

PATHEON INC
Form DEF 14A
February 15, 2012
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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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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February 13, 2012

Dear Shareholder:

You are invited to attend the Annual and Special Meeting of Shareholders to be held at The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada M5J 1E3 (*The Library Room*) at 10:30 a.m. (EDT) on Thursday, March 22, 2012.

In addition to the annual business (receiving the audited consolidated financial statements for the fiscal year ended October 31, 2011, electing the directors and appointing the auditors), there are the following matters of special business to be considered and, if thought appropriate, approved at the meeting: holding an advisory (non-binding) vote on executive compensation and holding an advisory (non-binding) vote on the frequency of future advisory (non-binding) shareholder votes on executive compensation.

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 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. 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 2012 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 Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada M5J 1E3 (*The Library Room*) at 10:30 a.m. (EDT) on Thursday, March 22, 2012 to:

- a) receive Patheon s consolidated financial statements for the year ended October 31, 2011, together with the report of the auditors thereon;
- b) elect nine directors;
- c) appoint the auditors and authorize the directors to fix their remuneration;
- d) hold an advisory (non-binding) vote to approve executive compensation;
- e) hold an advisory (non-binding) vote on the frequency of future advisory (non-binding) shareholder votes on executive compensation; and
- f) 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 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, it must be received by Computershare Investor Services Inc., at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, no later than 10:30 a.m. (EDT) on Tuesday, March 20, 2012, or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned meeting is reconvened.

Shareholders as at the close of business on February 16, 2012 will be entitled to vote at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual and Special Meeting of Shareholders to Be Held on March 22, 2012: the Proxy Statement and Annual Report to Shareholders are available at www.envisionreports.com/Patheon2012.

By order of the Board of Directors,

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

February 13, 2012

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PROXY STATEMENT AND INFORMATION CIRCULAR

This Proxy Statement and 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 22, 2012 at The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada M5J 1E3 (The Library Room), and at any adjournment(s) or postponement(s) thereof, to transact the business set out in the accompanying Notice of Meeting.

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 may 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 February 27, 2012.

All information in this Proxy Statement is as of February 13, 2012, unless otherwise indicated. All currency references are in U.S. dollars, unless otherwise indicated.

PROXY INSTRUCTIONS

A brief summary of the voting process is set out below to address the following questions:

Who can vote?

How to vote?

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).

Who Can Vote?

Registered Shareholders

Registered holders of Patheon's restricted voting shares or Class I Preferred Shares, Series D (the "Special Voting Preferred Shares") as at the close of business on February 16, 2012 will be entitled to vote at the Meeting. Please see "Voting Securities and Principal Shareholders" below for further information.

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Non-Registered Shareholders

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.

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

How to Vote?

Registered Shareholders

Voting In Person

If you are a registered shareholder 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 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 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.**

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 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 auditors of Patheon and authorizing the directors to fix their remuneration;

FOR approval of the resolution regarding the advisory (non-binding) vote on executive compensation; and

FOR a vote for three years (as opposed to one year or two years) for the frequency of future advisory (non-binding) shareholder votes on executive compensation.

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.

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Votes Required For Approval

The representation in person or by proxy of persons not less than two in number who hold at least ten percent of the total number of the issued shares of the Company entitled to vote at the meeting is necessary to establish a quorum for the transaction of business. 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 such meeting. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

With respect to matters other than the election of directors, a simple majority of votes cast at the Meeting, whether in person, by proxy or otherwise, FOR a particular resolution, will constitute approval of any proposal submitted to a vote, except with respect to the advisory vote on the frequency of the advisory vote on executive compensation, where our Board will consider the option that receives the highest number of votes to be the recommendation of the shareholders.

Each holder of restricted voting shares is entitled to one vote for each share held. 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 to be considered at the Meeting. Only votes FOR or AGAINST a matter will be counted towards determining the majority of votes cast on such matter. WITHHOLD or ABSTAIN selections will not be counted for determining whether there is the required majority of votes cast with respect to a particular matter.

