



**NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS TO BE HELD ON  
THURSDAY, MARCH 29, 2007**

**AND**

**MANAGEMENT PROXY CIRCULAR**

**FEBRUARY 8, 2007**

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## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

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To the shareholders of Theratechnologies Inc. (the “**Company**”):

NOTICE IS HEREBY GIVEN that an annual and special meeting of shareholders (the “**Meeting**”) of the Company will be held at the Mount Royal Center, 2200 Mansfield Street, Montréal, Québec, on Thursday, March 29, 2007 at 10:00 a.m., local time, for the following purposes:

- (1) to receive the consolidated financial statements for the fiscal year ended November 30, 2006, as well as the auditors' report thereon;
- (2) to elect directors for the ensuing year;
- (3) to appoint auditors for the ensuing year and authorize the directors to set their compensation;
- (4) to consider, and if deemed advisable, adopt Resolution 2007-1 (the text of which is attached hereto in Appendix A1), with or without amendments, for the purposes of confirming certain modifications to our share option plan for the directors, senior executives and key employees of the Company and its subsidiaries, as well as researchers and consultants who work on behalf of the Company, and implementing amendments to the options currently outstanding under the Share Option Plan, the whole as described in the Management Proxy Circular attached hereto;
- (5) to consider, and if deemed advisable, adopt Resolution 2007-2 (the text of which is attached hereto as Appendix A2), with or without amendments, for the purposes of confirming certain modifications to our common share purchase plan for the benefit of eligible employees of the Company and its subsidiaries, the whole as described in the Management Proxy Circular attached hereto; and
- (6) to transact such other business as may properly come before the Meeting.

DATED at Montreal, Québec, Canada, February 8, 2007.

BY ORDER OF THE BOARD OF DIRECTORS

*(Signed) Geneviève Dubuc*

Geneviève Dubuc  
Secretary



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MANAGEMENT PROXY CIRCULAR

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*The information contained in this management proxy circular (the “Circular”) is given as at February 8, 2007, except as otherwise noted. All dollar amounts set forth herein are expressed in Canadian dollars and the symbol “\$” refers to the Canadian dollar, unless otherwise indicated.*

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## ITEM I. INFORMATION RELATING TO THE ANNUAL AND SPECIAL MEETING

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### 1. Voting

You may vote your shares either through a proxy or in person at the annual and special meeting of shareholders of the Company (the "**Meeting**").

#### A. **By Proxy**

##### ***Solicitation of Proxies***

This Circular is furnished in connection with the solicitation by the management of Theratechnologies Inc. (the "**Company**" or "**Theratechnologies**") of proxies to be used at the Meeting of the Company to be held on Thursday, March 29, 2007, at the time, place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders ("**Notice of Meeting**") and at any continuation of the Meeting after adjournment thereof.

The solicitation of proxies is being primarily made by mail but proxies may also be solicited by telephone, telecopier or other personal contact by officers or other employees of the Company. The entire cost of the solicitation will be borne by the Company.

##### ***Terms of Proxy Grant***

By completing the enclosed form of proxy, or the one provided by your intermediary, you appoint the persons proposed in that form to represent your interests and vote your shares on your behalf at the Meeting. The persons named in the enclosed form of proxy are directors or officers of the Company. **However, you have the right to appoint a person or company other than the ones designated in the form of proxy to represent you at the Meeting.** To do this, you must insert such person's name in the blank space provided in the form of proxy enclosed hereto or complete another form of proxy. It is not necessary to be a shareholder in order to act as a proxy.

**If you hold your shares through an intermediary** (a stockbroker, a bank, a trust, a trustee, etc.), you are not a registered shareholder in the registry of shareholders of the Company held by Computershare Trust Company of Canada ("**Computershare**"). Therefore, you cannot vote your shares directly at the Meeting. If this is your situation, you will receive from your intermediary, explanation as to how to appoint proxies and have them vote your shares. To ensure that your instructions are respected, you must deliver them to your intermediary within the prescribed deadline. For any questions, please contact your intermediary directly.

##### ***Proxy Voting***

The persons named or appointed in the form of proxy will, on a show of hands or any ballot that may be called, vote (or withhold from voting) your shares in respect of which they are appointed as proxies in accordance with the instructions given in the form of proxy. **In the absence of instructions, the voting rights attached to the shares referred to in your form of proxy will be exercised IN FAVOUR of the matters mentioned in the attached Notice of Meeting.**

Furthermore, the enclosed form of proxy confers upon the proxyholder a discretionary power with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to all other matters, which may properly come before the Meeting, or any continuation after adjournment thereof. However, to our knowledge, all matters to be brought before the Meeting are mentioned in appropriate fashion in the Notice of Meeting.

### ***Delivery of Form of Proxy and Deadlines***

If you hold your shares personally and are a registered shareholder in the Registry of Shareholders of the Company, please send the completed form of proxy to the Secretary of the Company, c/o Computershare Trust Company of Canada, 1100 University Street, 12<sup>th</sup> Floor, Montreal, Québec H3B 2G7, prior to 5:00 p.m. (Eastern time) on March 27, 2007 (unless you attend the Meeting in person). All Common Shares represented by proper proxies accompanied by duly completed declarations received by Computershare prior to such date and time will be voted in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

If you hold your shares through an intermediary, please proceed as indicated in the documentation sent by your intermediary and within the deadlines specified therein. For any questions, please contact your intermediary directly.

### ***Revocation of a Proxy***

You may, at any time, including any continuation of the Meeting after adjournment thereof, revoke a proxy for any business with respect to which said proxy confers a vote that has not already been cast.

If you hold your shares personally and are a registered shareholder in the Registry of Shareholders of the Company, please send a written notice to revoke a proxy bearing your signature or that of your proxy (or a representative of your proxy if your proxy is a company) to the Secretary of the Company at the address stated above no later than two business days before the Meeting, namely March 27, 2007 at 5:00 p.m. (Eastern time). You may also revoke a proxy in person at the Meeting by making a request to that effect to the Secretary of the Company.

If you hold your shares through an intermediary, please proceed as indicated in the documentation sent by your intermediary and within the deadlines specified therein. For any questions, please contact your intermediary directly.

## **B. In Person**

If you hold your shares personally and are a registered shareholder in the Registry of Shareholders of the Company, you may present yourself on the date, at the time and place set forth in the Notice of Meeting and register with the representatives of Computershare who will be at the Meeting. You should then follow voting instructions given by the Chairman of the Meeting.

If you hold your shares through an intermediary, and you wish however to vote your shares in person at the Meeting, please proceed as indicated in the documentation sent by your intermediary. For any questions, please contact your intermediary directly.

## **C. Voting Securities and Principal Holders**

As at February 8, 2007, there were 46,943,858 Common Shares of the Company issued and outstanding. The Common Shares are the only securities with respect to which a voting right may be exercised at the Meeting. Each Common Share entitles its holder to one vote with respect to the matters voted on at the Meeting. On February 8, 2007, the Board of Directors approved the issuance of an additional 6,250,000 Common Shares with an over-allotment option of 625,000 Common Shares, which is scheduled to close on February 27, 2007 (the "New Issue") (for further details see the Company's Revised Annual Information Form dated February 8, 2007 and available on SEDAR at [www.sedar.com](http://www.sedar.com)). This New Issue, if completed, would bring the total number of Common Shares issued and outstanding to 53,818,858.

Holders of Common Shares whose names are registered on the lists of shareholders of the Company as at 5:00 p.m. (Eastern time) on February 22, 2007, being the date fixed by the Company for determination of the registered holders of Common Shares who are entitled to receive notice of the Meeting (the "Record Date") will be entitled to exercise their voting rights attaching to the Common Shares in respect of which they are so registered at the Meeting, or any continuation after adjournment thereof if

present or represented by proxy thereat. However, even if you have acquired your shares after the Record Date, you will be entitled to vote at the Meeting if, at least twenty-four (24) hours prior to the Meeting, you produce certificates for such Common Shares properly endorsed by the seller, or if you otherwise establish that you own such Common Shares and have requested that your name be included on the list of shareholders entitled to receive the Notice of Meeting.

