of new developments in the pharmaceutical industry. Management also prepares information summaries and conducts presentations to the Board regarding legislative changes and requirements pertaining to securities laws and public company obligations. From time to time, when convenient, directors are invited to visit Patheon's facilities in various jurisdictions.

### **Code of Business Conduct and Ethics**

The Board has approved a Code of Business Conduct (the "Code of Conduct") applicable to directors, officers, consultants, employees and agents. Revisions to the Code of Conduct were approved by the Board on December 16, 2010. A copy of the revised Code of Conduct was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on January 24, 2011 and is available on Patheon's website at [www.patheon.com](http://www.patheon.com).

The Code of Conduct is designed to promote integrity, respect, and excellence, and to deter wrongdoing. The Code of Conduct addresses each of the following issues, among others:

compliance with laws, including those relating to insider trading, conflicts of interest, corporate opportunities and business gifts and payments;

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responsibility to shareholders, including making public statements and shareholder value;

commitment to clients, including confidentiality of client information and good faith dealings;

commitment to employees, including equality of opportunity, freedom from discrimination or harassment, substance abuse and privacy;

proper use and protection of corporate assets, including signing authority, confidentiality of Patheon information, inventions and discoveries, capital expenditures, building security, and business records;

community relations, including community participation and political participation and contributions; and

reporting of any violation of the Code of Conduct, including any illegal or unethical conduct.

The Board has delegated the monitoring of compliance with the Code of Conduct to the Audit Committee. The Audit Committee is responsible for this and for reviewing the reports of management concerning compliance with the Code of Conduct and, if appropriate, reporting and making recommendations to the Board with respect to these matters.

Patheon uses EthicsPoint, Inc. as a service provider with respect to a confidential whistleblower program that employees may use in connection with violations, or any activities they suspect may be in violation, of the Code of Conduct, including matters relating to accounting, internal accounting controls and auditing. The program is both telephone- and web-based. The EthicsPoint reporting system is available to Patheon employees in all jurisdictions except Italy and France, where certain laws preclude Patheon from offering an anonymous reporting service to its employees, and where, instead, employees may report violations to management only on a non-anonymous basis.

Patheon has no undisclosed contracts or other arrangements in place in which any of its directors or officers have a material interest. If such arrangements arise, they must be considered and approved by the Board. In considering transactions and agreements where a director or officer has a material interest, that individual is expected to give notice of that interest and abstain from voting with respect to that matter.

**Board Assessments**

The CG Committee is responsible for recommending to the Board methods to properly assess the effectiveness and contribution of the Board as a whole, each of the committees of the Board and each of the individual directors, and has determined that the Chair of the Board should make such assessments and report to the CG Committee following his review.

**Shareholder Communications with the Board**

We have implemented a process by which our shareholders may send written communications to the Board's attention. Any shareholder wishing to communicate with the Board, any of its committees or one or more of its individual directors regarding the Company may do so by sending a letter addressed to the Board, the particular committee or the individual director(s), c/o Patheon Inc., c/o Patheon Pharmaceuticals Services Inc., 4721 Emperor Boulevard, Suite 200, Durham, North Carolina 27703. We have instructed Patheon's Corporate Secretary to promptly forward all communications so received directly to the full Board, the committee or the individual Board member(s) specifically addressed in the communication.

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**AVAILABILITY OF DOCUMENTS**

**Additional information relating to Patheon is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).** Financial information is provided in the comparative financial statements and MD&A included in the Company's Annual Report on Form 10-K for Fiscal 2012.

**A copy of the Company's Annual Report on Form 10-K for Fiscal 2012, as filed with the SEC, except for exhibits, including financial statements and MD&A, will be furnished without charge to any shareholder whose proxy is solicited hereby upon written request directed to Patheon Inc., ATTN: Investor Relations and Corporate Communications, 4721 Emperor Boulevard, Durham, North Carolina 27703.**

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers, directors and 10% beneficial owners to file reports of ownership and changes in ownership with the SEC. Based solely on a review of the report forms that were filed and written representations from our executive officers and directors, we believe that since the beginning of Fiscal 2012 our officers, directors and 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them, except that (i) Mr. Grant filed one late report on Form 3 that did not cover any transactions; (ii) Mr. Taylor filed one late report on Form 4 covering two transactions; (iii) Mr. Frank failed to file one report covering one transaction; (iv) Mr. Sutin filed one late report on Form 4 covering one transaction; (v) Mr. Mullen filed one late report on Form 4 covering one transaction; and (vi) Mr. Lytton filed one late report on Form 4 covering one transaction.

**SHAREHOLDER PROPOSALS**

Rule 14a-8 promulgated under the Exchange Act provides that proposals from eligible shareholders intended to be presented at the 2014 annual meeting of shareholders (the 2014 Meeting) must be received by Patheon's Corporate Secretary at Patheon's registered office, 2100 Syntex Court, Mississauga, Ontario, Canada, L5N 7K9, on or before November 4, 2013 for inclusion in the proxy statement and information circular relating to the 2014 Meeting. However, if the date of the 2014 Meeting is changed by more than 30 days from the date of the first anniversary of the Meeting, then the deadline for submission pursuant to Rule 14a-8 is a reasonable time before we begin to print and mail the proxy statement and information circular for the 2014 Meeting.

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Notwithstanding such submission deadlines, we are also subject to Section 137 of the *Canadian Business Corporations Act*, which provides that we must receive such proposals from eligible shareholders at such address on or before November 15, 2013 for inclusion in the proxy statement and information circular relating to the 2014 Meeting.

To be timely under U.S. securities laws, a notice with respect to the 2014 Meeting must be received by Patheon's Corporate Secretary not less than 45 days prior to the first anniversary of the Meeting (i.e. by February 11, 2014), or, if the 2014 Meeting is not held within 30 days before or after such anniversary date, a reasonable time before we begin to print and mail the proxy statement and information circular for the 2014 Meeting.

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**CERTIFICATE**

The contents and the sending of this Proxy Statement have been approved by Patheon's Board.

Michael E. Lytton  
Executive Vice President, Corporate Development and  
Strategy and General Counsel

March 4, 2013

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**APPENDIX A**

***CHARTER OF THE BOARD OF DIRECTORS***

**GENERAL**

**1. PURPOSE AND RESPONSIBILITY OF THE BOARD**

By approving this Charter, the Board explicitly assumes responsibility for the stewardship of Patheon and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board's statutory responsibility to manage or supervise the management of Patheon's business and affairs.

**2. REVIEW OF CHARTER**

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

**3. DEFINITIONS AND INTERPRETATION**

**3.1 Definitions**

In this Charter:

- a) Board means the board of directors of Patheon;
- b) CEO means Patheon's chief executive officer;
- c) Chair means the chair of the Board;
- d) Charter means this charter, as amended from time to time;
- e) Director means a member of the Board;
- f) Patheon means Patheon Inc.; and
- g) Stock Exchanges means, at any time, the Toronto Stock Exchange and any other stock exchange on which any securities of Patheon are listed for trading at the applicable time.

**3.2 Interpretation**

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This Charter is subject to and shall be interpreted in a manner consistent with Patheon's articles and by-laws, the *Canada Business Corporations Act* (the "CBCA"), and any other applicable legislation.

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**CONSTITUTION OF THE BOARD**

**4. ELECTION AND REMOVAL OF DIRECTORS**

**4.1 Number of Directors**

The Board shall consist of such number of Directors as the Board may determine from time to time, within the range set out in Patheon's articles at such time.

**4.2 Election of Directors**

Directors shall be elected by the shareholders annually for a one year term, but if Directors are not elected at a meeting of shareholders, the incumbent Directors shall continue in office until their successors are elected.

**4.3 Vacancies**

The Board may appoint an individual to fill a vacancy which occurs in the Board between annual elections of Directors, to the extent permitted by the CBCA.

**4.4 Ceasing to Be a Director**

A Director will cease to hold office upon:

- a) delivering a resignation in writing to Patheon and such resignation, if not effective upon receipt by Patheon, shall be effective in accordance with its terms;
- b) being removed from office by an ordinary resolution of the shareholders of Patheon;
- c) his or her death;
- d) becoming bankrupt; or
- e) a court in Canada or elsewhere finding him or her to be of unsound mind.

**5. CRITERIA FOR DIRECTORS**

**5.1 Qualifications of Directors**

Every Director shall be an individual who is at least 18 years of age, has not been determined by a court to be of unsound mind and does not have the status of bankrupt.

5.2 **Residency**

At least 25% of the Directors shall be resident Canadians as defined in the CBCA.

5.3 **Independence of Directors**

- a) At least two of the Directors shall not be officers or employees of Patheon or any of its affiliates.
- b) The Board should include a number of independent directors (within the meaning of applicable regulatory and Stock Exchange requirements), that is reflective of the share ownership of Patheon and in accordance with Patheon's contractual and other legal obligations.

5.4 **Other Criteria**

The Board may establish by resolution additional criteria for Directors as contemplated in this Charter.

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### **6. BOARD CHAIR**

#### **6.1 Board to Appoint Chair**

The Board shall appoint the Chair annually at the first meeting of the Board after the meeting of the shareholders of Patheon at which Directors are elected. If the Board does not so appoint a Chair, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

### **7. REMUNERATION OF DIRECTORS AND RETAINING ADVISORS**

#### **7.1 Remuneration**

The remuneration to be paid to the Directors shall be such as the Directors shall from time to time by resolution determine and such remuneration may be in addition to the salary paid to any officer or employee of Patheon who is also a Director. The Directors may also by resolution award special remuneration to any Director to compensate him or her for any special services rendered to Patheon other than the normal work ordinarily required of a director of a corporation. The confirmation of any such resolution or resolutions by the shareholders shall not be required. The Directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of Patheon.

#### **7.2 Retaining and Compensating Advisors**

Each Director and non-standing committee of the Board shall have the authority to retain outside counsel and any other external advisors at the expense of the Corporation in appropriate circumstances but only with the approval of the Corporate Governance Committee acting in the best interests of the Corporation, such retainers to be subject to such conditions to be determined and approved by the Corporate Governance Committee.

Each standing committee of the Board shall have, through the terms of its charter, the authority to retain outside counsel and any other external advisors at the expense of the Corporation in appropriate circumstances, such retainers to be subject to such conditions to be determined and approved by the applicable standing committee acting in the best interests of the Corporation.

## **MEETINGS OF THE BOARD**

### **8. MEETINGS OF THE BOARD**

#### **8.1 Time and Place of Meetings**

Meetings of the Board shall be called and held in the manner and at the location contemplated in Patheon's by-laws.

#### **8.2 Frequency of Board Meetings**

Subject to Patheon's by-laws, the Board shall meet at least four times per year on a quarterly basis.

