



## **Trading Policy (the “Policy”)**

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**Amended by the Board of Directors on January 26, 2010 and May 4, 2010**

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## LABOPHARM INC.

("Labopharm" or the "Company")

### TRADING POLICY

In addition to the obligation to file insider reports, the applicable securities laws also impose restrictions on insiders, including directors, officers and employees of the Company and its subsidiaries, in respect of the use and dissemination of privileged information. The purpose behind these so-called "insider trading" rules is to ensure that all persons who invest in securities have equal access to information that might affect their investment decisions.

This Trading Policy imposes certain obligations and restrictions on directors, officers, employees and certain consultants of the Company and its subsidiaries, the purpose of which is to ensure that Labopharm's practices are consistent with those of other public companies and that the Company's reputation in the marketplace is above reproach.

This document is intended to describe the trading restrictions and reporting requirements imposed upon you by law as a result of your position within the Company and outline Labopharm's trading policy.

#### 1. INSIDER TRADING

As a director, an officer or an employee of Labopharm or of any of its subsidiaries, you are considered, for securities law purposes, to be in a "special relationship" with Labopharm. As a result of your position, you may have access to confidential information that is not available to the general public. It is illegal for persons in a special relationship with a public company to purchase or sell securities of that company with knowledge of material information before the material information has been generally disclosed. It is also illegal to "tip" or inform another person, other than in the necessary course of business, of material information before the information has been generally disclosed.

In some circumstances, you might also be considered to be in a "special relationship" with a company with which Labopharm has business dealings. If, for example, you were privy to non-public material information regarding the potential acquisition by Labopharm of another public company, you would be prohibited from trading in securities of the target company until the information had been generally disclosed.

Additional persons may be considered to be in a special relationship with Labopharm, including your spouse, children and other relatives residing in your home. It would also include any individual designated by the General Counsel ("GC") as having a special relationship with Labopharm or any of its directors, officers or employees. Accordingly, these persons are also prohibited from trading in Labopharm's securities if they are in possession of undisclosed, material information about the Company. Similarly, they may not pass that information along to another party or recommend that another party trade in the securities of the Company.

#### 2. MATERIAL INFORMATION

"Material Information" is any information relating to the business and affairs of Labopharm that results in, or would reasonably be expected to result in, a change in the market price or value of the Company's securities. Information is material if a reasonable investor would consider it to be important in deciding whether to buy, sell or hold shares of the Company. Examples of such information would include, but not be limited to:

- a) a significant acquisition, disposition or merger involving Labopharm;
- b) a new issue of securities or a significant change in Labopharm's capital structure;
- c) a change in corporate structure, such as reorganizations, amalgamations, etc.;
- d) take-over bids or issuer bids;
- e) a change in Labopharm's dividend policy;
- f) a significant change in Labopharm's lending arrangements;

- g) development of new products and developments affecting the company's resources, technology, products or market;
- h) a significant change in expected earnings or revenues;
- i) entering into or loss of significant contracts;
- j) major operational events or incidents;
- k) changes in capital investment plans or corporate objectives;
- l) significant changes in management;
- m) significant litigation;
- n) major labour disputes or disputes with major contractors or suppliers;
- o) events of default under financing or other agreements;
- p) significant developments in research or development (R&D) activities; and
- q) any significant issues with material suppliers.

This list is not intended to be exhaustive.

### **3. INSIDER TRADING REPORTS**

Also, if you are a director or an officer of Labopharm or of any of its major subsidiaries, or an employee or a consultant to whom a notice of applicability of these guidelines will have been sent to by the GC you are also an "insider" of Labopharm under securities legislation. Accordingly, if you acquire, dispose of, or otherwise make a change in your ownership of securities of Labopharm, you must complete an Insider Trading Report and file same with the securities regulatory authorities in each Province and Territory in Canada within five calendar days of the transaction through SEDI.

The reports are not filed in the United States. However, insiders who are residents of the United States or any other country are required to file the reports in Canada.