To our knowledge, only one person exercises control over more than ten percent (10%) of the outstanding Common Shares of the Company. Palo Alto Investors, LLC beneficially owns, directly or indirectly, 5,472,000 Common Shares of Theratechnologies, which represents 11.66 % of the of the total aggregate number of issued and outstanding Common Shares as at February 8, 2007.

## **2. Subjects To Be Treated at the Meeting**

Please find below a description of the items listed in the Notice of Meeting.

### **A. Receipt of Financial Statements**

The consolidated financial statements for the fiscal year ended November 30, 2006 together with the auditors' report will be presented at the Meeting. The financial statements are included in the Company's 2006 Annual Report, which has been mailed to you if you requested it, along with this Circular.

### **B. Election of Directors**

The shareholders at the Meeting will appoint the directors of the Company for the coming year.

#### ***Composition of the Board of Directors***

The articles of the Company provide that the Board of Directors of the Company shall consist of a minimum of three (3) and a maximum of twenty (20) directors. The Board of Directors has established that a number of nine (9) directors was well adapted to its size and activities.

#### ***Nominees***

All of the nominees for the director positions of the Company are elected for a one year term ending at the next annual meeting of Shareholders or when his or her successor is elected, unless he resigns or the position becomes vacant as a result of death, dismissal or otherwise, prior to the said meeting. We do not contemplate that any of the nominees will be unable to fulfill his mandate as director. **Unless instructions are given to abstain from voting with regard to the election of directors, the persons whose names appear on the enclosed form of proxy will vote IN FAVOUR of the election of the nominees whose names are set out in the table below.**

The following table states the names of all persons we propose for election as directors, their province or state and country of residence, their principal occupation, the office held in the Company (if any), the year in which they first became a director of the Company and the number of shares they own, directly or indirectly, or over which they exercise control or direction. To obtain additional information regarding the biographical notes of the proposed directors, the education and experience of the directors who are members of the Company's audit committee and other required information on the audit committee of the Company, shareholders can consult items 4.1 and 4.2 of the Company's 2006 Revised Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

## NOMINEES

Name, Province or State and Country of Residence	Principal Occupation	Director since	Number of Common Shares of the Company over which Control or Direction is Exercised
A. Jean de Grandpré <sup>2) 3) 4)</sup> Québec, Canada	Chairman of the Board of the Company	1993	97,100
Gilles Cloutier <sup>3)</sup> North Carolina, United States	Corporate Director	2003	40,000
Robert G. Goyer <sup>3)</sup> Québec, Canada	Emeritus Professor Faculty of Pharmacy, Université de Montréal	2005	10,000
Gérald A. Lacoste <sup>1) 3)</sup> Québec, Canada	Corporate Director	2006	6,000
Paul Pommier <sup>1) 2) 4)</sup> Québec, Canada	Corporate Director	1997	110,100
Bernard Reculeau <sup>2)</sup> Paris, France	Chairman of the Board CIS Bio International (Biomedical Technologies)	2005	8,100
Yves Rosconi <sup>4)</sup> Québec, Canada	President and Chief Executive Officer of the Company	2004	35,500
Jean-Denis Talon <sup>1) 2)</sup> Québec, Canada	Chairman of the Board AXA Canada (Insurance Company)	2001	15,400
Luc Tanguay <sup>4)</sup> Québec, Canada	Senior Executive Vice President and Chief Financial Officer of the Company	1993	50,000

1) Member of the Audit Committee

2) Member of the Compensation Committee

3) Member of the Nominating and Corporate Governance Committee

4) Member of the M&A / Financing Committee

### ***Cease Trade Orders, Bankruptcies, Penalties Or Sanctions***

Except as described below, to the knowledge of management of the Company, no nominee (a) is, as at the date of this Circular, or has been within the 10 years before the date of the Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee.

Paul Pommier was a member of the board of directors of Royal Aviation Inc. from September 1996 until it was acquired by Canada 3000 Inc. in March 2001. Subsequently, at the end of 2001, Canada 3000 Inc. and its subsidiaries, including Royal Aviation Inc., made assignments in bankruptcy under Section 49 of the *Bankruptcy and Insolvency Act (R.S. 1985, c. B-3)*.

### **C. Appointment of Auditors**

The Company's auditors for the current fiscal year must be appointed at the Meeting. We propose the appointment of KPMG LLP, chartered accountants from Montréal, who have been the Company's auditors since October 19, 1993. They will hold office until the next annual meeting of shareholders or until their successors are appointed.

**Unless instructions are given to abstain from voting with regard to the appointment of auditors, the persons whose names appear on the enclosed form of proxy will vote IN FAVOUR of the appointment of KPMG LLP, chartered accountants, as auditors of the Company, and authorize that compensation for their services be determined by the Board of Directors.**

### **D. Amendments to the Share Option Plan**

In view of new regulatory requirements, the Board of Directors has, on February 8, 2007, reviewed the Company's share option plan for the directors, senior executives and key employees of the Company and its subsidiaries as well as researchers and consultants who work on behalf of the Company (the "**Share Option Plan**") and recommends certain amendments thereto which are noted in Appendix F. Pursuant to TSX requirements, some of these amendments are subject to shareholder approval. Set out below is a summary of these amendments, that you will be asked to approve at the Meeting by way of Resolution 2007-1, the text of which is attached hereto as Appendix A1.

#### ***Removal of Restriction to the Number of Common Shares Issuable to an Insider***

The TSX no longer requires that the number of Common Shares issued under all security based compensation arrangements to an insider, within a one year period, not exceed 5% of the Common Shares issued and outstanding of the Corporation. Accordingly, the Company has removed this restriction but has, in its place, revised its restrictions for insiders in accordance with the recommendation of the TSX contained in the 2005 Staff Notice (defined below) as described under "Share Option Plan – Description of the Plan" (please refer to Section 4.2 in Appendix F for specific changes).

#### ***Extension to Option Term during Blackout Period***

On June 6, 2006, the TSX published a Staff Notice (the "**2006 Staff Notice**") respecting the effect of blackout periods on equity based compensation arrangements. The 2006 Staff Notice provides that the option period of an option may be extended for a reasonable period of time where the end of such term falls within, or soon after the end of a "blackout" or similar period imposed under any insider trading policy or similar policy of an issuer (but not, for greater certainty, a restrictive period resulting from the issuer or its insiders being the subject of a cease trade order of a securities regulatory authority) (the "**Blackout Expiration Term**").

The Company has adopted a policy which imposes blackout periods to its insiders. Additionally, the nature of the Company's business gives rise to a number of periods each year during which directors, officers and employees are precluded from trading in the Company's securities. These periods are referred to as "blackout periods". In accordance with the 2006 Staff Notice, the Board has determined that it would be preferable to provide for a ten-business day extension of an option term that would otherwise have expired during, or within two business days of a Company-imposed blackout period, and approved on February 8, 2007 an amendment to the Share Option Plan to provide for such an extension (please refer to Section 4.5 in Appendix F for specific changes).

### ***Amendment to Amending Provisions***

The 2006 Staff Notice also provides that, effective as of June 30, 2007, Section 613(d) of the TSX Company Manual will require that any security based compensation arrangement (such as the Company's Share Option Plan) contain an amendment provision with specific details as to whether shareholder approval shall be required for a particular type of amendment. In the absence of a detailed amendment procedure, shareholder approval shall be required for any and all amendments, including amendments considered to be of a "housekeeping" nature.