#### **8.3 Quorum**

In order to transact business at a meeting of the Board:

- a) a majority of the number of Directors shall be present; and
- b) 25% of the Directors present must be resident Canadians (or, if this is not possible, a resident Canadian Director who is unable to be present and whose presence at the meeting would have resulted in the required number of resident Canadian Directors being present, must approve the business transacted at the meeting, whether in writing or by telephonic, electronic or other communication facility).

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### **8.4 Secretary of the Meeting**

The Chair shall designate from time to time a person who may, but need not, be a member of the Board, to be Secretary of any meeting of the Board.

### **8.5 Right to Vote**

Each member of the Board shall have the right to vote on matters that come before the Board, subject to the restrictions on voting specified in the CBCA where a Director is required to disclose an interest in a material contract or material transaction.

### **8.6 Invitees**

The Board may invite any of Patheon's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

## **9. IN CAMERA SESSIONS**

### **9.1 In Camera Sessions of Non-Management Directors**

At the conclusion of each meeting of the Board, the non-management Directors shall meet without any member of management being present (including any Director who is a member of management).

### **9.2 In Camera Sessions of Independent Directors**

To the extent that non-management Directors include Directors who are not independent Directors within the meaning of applicable regulatory and Stock Exchange requirements, the independent Directors shall meet at least once per year with only independent Directors present.

## **DELEGATION OF DUTIES AND RESPONSIBILITIES OF THE BOARD**

## **10. DELEGATION AND RELIANCE**

### **10.1 Delegation to Committees**

The Board may establish and delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind Patheon, except to the extent that such authority has been specifically delegated to such committee by the Board.

### **10.2 Requirement for Certain Committees**

The Board shall establish and maintain the following committees of the Board, each having mandates/charters that incorporate all applicable regulatory and Stock Exchange requirements and that follow such guidelines of applicable regulatory authorities and Stock Exchanges as the Board may consider appropriate:

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- a) Audit Committee;
- b) Corporate Governance Committee (which shall have responsibility for nomination matters); and
- c) Compensation and Human Resources Committee.

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### **10.3 Composition of Committees**

The Board will appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with applicable regulatory and Stock Exchange requirements and with such guidelines of applicable regulatory authorities and Stock Exchanges as the Board may consider appropriate and shall require the Corporate Governance Committee to make recommendations to it with respect to such matters.

### **10.4 Review of Mandates/Charters**

On an annual basis, the Board will review the recommendations of the Corporate Governance Committee with respect to the mandates/charters of each committee of the Board. The Board will approve those changes to the mandates/charters that it determines are appropriate.

### **10.5 Delegation to Management**

Subject to Patheon's articles and by-laws, the Board may designate the offices of Patheon, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of Patheon, except to the extent that such delegation is prohibited by the CBCA or other applicable law or regulation.

Notwithstanding any delegation to management to manage the business and affairs of Patheon, management must seek Board approval in respect of all material transactions, including, (i) those transactions that could reasonably be expected to significantly affect the market price or value of Patheon's securities, (ii) changes in the authorized or issued capital of Patheon, (iii) any action that may lead to or result in a material change in the nature of the business, operations, outstanding debt or capital of Patheon, and (iv) the sale, lease or exchange of all or substantially all of the property of Patheon.

### **10.6 Reliance on Management**

The Board is entitled to rely in good faith on the information and advice provided to it by Patheon's management.

### **10.7 Reliance on Others**

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

### **10.8 Oversight**

The Board retains responsibility for oversight of any matters delegated to any committee of the Board or to management.

## **DUTIES AND RESPONSIBILITIES**

## **11. RESPONSIBILITY FOR SPECIFIC MATTERS**

### **11.1 Responsibility for Specific Matters**

The Board explicitly assumes responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and guidelines of applicable regulatory authorities and Stock Exchanges and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the management of Patheon's business and affairs.

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### **11.2 Delegation to Committees**

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to in Sections 12, 13, 14 and 16, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters and the Board may, where appropriate, specifically delegate authority to a committee of the Board to make decisions which bind Patheon on such matters.

## **12. CORPORATE GOVERNANCE GENERALLY**

### **12.1 Governance Practices and Principles**

The Board shall be responsible for developing Patheon's approach to corporate governance.

### **12.2 Governance Disclosure**

- a) The Board shall approve disclosure about Patheon's governance practices in any document before it is delivered to Patheon's shareholders or filed with applicable regulatory authorities or with the Stock Exchanges.
- b) If Patheon's governance practices differ from the guidelines of applicable regulatory authorities or the Stock Exchanges, the Board shall consider these differences and why the Board considers them to be appropriate.

### **12.3 Delegation to Corporate Governance Committee**

The Board may direct the Corporate Governance Committee to consider the matters contemplated in this Section 12 and to report and make recommendations to the Board with respect to these matters and the Board may, where appropriate, specifically delegate authority to the Corporate Governance Committee to make decisions which bind Patheon on such matters.

## **13. RESPONSIBILITIES RELATING TO MANAGEMENT**

### **13.1 Integrity of Management**

The Board shall, to the extent feasible, satisfy itself:

- a) as to the integrity of the CEO and other executive officers; and
- b) that the CEO and other executive officers create a culture of integrity throughout the organization.

### **13.2 Succession Planning**

The Board shall be responsible for succession planning, including appointing, training and monitoring senior management.

13.3 **Executive Compensation Policy**

The Board shall approve the compensation of the CEO but may specifically delegate the authority to approve one or more components of the compensation of the CEO to the Compensation and HR Committee provided that the Board receives a report from the Compensation and HR Committee thereon.

The Board shall receive regular reports from the Compensation and HR Committee on its approval of any recommendations of the CEO with respect to the compensation of other executive officers and senior management of Patheon.

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### **13.4 Delegation to Compensation and Human Resources Committee**

The Board may direct the Compensation and Human Resources Committee to consider the matters contemplated in this Section 13 and to report and make recommendations to the Board with respect to these matters and the Board may, where appropriate, specifically delegate authority to the Compensation and HR Committee to make decisions which bind Patheon on such matters.

## **14. OVERSIGHT OF THE OPERATION OF THE BUSINESS**

### **14.1 Risk Management**

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of Patheon's business and satisfy itself as to the implementation of appropriate systems to manage these risks. The Board may specifically delegate authority to the Audit Committee to consider these matters and, if appropriate, to report and make recommendations to the Board with respect to these matters.

### **14.2 Strategic Planning Process**

The Board shall adopt a strategic planning process and shall review and approve, on at least an annual basis, Patheon's strategic plan which should take into account, among other things, the opportunities and risks of Patheon's business.

As part of this process, the Board shall receive reports and recommendations from management, on at least an annual basis, regarding Patheon's operational and financial plans and budgets and the Board shall adopt the same with such changes as the Board deems appropriate.

In connection with the above, the Board shall seek to provide a balance of long-term versus short-term orientation of Patheon's strategic, operational and financial plans.

### **14.3 Internal Control and Management Information Systems**

The Board shall review the reports of management and the Audit Committee concerning the integrity of Patheon's internal control and management information systems. Where appropriate, the Board shall require management and the Audit Committee to implement changes to such systems to ensure the integrity of such systems.

### **14.4 Corporate Disclosure Policy**

The Board shall review and, if determined appropriate, approve a corporate disclosure policy for Patheon for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. The Board shall consider, among other things, the recommendations of management and the Audit Committee with respect to this policy.

### **14.5 Financial Statements**

The Board shall review the recommendations of the Audit Committee with respect to the annual and interim financial statements and MD&A of Patheon to be delivered to shareholders (including the financial statements and MD&A to be included in any annual report on Form 10-K or quarterly report on Form 10-Q). The Board shall approve such financial statements and MD&A.

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### **14.6 Other Disclosure Documents**

The Board shall review the recommendations of management and the applicable committees of the Board with respect to any annual report on Form 10-K, quarterly report on Form 10-Q, annual information form, proxy statement, circular and prospectus of Patheon. The Board shall approve all such disclosure documents.

### **14.7 Pension Matters**

The Board shall receive and review reports from management covering administration, investment performance, funding, financial impact, actuarial reports and other pension related matters.

### **14.8 Code of Business Conduct**

The Board will review and approve a Code of Business Conduct for Patheon. In adopting the Code of Business Conduct, the Board will consider the recommendations of the Corporate Governance Committee concerning its compliance with applicable regulatory and Stock Exchange requirements and with the guidelines of applicable regulatory authorities and Stock Exchanges as the Board may consider appropriate.

### **14.9 Compliance and Disclosure**

The Board will monitor compliance with the Code of Business Conduct and shall review the report of management concerning compliance with the Code of Business Conduct. The Board may specifically delegate authority to the Audit Committee to consider these matters and, if appropriate, to report and make recommendations to the Board with respect to these matters.

The Board is responsible for approving, if determined appropriate, any and all waivers granted to a Director or executive officer of Patheon from complying with the Code of Business Conduct and will determine whether disclosure thereof is required.

## **15. NOMINATION OF DIRECTORS**

### **15.1 Nomination and Appointment of Directors**

- a) The Board shall nominate individuals for election as Directors by the shareholders and shall require the Corporate Governance Committee to make recommendations to it with respect to such nominations.
- b) In selecting individuals for nomination as Directors, the Board shall:
  - i. consider what competencies and skills the Board, as a whole, should possess; and
  - ii. assess what competencies and skills each existing Director possesses.
- c) The Board shall consider recommendations made to it by the Corporate Governance Committee with respect to the size and composition of the Board.

16. **BOARD EFFECTIVENESS**

16.1 **Position Descriptions**

The Board shall review and, if determined appropriate, approve formal position descriptions for:

- a) individual Directors and for the Chair of the Board and for the Chair of each committee of the Board; and
- b) the CEO (which shall include the delineation of management's responsibilities),

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provided that in approving a position description for the CEO, the Board shall consider the input of the CEO and shall develop and approve corporate goals and objectives that the CEO is responsible for meeting (which may include goals and objectives relevant to the CEO's compensation, as recommended by the Compensation and Human Resources Committee).

The Board may direct the Corporate Governance Committee to consider the matters contemplated in this Section 16.1 and to report and make recommendations to the Board with respect to these matters and the Board may, where appropriate, specifically delegate authority to the Corporate Governance Committee to make decisions which bind Patheon on such matters.

### **16.2 Director Orientation and Continuing Education**

The Board shall review and, if determined appropriate, approve the recommendations of the Corporate Governance Committee concerning:

- a) a comprehensive orientation program for new Directors; and
- b) continuing education opportunities for all Directors.

### **16.3 Board, Committee and Director Assessments**

The Board shall review and, if determined appropriate, adopt a process recommended by the Corporate Governance Committee for assessing the effectiveness and contribution of the Board as a whole, each of the committees of the Board and each of the individual Directors on an annual basis.

### **16.4 Annual Assessment of the Board**

Each year, the Board shall assess its effectiveness and contribution and that of each of its committees and each individual Director in accordance with the process recommended by the Corporate Governance Committee and approved by the Board.