You must report a change in your beneficial ownership of, or control or direction over, whether direct or indirect, securities of the Company (this includes trades in shares you hold directly or indirectly (e.g. through a trust, holding or investment company) and shares over which you exercise control or direction, either by virtue of family relationships (e.g. young children) or agreement) and in your interest or right or obligation associated with a related financial instrument involving a security of the Company.

The obligation to file the report rests with the individual and not the Company. Until further notice, however, the GC will arrange the filing of reports on your behalf and therefore must be informed of any transactions within 24 to 48 hours of such transaction. All insiders have been notified of the procedures for reporting transactions by the GC in a separate communication, but if you require further information, please send your inquiries to the GC.

If you elect to file an Insider Report directly, you must provide a copy to the GC at the time of filing.

Note, however, that family members are not required to file Insider Trading Reports, which are discussed above.

### **4. PENALTIES**

Violation of the insider trading rules, i.e., trading when you have undisclosed, material information about the Company, can result in significant monetary penalties and/or imprisonment. You may be liable to compensate a person who suffered a loss as a result of the transaction and may be accountable to the Company for any profit you made on the trade.

Failure to file an Insider Trading Report can also result in significant monetary penalties and/or imprisonment.

## 5. TRADING GUIDELINES

The following guidelines apply to all directors, officers, employees and certain consultants of the Company or of any of its subsidiaries. It is not always clear whether information would be considered to be material or what the market's reaction to certain information would be. Because of this uncertainty, it is possible that you might be found, with the benefit of hindsight, to have improperly traded on inside information. It may also be difficult for you to prove that you were unaware of the existence of certain information if you are regularly in a position to have access to insider information.

It is also important to recognize the frequency with which Labopharm is involved in significant transactions.

The trading guidelines that follow are designed to ensure that Labopharm, its directors, officers and employees and those of its subsidiaries are seen at all times to be acting in an exemplary manner and to ensure that neither the Company nor its management is ever unwittingly faced with an embarrassing situation.

### 5.1 Quarterly Blackout Periods.

5.1.1. The following rule shall apply to all employees (except for the restricted group of employees described in section 5.1.2.):

A blackout period will be in effect beginning fifteen days following the end of a quarter (April 15, July 15, October 15 and January 15) and will end two (2) business days following the release of quarterly financial results or year end financial results of the Company, as the case may be. During this period, you may not trade in Labopharm's securities.

5.1.2. The following rule shall apply to a group of restricted persons (all directors, senior officers and a group of employees informed by writing that the GC has designated them as restricted persons due to the nature of their work at Labopharm):

A blackout period will be in effect beginning the first day following the end of a quarter (April 1<sup>st</sup>, July 1<sup>st</sup>, October 1<sup>st</sup> and January 1<sup>st</sup>) and will end two (2) business days following the release of quarterly financial results or year end financial results of the Company, as the case may be. During this period, you may not trade in Labopharm's securities.

You may however exercise options at any time, on condition that the shares acquired by you as a result of such exercise are not sold.

You will receive a memo from the GC or from a person designated by him/her, providing you the dates of the quarterly blackout periods. Quarterly blackout periods will also be posted.

**5.2 Ad Hoc Blackout Periods.** In addition to the regular quarterly blackout periods, the Company may also impose ad hoc blackout periods by reason of impending corporate developments which may constitute material undisclosed information. When these ad hoc blackout periods are issued, you will receive an e-mail from the GC or from a person designated by him/her, announcing the start of the ad hoc blackout period and a further e-mail announcing the end of such ad hoc blackout period. During these periods, you may not trade in Labopharm's securities.

**5.3 Pre-Clear Trades with Ombudsman.** The Company has appointed a person namely the GC, or in his absence, another member of the Disclosure Policy Committee consisting of the Chief Executive Officer, the Chief Financial Officer and the GC (the "Disclosure Policy Committee"), who shall be responsible for applying this policy (hereinafter referred to as the "Ombudsman").

