November 16th, 2015

IN THE MATTER OF

THE SECURITIES LEGISLATION OF ONTARIO, ALBERTA, SASKATCHEWAN, MANITOBA, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR (THE JURISDICTIONS)

AND

IN THE MATTER OF THE

PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF

SALIX PHARMACEUTICALS, LTD. (THE APPLICANT)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Applicant for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the Applicant is not a reporting issuer (the **Exemptive Relief Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

a) the Ontario Securities Commission is the principal regulator for this application, and

b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Applicant was organized under the laws of the State of Delaware in 2001. Its head office is located in Raleigh, North Carolina.

2. Salix Holdings, Ltd., a predecessor entity to the Applicant incorporated in the British Virgin Islands in December 1993 and with its head office in Palo Alto, California, closed the initial public offering of its common shares in Canada in May 1996, at which time such shares became listed on The Toronto Stock Exchange.

3. In March 1998, Salix Holdings, Ltd. changed its name to Salix Pharmaceuticals, Ltd. (being the Applicant's current name).

4. In November 2000, the Applicant received approval to list its securities on the Nasdaq SmallCap Market and also de-listed from the Toronto Stock Exchange.

5. The Applicant is a reporting issuer in each of the Jurisdictions and in British Columbia.

6. On February 20, 2015, Sun Merger Sub, Inc. (**Purchaser**), Valeant Pharmaceuticals International (**VPI**), the Applicant and Valeant Pharmaceuticals International, Inc. (**Valeant**), entered into an Agreement and Plan of Merger (as amended, the **Merger Agreement**). Pursuant to the Merger Agreement, Purchaser commenced a tender offer (the **Offer**) for all of the issued and outstanding shares of common stock (the **Shares**), at a purchase price of US$173.00 per Share, net to the holder in cash (the **Offer Price**), without interest, less any applicable withholding taxes and subject to reduction if the conditions to the Offer were not satisfied.

7. The Offer expired at 12:00 midnight, Eastern time, on April 1, 2015. Purchaser accepted for payment all Shares that were validly tendered and not withdrawn.

8. Also, on April 1, 2015, Purchaser merged with and into the Applicant, with the Applicant surviving as a wholly owned subsidiary of VPI (the **Merger**). The Merger was governed by Section 251(h) of the General Corporation Law of the State of Delaware, with no stockholder vote required to consummate the Merger. At the effective time of the Merger, each Share then outstanding was converted into the right to receive US$173.00 in cash, without interest, less any applicable withholding taxes, except for:

   (a) Shares then owned by Valeant, VPI or Purchaser or any of their respective wholly owned subsidiaries, and

   (b) Shares held in treasury of the Applicant or by any of its wholly owned subsidiaries,

   which Shares were cancelled and retired and ceased to exist, and no consideration was delivered in exchange therefor.

9. As of October 27, 2015, sufficient cash remained in a trust account of the depositary for the Offer, Computershare Trust Company, N.A., to satisfy the right of remaining former beneficial holders of Shares to receive cash in respect of such Shares.

10. The Shares were suspended from trading on Nasdaq Global Select Market on April 1, 2015 and subsequently delisted on April 1, 2015.

11. The Applicant ceased being subject to the reporting requirements in the United States (**U.S.**) under the Securities Exchange Act of 1934 (the **Exchange Act**) shortly following

completion of the Merger, as a result of it being eligible to de-register under the Exchange Act upon having fewer than 300 holders of record of the relevant classes of securities.

12. All of the Shares of the Applicant are held by VPI. VPI is a wholly-owned subsidiary of Valeant.

13. The Applicant has US$118,000 principal amount of 1.5% Convertible Senior Notes due 2019 (the **Notes**) outstanding. The Notes were issued pursuant to an indenture dated as of March 16, 2012 (the **Indenture**), between the Applicant and U.S. Bank National Association, as trustee (the **Trustee**).

14. The Notes were offered and sold in 2012 in the U.S. in an offering under Rule 144A of the U.S. Securities Act of 1933, as amended (the **1933 Act**), which in the U.S. was restricted to qualified institutional buyers as defined in Rule 144A. As the Notes were neither registered under the Exchange Act in connection with a listing on a U.S. securities exchange nor sold in a public offering registered under the 1933 Act, the offering of the Notes by itself did not give rise to a reporting obligation on the part of the Applicant under section 13 or section 15(d) of the Exchange Act.

15. In connection with the completion of the Merger, the Applicant and the Trustee entered into a supplemental indenture (the **Supplemental Indenture**) to the Indenture on April 1, 2015, providing that, at and after the effective time of the Merger, the right to convert each $1,000 principal amount of any Notes into cash, Shares or a combination of cash and Shares at the Applicant's election, as set forth in Section 15.02 of the Indenture, had been changed to a right to convert each $1,000 principal amount of such Notes into the cash value of the Merger consideration. The Notes are not otherwise convertible into equity or voting securities of any entity, including the Applicant.