Approved by the Board of Directors

Patheon Inc.

December 16, 2010

Reviewed and Reaffirmed by the Board of Directors December 13, 2012

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**APPENDIX B**

***CHARTER OF THE AUDIT COMMITTEE***

This charter governs the operations of the Audit Committee of Patheon Inc. (the Corporation ).

**1. OBJECTIVES**

The Committee has three major objectives:

- (a) to assist the board of directors of the Corporation (the Board ) in fulfilling its oversight responsibilities relating to the Corporation s financial statements;
- (b) to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the Corporation s internal control and management information systems; and
- (c) to fulfill the responsibilities assigned to the Committee by the Board pursuant to this charter.

**2. CONSTITUTION**

**2.1 Membership**

The Committee must be composed of a minimum of three members. Every Committee member must be a director of the Corporation (a Director ). Every Committee member must be independent as such term is defined in National Instrument 52-110 *Audit Committees* ( NI 52-110 ) or an exemption from the requirement that every Committee member be independent must be available for the Corporation to rely upon. Every Committee member must be financially literate as such term is defined in NI 52-110. At least one Committee member must satisfy the definition of audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K under U.S. securities laws.

**2.2 Chair**

The Board shall appoint the Chair of the Committee from the members of the Committee (or if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

**2.3 Annual Appointment of Members**

The appointment of members of the Committee and the designation of its Chair shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

**2.4 Continuance of Existing Mandate**

If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.

2.5 **Quorum**

A quorum of the Committee shall be a majority of its members.

2.6 **Secretary**

The Chair of the Committee may designate from time to time a person to be the Secretary of the Committee. The Secretary may, but need not, be a member of the Committee.

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### **2.7 Committee Procedures**

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee.

### **2.8 Attendees at Meetings**

The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

## **3. AUTHORITY**

The Committee has the authority:

- (a) to engage independent counsel and other advisors as it determines necessary or advisable to carry out its duties;
- (b) to set and pay the compensation for any advisors employed by the Committee; and
- (c) to communicate directly with the internal and external auditors.

The Committee also has the authority to delegate to individual members or subcommittees of the Committee.

## **4. RESPONSIBILITIES**

### **4.1 External Auditor**

- (a) The Corporation's external auditor is required to report directly to the Committee.
- (b) The Committee is responsible for recommending to the Board:
  - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
  - (ii) the compensation of the external auditor.
- (c) The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

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- (d) The Committee is responsible for reviewing and approving the proposed audit scope, focus areas, timing and key decisions underlying the audit plan.
- (e) The Committee is also responsible for:
  - (i) monitoring and reporting to the Board with regards to the qualifications, independence and performance of the external auditor;
  - (ii) receiving and reviewing reports from the external auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditors' final report;
  - (iii) reviewing and discussing with the external auditor, at least annually, a report from the external auditor that includes all relationships and engagements that may reasonably be thought to bear on the independence of the auditor and any written disclosures required by applicable requirements of the Public Company Accounting Oversight Board; and
  - (iv) meeting in private with the external auditor.

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### **4.2 Pre-Approval of Auditing and Non-Audit Services**

The Committee is responsible for pre-approving all auditing services and all permitted non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

### **4.3 Review of Financial Statements, MD&A and Earnings Information**

The Committee is responsible for reviewing the Corporation's financial statements and MD&A (including the financial statements and MD&A to be included in any annual report on Form 10-K or quarterly report on Form 10-Q), annual and interim earnings press releases and earnings conference call scripts before the Corporation publicly discloses this information.

The Committee is also responsible for discussing with management and the external auditor the Corporation's audited financial statements, and for discussing with the external auditors matters required to be communicated to audit committees in accordance with Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90. Based on its review and discussion of the audited financial statements, the Committee shall make a determination whether to recommend to the Board that the audited financial statements be included in the Corporation's annual report on Form 10-K.

### **4.4 Review of Public Disclosure of Financial Information**

The Committee is responsible for being satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in section 4.3 above, and periodically assessing the adequacy of those procedures.

### **4.5 Submission Systems and Treatment of Complaints**

The Committee is responsible for establishing procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

### **4.6 Hiring Policies**

The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

### **4.7 Internal Controls and Management Information Systems**

The Committee is responsible for reviewing and monitoring the integrity and adequacy of the Corporation's internal control and management information systems, reporting to the Board thereon and overseeing the implementation by management of any changes to such systems to ensure the integrity of such systems as required by the Board.

### **4.8 Related Person Transactions**

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The Committee is responsible for periodically reviewing the Corporation's policies and procedures for the review, approval or ratification of related person transactions (defined as any transaction required to be disclosed)

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in the Corporation's filings with the U.S. Securities and Exchange Commission (the "SEC") pursuant to Item 404 of Regulation S-K under U.S. securities laws), and reporting to the Board thereon. Pursuant to such policies and procedures, the Committee is responsible for reviewing all related person transactions and approving, ratifying, revising or rejecting such transactions as appropriate.

### **4.9 Other Responsibilities**

The Committee is also responsible for:

- (a) taking into account the reports of management and such other persons as the Committee may consider appropriate, identifying the principal risks of the Corporation's business, satisfying itself as to the implementation of appropriate systems to manage these risks and reporting and making recommendations to the Board with respect to these matters;
- (b) reviewing and making recommendations to the Board on the Corporation's Corporate Disclosure Policy;
- (c) monitoring compliance with the Code of Business Conduct, reviewing the report of management concerning compliance with the Code of Business Conduct and, if appropriate, reporting and making recommendations to the Board with respect to these matters; and
- (d) preparing the report of the Committee required by the rules of the SEC to be included in the Corporation's annual proxy statement.

### **4.10 Consultation with the Board**

The Committee shall report to the Board at the Board's next meeting on the proceedings of any meeting of the Committee, all recommendations to the Board made by the Committee at such meeting and any approvals given by the Committee at such meeting.

## **5. GENERAL**

### **5.1 Subject to by-laws, etc.**

The provisions of this charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of the *Canada Business Corporations Act* and any other applicable legislation.

### **5.2 Annual Review of Charter**

On an annual basis, the Board will review the recommendations of the Corporate Governance Committee with respect to this charter. The Board will approve those changes to this charter that it determines are appropriate.

Approved by the Board of Directors

Patheon Inc.

December 16, 2010

Reviewed and Reaffirmed by the Board of Directors December 13, 2012

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**APPENDIX C**

**2010 Mercer Executive Remuneration Survey Participant List**

1-800 CONTACTS, Inc.  
7-Eleven, Inc.  
99 Cents Only Stores  
AAA Northern California, Nevada

and Utah  
AAF International  
AB Mauri Food Inc.  
Abbott Laboratories  
Abraxas Petroleum Corporation  
Abt Associates Inc.  
Accor North America, Inc.  
ACE Limited  
ACH Food Companies  
ACUITY  
Aditya Birla Minacs  
Administaff  
ADTRAN, Inc.  
Advance Auto Parts  
AECOM Technology Corporation  
AEGON USA - Commonwealth

General  
AEGON USA - FL  
AEGON USA - Life Investors

Insurance  
Aera Energy LLC  
Aeronix, Inc.  
Aetna, Inc.  
Affinity Federal Credit Union  
Affinity Health Plan  
AFLAC Incorporated  
AgFirst Farm Credit Bank  
AGL Resources  
AgriBank, FCB  
AIPSO  
Air Frame Manufacturing & Supply

Company, Inc.  
Air Products and Chemicals  
Aker Solutions ASA  
Akzo Nobel, Inc.  
Alcoa, Inc.  
Alfa Laval, Inc.  
Allconnect Inc.  
Allegheny Energy  
Alliance Data Systems  
Alliance Pipeline, Inc.  
Alliant Energy

Alliant Techsystems  
 Allianz Life Insurance Company of North America  
 Allied Irish Banks, plc US  
 ALSAC/St. Jude Children's Research Hospital  
 AlSCO Inc.  
 Alstom Power US  
 Alyeska Pipeline Service Company  
 Amcor PET Packaging, Inc.  
 Ameren Corporation  
 American Arbitration Association  
 American Bureau of Shipping  
 American Cancer Society  
 American Century Investments  
 American College of Emergency Physicians  
 American Enterprise Group Inc.  
 American Express  
 American Family Insurance  
 American Heart Association  
 American Home Mortgage Servicing,

Inc.  
 American Institute of Physics  
 American International Group, Inc.  
 American Medical Association  
 American Red Cross  
 American Tower  
 American Transmission Company  
 American University  
 Americold  
 AmeriCredit Corp.  
 AmeriGas Propane, Inc.  
 AMERIGROUP Corporation  
 AmeriPride Services Inc.  
 Ameriprise Financial  
 AmerisourceBergen Corporation  
 Ameristar Casinos, Inc.  
 Ameron International Corporation  
 Amica Mutual Insurance Company  
 AMR Corporation  
 Amtrak  
 Amway  
 Anadarko Petroleum Corporation  
 Anchor Blue, Inc.  
 ANH Refractories Company  
 Apache Corporation  
 Apartment Investment and

Management Co.  
 Apex Systems, Inc.  
 APL Ltd.  
 Apollo Group  
 Apple, Inc.  
 Applied Signal Technology  
 ARAMARK Corporation  
 Arch Coal, Inc.  
 Archon Group, L.P.  
 Archstone  
 Arctic Slope Regional Corporation  
 Argonaut Group  
 Argonne National Laboratory  
 Arkansas Blue Cross Blue Shield

Arlington County Government  
Armstrong World Industries, Inc.  
Arnold and Porter, LLP  
ARTEL, Inc.  
Asahi Kasei Plastics N.A. Inc.  
Ashland, Inc.  
Aspect Energy, LLC  
Associated Banc-Corp  
Associated Electric Cooperative, Inc.  
Assurant, Inc., Specialty Property  
ASTM International  
Astoria Financial  
Asurion  
AT&T, Inc.  
Atlas America, Inc.  
Atmos Energy  
Aurora Bank FSB  
Aurora Loan Services  
Aurora Pharmacy  
Auto Club Group  
Automatic Data Processing (ADP)  
Automobile Club of Southern

California  
AutoZone, Inc.  
AvalonBay Communities, Inc.  
Aveda Corporation  
Avery Dennison Corporation  
Aviall, Inc.  
Avis Budget Group  
Aviva USA  
Avon Products, Inc.  
AXA Equitable  
Axxess Financial  
Axis Insurance Company  
AZZ Inc.