Unless the shareholder specifies in the form of proxy that the restricted voting shares represented by such proxy are to be withheld from voting for one or more director nominees, the persons named in the enclosed form of proxy intend to vote FOR such matters, as set forth in more detail below. Unless the shareholder specifies in the form of proxy that the restricted voting shares represented by such proxy are to be voted AGAINST the appointment of the auditors or the resolution on executive compensation or abstains from voting, the persons named in the enclosed form of proxy intend to vote FOR such matters. Unless the shareholder specifies in the form of proxy that the restricted voting shares represented by such proxy are to be voted in favour of holding the advisory vote every ONE or TWO years, or abstains from voting, the persons named in the enclosed form of proxy intend to vote for such advisory vote to be held every THREE years.

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 (six), 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 Patheon's restricted voting shares represented in person or by proxy at the Meeting. Each shareholder or proxyholder entitled to vote at the Meeting shall be entitled to one vote per share held. The six nominees receiving the greatest number of votes, as determined by the scrutineers, will be elected as directors. WITHHOLD selections will not be considered in determining which nominees have received the greatest number of votes.

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 (three), 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 scrutineers, will be elected as directors. WITHHOLD selections will not be considered in determining which nominees have received the greatest number of votes.

If a registered shareholder does not vote by proxy or 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. If a non-registered shareholder does not instruct its bank, broker or intermediary how to vote in the election of directors, appointment of auditors, on the advisory (non-binding) vote on executive compensation or on the advisory (non-binding) vote on the frequency of the advisory vote on executive compensation, no votes will be cast on behalf of such shareholder with respect to such proposal for which no instructions are given (a broker non-vote).

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If you are a holder of restricted voting shares and are unable to attend the Meeting, please exercise your right to vote by (a) 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; (b) by telephone, toll free, 24 hours a day, 7 days a week at 1-866-732-VOTE (8683); OR (c) using the Internet by going to 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 20, 2012, or, if the Meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned Meeting is reconvened.

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 L5N 7K9. For your vote by proxy to be recorded, it must be received by Patheon Inc. no later than Tuesday, March 20, 2012, or, if the Meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned Meeting is reconvened.

Non-Registered Shareholders

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.

REVOCAION OF PROXY

You may revoke your proxy at any time prior to its use at the Meeting. You or your authorized attorney (or, if you are a corporation or other entity, the officers or other persons duly authorized to act on your behalf) must state clearly, in writing, that the proxy is revoked and deposit such document:

at Patheon's registered office, located at 2100 Syntex Court, Mississauga, Ontario 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 Chair 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.

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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.

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VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS

As at February 13, 2012, Patheon had 129,167,926 restricted voting shares issued and outstanding. Each restricted voting share held as of such record date carries one vote on all matters to be voted on at the Meeting, except the election of those directors that may only be elected by the holders of the Special Voting Preferred Shares.

As at February 13, 2012, 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, and the holders of the Special Voting Preferred Shares are entitled to elect up to three directors of Patheon, but are not entitled to vote such Special Voting Preferred Shares in respect of any other matters to be considered at the Meeting. 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 in the Annual Information Form of the Company dated December 17, 2010 under Description of Capital Structure , which is available on SEDAR at www.sedar.com and, upon request, a copy of which 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 2011 audited consolidated financial statements;

election of directors;

appointment of auditors and authorization to fix their remuneration;

In addition, the special business to be conducted at the Meeting is as follows:

an advisory (non-binding) vote to approve executive compensation; and

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an advisory (non-binding) vote to determine the frequency of future advisory (non-binding) shareholder votes on executive compensation.

