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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from take over bid requirements where target has more than 50 shareholders in jurisdiction holding less than 2% of target's outstanding securities – Relief conditional on bid being made under U.S. securities law and Canadian shareholders receiving same material as U.S. holders

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105, 106, 107, 108, 110 and 114(2)(c)

IN THE MATTER OF THE SECURITIES LEGISLATION OF THE PROVINCES OF QUEBEC, ONTARIO AND BRITISH COLUMBIA

AND

IN THE MATTER OF SAULE HOLDINGS INC. AND AXCAN PHARMA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the Provinces of Quebec, Ontario and British Columbia (the “Jurisdictions”) has received an application from Axcan Pharma Inc. and Saule Holdings Inc. (together, the “Filer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) exempting the cash tender offer (the “Tender Offer”) of the Filer from the take-over bid rules contained in the Legislation;

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - *Definitions* or in Quebec Securities Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decisions Makers that:

- a) the head office of Axcan Pharma Inc. and of Saule Holdings inc. are located in St. Hilaire, Quebec and Birmingham, Alabama, respectively;
- b) Saule Holdings Inc. is a wholly-owned Delaware subsidiary of Axcan Pharma Inc. (“Axcan”);

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- c) the common shares of Axcan are listed on The Toronto Stock Exchange and the NASDAQ National Market;
- d) the Filer has commenced on April 10, 2003 an unsolicited Tender Offer to purchase all the outstanding common shares of Salix Pharmaceuticals, Ltd. ("Salix"), a company incorporated under the laws of the British Virgin Islands and continued under the laws of Delaware, whose head office is located in Raleigh, North Carolina;
- e) Salix's common shares trade through the facilities of the NASDAQ National Market under the ticker symbol "SLXP" and Salix is a reporting issuer in all 10 Canadian provinces but its shares are not traded through any Canadian stock exchange;
- f) as of April 18, 2003, there are 21,402,963 common shares of Salix outstanding;
- g) the Tender Offer is currently scheduled to expire on June 27, 2003;
- h) of the Canadian shareholders, 86 (holding approximately 0.334% of Salix outstanding common shares) are resident in the Province of Quebec, 162 (holding approximately 0.709% of Salix outstanding common shares) are resident in the Province of Ontario and 61 (holding approximately 0.015% of Salix outstanding common shares) are resident in the Province of British Columbia;
- i) the Tender Offer is made in compliance with the federal laws of the United States of America, including Section 14(d) of the Securities Exchange Act of 1934;
- j) following successful completion of the Tender Offer, Axcan intends to consummate a second step merger in which remaining Salix shareholders will receive the same cash price paid in the Tender Offer, without interest; and
- k) the Tender Offer is a take-over bid under the Legislation for which an exemption is not available.

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

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

The Decision of the Decision Makers under the Legislation is that the requirement contained in the Legislation to comply with the take-over bid rules set forth therein shall not apply to the Filer in connection with the Tender Offer.

The Decision is conditional on satisfaction of the following conditions:

- a) the Tender Offer and all amendments thereto are made in compliance with the laws of the United States, including Section 14(d) of the Securities Exchange Act of 1934;
- b) all material relating to the Tender Offer that has been sent by the Filer to shareholders of Salix be sent as soon as reasonably possible after the date hereof to all holders of Salix common shares whose last address as shown on the books of Salix is in one of the Jurisdictions and be filed with the Decision Makers;
- c) any other material relating to the Tender Offer which is sent by the Filer to shareholders of Salix be sent concurrently to all holders of Salix common shares whose last address as shown on the books of Salix is in one of the Jurisdictions and be filed with the Decision Makers;
- d) in the case of shareholders of Salix whose last address as shown on the books of Salix is in Quebec, a summary in French of the terms of the Offer to Purchase under which the Tender Offer is made be sent to such shareholders as well as a summary in French of any supplement or amendment to the Offer to Purchase distributed to other shareholders in accordance with the laws of the United States be sent to such shareholders at the same time as such material is distributed to such other shareholders.

DATED at Montreal, Quebec this 12th day of June, 2003.

Jean Meloche

Jean-Marie Gagnon