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B&H Photo  
 Babson College  
 Bacardi U.S.A., Inc.  
 Backcountry.com  
 BAE Systems, Inc. Land &

Armaments  
 Baker Hughes, Inc.  
 Baker, Donelson, Bearman,

Caldwell & Berkowitz, PC  
 Balfour Beatty Construction  
 Ball Corporation  
 Ball State University  
 Banco Popular North America  
 Bank of America Corporation  
 Bank of Montreal US  
 Bank of the West  
 Bare Escentuals  
 Barnes & Noble  
 Barquin International  
 Bart & Associates, Inc.  
 Basic Energy Services  
 Battelle  
 Baylor College of Medicine  
 Bechtel Corporation  
 Bechtel Plant Machinery, Inc.  
 Belk, Inc.  
 Belo Corp.  
 Benjamin Moore & Company  
 Best Buy Company, Inc.  
 BG US Services  
 BHP Billiton Petroleum

(Americas), Inc.  
 BI, Inc.  
 Big Lots, Inc.  
 Birmingham-Southern College  
 BJ's Wholesale Club, Inc.  
 Black & Veatch Corporation  
 Blount International Inc.  
 Blue Cross & Blue Shield of Rhode

Island  
 Blue Cross and Blue Shield of

Alabama  
 Blue Cross and Blue Shield of

Kansas  
 Blue Cross and Blue Shield of

Massachusetts  
 Blue Cross and Blue Shield of North

Carolina

Blue Cross Blue Shield of Minnesota  
Blue Cross of Idaho Health

Service, Inc.  
Blue Cross of Northeastern

Pennsylvania  
Blue Shield of California  
BlueCross BlueShield Association  
BlueCross BlueShield of Arizona  
BlueCross BlueShield of Florida  
BlueCross BlueShield of Kansas City  
BlueCross BlueShield of Louisiana  
BlueCross BlueShield of Michigan  
BlueCross BlueShield of Nebraska  
BlueCross BlueShield of North

Dakota  
BlueCross BlueShield of South

Carolina  
BlueCross BlueShield of Tennessee  
BlueCross BlueShield of Tennessee

Commercial Business & Established

Markets  
BlueCross BlueShield of Tennessee

Government Business & Emerging

Markets  
BlueCross BlueShield of Vermont  
BlueCross BlueShield of Western

New York  
Bluegreen Corporation  
BMW Manufacturing Co., LLC  
BMW of North America, LLC  
Boardwalk Pipeline Partners, LP  
Bob Evans Farms, Inc.  
Boeing Employees Credit Union  
Boise Cascade, LLC  
Boise Inc.  
BOK Financial, Inc.  
Bombardier Transportation  
Booz Allen Hamilton  
Bose Corporation  
Boston College  
Boston Medical Center HealthNet

Plan  
Bovis Lend Lease  
Boy Scouts of America  
Boys & Girls Clubs Of America  
BP Exploration North America  
BP North America, Elite  
Brady Corporation  
Branch Banking & Trust Company  
Bravo Health, Inc.

BreitBurn Energy Partners L.P.  
 Bremer Financial Corporation  
 Bridgepoint Education, Inc.  
 Bridwell Oil Company  
 Brigham Exploration Company  
 Broadlane, Inc.  
 Broadview Networks  
 Brookfield Renewable Power  
 Brookhaven National Laboratory  
 Brookstone Company  
 Brown and Caldwell  
 Bryan Cave LLP  
 BSH Home Appliances Corporation  
 Buckeye Partners, L.P.  
 Buckingham Asset Management,

LLC  
 Buffets, Inc.  
 Bunge Ltd., Agribusiness  
 Burlington Coat Factory  
 Burnett Oil Co., Inc.  
 C&D Technologies  
 C&S Wholesale Grocers  
 Cablevision Systems Corporation  
 CACI International, Inc.  
 CAE Simuflite Civil Training and

Services, Dallas  
 CAE Simuflite Military Simulation &

Training, Tampa  
 California Casualty Management

Company  
 California Dental Association  
 California Hospital Association  
 California Institute of Technology  
 California ISO  
 California Pizza Kitchen  
 Callaway Golf Company  
 Calpine Corporation  
 Cameron International  
 Canadian Pacific US  
 Canal Insurance Company  
 Canandaigua National Bank  
 Capella Education Company  
 Capital Bank  
 Capital BlueCross  
 Capital One Financial Corp.  
 CapitalSource  
 Cardinal Health, Inc.  
 CareFirst BlueCross BlueShield  
 CareFusion Corporation  
 Cargill, Inc.  
 CaridianBCT  
 Carlson  
 CarMax, Inc.  
 Carmeuse North America  
 Carnegie Mellon University



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Carpenter Technology Corporation  
 Carter s, Inc.  
 Cascade Engineering  
 Caterpillar, Inc.  
 Catholic Charities Health and Human

Services  
 Catholic Financial Life  
 CB Richard Ellis Group, Inc.  
 CDM, Inc.  
 Cellular South, Inc.  
 Cemex, Inc. US  
 Cengage Learning  
 CenterPoint Energy  
 CEVA Logistics Americas  
 CEVA Logistics North America  
 CGGVeritas  
 CGI Technologies and Solutions, Inc.  
 Charming Shoppes, Inc.  
 Charter Communications  
 Chesapeake Energy Corporation  
 Chicago Transit Authority  
 Chico s FAS, Inc.  
 Chief Oil & Gas, LLC  
 Children s Community Health Plan  
 Chipotle Mexican Grill  
 Chiquita Brands International, Inc.  
 Chiquita Brands International, Inc. -

Fresh Express  
 Choice Hotels International, Inc.  
 Chrysler Financial Services

Americas, LLC  
 CHS Inc.  
 Church & Dwight Co., Inc.  
 CIBA Vision Corporation  
 CIGNA Corporation  
 Cimarex Energy Co.  
 Cinco Natural Resources Corporation  
 Cinetic Automation  
 Cinetic Sorting Corp.  
 Cirque du Soleil, Las Vegas  
 Citation Oil & Gas Corp.  
 CITGO Petroleum Corporation  
 Citi, North America Operations &

Technology  
 Citizens Energy Group  
 Citizens Property Insurance

Corporation  
 City and County of Denver  
 City National Bank  
 City of Charlotte  
 City of Dublin  
 City of Garland

City of Houston  
 City of Redmond  
 Clarkston Consulting  
 Classified Ventures, LLC  
 Cleco Corporation  
 Clemens Family Corporation  
 Cleveland Brothers Equipment Co.,

Inc.  
 CME Group Inc.  
 CNA  
 CNA Financial Corporation  
 Coats North America  
 Coca-Cola Bottling Co. Consolidated  
 COG Operating, LLC  
 Coinstar, Inc.  
 Colgate-Palmolive Company  
 Collective Brands, Inc.  
 College of DuPage  
 Collin County  
 Colonial Banc Group  
 Colonial Pipeline Company  
 Colonial Williamsburg Foundation,

Products Division  
 Coloplast Corporation  
 Colorado Springs Utilities  
 Columbia Bank  
 Columbian Chemicals Company  
 Comcast Corporation  
 Comerica, Inc.  
 Commonwealth Brands, Inc.  
 Community First Health Plans  
 Community Health Plan  
 CommunityCare of Oklahoma  
 Compass Bank  
 CompuCom Systems, Inc.  
 Computer Sciences Corporation,

Financial Services Group  
 Computer Sciences Corporation,

Managed Services  
 Computer Sciences Corporation,

North American Public Sector  
 Computershare  
 ConAgra Foods, Inc.  
 Conectiv Energy  
 Consec, Inc.  
 Constellation Brands, Inc.  
 Constellation Energy Group, Inc.  
 Constellation Energy Partners LLC  
 Continental Western Group, LLC  
 Convergys Corporation  
 Cook Children's Health Plan  
 Core Laboratories  
 Corinthian Colleges, Inc.  
 Corn Products  
 Cornell University  
 Corning, Inc.

Corrections Corporation of

America  
CoServ Electric  
Cost Plus, Inc.  
Country Financial  
Covance, Inc.  
Coventry Health Care, Inc.  
Cox Enterprises, Inc.  
Cox Target Media  
CPS Energy  
Cracker Barrel Old Country Store,

Inc.  
Crawford and Company  
Credit Acceptance Corporation  
Cree, Inc.  
Crocs, Inc.  
Cross Country Automotive Services  
Crowe Horwath LLP  
Crowley Maritime Corporation  
Crown Castle International

Corporation  
Crum & Forster  
CSL International, Inc.  
Cubic Corporation  
Cummins, Inc.  
CUNA Mutual Group  
Curtiss-Wright Corporation  
CVS/Caremark  
Dairy Management, Inc.  
Dallas Central Appraisal District  
Dallas County Community College

District  
Dallas Fort Worth International

Airport  
Danaher Motion  
Darden Restaurants, Inc.  
Dassault Falcon Jet Corporation  
Data Recognition Corporation  
Day & Zimmermann Group, Inc.  
DCP Midstream, LLC  
Dean Foods Company  
Decision Resources, Inc.  
Deckers Outdoor Corporation  
Deere & Company  
Del Monte Foods Company  
Delta Dental of Michigan, Ohio, and

Indiana  
Deluxe Corp.

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Denny's Corporation  
 DePaul University  
 Destination Maternity Corporation  
 Det Norske Veritas US  
 Devon Energy  
 DeVry, Inc.  
 Dex One  
 DFS  
 Diamond Offshore Drilling, Inc.  
 Dick's Sporting Goods  
 Diebold, Incorporated  
 DIRECTV, Inc.  
 Discovery Communications  
 Disney Consumer Products  
 Disney Stores  
 DLA Piper US, LLP  
 Dockwise USA  
 Doherty Employment Group  
 Dole Food Company, Inc.  
 Dollar General Corporation  
 Dollar Thrifty Automotive Group  
 Dominion Resources, Inc.  
 Domino's Pizza, Inc.  
 Domtar Corporation  
 Dorsey & Whitney LLP  
 Dow Jones and Company  
 DPL Inc.  
 Dress Barn, Inc.  
 Dresser-Rand Group Inc.  
 DSC Logistics  
 DST Systems, Inc.  
 DSW, Inc.  
 DTE Energy Company  
 Duke Energy Corporation  
 Duke University and School of

Medicine  
 Dunkin' Brands, Inc.  
 Duquesne Light Holdings, Inc.  
 DynMcDermott Petroleum

Operations  
 E. I. du Pont de Nemours and

Company  
 E.ON U.S.  
 Early Warning Services  
 Eastern Bank  
 eBay, Inc.  
 EDFUND  
 Edison Mission Energy  
 Education Management Corporation  
 Educational Testing Service (ETS)  
 Edward Jones  
 Edwards Lifesciences, LLC  
 El Paso Corporation  
 Elemica  
 Elizabeth Arden, Inc.

Elizabeth Glaser Pediatric AIDS

Foundation

Elkay Manufacturing Company

Elster AMCO Water, Inc.

Elster American Meter Company

Elster Electricity LLC

EMCOR Group, Inc.

Employers Insurance Group

Employers Mutual Casualty

Company

EnCana Oil & Gas (USA) Inc.