Everyone is requested to ask the Ombudsman for an opinion prior to trading in the Company's securities. The request submitted to the Ombudsman shall contain sufficient information to enable him or her to rule on the sole basis of the request. The Ombudsman shall respond to the person making the request promptly after receiving it. There may be occasions where you will be advised

that you cannot trade until further notice. In special circumstances, the Disclosure Policy Committee may need to meet in order to discuss a specific request.

- 5.4 Post Press Release.** In the event that Labopharm issues a press release disclosing material information, you are prohibited from trading in the Company's securities for two (2) business days following the release.
- 5.5 No Short-Term Transactions.** The Company expects everyone to avoid speculative transactions aimed at short-term profits. You may not sell short, purchase put options or sell call options on Labopharm's securities.
- 5.6 No Standing Orders.** In order to avoid inadvertent conflict with this Policy, you are strongly urged to not place standing selling or purchase orders with a broker.
- 5.7 Disclosure, Transaction.** Any director, officer or employee of the Company or any of its subsidiaries who is or feels obliged to communicate privileged information in connection with a particular transaction binding the Company or any of its subsidiaries shall, prior to disclosing such privileged information, determine with the Chief Executive Officer or, in his absence, with the Chief Financial Officer and with the support of the GC, if required, the circumstances, nature and scope of the disclosure that may be made.

Any director, officer or employee of the Company or any of its subsidiaries may be authorized to communicate privileged information in connection with a particular transaction binding the Company or any of its subsidiaries, in the necessary course of business, if a confidentiality disclosure agreement is entered into prior to disclosing such privileged information or if such third-party is otherwise legally or contractually bound to confidentiality.

For example, the necessary course of business exception would generally cover communications that are reasonably necessary in the course of business with :

- vendors, suppliers or strategic partners on issues such as research and development, sales and marketing and supply contracts;
- lenders, legal counsel, auditors, underwriters and financial and other professional advisors to the Company;
- parties to negotiations;
- government agencies and non-governmental regulators;
- credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available);
- in connection with a private placement; and
- communications with controlling shareholders, in certain circumstances.

In case of doubt or in any other circumstances, such director, officer or employee of the Company shall determine with the Chief Executive Officer or, in his absence, with the Chief Financial Officer and with the support of the GC, if required, the circumstances, nature and scope of the disclosure that may be made.

- 5.8 Limited Group.** The negotiation of any transaction binding the Company or any of its subsidiaries and likely to affect the market prices or values of the Company's securities shall be brought only to the attention of persons who are to participate therein and shall be restricted to the most reasonably limited group of persons, to whom it must be explained that since the information concerned is privileged information, they become persons contemplated by this policy.

- 5.9 Duty of Loyalty.** Moreover, this policy pertains to “insider transactions” as governed by the Securities Act. It shall not cause directors, officers or employees of the Company and of any of its subsidiaries to lose sight of the fact that they also have general duties of loyalty toward the Company, pursuant to the general principles of civil and corporate law, prohibiting them from using on their behalf any information, whether privileged or not, which they obtain, as the case may be, by reason of their duties or in the performance of their mandates or work.
- 5.10 Warning.** This policy is neither perfect nor exhaustive. Its purpose is to assist the persons concerned to comply with the above-mentioned statutory provisions. The Company cannot guarantee to anyone that the mere fact of complying with this policy shall have the effect of precluding any contravention of such provisions and is discharged from any liability in such respect. When in doubt, the person concerned is requested to consult his own legal adviser, at his expense.

Given the importance of Labopharm's reputation in the marketplace and the need to ensure that all of our investors are on equal footing with respect to material information concerning the Company, it is important to act prudently. If you are in doubt as to whether a particular trade would violate these guidelines, you should refrain from trading or seek clarification on this Policy from the Ombudsman.

## **6. REQUEST FOR RELIEF**

Should you need to trade in Labopharm's securities during any quarterly blackout period or ad hoc blackout period for personal reasons, you may apply for a special waiver of the trading ban to the GC.