To conform to the 2006 Staff Notice, the Board of Directors approved on February 8, 2007, an amendment to the modification procedures included in the Share Option Plan to state the type of modifications that must specifically be approved by the holders of a majority of the voting shares, namely:

- (i) any increase in the number of Common Shares that may be issued under the Share Option Plan;
- (ii) the reduction of the exercise price of options or the cancellation and reissue of options to the same individual within a period of 6 months;
- (iii) the extension of the option period of options;
- (iv) an extension of the Blackout Expiration Term;
- (v) any transfer and assignment of options other than pursuant to Section 4.13 of the Stock Option Plan (please refer to Appendix F hereto); and
- (vi) the removal or increase of limits to the number of options that may be granted to non-employee directors;

it being understood that, any other modification to the Share Option Plan does not require the approval of the shareholders (please refer to Section 6 in Appendix F for specific changes).

The amendments that can be made without shareholder approval may for example include, without limitation, amendments related to:

- (i) minor or technical modifications to any of the provisions of the Share Option Plan;
- (ii) corrections of any ambiguity, defective provision, error or omission in the provisions of the Share Option Plan;
- (iii) changes to the vesting provisions of Options;
- (iv) changes to the termination provisions of Options which do not entail an extension beyond the original expiry date of the Options;
- (v) addition of cashless exercise features to the Share Option Plan which provide for a full deduction of the number of underlying shares; and
- (vi) changes to provisions relating to any form of financial assistance provided by the Company to optionees that would facilitate the purchase of Common Shares under the Share Option Plan.

### ***Increase in the Maximum Number of Common Shares that may be Issued***

The Share Option Plan is designed to attract, retain and reward the services of key personnel. In order to properly carry out these objectives, it is necessary to have a sufficient number of shares reserved under this plan. On February 8, 2007, the balance of Common Shares available for issue under the Share Option Plan was 562,667. The Board considers that this number is insufficient and that it would be in the best interest of the Company to increase the number of Common Shares that may be issued under the Share Option Plan. The number of Common Shares currently reserved for issuance for outstanding options and future option grants is 3,229,501 representing 6.88% of the total aggregate number of issued and outstanding Common Shares as at such date (6% after the New Issue).

Therefore, on February 8, 2007 the Board has approved an increase of 1,500,000 in the maximum number of Common Shares that may be issued under the terms of the Share Option Plan. The total number of Common Shares available for issue under the plan as of such date would consequently be increased to 2,062,667 representing 4.39% of the total aggregate number of issued and outstanding Common Shares as at such date (3.83% after the New Issue). The number of Common Shares reserved

for issuance for outstanding options and future options would consequently be increased to 4,729,501 representing 10.07% of the total aggregate number of issued and outstanding Common Shares as at such date (8.79% after the New Issue).

#### ***Extension of Exercise Period in case of death of an optionee***

The Share Option Plan provided for options to be exercised within a six-month period following the death of an optionee. Such period has proven in the past to be too short in order for the successors to properly exercise the options. The Board of Directors therefore decided to extend such exercise period from six month to one year (please refer to Section 4.10 in Appendix F for specific changes).

#### ***Implementation of amendments to outstanding options***

Finally, the amendments relating to the extension of the option term during a blackout period and the extension of the exercise period in case of death of an optionee shall be implemented to the options currently outstanding under the Share Option Plan.

#### ***Approval of the TSX***

All of these amendments to the Share Option Plan are subject to the approval of the TSX, including the conditional listing of 1,500,000 additional Common Shares on the TSX to be listed as reserved for the issuance under the Share Option Plan.

#### ***Recommendation of the Board of Directors***

Shareholders are therefore being asked to consider and, if thought advisable, to approve Resolution 2007-1 amending the Share Option Plan, attached as Appendix A1 to this Circular. For the reasons described above, the Board of Directors considers the amendments to the Share Option Plan to be appropriate and in the best interests of the Company. Therefore, the Board of Directors recommends that shareholders vote for the approval of Resolution 2007-1.

**Unless instructions are given to vote against the adoption of Resolution 2007-1, the persons whose names appear the enclosed form of proxy will vote your shares represented by such proxy form IN FAVOUR of the adoption of the Resolution 2007-1.**

#### **E. Amendments to the Share Purchase Plan**

Again in view of new regulatory requirements, the Board of Directors has, on February 8, 2007, reviewed the Company's common share purchase plan for employees of the Company and its subsidiaries (the "**Share Purchase Plan**") and recommends certain amendments thereto which are noted in Appendix G. Pursuant to TSX requirements, some of these amendments are subject to shareholder approval. Set out below is a summary of these amendments, that you will be asked to approve at the Meeting by way of Resolution 2007-2, the text of which is attached hereto as Appendix A2.

#### ***Removal of Restriction to the Number of Common Shares Issuable to an Insider***

The TSX no longer requires that the number of Common Shares issued under all security based compensation arrangements to an insider, within a one year period, not exceed 5% of the Common Shares issued and outstanding of a company. Accordingly, the Company has removed this restriction but has, in its place, revised its restrictions for insiders in accordance with the recommendation of the TSX contained in the 2005 Staff Notice (defined below) and as described under "Share Purchase Plan – Description of the Plan" (please refer to Section 5 in Appendix G for specific changes).

### ***Amendment to Amending Provisions***

Again to conform to the 2006 Staff Notice, the Board of Directors approved on February 8, 2007, an amendment to the modification procedures included in the Share Purchase Plan to state that an increase in the maximum number of voting shares that may be issued under the Share Purchase Plan (other than for standard anti-dilution purposes) must specifically be approved by the holders of a majority of the voting shares and that any other modification to the Share Purchase Plan does not require the approval of the shareholders (please refer to Section 15 in Appendix G for specific changes).

The amendments that can be made without shareholder approval may for example include, without limitation, amendments related to:

- (i) minor or technical modifications to any of the provisions of the Share Purchase Plan;
- (ii) corrections of any ambiguity, defective provision, error or omission in the provisions of the Share Purchase Plan; and
- (iii) changes to provisions relating to any form of financial assistance provided by the Company to participants that would facilitate the purchase of Common Shares under the Share Purchase Plan.

### ***Increase in the Maximum Number of Common Shares that may be Issued***

The Common Share Purchase Plan is designed to facilitate the ownership of equity in the Company by its employees. In order to properly carry out the objectives of the plan, it is necessary to have a sufficient number of shares reserved under this plans. On February 8, 2007, the balance of Common Shares available for issue under the Share Purchase Plan was 22,017. The Board considers that in order to continue to be able to provide this benefit to employees it would be in the best interest of the Company to increase the number of Common Shares that may be issued under the plan.

Therefore, on February 8, 2007 the Board has approved an increase of 150,000 in the maximum number of Common Shares that may be issued under the terms of the Share Purchase Plan. The total number of Common Shares available for issue under the plan as of such date would consequently be increased to 172,017 representing 0.36% of the total aggregate number of issued and outstanding Common Shares as at such date (0,32% after the New Issue).

### ***Approval of the TSX***

All of these amendments to the Share Purchase Plan are subject to the approval of the TSX, including the conditional listing of 150,000 additional Common Shares on the TSX to be listed as reserved for issuance under the Share Purchase Plan.

### ***Recommendation of the Board of Directors***

Shareholders are therefore being asked to consider and, if thought advisable, to approve Resolution 2007-2 amending the Share Purchase Plan, attached as Appendix A2 to this Circular. For the reasons describes above, the Board of Directors considers the amendments to the Share Purchase Plan to be appropriate and in the best interests of the Company. Therefore, the Board of Directors recommends that shareholders vote for the approval of Resolution 2007-2.

**Unless instructions are given to vote against the adoption of Resolution 2007-2, the persons whose names appear the enclosed form of proxy will vote your shares represented by such proxy form IN FAVOUR of the adoption of the Resolution 2007-2.**

## ITEM II. STATEMENT OF EXECUTIVE COMPENSATION

### 1. Summary Compensation Table

The summary compensation table below details compensation for the three fiscal years ended November 30, 2006, 2005 and 2004 for each of the President and Chief Executive Officer, the Senior Executive Vice President and Chief Financial Officer, and the three other most highly compensated executive officers of the Company (the "Named Executive Officers"), for services rendered in all capacities.

