

2005 BCSECCOM 746

November 16, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 48,76 Employees & Consultants - Exemption from registration and prospectus requirements for employees, consultants, past employees and similar persons - An issuer wants registration and prospectus relief for trades by an issuer's employee or officer in securities of a fund that was established as part of the issuer's employee investment plan or in-house investment plan - Employee voluntarily enters into the issuer's employee investment plan; under the plan the employee will receive units in the fund; the units are exchangeable for securities of the issuer; the fund's sole purpose is to hold securities of the issuer for the benefit of plan participants; the employee will receive an information package which includes a summary of the terms of the offering and a notice containing a description of Canadian income tax consequences; upon request the employee can receive copies of the French reference document filed with the French AMF in respect of the issuer's shares and a copy of the relevant fund's rules; the issuer is not a reporting issuer anywhere in a Canada; the issuer has a *de minimis* connection to Canada; the securities will be resold on an exchange outside of Canada or to a person outside of Canada

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48 and 76

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Manitoba, Ontario, Québec, New Brunswick,
Newfoundland and Labrador and Nova Scotia
(the "Jurisdictions")

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Sanofi-Aventis S.A.
(the "Filer")

MRRS Decision Document

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Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for:

1. an exemption from the dealer registration requirements and the prospectus requirements so that such requirements do not apply to:
 - (a) trades in units (“Units”) of two French collective employee shareholding vehicles (the “Intermediary Fund” and the “Fund”, collectively the “Funds”, each a *fonds commun de placement d’entreprise* or “FCPE”) made pursuant to the global employee share offering of the Filer (the “Employee Offering”) to or with Qualifying Employees (as defined below) who elect to participate in the Employee Offering (the “Canadian Participants”);
 - (b) trades of shares of the Filer (the “Shares”) by the Funds to Canadian Participants upon the redemption of Units by Canadian Participants; and
2. an exemption from the adviser registration requirements and dealer registration requirements so that such requirements do not apply to the manager of the Funds, Natexis Asset Management (the “Manager”), to the extent that its activities described in paragraph 11 hereof require compliance with the adviser registration requirements and dealer registration requirements,

(collectively, the “Initial Requested Relief”)
3. an exemption from the dealer registration requirements of the Legislation so that such requirements do not apply to the first trade in any Shares acquired by Canadian Participants under the Employee Offering,

(the “First Trade Registration Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

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Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are otherwise defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation formed under the laws of France. The ordinary shares of the Filer are listed on Euronext and on the New York Stock Exchange (in the form of American Depositary Shares). It is not and has no current intention of becoming a reporting issuer (or equivalent) under the Legislation.
2. Sanofi Pasteur Limited, Dermik Laboratories Canada Inc., Aventis Pharma Inc., Aventis Pharma Services Inc. and Sanofi-Synthelabo Canada Inc. (the “Canadian Affiliates”, together with the Filer and other affiliates of the Filer, the “sanofi-aventis Group”) are direct or indirect controlled subsidiaries of the Filer and are not and have no current intention of becoming reporting issuers under the Legislation.
3. Only persons who are employees of a member of the sanofi-aventis Group for a minimum of three months prior to the opening of the subscription period for the Employee Offering (the “Qualifying Employees”) are invited to participate in the Employee Offering.
4. The Funds are FCPEs established by the Manager to facilitate the participation of Qualifying Employees in the Employee Offering and to simplify custodial arrangements for such participation. The Funds are not and have no current intention of becoming reporting issuers under the Legislation. The Funds are collective shareholding vehicles of a type commonly used in France for the conservation of shares held by employee investors and must be registered and approved by the French Autorité des marchés financiers (the “French AMF”) at the time of their creation. Only Qualifying Employees are allowed to hold Units of the Funds, and such holdings will be in an amount reflecting the number of Shares held by the Funds on behalf of such Qualifying Employees.
5. The Manager is a portfolio management company governed by the laws of France. The Manager is registered with the French AMF to manage French investment funds and complies with the rules of the French AMF. The Manager is not and has no current intention of becoming a reporting issuer under the Legislation.

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6. Qualifying Employees will be invited to participate in the Employee Offering under the following terms:
 - (a) Canadian Participants will be issued Units of the Intermediate Fund, which will subscribe for Shares on behalf of the Canadian Participants, at a subscription price that is equal to the average of the opening price of the Shares on the 20 days ending on the date preceding the date of approval of the transaction by the board of directors of the Filer (the “Reference Price”), less a 20% discount;
 - (b) the Shares will be held in the Intermediary Fund and the Canadian Participant will receive Units in the Intermediary Fund;
 - (c) after completion of the Employee Offering, the Intermediary Fund will be merged with the Fund and Units of the Intermediary Fund held by Canadian Participants will be replaced with Units of the Fund. Units of the Intermediary Fund will be exchanged for Units of the Fund on a pro rata basis and the Shares subscribed for under the Employee Offering will be held in the Fund;
 - (d) the Units will be subject to a hold period of approximately five years (the “Lock-Up Period”), subject to certain exceptions prescribed by French law (such as a release on death or termination of employment);
 - (e) any dividends paid on the Shares held in the Fund will be contributed to the Fund. The reinvestment of dividends will result in the issuance of additional Units or fractions of Units representing such Shares; and
 - (f) at the end of the Lock-Up Period, or in the event of an early unwind resulting from the Canadian Participant exercising one of the exceptions to the Lock-Up Period prescribed by French law, a Canadian Participant may (i) redeem Units in the Fund in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares held by the Fund, or (ii) continue to hold Units in the Fund and redeem those Units at a later date.
7. The Shares subscribed for by the Canadian Participants under the Employee Offering will be contributed to the Funds and the Canadian Participant will receive one Unit for each contributed Share. The Units issued by the Funds will not be listed on any stock exchange.