Energen Corporation

Energy Future Holdings Corporation

Enerplus Resources (USA)

Corporation

EnerVest Management Partners, Ltd.

Eni US Operating Company, Inc.

ENSCO International, Inc.

Entergy

Enterprise Products Partners L.P.

EOG Resources, Inc.

Equifax Inc.

Equity Office Management, LLC

Equity Residential

Erickson Retirement Communities

Erie Insurance Group

Essilor of America

Estee Lauder Companies, Inc.

Esurance, Inc.

Exact Software North America LLC

Excellus BlueCross BlueShield

EXCO Resources, Inc.

Exel, a DPWN Company

Exelon Corporation

Experian Group, Americas

Explorer Pipeline Company

Express Scripts, Inc.

Exterran

Exterran - North America

Exxon Mobil Corporation, US Fuels

Marketing

F.N.B. Corporation

Faegre & Benson, LLP

Farm Credit Bank of Texas

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 WEA Insurance Corp.  
 Weatherford  
 Webster Financial Corporation  
 Wegmans Food Markets, Inc.  
 Weil, Gotshal & Manges, LLP  
 Weill Cornell Medical College  
 WellCare Health Plans  
 Wellmark BlueCross BlueShield  
 WellPoint, Inc.  
 Wells Dairy, Inc.  
 Wells Fargo & Company  
 Weltman, Weinberg & Reis Co.,

LPA  
 Wendy's/Arby's Group, Inc.  
 West Marine Products, Inc.  
 Western Digital  
 Western Production Company  
 Western Union  
 Westfield Group  
 Westfield Insurance  
 Westlake Chemical Corporation  
 Weston Solutions, Inc.  
 Wheaton College  
 Wheels, Inc.  
 Whip Mix Corporation  
 Whirlpool Corporation  
 Whitney National Bank  
 Whole Foods Market, Inc.  
 William Blair & Company, LLC  
 William Marsh Rice University  
 Williams-Sonoma, Inc.  
 Wilmer Cutler Pickering Hale and

Dorr LP  
 Winn-Dixie Stores, Inc.  
 Winston Industries, Inc.  
 Wisconsin Court System

Wm. Wrigley Jr. Company  
Wolters Kluwer NA  
World Vision USA  
Wyndham Worldwide  
Xcel Energy Inc.  
Xerox Corporation  
XL America  
XTO Energy, Inc.  
Yamaha Corporation of America  
Yellow Pages Group USA  
Yeshiva University  
Zale Corporation  
Zebra Technologies Corporation  
Zeon Chemicals North America  
Zimmer Holdings, Inc.  
Zions Bancorporation  
Zurich North America

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**Radford**

**Global Life Sciences Survey - 2010**

3-V Biosciences  
454 Life Sciences/Roche  
Aastrom Biosciences  
Abbott Labs  
Acceleron Pharma  
Acclarent  
Accuray  
Achaogen  
Achillion Pharmaceuticals  
Acorda Therapeutics  
Actelion Pharmaceuticals U.S.  
Activx Biosciences  
Acucela  
Adamas Pharmaceuticals  
Adolor  
Advanced Biohealing  
Aeras Global Tb Vaccine Foundation  
Affymax  
Affymetrix  
Agennix  
Agilent Technologies  
Akros Pharma  
Alcon Laboratories  
Alder Biopharmaceuticals  
Alexion Pharmaceuticals  
Alexza Pharmaceuticals  
Align Technology  
Alkermes  
Allen Institute For Brain Science  
Allos Therapeutics  
Alnylam Pharmaceuticals  
Althea Technologies  
Amag Pharmaceuticals  
Ambit Biosciences  
Ambrx  
American Type Culture Collection  
Amerisourcebergen  
Amgen  
Amicus Therapeutics  
Amylin Pharmaceuticals  
Amyris Biotechnologies  
Anacor Pharmaceuticals  
Anadys Pharmaceuticals  
Anaptys Biosciences  
Anika Therapeutics  
Anp Technologies  
Antigenics  
AP Pharma  
Aradigm

Archemix  
Archimedes  
Ardea Biosciences  
Ardelyx  
Ardian  
Arena Pharmaceuticals  
Ariad Pharmaceuticals  
Arqule  
Array Biopharma  
Arthrocare  
Aryx Therapeutics  
Aspenbio Pharma  
Astellas  
Astrazeneca Pharmaceuticals  
Auxilium Pharmaceuticals  
Avecia Biotechnology  
Aveo Pharmaceuticals  
Axcan Pharma  
Barrx Medical  
BASF  
Battelle Memorial Institute  
Baxano  
Baxter International  
Baylor Health Care System  
Beckman Coulter  
Becton Dickinson  
BG Medicine  
Bio-Rad Laboratories  
Biocryst Pharmaceuticals  
Biogen Idec  
Biomarin Pharmaceutical  
Biomimetic Therapeutics  
Bionumerik Pharmaceuticals  
Biosphere Medical  
Biotronik  
BNBI  
Booz Allen Hamilton  
Bristol-Myers Squibb Company  
Broad Institute  
Burnham Institute For Medical

Research  
Cadence Pharmaceuticals  
Caliper Life Sciences  
Canon USA  
Cardinal Health  
Cardiokine  
Cardiome Pharma  
Cardionet  
Cardiva Medical  
Carefusion  
Catalent  
Catalyst Biosciences  
Cato Research  
Celera  
Celgene  
Cell Therapeutics  
Celldex Therapeutics  
Cellular Dynamics International  
Celsion  
Cephalon  
Cepheid

Ceres  
Certara  
Cerus  
Charles River Laboratories  
Chemgenex Pharmaceuticals  
Chemocentryx  
Chimerix  
Chugai Pharma USA LLC  
Cincinnati Childrens Hospital  
City of Hope  
Clariant  
Clinimetrics Research Associates  
Clinsys Clinical Research  
Clontech  
Cobalt Biofuels  
Codexis  
Columbia Laboratories  
Comentis  
Complete Genomics  
Conceptus  
Concert Pharmaceuticals  
Constellation Pharmaceuticals  
Covance  
Covidien  
Crescendo Bioscience  
Cryolife  
CSL Behring  
Cubist Pharmaceuticals  
Cumberland Pharmaceutical  
Cylex  
Cyntellect

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Cypress Bioscience  
 Cytokinetix  
 Cytori Therapeutics  
 Daiichi Sankyo  
 Dana-Farber Cancer Institute  
 Delcath Systems  
 Dendreon  
 Depomed  
 Dfb Pharmaceuticals  
 Diadexus  
 Discovery Laboratories  
 DJO  
 Drais Pharmaceuticals  
 Duke Clinical Research Institute  
 Durect  
 Dusa Pharmaceuticals  
 Dyax  
 Dynavax Technologies  
 Ebioscience  
 Edwards Lifesciences  
 Eisai  
 Elan  
 Emd Serono  
 Emergent Biosolutions  
 Endocyte  
 Envivo Pharmaceuticals  
 Enzon  
 ERT  
 Eurand  
 EV3  
 Evotec  
 Exactech  
 Exelixis  
 Facet Biotech  
 Family Health International  
 Fenwal  
 Ferndale Laboratories  
 Ferring Research Institute  
 Fibrogen  
 Five Prime Therapeutics  
 Flextronics International  
 Foldrx Pharmaceuticals  
 Follica  
 Forest Laboratories  
 Fred Hutchinson Cancer Research Ctr  
 Galderma Laboratories  
 Galenea  
 Gen-Probe  
 Genencor A Danisco Division  
 Genentech  
 Genomatica  
 Genomic Health  
 Genvault  
 Genvec  
 Genzyme  
 Geron  
 Gilead Sciences  
 Globeimmune

Grifols  
 GTC Biotherapeutics  
 GTX  
 H Lee Moffitt Cancer Center  
 Halozyme Therapeutics  
 Harlan Laboratories  
 Harvard Bioscience  
 Harvard University  
 Heartware  
 Heidelberg Engineering  
 Helicos Biosciences  
 Helsinn Therapeutics  
 Heska  
 Hitachi Chemical Research Center  
 Hitachi Software Engineering

America  
 Horizon Pharma  
 Howard Hughes Medical  
 Human Genome Sciences  
 Hutchinson Technology  
 Hyde Engineering + Consulting  
 Hydra Biosciences  
 Icon Clinical Research  
 Idenix Pharmaceuticals  
 Idera Pharmaceuticals  
 Ikaria  
 Illumina  
 Immucor  
 Immunogen  
 Impax Laboratories  
 INC Research  
 Incyte  
 Infinity Pharmaceutical  
 Ingenix  
 Inotek Pharmaceuticals  
 Inspire Pharmaceuticals  
 Intarcia Therapeutics  
 Intercell  
 Intermune  
 International Aids Vaccine Initiative  
 Intern 1 Partnership For Microbicides

(IPM)  
 Intrexon  
 Intuitive Surgical  
 Inventiv Clinical Solutions  
 Inverness Medical Innovations  
 Ipierian  
 Ipsen US  
 Ironwood Pharmaceuticals  
 Isis Pharmaceuticals  
 Ista Pharmaceuticals  
 Jazz Pharmaceuticals  
 Jennerex  
 Johnson & Johnson  
 Juvaris Biotherapeutics  
 Kalobios Pharmaceuticals  
 KBI Biopharma  
 Kendle International  
 Kensey Nash

King Pharmaceuticals  
Kv Pharmaceutical  
Lantheus Medical Imaging  
Lawrence Berkeley Nat l Lab  
Lawrence Livermore Nat l Lab  
Lexicon Pharmaceuticals  
Life Technologies  
Lifecore Biomedical  
Ligand Pharmaceuticals  
Light Sciences Oncology  
Ligocyte Pharmaceuticals  
Liposcience  
Logical Therapeutics  
Lonza Biologics  
Lovelace Respiratory Research Inst  
Lundbeck USA  
Macrogenics  
Mannkind  
Map Pharmaceuticals  
Marcadia Biotech  
Marshfield Clinic  
Martek Biosciences  
Massbiologics  
Maxygen  
Mayo Collaborative Services  
MDRNA  
Medicis Pharmaceutical  
Medimmune  
Medivation  
Medpace  
Medtronic  
Mendel Biotechnology  
Merck & Co  
Merial  
Meridian Bioscience  
Merrimack Pharmaceuticals  
Metabolex  
Metabolix  
Metabolon

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Metagenics  
 Micell Technologies  
 Micrus Endovascular  
 Millennium The Takeda Oncology