Name and Principal Occupation	Fiscal Year	Annual Compensation			Long-term Compensation	Other	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Number of Securities Under Options Granted	Payment under Long-term Incentive Plan	
YVES ROSCONI President and Chief Executive Officer	2006	348,000	208,000	18,000 <sup>2)</sup>	--	--	--
	2005	318,000	145,000	16,500 <sup>2)</sup>	200,000	--	--
	2004	25,385 <sup>1)</sup>	--	--	200,000	--	--
LUC TANGUAY Senior Executive Vice President and Chief Financial Officer	2006	313,664	180,000	18,000 <sup>2)</sup>	350,000	--	--
	2005	301,600	125,000	16,500 <sup>2)</sup>	--	--	--
	2004	290,000	116,000	15,500 <sup>2)</sup>	--	--	--
CHANTAL DESROCHERS Vice President, Business Development and Commercialization	2006	216,320	67,500	2,000 <sup>2)</sup>	50,000	--	--
	2005	140,000 <sup>3)</sup>	40,000	600 <sup>2)</sup>	50,000	--	--
	2004	--	--	--	--	--	--
KOENRAAD BLOT Executive Director, Clinical Research	2006	190,000	46,000	1,715 <sup>2)</sup>	82,500	--	--
	2005	39,308 <sup>4)</sup>	14,000	--	7,500	--	--
	2004	--	--	--	--	--	--
KRISHNA PERI Vice President, Research	2006	183,872	54,500	2,000 <sup>2)</sup>	50,000	--	--
	2005	176,800	30,000	2,000 <sup>2)</sup>	55,000	--	--
	2004	155,616	35,000	--	--	--	--

1) During Fiscal Year 2004, Mr. Rosconi was employed by the Company for a period of one (1) month. His annual base compensation was \$318,000.

2) In the form of a contribution deposited to a registered retirement savings plan ("RRSP") designated by the beneficiary.

3) During Fiscal Year 2005, Ms. Desrochers was employed by the Company for a period of eight (8) months. Her annual base compensation was \$208,000.

4) During Fiscal Year 2005, Mr. Blot was employed by the Company for a period of three (3) months. His annual base compensation was \$140,000.

## 2. Equity Compensation Plans

The only compensation plans based on equity of the Company are the Share Option Plan and the Share Purchase Plan.

### A. Share Option Plan

#### *Summary Table*

The following table sets forth the information regarding the Share Option Plan as at November 30, 2006.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options  (% of Issued and Outstanding Share Capital)	Weighted-average Exercise Price of Outstanding Options	# of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by shareholders	2,551,000 (5.45%)	\$4.26	847,000
Equity compensation plans not approved by shareholders	--	--	--
<b>Total</b>	2,551,000	\$4.26	847,000

#### *Description of the Plan*

On December 6, 1993, the Board of Directors adopted the Share Option Plan, which was amended from time to time and more recently by the Board of Directors on February 8, 2007 (see “**Amendments to Share Option Plan**”).

The Share Option Plan was established in order to align the interests of key persons with the success of the Company by allowing them to participate in the increased value of the Company’s Common Shares. At present (i.e., prior to shareholder approval of the increase in number of shares that may be issued under the Plan, see “Amendments to Share Option Plan”), a maximum of 3,500,000 Common Shares have been reserved for stock option grants under the Share Option Plan.

The Board of Directors designates the optionees and determines the number of Common Shares underlying these options, the vesting period, the exercise price and the expiry date of each option, as well as all other related matters, the whole in compliance with the terms of the Share Option Plan and applicable legislative provisions established by the securities regulatory authorities. At present, (i.e., prior to shareholder approval of the amending provisions, see “Amendments to Share Option Plan”), the Company can modify or terminate the Share Option Plan subject to the approval of regulatory authorities and the optionees’ acquired rights and privileges.

At the present time, (i.e., prior to shareholder approval of the amending provisions, see “Amendments to Share Option Plan”), the options granted pursuant to the Share Option Plan may be exercised within a maximum period of ten (10) years following their grant, unless the optionee’s employment is terminated, in which case the optionee’s unexercised vested options, if any, may be exercised within a period of 180 days following date of termination subject to the Share Option Plan. The options granted in accordance with the Share Option Plan cannot be transferred or assigned.

The exercise price at which the options may be granted pursuant to the Share Option Plan cannot be less than the closing price of the shares on the Toronto Stock Exchange on the day preceding the option grant.

In accordance with terms to be established by the Board, optionees may obtain a loan from the Company to pay the exercise price of the Common Shares by signing a promissory note and granting an hypothec on the shares in favour of the Company.

In addition to those amendments described under “Amendments to the Share Option Plan” the Company approved on February 8, 2007 the following additional amendments to the Share Option Plan for the purpose of following the recommendation of the TSX (described below) or for business or practical reasons. These amendments are not subject to shareholder approval and are amendments to: (i) set the number of Common Shares that may be issued to insiders in order to avoid the exclusion of eligible insider votes further to the recommendation of the TSX contained in the Staff Notice published on March 21, 2005 (the “**2005 Staff Notice**”) (the Share Option Plan will provide that the number of Common Shares that may be issued to Insiders, at any time, under all security based compensation arrangements of the Company, cannot exceed 10% of Common Shares outstanding of the Company, and the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the Common Shares Outstanding);(ii) set the number of Common Shares issued to non-employee directors, within any one year period, under all security based compensation arrangements, cannot exceed 0.5% of the Common Shares outstanding of the Company; (iii) extend the delay provided to the successors of an optionee to exercise the options held by the decedent from six months following the death of the optionee to one year since the six-month period proved in the past to be too short in order for the successors to properly exercise the options; (iv) remove certain provisions under “Termination of an Optionee’s Employment” relating to the event where the employment of an optionee is terminated with or without a serious reason; and finally (iv) remove the provision “Eligibility to the Stock Savings Plan” (please refer to Appendix F for specific changes).

During the fiscal year ended November 30, 2006, the Company granted options, pursuant to the Share Option Plan, providing for the purchase of a maximum of 840,000 Common Shares.

***Options Granted During the Fiscal Year ended November 30, 2006***

The following table sets forth the options granted to Named Executive Officers during the fiscal year ended November 30, 2006.

<b>Name</b>	<b>Number of Underlying Common Shares</b>	<b>% of Total Number of Options Granted to Employees during the Fiscal Year</b>	<b>Exercise Price</b>	<b>Market Value of Underlying Common Shares on the Date of the Granting</b>	<b>Expiration Date</b>
Yves Rosconi	--	--	--	--	--
Luc Tanguay	350,000	41.7%	\$1.94	\$1.94	February 8, 2016
Chantal Desrochers	50,000	5.95%	\$1.86	\$1.86	March 30, 2016
Koenraad Blot	75,000	8.92%	\$1.20	\$1.20	December 20, 2015
	7,500	0.89%	\$2.83	\$2.83	October 12, 2016
Krishna Peri	50,000	5.95%	\$1.20	\$1.20	December 20, 2015

***Aggregate Option Exercises during the Fiscal Year ended November 30, 2006 and Fiscal Year-End Option Values***

The following table summarizes for each of the Named Executive Officers the number and value of stock options exercised, if any, during the fiscal year ended November 30, 2006. The aggregate value realized upon exercise is the difference between the market value of the underlying stock on the exercise date and the exercise price of the option. The table also indicates the number and the value of the unexercised

options as of November 30, 2006. The value of an unexercised option at fiscal year-end is the difference between its exercise price and the market value of the Common Shares of the Company on November 30, 2006, which was \$2.52 per share. These values, unlike the amounts set forth in the column "Aggregate Value Realized" have not been, and may never be, realized. These options have not been, and may not be exercised. Furthermore, actual gains on exercise, if any, will depend on the value of the Company's Common Shares on the date of exercise. There can be no assurance that these values will be realized.