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8. Dividends paid on the Shares purchased under the Employee Offering will be contributed to the Funds and used to purchase additional Shares. The Canadian Participants will receive additional Units representing such contribution.
9. The Funds are collective shareholding vehicles commonly used in France for the conservation of shares held by employee-investors. The Funds are established for the purpose of providing Qualifying Employees with the opportunity to indirectly hold an investment in the Shares. Each fund's portfolios will consist exclusively of Shares of the Filer and, from time to time, cash in respect of dividends paid on the Shares. From time to time, the portfolios may include cash or cash equivalents that the Funds may hold pending investments in Shares and for purposes of Unit redemptions.
10. Shares issued in the Employee Offering will be deposited in the Funds through Natexis Banques Populaires (the "Depositary"), a large French commercial bank subject to French banking legislation. Under French law, the Depositary must be selected by the Manager from among a limited number of companies identified on a list by the French Minister of the Economy, Finance and Industry and its appointment must be approved by the French AMF. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow the Funds to exercise the rights relating to the securities held in its portfolio.
11. The Manager's portfolio management activities in connection with the Employee Offering and the Funds are limited to purchasing Shares from the Filer and selling such Shares as necessary in order to fund redemption requests. The Manager is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the Funds and the distribution of a notice regarding the end of the Lock-up Period. The Manager's activities in no way affect the underlying value of the Shares. The Manager will not be involved in providing advice to any Canadian Participant.
12. The initial value of a Unit of the Intermediary Fund is approximately equal to the subscription price of a Share under the Employee Offering. The value of a Unit under the Fund is tied to the market price of the Share, plus or minus 1%. The Unit value of the applicable fund will be calculated and reported to the French AMF on a regular basis, based on the net assets of such fund divided by the number of Units outstanding. The number of Units in the Funds may be adjusted on the basis of the market price of the Shares and other assets (cash, in exceptional circumstances) held by the Funds, effective from the first date on which the net asset value is calculated and

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whenever Shares or other assets are contributed to the Funds, as applicable. Upon such adjustments being made, a holder may be credited with additional Units or thousandths of Units.

13. Subject to the Lock-Up Period described above, the Funds will redeem Units at the request of the Canadian Participants. The Canadian Participant will be paid on the basis of the net market price of the Shares corresponding to the Canadian Participant's Units, and will be settled by payment in cash or equivalent number of Shares of the Filer. The Funds, due to board lot sizes, will be able to liquidate positions in the Shares more readily and at a better price than an individual investor. All management fees and expenses in connection with the Funds will be borne by the Filer. Further, it is anticipated that employees will bear the cost of commission fees in connection with redemptions of Units.
14. There are approximately 2,093 employees resident in Canada, in the provinces of Ontario (1,202), British Columbia (59), Alberta (46), Saskatchewan (13), Manitoba (20), Québec (712), New Brunswick (12), Newfoundland and Labrador (7) and Nova Scotia (22) who represent in the aggregate approximately 2% of the number of employees worldwide.
15. Canadian Participants will not be induced to participate in the Employee Offering by expectation of employment or continued employment. The total amount invested by a Canadian Participant in the Employee Offering cannot exceed 25% of his or her estimated gross annual compensation for 2005.
16. None of the Filer, the Manager or any of their employees, agents or representatives will provide investment advice to the Canadian Participants with respect to an investment in the Shares or the Units.
17. The Canadian Participants will receive an information package in the French or English language, as applicable, which will include a summary of the terms of the Employee Offering and a description of the relevant Canadian income tax consequences. Canadian Participants may consult the 2004 Annual Report, 2004 20-F Report and the 2005 half-year report posted on the sanofi-aventis website. In addition, upon request, a copy of the Funds' rules (which are analogous to company by-laws) will be available to participating employees.
18. The Units will not be listed on any exchange.

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19. As of the date hereof and after giving effect to the Employee Offering, Canadian Participants do not and will not beneficially own more than 10% of the Shares and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer.

Decision

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 Initial Requested Relief is granted provided that:

- (1) the first trade in any Units or Shares acquired by Canadian Participants pursuant to this Decision, in a Jurisdiction, is deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless the following conditions are met:
 - (a) the issuer of the security
 - (i) was not a reporting issuer in any jurisdiction of Canada at the distribution date, or
 - (ii) is not a reporting issuer in any jurisdiction of Canada at the date of the trade;
 - (b) at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada
 - (i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series, and
 - (ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series; and
 - (c) the trade is made
 - (i) through an exchange, or a market, outside of Canada, or
 - (ii) to a person or company outside of Canada; and

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- (2) in Quebec, the required fees are paid in accordance with Section 271.6(1.1) of the Securities Regulation (Quebec).

It is the further decision of the Decision Makers under the Legislation that the First Trade Registration Relief is granted provided that:

- (a) the conditions set out in paragraphs (1)(a), (b) and (c) under the decision granting the Initial Requested Relief are satisfied; and
- (b) the first trade in Shares acquired by Canadian Participants pursuant to this Decision is made through a person or company that is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the foreign jurisdiction where the trade is executed.

Paul M. Moore, Q.C.
Commissioner
Ontario Securities Commission

Wendell S. Wigle, Q.C.
Commissioner
Ontario Securities Commission