Company  
 Millipore  
 Miltenyi Biotec  
 Moksha8  
 Molecular Biometrics  
 Molecular Insight Pharmaceuticals  
 Momenta Pharmaceuticals  
 Monsanto  
 Monterey Bay Aquarium Research  
 Morphosys AG  
 Morphotek  
 Musculoskeletal Transplant Fdn  
 Mylan  
 Myriad Genetics  
 Myriad Pharmaceuticals  
 N30 Pharmaceuticals LLC  
 Nektar Therapeutics  
 Neurocrine Biosciences  
 Neurogesx  
 Neuropace  
 Neurotech Usa  
 New England Biolabs  
 Ngm Biopharmaceuticals  
 Nitto Denko Technical  
 Novabay Pharmaceuticals  
 Novartis Inst/Functional Genomics  
 Novartis Pharmaceuticals  
 Novavax  
 Noven Pharmaceuticals  
 Novo Nordisk  
 Novocell  
 Novozymes  
 Novozymes North America  
 Nps Pharmaceuticals  
 Nuon Therapeutics  
 Nuvo Research  
 Omeros  
 Oncomed Pharmaceuticals  
 Onyx Pharmaceuticals  
 Optimer Pharmaceuticals  
 Opx Biotechnologies  
 ORA  
 Orasure Technologies  
 Orexigen Therapeutics  
 Organogenesis  
 Orlando Healthcare  
 Orthofix  
 OSI Pharmaceuticals  
 Osmotica Pharmaceucital  
 Osteotech  
 Outcome Sciences  
 Oxigene  
 Pacific Biosciences

Par Pharmaceutical  
 Paratek Pharmaceuticals  
 Parexel International  
 Pearl Therapeutics  
 Penwest Pharmaceuticals  
 Peplin  
 Peregrine Pharmaceuticals  
 Pfizer  
 Pharmaceutical Product

Development  
 Pharmanet  
 Pharmasset  
 Pharmathene  
 Phaserx Pharmaceuticals  
 Phenomix  
 Photothera  
 Pioneer Hi-Bred International  
 Plexxikon  
 Polymedix  
 Portola Pharmaceuticals  
 PRA International  
 Premier Research Group  
 Progenics Pharmaceutical  
 Progentech  
 Promega  
 Prometheus Laboratories  
 Prostrakan  
 Proteon Therapeutics  
 PTC Therapeutics  
 Purdue Pharma LP  
 Qiagen Sciences  
 QLT  
 Qteros  
 Questcor Pharmaceuticals  
 Quidel  
 Quintiles  
 R&D Systems  
 Raptor Pharmaceuticals  
 Reckitt Benckiser Pharmaceuticals  
 Regeneron Pharmaceutical  
 Response Biomedical  
 Revance Therapeutics  
 RHO  
 Rigel  
 Roche Diagnostics  
 Roche Molecular Systems  
 RTI International  
 RXI Pharmaceuticals  
 Saic Frederick  
 Saint Joseph's Translational

Research Institute  
 Salix Pharmaceuticals  
 Salk Institute For Biological Studies  
 Sanford Research/USD  
 Sangamo Biosciences  
 Sangart  
 Sanofi Pasteur  
 Sanofi-Aventis  
 Santarus

Santen  
Savient Pharmaceuticals  
Sciclone Pharmaceuticals  
Scripps Health  
Scynexis  
Seattle Children's  
Seattle Genetics  
Selecta Biosciences  
Senomyx  
Sepracor  
Sequenom  
Seracare Life Sciences  
Shionogi Pharma  
Shire Pharmaceuticals  
Siemens Healthcare  
Sigma Tau Pharmaceuticals  
Sigma-Aldrich  
Signature Genomic Laboratories  
Singulex  
Skeletal Kinetics LLC  
Smith & Nephew  
Sorin Group USA  
Southwest Foundation For  
  
Biomedical Research  
Spectrum Health  
Spectrum Pharmaceuticals  
Sra International  
Sri International  
St Jude Childrens Research Hospital  
St Jude Medical - Neuromodulation  
  
Division  
Staar Surgical Company  
Stanford University  
Stanford University Medical Center  
Stem Cells  
Steris  
Strategic Diagnostics  
Stryker Biotech  
Sunesis Pharmaceuticals  
Supergen

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Surface Logix  
 Surmodics  
 Sutro Biopharma  
 Symyx Technologies  
 Synta Pharmaceuticals  
 Synteract  
 Synthes USA  
 Synthetic Genomics  
 Takeda Pharmaceuticals North

America  
 Talecris Biotherapeutics  
 Targacept  
 Teikoku Pharma  
 Teleflex  
 Telik  
 Tengion  
 Tethys Bioscience  
 Teva Pharmaceuticals USA  
 The Emmes Corporation  
 The Medicines Company  
 The Samuel Roberts Noble

Foundation  
 The Scripps Research Institute  
 The University Of Chicago  
 Theravance  
 Thermo Fisher Scientific  
 Thoratec  
 Threshold Pharmaceuticals  
 Tolerrx  
 Tolmar  
 Transcept Pharmaceuticals  
 Trius Therapeutics  
 Trubion Pharmaceuticals  
 United Therapeutics  
 Uni. Of Miami Miller School Of

Medicine  
 Valeant Pharmaceuticals Intl  
 Van Andel Institute  
 Vaxinnate  
 Ventus Medical  
 Verenium  
 Vertex Pharmaceuticals  
 Vetter Pharma International  
 Vical  
 Vifor Pharma-Aspreva  
 Viropharma Inc  
 Vitae Pharmaceuticals  
 Vivus  
 VLST  
 Warner Chilcott  
 Watson Pharmaceuticals  
 Wellstat Management  
 Wisconsin Alumni Rsrch Fdn  
 Xanodyne Pharmaceuticals  
 Xencor

Xenoport  
Xoma  
Zeltiq Aesthetics  
Zimmer  
Ziopharm Oncology  
Zosano Pharma  
Zymogenetics

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**APPENDIX E**

**Towers Watson Data Services**

**2010/2011 Survey Report on Top Management Compensation**

*The organizations from whom proxy data was obtained appear in italics.*

*3M Company*  
*84 Lumber Company*  
*A.O. Smith Corporation*  
*AAA*  
*AAR Corporation*  
*Aaron's, Inc.*  
*Abbott Laboratories*  
*Abercrombie & Fitch*  
*ABM Industries, Inc.*  
*Accident Fund Insurance Company*

*of America*  
*Accor North America*  
*Acme Industries*  
*Acuity*  
*Acuity Brands, Inc.*  
*ACUMED LLC*  
*Administaff, Inc.*  
*Adobe Systems, Inc.*  
*ADTRAN Incorporated*  
*Advance Auto Parts, Inc.*  
*Advanced Micro Devices*  
*AECOM Technology Corporation*  
*Aegon USA*  
*Aeronix, Inc.*  
*Aeropostale, Inc.*  
*AES Corporation*  
*Aetna, Inc.*  
*Affinia Group Intermediate*

*Holdings, Inc.*  
*AFLAC Incorporated*  
*AFP, Inc.*  
*AGCO Corporation*  
*Agilent Technologies, Inc.*  
*Agilysys, Inc.*  
*AGL Resources, Inc.*  
*AgriBank, FCB*  
*Air Products & Chemicals, Inc.*  
*AirTran Holdings, Inc.*  
*Aker Solutions*  
*AKSteel Holding Corporation*  
*Alaska Air Group, Inc.*  
*Albemarle Corporation*  
*Alcoa, Inc.*  
*Alfa Laval, Inc.*

Allegheny County Sanitary

Authority

*Allegheny Energy, Inc.*

*Allegheny Technologies, Inc.*

Allegiance Health

*Allergan, Inc.*

Allete, Inc.

*Alliance Data Systems Corporation*

Alliance Defense Fund

Alliance Residential LLC

*Alliant Energy Corporation*

*Allstate Corporation*

*Ally Financial, Inc.*

*Alpha Natural Resources, Inc.*

ALSAC St. Jude

*Amazon.com, Inc.*

*Ambac Financial Group*

Ambius

*Ameren Corporation*

American Cancer Society, Inc.

American Commercial Lines, Inc.

American Dehydrated Foods, Inc.

*American Eagle Outfitters, Inc.*

*American Electric Power Company*

*American Express Company*

American Family Insurance

American Greetings Corporation

*American International Group, Inc.*

*American National Insurance*

*American Tire Distributors*

*Holdings, Inc.*

*American Tower Corporation*

American University

American Water

*AMERIGROUP Corporation*

AmeriPride Services, Inc.

*Ameriprise Financial, Inc.*

*AmerisourceBergen Corporation*

Ameristar Casinos

Ames True Temper

*AMETEK, Inc.*

AMETEK, Inc./Advanced

Measurement Tech.

*Amgen, Inc.*

Amica Mutual Insurance Company

*Amkor Technology, Inc.*

*Amphenol Corporation*

*AMR Corporation*

*Anadarko Petroleum Corporation*

*Analog Devices*

Anchor Bank NA

Andersen Corporation

*Andersons, Inc.*

*Anixter International, Inc.*

*Annaly Capital Management*

*AnnTaylor Stores Corporation*

AOC LLC

AON Corporation

*Apache Corporation*  
*Apollo Group*  
*Apple, Inc.*  
*Applied Materials, Inc.*  
*AptarGroup, Inc.*  
*ARAMARK Corporation*  
*Arch Coal, Inc.*  
*Archstone*  
*Armed Forces Insurance*  
*Armstrong World Industries*  
*Arrow Electronics, Inc.*  
*ArvinMeritor, Inc.*  
*Asahi Kasei Plastics NA, Inc.*  
*Asbury Automotive Group, Inc.*  
*Ascent Media Group*  
*ASCO - Valve*  
*Ash Grove Cement Company*  
*Ashland, Inc.*  
*Asset Marketing Service, Inc.*  
*Assurant, Inc.*  
*Asurion Corporation*  
*AT&T, Inc.*  
*Atlas Energy, Inc.*  
*Atmos Energy Corporation*  
*Aurora Healthcare*  
*Autodesk, Inc.*  
*Autoliv, Inc.*  
*Automobile Club of Southern*

*California*  
*AutoNation, Inc.*  
*AutoZone, Inc.*

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*Avery Dennison Corporation*

Avis Budget Group

Avista Corporation

*Avon Products, Inc.*

Axsys

The Actors Fund of America

The Auto Club Group

B Braun Medical, Inc.

B/E Aerospace, Inc.

Babson College

*Baker Hughes, Inc.*

Baldor Electric Company

Ball Corporation

*Bank of America Corporation*

*Bank of New York Mellon*

*Corporation*

Baptist Health

Barilla America, Inc.

Barloworld Handling

Basler Electric Company

*Baxter International, Inc.*

Baylor College of Medicine

Baylor Health Care System

*BB&T Corporation*

*Beacon Roofing Supply, Inc.*

Bechtel Systems & Infrastructure,

Inc.

*Beckman Coulter, Inc.*

*Becton Dickinson & Company*

Belk, Inc.

Bemis Company, Inc.

Bemis Manufacturing Company

*Benchmark Electronics, Inc.*

*Berkshire Hathaway*

*Berry Plastics Corporation*

Berwick Offray LLC

*Best Buy Company, Inc.*

Big Lots, Inc.