Name	Exercised Options during the Fiscal Year ended November 30, 2006		Unexercised Options at November 30, 2006 Exercisable / Unexercisable	
	Number of Shares Acquired Exercise (#)	Aggregate Value Realized (\$)	Number	Value
Yves Rosconi	--	--	199,998 / 200,002	\$85,332 / \$170,668
Luc Tanguay	--	--	710,000 / 40,000	\$203,000 / \$0
Chantal Desrochers	--	--	16,666 / 83,334	\$11,166 / \$55,334
Koenraad Blot	--	--	2,500 / 87,500	\$3,300 / \$16,500
Krishna Peri	--	--	31,665 / 93,335	\$12,283 / \$87,217

## B. Common Share Purchase Plan

On February 16, 1999, the Board of Directors introduced the Share Purchase Plan. This plan was amended on May 9, 2002, May 7, 2003, as well as on February 8, 2007 (see "Amendments to Share Purchase Plan" of this Circular for more details).

The Share Purchase Plan entitles employees of the Company to directly subscribe for Company Common Shares by means of an interest-free loan from the Company. The total amount of Common Shares which were issued pursuant to the Share Purchase Plan is 227,983 (i.e. 0.49% of the Company's issued and outstanding share capital). At present (i.e., prior to shareholder approval of the increase in number of shares that may be issued under the Plan, see "Amendments to Share Purchase Plan"), a maximum of 250,000 Common Shares may be offered pursuant to this Share Purchase Plan.

On May 1<sup>st</sup> and November 1<sup>st</sup> of each year, employees may subscribe for an amount of shares pursuant to the Share Purchase Plan which should not exceed 10% of the amount of their current annual gross salary; the total of which should also be less than 5% of the Company's issued and outstanding share capital.

In addition to those amendments described under "Amendments to the Share Purchase Plan" the Company approved on February 8, 2007 the following amendments that are not subject to shareholder approval. They include amendments to the number of Common Shares that may be issued to insiders under all security based compensation arrangements in accordance with the recommendation of the TSX contained in the 2005 Staff Notice. As in the Share Option Plan, this number cannot exceed 10% of the issued and outstanding Company Common Shares, and the number of Common Shares issued to insiders within any one-year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Company Common Shares, as well as certain other minor amendments in the definitions section and the removal of the provision relating to minimum funds to amass and use of proceeds.

The subscription price for each new Common Share subscribed pursuant to this Share Purchase Plan is equal to the weighted average closing price of the Common Shares on the Toronto Stock Exchange during a period of five (5) days prior to the participation date. Employees cannot assign or otherwise alienate their rights in the Share Purchase Plan.

Pursuant to the Share Purchase Plan, the Company offers each participant who subscribes for Common Shares an interest-free loan of an amount corresponding to the subscription price. The loan is repayable

by equal withholdings from the participant's salary for a period not exceeding two (2) years. The loans granted to one employee must never exceed 10% of the amount of his current annual gross salary. Loans are immediately due and repayable as soon as the participant is no longer an employee of the Company or one of its subsidiaries. The subscribed Common Shares are hypothecated to secure full and final repayment of the loan and are held by the trustee, Computershare, until such full repayment.

At present, (i.e., prior to shareholder approval of the amending provisions, see "Amendments to Share Purchase Plan"), the Company reserves the right, at all times, to modify, suspend or terminate the Share Purchase Plan, subject to the approval of regulatory authorities and the participants' acquired rights and privileges.

### **3. Employment Contracts and Indemnification Provisions in the Event of Termination of Named Executive Officers**

#### ***Yves Rosconi President and Chief Executive Officer***

On October 21, 2004, the Company entered into an employment contract for an indeterminate term with Mr. Yves Rosconi. In addition to his base salary, Mr. Rosconi is entitled to the Company's benefits program and is eligible to receive an annual bonus based on attainment of objectives set annually by the Company's Board of Directors. An annual review of his base salary is made by the Compensation Committee taking into account, among other things, the performance of Mr. Rosconi, the performance of the Company and the prevailing economic conditions at the time of the review. Mr. Rosconi was also entitled to stock options, which have all been granted. These options vest over a three-year period from date of grant. Under the terms of the contract, Mr. Rosconi entered into non-competition, non-solicitation and non-disclosure commitments, among others, in favour of the Company. Should the Company terminate Mr. Rosconi's employment without just and sufficient cause, he will receive an amount equal to twelve (12) months of compensation, which shall be the sole monetary obligation of the Company. Furthermore, in case of a successful take-over bid, his employment contract provides for an indemnity equal to twenty-four (24) months of compensation if Mr. Rosconi's employment is terminated by the Company, and twelve (12) months if Mr. Rosconi resigns on his own free will.

#### ***Luc Tanguay Senior Executive Vice President and Chief Financial Officer***

The Company entered into an employment contract for an indeterminate term with Mr. Luc Tanguay on October 30, 2001, as modified on May 9, 2002, June 7, 2004 and February 8, 2006. In addition to his base salary, Mr. Tanguay is entitled to the Company's benefits program and is eligible to receive an annual bonus based on attainment of objectives set annually by the Company's Board of Directors. Mr. Tanguay's base compensation is reviewed annually by the Compensation Committee. Mr. Tanguay was also entitled to stock options, which have all been granted. Under the terms of the contract, Mr. Tanguay entered into non-competition, non-solicitation and non-disclosure commitments, among others, in favour of the Company. Should the Company terminate Mr. Tanguay's employment without just and sufficient cause, he will receive an amount equal to twenty-four (24) months of compensation, which shall be the sole monetary obligation of the Company. Furthermore, in case of a successful take-over bid, his employment contract provides for an indemnity equal to twelve (12) months of compensation if Mr. Tanguay resigns on his own free will.

**Chantal Desrochers**  
**Vice President, Business Development and Commercialization**

The Company entered into an employment contract for an indeterminate term with Ms. Chantal Desrochers on March 14, 2005. This contract provides that in addition to her base salary, Ms. Desrochers is entitled to the Company's benefits program and is eligible to receive an annual bonus based on attainment of objectives set annually by the President and Chief Executive Officer. Review of Ms. Desrochers' compensation is carried out by the Compensation Committee on an annual basis. Ms. Desrochers was also entitled to stock options, which have all been granted. Under the terms of the contract, Ms. Desrochers has agreed to non-disclosure provisions in favour of the Company. Should the Company terminate Ms. Desrochers' employment without just and sufficient cause, she will receive: i) an amount equal to six (6) months of compensation, if she has been with the Company for less than two (2) years; ii) an amount equal to eight (8) months of compensation, if she has been with the Company for more than two (2) years and less than five (5) years; or iii) an amount equal to twelve (12) months of compensation, if she has been with the Company for more than five (5) years, which shall be the sole monetary obligation of the Company.

**Koenraad Blot**  
**Executive Director, Clinical Research**

The Company entered into an employment contract for an indeterminate term with Mr. Blot on July 28, 2005. This contract provides that in addition to his base salary, Mr. Blot is entitled to the Company's benefits program and is eligible to receive an annual bonus based on attainment of objectives set annually by the President and Chief Executive Officer. Review of Mr. Blot's compensation is carried out by the Compensation Committee on an annual basis. Mr. Blot was also entitled to stock options, which have all been granted. Under the terms of the contract, Mr. Blot has agreed to non-competition and non-disclosure provisions in favour of the Company. Should the Company terminate Mr. Blot's employment without just and sufficient cause, he will receive: i) an amount equal to twelve (12) months of compensation, if he has been with the Company for less than three (3) years; ii) an amount equal to six (6) months of compensation, if he has been with the Company for more than three (3) years, which shall be the sole monetary obligation of the Company.