16. Pursuant to the terms of the Indenture, as a result of the Merger, for a period of time following the effective date of the Merger (defined under the terms of the Indenture as the **Make-Whole Fundamental Change Period**), the beneficial holders of the Notes (the **Noteholders**) were entitled to surrender their Notes to the Applicant for conversion at an adjusted rate that included an incremental modest premium to the as-converted cash value (defined under the terms of the Indenture as the **Make-Whole Conversion Rate Adjustment**). The Make-Whole Fundamental Change Period, during which this Make-Whole Conversion Rate Adjustment was available, ran from April 1, 2015 (the effective date of the Merger) to April 29, 2015. Following the end of the Make-Whole Fundamental Change Period, the Make-Whole Conversion Rate Adjustment was no longer available to Noteholders.

17. On April 1, 2015, the Applicant distributed a notice to Noteholders informing them of the Make-Whole Conversion Rate Adjustment, Make-Whole Fundamental Change Period and the process for surrendering their Notes for conversion during this period. A significant majority of Noteholders surrendered their notes for conversion during this Make-Whole Fundamental Change Period, thereby significantly reducing the number of Notes and Noteholders outstanding. Since the end of the Make-Whole Fundamental Change Period, the Applicant has received a surrender of Notes from only three additional Noteholders (one on April 30, 2015, one on May 8, 2015 and one on October

8, 2015). Notwithstanding the Make-Whole Conversion Rate Adjustment, following the Make-Whole Fundamental Change Period, a small amount of Notes remained outstanding.

18. Promptly following the end of the Make-Whole Fundamental Change Period, an initial request for information regarding the Noteholders was made by the Applicant of the Trustee under the Indenture. On May 4, 2015, the Trustee provided a list of brokerages with accounts holding Notes. Further requests for information regarding the number and residency of the Noteholders were made, initially to the Trustee on May 13, 2015, and subsequently to each of the brokerages. On October 26, 2015, the Applicant made a further attempt to contact the brokerages that had not previously responded to the Applicant's inquiries.

19. The Notes are held through fourteen U.S. brokerages, of which twelve brokerages (representing US$114,000 principal amount of the Notes) have provided responses to the Applicant. Based on such responses, the Applicant has confirmed that US$114,000 principal amount of the Notes are held by twenty-seven Noteholders as of October 26, 2015, of which none are resident in Canada. The Applicant has been unable to determine the number or residency of the Noteholders holding the remaining US$4,000 principal amount of the Notes, despite its best efforts to do so, though the Applicant can confirm that:

    (a) it has no reason to believe that any of the Noteholders holding the remaining US$4,000 principal amount of the Notes are resident Canadians;

    (b) all such Noteholders are holding their Notes through U.S. brokerage accounts; and

    (c) the Notes must be held in minimum denominations of $1,000, with the result being that there are at most four beneficial Noteholders holding the remaining US$4,000 principal amount of the Notes.

20. The Applicant does not have any securities issued or outstanding other than the Shares and the Notes.

21. The Applicant is not in default of securities legislation in any jurisdiction, except for failure to file its interim financial statements and interim management's discussion and analysis for the periods ended March 31, 2015 and June 30, 2015 as required by National Instrument 51-102 *Continuous Disclosure Obligations* and the related interim certificates as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (collectively, the **Defaults**).

22. As a result of the Defaults, the Applicant is currently subject to Cease Trade Orders in British Columbia, Manitoba, Ontario and Québec. The Applicant has applied for and expects to be granted full revocation of the Cease Trade Orders on the same date as this decision.

23. The outstanding securities of the Applicant, including debt securities, were beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions

of Canada and fewer than 51 securityholders in total worldwide as of the end of the Make-Whole Fundamental Change Period, which ended prior to the Defaults.

24. The outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions in Canada and fewer than 51 securityholders in total worldwide, as of the date of this decision.

25. No securities of the Applicant, including debt securities, are traded in Canada or any other country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bring together buyers and sellers of securities where trading data is publicly reported.

26. The Applicant applied for a decision to cease to be a reporting issuer in each of the Jurisdictions. On November 3, 2015, the Applicant filed a notice in accordance with BC Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* and expects to cease to be a reporting issuer in British Columbia on the same date as this decision.

27. The Applicant has currently no intention to seek financing by way of a private or public offering of securities in Canada.

28. The Applicant is not eligible to use the simplified procedure under CSA Staff Notice 12-307 *Applications for a Decision that an Issuer is not a Reporting Issuer* because it is a reporting issuer in British Columbia and because of the Defaults.

29. Upon the grant of the Exemptive Relief Sought and ceasing to be a reporting issuer in British Columbia, the Applicant will not be a reporting issuer in any jurisdiction of Canada.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

Edward P. Kerwin

(Name) Edward P. Kerwin
(Title) Commissioner
Ontario Securities Commission

Sarah B. K
COMMISSIONER

(Name)
(Title)
Ontario Securities Commission