Financial Statements

Patheon's audited consolidated financial statements for the fiscal year ended October 31, 2011 (Fiscal 2011), 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 U.S. Securities and Exchange Commission (the SEC) on December 19, 2011 and also filed on SEDAR at www.sedar.com on the same date. The Fiscal 2011 financial statements will be presented to the shareholders at the Meeting. These consolidated financial statements form part of Patheon's 2011 Annual Report, which has been mailed to each shareholder with this Proxy Statement. Copies of Patheon's 2011 Annual Report may also be downloaded in portable document format (PDF) from the SEDAR website or at www.envisionreports.com/Patheon2012.

Table of Contents***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 elected by the holders of restricted voting shares and three directors to be elected by the holders of Special Voting Preferred Shares. Accordingly, 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

Restricted Voting Shares Owned,

Director*	Controlled or Directed as at	Outstanding
	February 13, 2012	Options as at February 13, 2012
JAMES C. MULLEN	793,085	5,000,000

Massachusetts, USA

Director since: February 2011

Not Independent

Member of: N/A

Mr. Mullen, age 53, joined Patheon as Chief Executive Officer and became a member of our Board effective February 7, 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) 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. Mr. Mullen holds a Bachelor of Science degree in Chemical Engineering from Rensselaer Polytechnic Institute and a Masters of Business Administration degree from Villanova University. Our Board has 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 our Company.

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	Restricted Voting Shares Owned,	
	Controlled or Directed as at	Outstanding
Director*	February 13, 2012	Options as at February 13, 2012
BRIAN G. SHAW	60,000	0

Ontario, Canada

Director since: December 2009

Independent

Member of: Audit Committee

Mr. Shaw, age 58, 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 two privately held companies, Eco-Energy China Group Inc., a biodiesel production company, 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 our Company.

DAVID E. SUTIN	20,000	0
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Ontario, Canada

Director since: March 2011

Independent

Member of: N/A

Mr. Sutin, age 59, joined our Board in March 2011. Since May 2008, Mr. Sutin has been a private investor and Managing Partner of Quest Partners Ltd., a financial advisory boutique that serves small and medium companies in North America. 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 a director of several private companies, and Gilda 's Club Greater Toronto, a not-for-profit organization. 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 our Company.

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	Restricted Voting Shares Owned,	
	Controlled or Directed as at	Outstanding
Director*	February 13, 2012	Options as at February 13, 2012
JOAQUIN B. VISO	10,824,053	0

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 69, 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 Patheon P.R., 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, and a director of Genomas, Inc., a privately held company engaged in the field of DNA-Guided Medicine. 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 our Company and extensive experience in the pharmaceutical industry qualify him for service as a member of our Board and add value to our Company.

DANIEL AGROSKIN (1)	0	0
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New York, USA

Director since: December 2009

Not Independent

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

Daniel Agroskin, age 35, joined our Board in December 2009. Since January 2012, Mr. Agroskin has been a Managing Director of JLL Partners, 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 board of PGT, 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 our Company.

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	Restricted Voting Shares Owned,	
	Controlled or Directed as at	Outstanding
Director*	February 13, 2012	Options as at February 13, 2012
DEREK J. WATCHORN	30,825	15,000

Ontario, Canada

Director since: February 1998

Independent

Member of: N/A

Mr. Watchorn, age 69, 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 partner of the law firm Davies Ward Phillips & Vineberg LLP. Mr. Watchorn is currently a director of Timbercreek Mortgage Investment Corporation, a mortgage loan investment company. 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 our Company.

* Each director's current term of office will expire immediately following the 2012 Annual and Special Meeting of Shareholders. 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

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	Restricted Voting Shares Owned,	
	Controlled or Directed as at	Outstanding Options as at
Director*	February 13, 2012	February 13, 2012
MICHEL LAGARDE (1)	0	0
<i>New York, USA</i>		
Director since: December 2011		
Not Independent		
Member of: Audit Committee, Compensation and Human Resources Committee, Corporate Governance Committee		
<p>Mr. Lagarde, age 37, 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 holds a Bachelor of Business Administration degree from European University Antwerp, and an Executive Masters degree in Finance & Control from University of Amsterdam. Our 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 our Company.</p>		
PAUL S. LEVY (1)	0	0
<i>New York, USA</i>		
Director since: April 2007		
Not Independent		
Member of: N/A		
<p>Mr. Levy, age 64, 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. and IASIS Healthcare, 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 Hayes Lemmerz International, Inc., which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in 2001, 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</p>		