**Krishna Peri**  
**Vice President, Research**

The Company entered into an employment contract for an indeterminate term with Dr. Krishna Peri on October 3, 2000. This contract provides that in addition to his base salary, Dr. Peri is entitled to the Company's benefits program and is eligible to receive an annual bonus based on attainment of objectives set annually by the President and Chief Executive Officer. Review of Dr. Peri's compensation is carried out by the Compensation Committee on an annual basis. Under the terms of the contract, Dr. Peri has agreed to non-competition and non-disclosure provisions in favour of the Company.

**4. Composition of the Compensation Committee**

The Compensation Committee of the Board of Directors is composed of four (4) independent directors, namely A. Jean de Grandpré, Paul Pommier, Bernard Reculeau and Jean-Denis Talon, who have never been executives of the Company, on a fulltime basis, or any of its subsidiaries. During the fiscal year which ended on November 30, 2006, the Compensation Committee met on one (1) occasion.

**5. Report on Executive Compensation**

The compensation of executive officers includes the following items: a base salary, an annual performance bonus based on the achievement of annual objectives and Options.

The base salary mainly reflects competitive salaries for positions of comparable responsibilities in Canadian companies of comparable size and complexity, particularly corporations involved in the biotechnology industry.

The annual performance bonuses are based on two criteria. First, the Compensation Committee analyses the global performance of the Company on the operational and financial levels and determines the maximum bonus percentage that should be awarded to Management. Second, the Compensation Committee determines the individual bonus awarded for each member based on the President and Chief Executive Officer's evaluation, which is determined based on pre-set objectives established annually.

Options are also awarded from time to time to Management to align the interests of Management and shareholders, which is consistent with industry practices. The principal provisions of the Share Option Plan are described under the heading "Equity Compensation Plans" at Item II of this Circular. The Compensation Committee recommends to the Board of Directors of the Company the number and terms of the Options granted under the Plan, taking into consideration the role of the Executive Officer, the responsibilities inherent to his/her position and his/her influence on the creation of increased value for shareholders.

The compensation of the President and Chief Executive Officer includes the same elements as described above regarding the Executive Officers and is established by the Committee based on its opinion as to a fair and reasonable compensation package, taking into account his contribution to the Company's long-term growth and compensation practices in the biotechnology industry.

The Compensation Committee reviews the executive officers' compensation programs annually to ensure that they are competitive and conform with the objectives, values and strategies of the Company.

The above report is submitted by the Compensation Committee for the fiscal year ended November 30, 2006.

Approved on February 8, 2007 by the members of the Committee, A. Jean de Grandpré, Paul Pommier, Bernard Reculeau and Jean-Denis Talon.

## **6. Compensation For Directors**

The Company has adopted a compensation policy for its directors who are not employed on a full-time basis by the Company under which they are paid an annual retainer fee as well as attendance fees. Consequently, each director receives an annual fee of \$10,000 and 5,000 stock options. Directors sitting on a committee of the Board receive an additional retainer fee of \$2,000 per year, per committee. The attendance fees are of \$1,500 per Board or committee meeting and \$750 per telephone meeting. For the fiscal year ended November 30, 2006, the annual retainer fees and attendance fees totalled \$172,061.

A. Jean de Grandpré, as Chairman of the Board, is entitled to receive an additional annual compensation of \$75,000. Gilles Cloutier and Robert Goyer each receive an additional annual compensation of 2,000\$ for advising the Company in its clinical development.

Members of the Board who are full-time employees of the Company do not receive any compensation for acting as directors or being members of committees of the Board.

No other compensation or benefit was paid or is payable to the directors of the Company, for acting as such, for the fiscal year ended November 30, 2006.

## **7. Indebtedness of Directors and Executive Officers**

None of our current directors, executive officers and employees or those of our subsidiaries, and none of our former executive officers, directors and employees or those of our subsidiaries, is indebted to us or any one of our subsidiaries, or has contracted any loan that is secured by a security interest, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries, except those granted in accordance with the Share Purchase Plan described in this Circular at Item II.2.B.

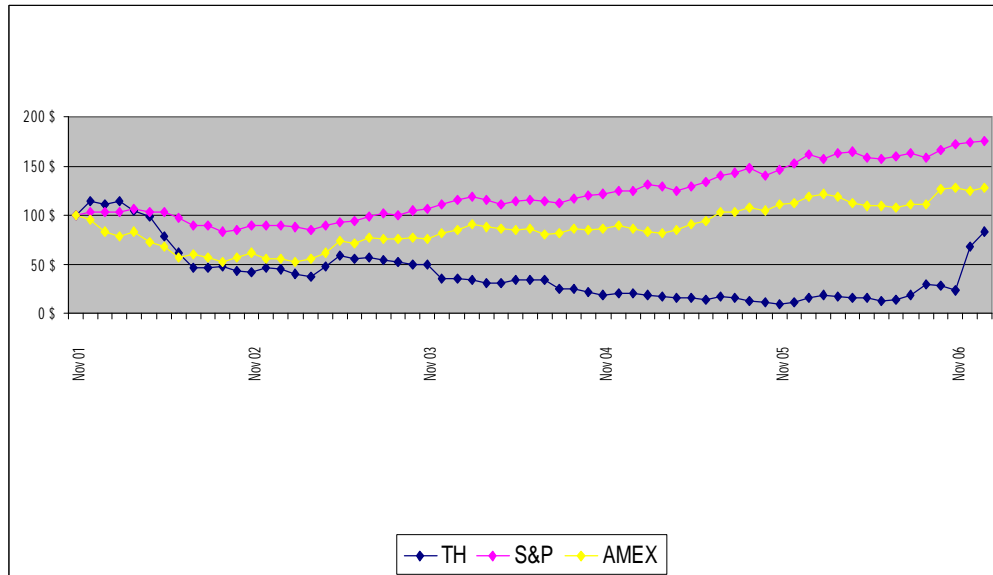
**8. Liability Insurance of Directors and Officers**

The Company purchases liability insurance for its directors and officers in the performance of their duties. These insurance policies also cover the directors and officers of the Company's subsidiaries, if any. During the fiscal year ended November 30, 2006, the policies provided maximum coverage of \$15,000,000 (increased on December 15, 2005 from \$10,000,000) per claim, subject to a \$100,000 deductible per occurrence. Premiums paid by the Company for the policies were \$58,625.81. The policies and the premiums do not distinguish between the insurance for the directors' liability and officers' liability, the coverage being the same for both groups.

### ITEM III. PERFORMANCE GRAPH

The following graph compares a cumulative annual total shareholder return on a \$100 investment in the Common Shares of the Company (“TH”) with a cumulative total shareholder return on the composite index S&P/TSX (previously known as the Toronto Stock Exchange 300 (TSE 300 Index)) assuming that all dividends are reinvested (“S&P”) and the AMEX biotech index (“AMEX”).

**Return on a \$100 Investment  
from November 30, 2001 to January 31, 2007**



## ITEM IV. CORPORATE GOVERNANCE DISCLOSURE

The Board of Directors of the Company considers good corporate governance to be important to the effective operations of the Company and to ensure that the Company is managed so as to optimize shareholder value. The Nominating and Corporate Governance Committee is responsible for examining the Company's needs in this regard and address all issues that may arise from its practices. This Committee ensures that the Company's corporate governance practices comply with National Instrument 58-101 *Disclosure of Corporate Governance Practices* and oversees their disclosure according to guidelines described in National Policy 58-201 *Corporate Governance Guidelines* (hereinafter collectively referred to as the "Regulation").

### 1. Board of Directors

#### A. Independence

A majority of the Company's Directors are independent. Seven of the nine Board members meet the criteria for independence defined by the Regulation, as none of them have a direct or indirect material relationship with the Company.