Bimbo Bakeries USA

Biodynamic Research Corporation

*Biogen Idec, Inc.*

*Biomet*

*Bio-Rad Laboratories, Inc.*

*BJ Services Company*

*BJ's Wholesale Club, Inc.*

Black Hills Corporation

*Blackrock, Inc.*

*Blackstone Group LP*

*Blockbuster, Inc.*

Blue Cross Northeastern

Pennsylvania

Blue Cross of Idaho Health

Service, Inc.

BlueCross BlueShield of Arizona  
 BlueCross BlueShield of Delaware  
 BlueCross BlueShield of Louisiana  
 BlueCross BlueShield of Nebraska  
 BlueCross BlueShield of South

Carolina  
 BlueCross BlueShield of Tennessee  
*Bluelinx Holdings, Inc.*  
 BMW Manufacturing Corporation  
 Board of Governors of the Federal

Reserve System  
*Boeing Company*  
*Boise Cascade Holdings LLC*  
*Boise, Inc.*

*Bon-Ton Stores, Inc.*  
*Borders Group, Inc.*

Borg Warner  
 Bosch Packaging Services  
 Bosch Rexroth Corporation  
*Boston Scientific Corporation*

Boy Scouts of America  
 Boyd Gaming Corporate  
 Bradley Corporation  
 Brady Corporation  
 Bridgepoint Education  
 Briggs & Stratton Corporation  
*Brightpoint, Inc.*

*Brinks Company*  
*Bristol-Myers Squibb Company*  
*Broadcom Corporation*  
 Broadlane, Inc.

*Broadridge Financial Solutions*  
*Brocade Communications Systems*  
 Brookdale Senior Living  
*Brown Shoe Company, Inc.*

Brownells, Inc.  
 Brown-Forman Corporation  
 Brunswick Corporation  
 Bryant University

BSSI  
 Bucyrus International, Inc.  
 Buffets, Inc.

*Burger King Holdings, Inc.*  
 The Bergquist Company

The Body Shop  
*C H Robinson Worldwide, Inc.*  
*C.R. Bard, Inc.*

*Cabelas, Inc.*  
 Cablevision Systems Corporation  
*Cabot Corporation*

*Caci International, Inc.*  
 Caelum Research Corporation  
 California Casualty Management

Company  
 California Dental Association  
*Calpine Corporation*  
*Calumet Specialty Products*

*Partners LP*

*Cameron International Corporation*

*Campbell Soup Company*

*Career Education Corporation*

*Carhartt, Inc.*

*CaridianBCT, Inc.*

*Carlisle Cos, Inc.*

*Carlson Companies, Inc.*

*CarMax*

*Carpenter Technology Corporation*

*Carter*

*Carter s, Inc.*

*Catalyst Health Solutions*

*Caterpillar, Inc.*

*CB Richard Ellis*

*CBS Corporation*

*CC Media Holdings, Inc.*

*CDM*

*CEC Entertainment, Inc.*

*CEI*

*Celanese Corporation*

*Celgard, Inc.*

*Celgene Corporation*

*CEMEX, Inc.*

*Centene Corporation*

*CenterPoint Energy, Inc.*

*Central Garden & Pet Company*

*CenturyLINK*

*Cenveo, Inc.*

*Cephalon, Inc.*

*Cerner Corporation*

*CEVA Logistics*

*CEVA Logistics US, Inc.*

*CFA Institute*

*CFIndustries Holdings, Inc.*

*CH2M Hill Companies, Ltd.*

*Charles Schwab Corporation*

*Charlotte Mecklenburg Schools*

*Charming Shoppes, Inc.*

*Charter Communications, Inc.*

*Cheesecake Factory, Inc.*

*Chemtreat, Inc.*

*Chemtura Corporation*

*Chesapeake Energy Corporation*

*Chevron Corporation*

*Chicago Transit*

*Chickasaw Nation*

*Chico s FAS, Inc.*

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Children's Healthcare Atlanta  
*Chiquita Brands International, Inc.*  
 Choice Hotels International  
 CHS, Inc.  
*Chubb Corporation*  
 Chumash Employee Resource

Center  
*Church & Dwight, Inc.*  
 Church of Jesus Christ of Latter-Day Saints  
 CIGNA Corporation  
*Cincinnati Financial Corporation*  
*Cinemark Holdings, Inc.*  
 Cirque Du Soleil, Inc.  
*CIT Group, Inc.*  
 CitationAir  
*Citigroup, Inc.*  
*Citrix Systems, Inc.*  
 City & County of Denver/Career Service Auth.  
 City of Charlotte  
 City of Dallas  
 City of Garland  
 City of Houston  
 City of Philadelphia  
 Clarian Health  
 Clearwater Paper Corporation  
 Cleco Corporation  
*Cliffs Natural Resources, Inc.*  
*Clorox Company*  
 ClubCorp, Inc.  
*CMEGroup, Inc.*  
*CMS Energy Corporation*  
 CNA  
 CNL Financial Group  
*CNO Financial Group, Inc.*  
*Coca Cola Company*  
 Coca Cola Enterprises, Inc.  
*Cognizant Tech Solutions*  
*Colgate Palmolive Company*  
*Collective Brands, Inc.*  
 Colorado Springs Utilities  
 Colsa Corporation  
 Columbia Sportswear Company  
*Comcast Corporation*  
*Comerica, Inc.*  
*Commercial Metals*  
 CommScope, Inc.  
 Community Coffee Company LLC  
*Community Health Systems, Inc.*  
 Computer Task Group  
 ConnectiCare Capital LLC  
*Conocophillips*  
*Consol Energy, Inc.*  
*Consolidated Edison, Inc.*  
 Constellation Energy  
*Continental Airlines, Inc.*  
 Continental Data Graphics  
*Convergys Corporation*

Con-Way
Cook Communications Ministries
<i>Cooper Tire &amp; Rubber Company</i>
<i>Cooper-Standard Holdings, Inc.</i>
CooperVision, Inc.
<i>Core Mark Holding Company, Inc.</i>
Corinthian Colleges
<i>Corn Products International, Inc.</i>
Cornell University
<i>Corning, Inc.</i>
Correctional Medical Services
Corrections Corporation of America
<i>Costco Wholesale Corporation</i>
Country Insurance & Financial
County of Spotsylvania
<i>Covance, Inc.</i>
<i>Covanta Holding Corporation</i>
Coventry Health Care, Inc.
CPS Energy
Cracker Barrel Old Country
Store, Inc.
<i>Crane Company</i>
<i>Crosstex Energy, Inc.</i>
Crown Castle International Corporation
<i>CSX Corporation</i>
CTS Corporation
Cultural Institute Retirement System
Cummins, Inc.
CUNA Mutual Group
<i>Curtiss Wright Corporation</i>
<i>CVREnergy, Inc.</i>
<i>CVS Caremark</i>
<i>Cytec Industries, Inc.</i>
The Chamberlain Group, Inc.
The Colman Group, Inc.
The Community Preservation Corporation
<i>D R Horton, Inc.</i>
Daimler Financial Services
Dallas County
Dal-Tile, Inc.
<i>Dana Holding Corporation</i>
<i>Danaher Corporation</i>
Data Center, Inc.
<i>DaVita, Inc.</i>
<i>Dean Foods Company</i>
Deere & Company
Dekalb Regional Healthcare Systems
<i>Delta Air Lines, Inc.</i>
Delta Dental Plan of Michigan
Deluxe Corporation
Denny's, Inc.
Denso International America
<i>DENTSPLY International, Inc.</i>
DePaul University
<i>Devon Energy Corporation</i>
Dex One Corporation
DFW International Airport
<i>Dick's Sporting Goods, Inc.</i>
Dickstein Shapiro LLP
<i>Diebold, Inc.</i>
<i>Dillard's, Inc.</i>

*DIRECTV*

*Discover Financial Services, Inc.*

*Discovery Communications, Inc.*

DISH Network

*Diversey, Inc.*

Doherty Employer Services

Dole Food Company, Inc.

Dollar General Corporation

*Dollar Thrifty Automotive Group*

Dominion Resources, Inc.

Donaldson Company, Inc.

*Dover Corporation*

*Dow Chemical*

*DPL, Inc.*

*Dr. Pepper Snapple Group, Inc.*

*Dresser-Rand Group, Inc.*

DST Systems, Inc.

DTE Energy

*Duane Reade Holdings, Inc.*

*Duke Energy Corporation*

Duke Realty Corporation

Duke University & Health System

*Dun & Bradstreet Corporation*

DuPont

Dupont Fabros Technology

Dyn McDermott

*Dynegy, Inc.*

The Decurion Corporation

*E Trade Financial Corporation*

Early Warning Services

*Eastman Chemical Company*

*Eastman Kodak Company*

Eaton Corporation

*eBay, Inc.*

*Echostar Corporation*

*Ecolab, Inc.*

Edison Mission Energy

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Edward Jones & Company  
 Edwards Lifesciences  
 Einstein Noah Restaurant Group  
*El Paso Corporation*  
 Electrolux Homecare of North  
 America  
*Eli Lilly & Company*  
 Elizabeth Arden, Inc.  
*EMC Corporation*  
 EMCOR Group, Inc.  
 Emerson Climate Technologies, Inc.  
 Emerson Electric  
*Enbridge Energy Partners LP*  
*Energizer Holdings, Inc.*  
 Energy Enterprise Solutions LLC  
 Energy Future Holdings  
*Energy Transfer Equity LP*  
*EnergySolutions, Inc.*  
 Enpro Industries (Fairbanks Morse  
 Engine)  
 Entergy Corporation  
*Enterprise GP Holdings LP*  
*EOG Resources, Inc.*  
 EON US LLC  
*Equifax, Inc.*  
*Equity Residential*  
 Erickson Retirement Communities  
 Erie Insurance Group  
 ESCO Corporation  
 ESCO Technologies  
 Esterline Technologies Corporation  
 Etnyre International, Ltd.  
 Evraz, Inc.  
 Exel, Inc.  
*Exelon Corporation*  
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 University of South Florida  
 University of St. Thomas  
 University of Texas at Austin  
 University of Texas Health Science Center  
 University of Texas Southwestern Medical Ctr  
 University of Wisconsin Medical Foundation  
 University Physicians, Inc.  
*Unum Group*  
 UPS  
*Urban Outfitters, Inc.*  
*URS Corporation*  
*US Airways Group, Inc.*  
*US Bancorp*  
 US Foodservices  
*US Oncology Holdings, Inc.*  
 USAA  
*USEC, Inc.*  
*USG Corporation*  
 Utah Transit Authority  
 Utica National Insurance  
 Vail Resorts Management Company  
*Valassis Communications, Inc.*  
 Valero Energy Corporation  
*Valhi, Inc.*  
*Valmont Industries, Inc.*  
 Van Andel Institute  
 Vangent, Inc.  
*Varian Medical Systems, Inc.*  
*Vectren Corporation*  
 Venetian Resort-Hotel-Casino  
 Ventura Foods LLC  
 Venturedyne, Ltd.  
 Verde Realty  
*Verizon Communications, Inc.*  
 Vermeer Manufacturing Company  
 VF Corporation  
 Via Christi Regional Medical Center  
*Viacom, Inc.*  
 Viant Health Payment Solutions  
 Viejas Enterprises  
*Virgin Media, Inc.*  
*Visa, Inc.*  
*Vishay Intertechnology, Inc.*  
 Visiting Nurse Association of the Inland Counties

Visiting Nurse Service of New York

*Visteon Corporation*

Volvo Group North America

*Vornado Realty Trust*

*Vought Aircraft Industries, Inc.*

*Vulcan Materials Company*

The Wilder Foundation

W C Bradley Company

W R Grace & Company

*W.R. Berkley Corporation*

*W.W. Grainger, Inc.*

Wackenhut Services, Inc.