Table of Contents**Restricted Voting Shares Owned,**

Director*	Controlled or Directed as at February 13, 2012	Outstanding Options as at February 13, 2012
	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 our Company.	
NICHOLAS O LEARY (1)	0	0

New York, USA

Director since: February 2012

Not Independent

Member of: N/A

Mr. O Leary, age 28, 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. 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 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 our Company.

* Each director's current term of office will expire immediately following the 2012 Annual and Special Meeting of Shareholders.

- (1) JLL Patheon Holdings beneficially owns, directly or indirectly, 72,077,781 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 72,077,781 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.

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.

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. 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.

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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 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 independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as currently in effect. 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 accountant'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 us is compatible with maintaining the independent registered public accounting firm's independence.

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 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 independent registered public accounting firm. The Audit Committee also hires and sets the compensation for the 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 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 financial statements has been carried out in accordance with applicable auditing standards or that the independent accountants are in fact independent.

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, 2011 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

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The fees of Ernst & Young LLP for Fiscal 2011 and the fiscal year ended October 31, 2010 (Fiscal 2010) were as follows:

	Fiscal 2011	Fiscal 2010
Audit Fees	\$ 1,335,425	\$ 1,496,354
Audit-Related Fees	105,481	118,383
Tax Fees	248,958	243,619
All Other Fees		
Total	\$ 1,689,864	\$ 1,858,356

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 2011 and Fiscal 2010 included the audits and reviews of our financial statements and services in connection with our U.S. and Canadian regulatory filings, including, in Fiscal 2011, our Registration Statement on Form 10, Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Fiscal 2010 also included fees associated with the issuance of a comfort letter. Excluding the fees associated with the issuance of the comfort letter, Fiscal 2010 audit fees would have been \$1,391,186.

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 and (in Fiscal 2011) due diligence services.

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 2011 and Fiscal 2010 included transfer pricing studies, tax return preparation and/or review and technical tax assistance.

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 2011 and Fiscal 2010 were pre-approved by the Company's Audit Committee.

Advisory (Non-Binding) Vote on Executive Compensation

As discussed in the Compensation Discussion and Analysis section of this proxy statement (CD&A), 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. We believe that our compensation policies and procedures reward executive officers for both their performance and our Company's performance and that such compensation policies and procedures create interests for our executive officers that are strongly aligned with the long-term interests of our shareholders.

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As required by Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), we are providing our shareholders with an advisory (non-binding) vote on the compensation of our named executive officers. This proposal, commonly known as a Say-on-Pay proposal, is designed to give our shareholders the opportunity to endorse or not endorse our executive compensation program through the following resolution:

Resolved, that the shareholders approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the other narrative disclosure.

When you cast your vote, we urge you to consider the description of our executive compensation program contained herein, including in the CD&A and the accompanying tables and narrative disclosure.

Because your vote is advisory, it will not be binding upon our Board, it will not overrule any decision by the Board, and it will not create or imply any additional fiduciary duties on our Board or any member thereof. However, our Board will take into account the outcome of the vote when considering future executive compensation arrangements.

Our Board recommends that you vote **FOR** the approval of the resolution regarding the advisory (non-binding) vote on executive compensation.

Advisory (Non-Binding) Vote on the Frequency of Future Advisory (Non-Binding) Shareholder Votes on Executive Compensation

As discussed above, we are providing our shareholders an advisory (non-binding) vote on the compensation of our named executive officers. We are also providing our shareholders with a separate advisory (non-binding) vote regarding the frequency (every one, two or three years) with which we will provide our shareholders with an advisory (non-binding) vote on the compensation of our named executive officers. We will present this proposal to our shareholders at least once every six years.

You may cast your advisory (non-binding) vote on