<u>NAME</u>	<u>INDEPENDENCE</u>	<u>MATERIAL RELATIONSHIP</u>
Gilles Cloutier	Yes	None
A. Jean de Grandpré	Yes	None
Robert Goyer	Yes	None
Gérald A. Lacoste	Yes	None
Paul Pommier	Yes	None
Bernard Reculeau	Yes	None
Jean-Denis Talon	Yes	None
Luc Tanguay	No	Company Management
Yves Rosconi	No	Company Management

The Chairman of the Board of the Company is A. Jean de Grandpré, an independent Director within the meaning of the Regulation.

#### B. Meetings of the Board

The table below shows the directors' attendances to the Board of Directors' meetings for the Fiscal Year ended on November 30, 2006.

<u>NAME</u>	<u>ATTENDANCE</u>		
	<u>TOTAL NUMBER OF MEETINGS</u>	<u>ATTENDANCE</u>	<u>ABSENCE</u>
Gilles Cloutier	7	6	1
André Delambre	1	0	1
Gérald A. Lacoste	6	6	0
A. Jean de Grandpré	7	6	1
Robert Goyer	7	6	1
Paul Pommier	7	7	0
Bernard Reculeau	7	7	0
Jean-Denis Talon	7	7	0
Luc Tanguay	7	7	0
Yves Rosconi	7	7	0

A meeting of independent Directors, at which non-independent Directors and members of Management are not in attendance, is planned as the last item of each Board meeting. Accordingly, at the conclusion of each Board meeting, the Chairman determines, along with other Directors, the relevance of meeting independently from Management. During the fiscal year ended November 30, 2006, independent Directors held one meeting on July 6, 2006.

### C. Other Board Memberships

Certain Company Directors are board members of other reporting issuers.

<u>NAME</u>	<u>REPORTING ISSUER</u>
Gilles Cloutier	Dacha Capital Inc.
Gérald A. Lacoste	Amisco Industries Ltd Sonomed Inc.
Jean-Denis Talon	E-Claim Solution Inc. Kangourou Média Inc.
Luc Tanguay	Ambrilia Biopharma Inc. Ecopia BioSciences Inc. Sonomed Inc.
Yves Rosconi	Mistral Pharma Inc.

### 2. Mandate of the Board of Directors

The Board of Directors adopted the written mandate attached hereto as Appendix B which defines its role and duties.

### 3. Position Descriptions

The Board has developed written position descriptions for the Chairman of the Board and Chairmen of the Board's Committees. A position description was also developed for the President and Chief Executive Officer.

### 4. Orientation and Continuing Education

The Orientation and Continuing Education Policy for newly appointed Directors is attached hereto as Appendix C.

### 5. Ethical Business Conduct

The Board of Directors has not adopted a written ethical business code of conduct for the Company's Management and employees. However, it does encourage and promote ethical business conduct that upholds integrity and fault prevention.

In the event a Director or a senior manager has a material interest in any transaction or agreement, the matter may initially be reviewed by the Nominating and Corporate Governance Committee to determine the scope of the interest and its impact on Management's decision-making. The Committee will report its findings to the Board of Directors, which will take appropriate action to ensure independent exercise of judgement. In the event a Director has a material interest in any transaction or agreement, such Director should disclose, without delay, this conflict of interest and follow the rules provided by the General By-Laws of the Company.

**6. Nomination of Directors**

The Nominating and Corporate Governance Committee is responsible for proposing new candidates for Board nominations. This Committee is exclusively composed of independent Directors. A copy of the Committee's Charter is attached hereto as Appendix D.

**7. Compensation**

The Compensation Committee is responsible for examining matters relating to compensation of Directors and Management on behalf of the Board of Directors. This Committee is comprised exclusively of independent Directors. Attached hereto as Appendix E is a copy of the committee's Charter. A detailed description of the procedure used by the Committee to establish compensation is provided in Section 4.2 of the Compensation section in this Circular.

**8. Other Committees**

In addition to the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, the Board of Directors created a M&A / Financing Committee composed of two Directors from the Company's Senior Management, the Chairman of the Board and of another independent director. Its mandate is to study, analyze and present recommendations to the Board on matters relating to mergers, acquisitions or financing proposals that could be received by the Company.

**9. Assessment**

While there is no formal process for assessing Directors on an ongoing basis, the Directors are free to discuss specific situations from time to time amongst themselves and/or with the Chairman of the Board and, if deemed necessary, steps are taken to remedy the situation.

## ITEM V. OTHER INFORMATION

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### 1. Additional Documentation

The Company is a reporting issuer in all Canadian provinces and is required to file its financial statements and Circular with each Canadian Securities Commission. Each year, the Company also files an Annual Information Form with such commissions. The financial information of the Company is provided in the Company's comparative financial statements and Management Discussion & Analysis for its fiscal year ended November 30, 2006. Copies of the Company's financial statements, Circular and Annual Information Form may be obtained on request to the Secretary of the Company at the following address: 2310 Alfred-Nobel Blvd, Montreal, Québec, H4S 2A4 or by consulting the SEDAR Web site at [www.sedar.com](http://www.sedar.com). The Company may require the payment of a reasonable fee if the request is made by someone other than a security holder of the Company, unless the Company is in the course of a distribution of its securities pursuant to a short form prospectus, in which case these documents will be provided free of charge.

### 2. Approval By The Board Of Directors

The content and the sending of this Circular have been approved by our directors on February 8, 2007.

Montréal, Québec, February 8, 2007.

*(Signed) Geneviève Dubuc*

Geneviève Dubuc,  
Secretary

## APPENDIX A1

### RESOLUTION 2007-1 – SHARE OPTION PLAN

**“BE IT RESOLVED:**

1. That Section 2 of the Share Option Plan is hereby amended in order to increase the maximum number of Common Shares that may be issued upon the terms of the Share Option Plan from 3,500,000 to 5,000,000.
2. That Section 4.2 of the Share Option Plan is hereby amended to remove the provision that the total number of Common Shares issued under all plans to an Insider and such Insider's associates, within a one-year period, shall not exceed 5% of the Common Share issued and outstanding of the Company.
3. That Section 4.5 of the Share Option Plan is hereby amended in order to provide for an automatic ten-business day extension of an option term that would otherwise have expired during, or within two business days of, a Company-imposed blackout period.
4. That Section 4.10 of the Share Option Plan is hereby amended in order to extend the exercise period from six months to one year in the event of an optionee's death.
5. That Section 6 of the Share Option Plan is hereby amended in order to state the type of modifications that must specifically be approved by the holders of a majority of the voting shares, namely:
  - (i) any increase in the number of Common Shares that may be issued under the Share Option Plan;
  - (ii) the reduction of the exercise price of options or the cancellation and reissue of options to the same individual within a period of 6 months;
  - (iii) the extension of the option period of options;
  - (iv) an extension of the Blackout Expiration Term;
  - (v) any transfer and assignment of options other than pursuant to Section 4.13; and
  - (vi) the removal or increase of limits to the number of options that may be granted to non-employee directors;it being understood that, any other modification to the Share Option Plan does not require the approval of the shareholders.
6. That the amendments in paragraphs 3 and 4 above be implemented to the options currently outstanding under the Share Option Plan.
7. That the President and Chief Executive Officer and/or the Corporate Secretary be and they are hereby authorized, acting for, in the name and on behalf of the Company, to execute and sign any documents, perform all acts and things necessary or useful, in their own discretion, in order to give effect to this resolution 2007-1.

Capitalized terms used in this resolution 2007-1 have the meanings ascribed thereto in the Management Proxy Circular dated February 8, 2007 accompanying the Notice of Meeting and to which this resolution is attached.”