Wake County Government

Walgreen Company

*Wal-Mart Stores, Inc.*

*Walt Disney Company*

Walter Energy

*Warnaco Group, Inc.*

*Warner Music Group Corporation*

*Washington Post*

Washington Suburban Sanitary Commission

Washington University in St. Louis

Waste Industries, Inc.

*Waste Management, Inc.*

*Watsco, Inc.*

*Watson Pharmaceuticals, Inc.*

Wawa, Inc.

Wayne Memorial Hospital

Wellcare Health Plans

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Wellmark BlueCross BlueShield  
 Wellpoint, Inc.  
 Wendy's/Arby's Group, Inc.  
 Werner Company  
 Werner Enterprises, Inc.  
 WESCO International, Inc.  
 West Penn Allegheny Health System  
 West Pharmaceutical Services  
 West Virginia University  
  
 Hospitals, Inc.  
 Westar Energy, Inc.  
 Western Refining, Inc.  
 Western Southern Financial Group  
 Western Textile Companies  
 Western Union Company  
 Westfield Group  
 Westlake Chemical Corporation  
 Weston Solutions, Inc.  
 Weyerhaeuser Company  
 WGL Holdings, Inc.  
 Wheaton Franciscan Healthcare  
 Wheels, Inc.  
 Whirlpool Corporation  
 Whole Foods Market, Inc.  
 Wilbur Smith Associates  
 Williams Companies, Inc.  
 Williams-Sonoma, Inc.  
 Wilmer Hale  
 Wilsonart International  
 Windstream Communications  
 Winn-Dixie Stores, Inc.  
 Winpak Portion Packaging, Ltd.  
 Wisconsin Energy Corporation  
 Wisconsin Physicians Service  
  
 Insurance Corporation  
 Wolverine World Wide, Inc.  
 World Fuel Services Corporation  
 World Vision International  
 Worthington Industries  
 Wyle Laboratories  
 Wyndham Worldwide Corporation  
 Wynn Resorts, Ltd.  
 Xcel Energy, Inc.  
 Xerox Corporation  
 Yahoo, Inc.  
 Yamaha Corporation of America  
 Yankee Candle Company  
 YKK Corporation of America  
 YSI  
 Yum Brands, Inc.  
 Zale Corporation  
 Zeon Chemicals LP  
 Zimmer, Inc.  
 Zions Bancorporation

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**PATHEON INC.**

2100 Syntex Court

Mississauga, Ontario L5N 7K9

[www.patheon.com](http://www.patheon.com)

JLL PATHEON HOLDINGS, LLC

c/o 450 LEXINGTON AVENUE, 31<sup>ST</sup> Floor

NEW YORK, NY 10017

**Security Class:**

**CLASS I PREFERRED SHARES, SERIES D**

**Number of Securities:**

**150,000**

**Form of Proxy - Annual and Special Meeting to be held on March 28, 2013 at 10:30 am EDT**

**This Proxy is solicited by and on behalf of the Management and Board of Directors of Patheon Inc. ( Patheon )**

**Notes to proxy**

1. **Every holder has the right to appoint a proxyholder, being some other individual or company, who need not be a holder, to attend and act on behalf of the holder at the meeting. If you will not attend the meeting to vote in person, and you wish to appoint as your proxyholder an individual or company other than the Management Proxyholders (as herein defined), please insert the name of your chosen proxyholder in the space provided (see second page).**
2. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. If this proxy is not dated in the space provided below, it will be deemed to bear the date on which it is mailed by Management to the holder.
4. **The securities represented by this proxy will be voted as directed by the holder; however, if such a direction is not made in respect of the matter herein identified, then (a) where the Management Proxyholders (as herein defined) are appointed, this proxy will be voted as recommended by Management, or (b) where any other person is appointed as proxyholder, this proxy will be voted as the proxyholder sees fit.**
5. This proxy confers discretionary authority in respect of amendments to the matter herein identified.
6. This proxy should be read in conjunction with the accompanying Proxy Statement and Management Information Circular provided by Management.

## Edgar Filing: PATHEON INC - Form PRE 14A

7. Complete this form of proxy in accordance with the above instructions and return it to Patheon Inc., Attention: Corporate Secretary, 2100 Syntex Court, Mississauga, Ontario L5N 7K9 so that it arrives no later than Tuesday, March 26, 2013 at 10:30 a.m. (EDT) (or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting is reconvened).

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**Appointment of Proxyholder**

**The undersigned holder of Class I Preferred Shares, Series D of Patheon appoints** Paul S. Levy, or failing

him, James C. Mullen (the Management Proxyholders )

**OR**

**[Print the name of the person you are**

**appointing if this person is someone other than the Management Proxyholders named herein.]**

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) at the annual and special meeting of shareholders to be held at 10:30 a.m. on March 28, 2013 and at any postponement(s) or adjournment(s) thereof.

**VOTING RECOMMENDATIONS ARE INDICATED BY**

**OVER THE BOXES.**

**1. Election of Directors**

**The directors and management recommend a vote FOR** the election as directors of the nominees listed below.

**Paul S. Levy**

.. ..

**Michel Lagarde**

.. ..

**Nicholas C. O Leary**

.. ..

**Withhold**

**Authorized Signature(s) This section must be completed for your instructions to be executed.**

Signature(s):

**JLL Patheon Holdings, LLC**

By:

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the meeting. **If no voting instructions are indicated above, and if the Management Proxyholders are appointed, this Proxy will be voted as recommended by Management.**

Name(s):

Title(s):

Date:

**Interim Financial Statements**

Mark this box if you would like to receive interim financial statements and accompanying Management's Discussion and Analysis by mail.

..

**Annual Financial Statements**

Mark this box if you would NOT like to receive the annual financial statements and accompanying Management's Discussion and Analysis by mail.

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**PATHEON INC.**

9th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

www.computershare.com

MR SAM SAMPLE

123 SAMPLES STREET

SAMPLETOWN SS X9X 9X9

**Security Class** Restricted Voting Shares

**Holder Account Number**

C1234567890 X X X

**Form of Proxy - Annual and Special Meeting to be held on March 28, 2013 at 10:30 am EDT**

**This Proxy is solicited by and on behalf of the Management and Board of Directors of Patheon Inc. ( Patheon ).**

**Notes to proxy**

1. Every holder has the right to appoint a proxyholder, being some other individual or company, who need not be a holder, to attend and act on behalf of the holder at the meeting. If you will not attend the meeting to vote in person, and you wish to appoint as your proxyholder an individual or company other than the Management Proxyholders (as herein defined), please insert the name of your chosen proxyholder in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then each registered owner should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. The securities represented by this proxy will be voted as directed by the holder; however, if such a direction is not made in respect of the matter herein identified, then (a) where the Management Proxyholders (as herein defined) are appointed, this proxy will be voted as recommended by Management, or (b) where any other person is appointed as proxyholder, this proxy will be voted as the proxyholder sees fit.
6. This proxy confers discretionary authority in respect of amendments to the matters identified in the Notice of Meeting or other matters that may properly come before the Meeting or any adjournment or postponement thereof.

7. This proxy should be read in conjunction with the accompanying Proxy Statement and Management Information Circular provided by Management.

**Proxies submitted must be received by 10:30 am, EDT, on March 26, 2013.**

**VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!**

Call the number listed BELOW from a touch tone telephone.

Go to the following web site:

[www.investorvote.com](http://www.investorvote.com)

**1-866-732-VOTE (8683) Toll Free**

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**If you vote by telephone or the Internet, DO NOT mail back this proxy.**

**Voting by mail** may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual. To vote by mail, return completed proxy to **9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1**.

**Voting by mail or by Internet** are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

**To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.**

**CONTROL NUMBER 123456789012345**  
00XYPA

CPUQC01.E.INT/000001/i1234



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MR SAM SAMPLE

C1234567890

XXX 123

**Appointment of Proxyholder**

The undersigned holder(s) of restricted voting shares of Patheon appoints Paul S. Levy, or failing him, James C. Mullen (the Management Proxyholders )

OR

[Print the name of the person you are appointing if this person is someone other than the Management Proxyholders named herein.]

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) at the Annual and Special Meeting of shareholders to be held at 10:30 a.m. on March 28, 2013 and at any postponement(s) or adjournment(s) thereof.

**VOTING RECOMMENDATIONS ARE INDICATED BY****OVER THE BOXES.****1. Election of Directors**

The directors and management recommend a vote **FOR** the election as directors of the nominees listed below.

**Withhold**

01. Daniel Agroskin	..	..
02. James C. Mullen	..	..
03. Brian G. Shaw	..	..
04. David E. Sutin	..	..
05. Joaquin B. Viso	..	..
06. Derek J. Watchorn	..	..

**Withhold****2. Appointment of Auditors**

.. ..

The directors and management recommend a vote **FOR** the appointment of Ernst & Young LLP as auditors of Patheon for the ensuing year at remuneration to be fixed by the board of directors of Patheon.

	Against	Abstain
3. Amendment to the By-laws with Respect to Quorum Requirements	..	..
The directors and management recommend a vote FOR the resolution to amend Patheon s By-laws to increase the quorum requirement for meetings of shareholders.		

Authorized Signature(s)

This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. If no voting instructions are indicated above, and if the Management Proxyholders are appointed, this proxy will be voted as recommended by Management.

Signature(s)

Date

DD / MM / YY

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<b>Interim Financial Statements</b> Mark this box if you would like to receive Interim Financial Statements and accompanying Management's Discussion and Analysis by mail.	..	<b>Annual Financial Statements</b> Mark this box if you would <b>NOT</b> like to receive the Annual Financial Statements and accompanying Management's Discussion and Analysis by mail.
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If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at [www.computershare.com/maillinglist](http://www.computershare.com/maillinglist).

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00XYQC			