## APPENDIX A2

### RESOLUTION 2007-2 – SHARE PURCHASE PLAN

**“BE IT RESOLVED:**

1. That Section 4 of the Share Purchase Plan is hereby amended in order to increase the maximum number of Common Shares that may be issued upon the terms of the Share Option Plan from 250,000 to 400,000.
2. That Section 5 of the Share Option Plan is hereby amended to remove the provision that the Company may not issue to any one insider within a one-year period, a number of Common Shares exceeding 5% of the Company's issued and outstanding share capital is hereby deleted.
3. That Section 15 of the Share Purchase Plan is hereby added in order to provide for modification provisions whereby the Board may make changes to the plan except for an increase in the maximum number of Common Shares that may be issued under the Share Purchase Plan that must specifically be approved by the holders of a majority of the voting shares.
4. That the President and Chief Executive Officer and/or the Corporate Secretary be and they are hereby authorized, acting for, in the name and on behalf of the Company, to execute and sign any documents, perform all acts and things necessary or useful, in their own discretion, in order to give effect to this resolution 2007-2.

Capitalized terms used in this resolution 2007-2 have the meanings ascribed thereto in the Management Proxy Circular dated February 8, 2007 accompanying the Notice of Meeting and to which this resolution is attached.”

## **APPENDIX B**

### **MANDATE OF THE BOARD OF DIRECTORS**

#### **I. Role**

The Company's Board of Directors (the "Board") is ultimately responsible for the stewardship of the Company and executes its mandate directly or after considering recommendations from its related committees and Management.

Management is responsible for the Company's day-to-day activities and is charged with realizing strategic activities approved by the Board within the scope of its authorized business activities, capitalization plan and company directives. Management must report regularly to the Board on matters relating to short-term results and long-term development activities.

#### **II. Obligations and Responsibilities**

The Board carries out the functions, performs duties and assumes the responsibilities entrusted by the laws and regulations. The Board may delegate some of its responsibilities to Board committees and Management within the scope of the Company's General By-laws, the laws and the regulations. Therefore, day-to-day management of the Company's activities is entrusted to Senior Management, which reports directly to the Board. One of the key functions of the Board is to appoint the senior management team.

The functions and duties of Board members include, without limitation, the following functions and duties:

- A. Appointment, assessment, succession planning of Senior Management
  - 1. Select and appoint the President and Chief Executive Officer of the Company.
  - 2. Oversee the appointment of other members of Senior Management.
  - 3. Ensure that the Company has a succession plan for the President and Chief Executive Officer.
  - 4. Monitor the performance of the President and Chief Executive Officer and other Executive Officers, with respect to pre-established objectives.
- B. Compensation of Directors
  - 1. Establish the compensation of Directors.
- C. Strategic Direction and Planning
  - 1. Adopt the Company's strategic planning process.
  - 2. Approve the Company's strategic plan and review Senior Management's performance in implementing the plan.
  - 3. Review the strategic plan annually, taking into account opportunities and risks, and monitoring the Company's performance against the plan.
  - 4. Review and approve the Company's annual plans towards financing the strategic plan.

5. Review and approve the Company's annual operating budget.
6. Identify key business risks facing the Company and the implementation of appropriate systems to manage these risks.
7. Discuss with Management how the strategic environment is changing and the key strategic issues.

**D. Corporate Behaviour and Governance**

1. Develop an approach to corporate governance, including the determination of principles and guidelines for the Company.
2. Obtain reasonable assurance of the integrity of the President and Chief Executive Officer and other senior members of Management, and that they uphold principles of integrity within the ranks of the Company.
3. Oversee the implementation of a Company disclosure policies and procedures.
4. Monitor the integrity of the Company's internal controls and disclosure systems.
5. Be available to receive feedback from stakeholders, which must be provided in writing, at the Company's head office, bearing the mention "Confidential".

**E. Personal Behaviours**

1. Keep up-to-date with the regular programs and employees of the Company.
2. Upon request, join a committee and actively participate at its meetings.
3. Be accessible, at least by telephone, to personnel and other Company Directors, as required.
4. Keep confidential information discussed during meetings.
5. Attend regular and special Board meetings.
6. Get to know other members of the Board and promote collegial decision-making.

**III. External Advisors**

In discharging its duties and responsibilities, the Board is empowered to retain external legal counsel or other external advisors, as appropriate. The Company shall provide the necessary funds to secure the services of such advisors.

**IV. Composition of the Board**

The Board consists of such number of Directors as the Board may determine from time to time by resolution. The Board must assure itself that it is composed of Directors that are sufficiently familiar with the business of the Company, and the risks it faces, to ensure active and effective participation in the deliberations of the Board. Directors should have diverse backgrounds and personal characteristics and traits as well as competencies and expertise that add value to the Company. Finally, a majority of the Directors must be independent for the purposes of National Policy 58-201 Corporate Governance Guidelines.

**V. Board Meeting Procedures**

The Board follows the procedure established in the Company's General By-Laws.

**VI. Records**

The Company's Secretary keeps the records required by law and any other relevant document.

**VII. Effective Date**

This written mandate was adopted by the Directors at its February 8, 2006 Board meeting.

## APPENDIX C

### DIRECTOR ORIENTATION AND CONTINUING EDUCATION POLICY

The Board must first ensure that every new nominee as Director possesses the necessary skill, expertise, availability and knowledge to properly fulfil its mandate. Once a Director is effectively elected, the Chairman of the Board, the President and Chief Executive Officer and Secretary provide him with the specific information required for a well-informed contribution.

#### **I. Purpose**

The purpose of this Director Orientation and Continuing Education Policy (the "Policy") is to set forth the Company's process of orientation for newly appointed Company Directors to familiarize them with the role of the Company's Board of Directors, its committees, its directors, and the nature and operation of the Company's business activities. The Policy also indicates the elements of continuing education of the Board of Directors to ensure the Company Directors maintain the skill and knowledge necessary to fulfill their obligations as directors.

#### **II. Orientation of New Directors**

Newly appointed Directors first meet with the Chairman of the Board to discuss the functioning of the Board of Directors. Then, they meet with the President and Chief Executive Officer to discuss the nature and operation of the Company's business activities. As required, meetings may be set up with other Senior Managers to further clarify some of the Company's business activities. Finally, the Secretary provides new directors with the following documents:

- A. Copies of Board meeting minutes and written resolutions since the beginning of the fiscal year (which may include those of the preceding fiscal year, depending of the date of appointment), including a copy of the minutes of the last annual meeting;
- B. A schedule of Board Meetings for the year;
- C. The disclosure policies et procedures and the "Undertaking" form (for signature);
- D. The policy on insider trading in force at Theratechnologies (with mention to register as an insider with the Canadian securities agency through SEDI.ca and to prepare an initial insider report within ten (10) days following appointment);
- E. Theratechnologies' Share Option Plan;
- F. The latest annual report and accompanying information on Theratechnologies (fact sheet, latest press releases, latest annual information form and corporate presentation);
- G. The Director Disclosure Form (to complete and return within afforded time);
- H. The General By-Laws, the Board's written mandate, the Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Charter; and
- I. The Directors and Senior Management coverage and compensation.

### **III. Continuing Education**

The following actions are taken to ensure the continuing education of Directors:

- A. Management provides Directors, from time to time, with pertinent articles and books relating to the Company's business, its competitors, corporate governance and regulatory issues;
- B. Key Company executives make regular presentations to the Board on business activities;
- C. Certain consultants present to the Board on matters relevant to their role and duties. Consultants such as insurance brokers presenting on risks faced by the Company or consultants presenting a long-term strategy for the Company;
- D. The Secretary offers Directors continuing education in the form of presentations on new legal and regulatory requirements that impact the Board.

### **IV. Review**

This Policy is reviewed and modified when the Board of Directors considers it necessary and desirable.

## APPENDIX D

### NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

#### **I. Mandate**

The Nominating and Corporate Governance Committee (the "Committee") is responsible for assisting the Company's Board of Directors (the "Board") in overseeing the following:

- A. Recruit candidates for the Board;
- B. Review the size of the Board;
- C. Composition of the Board;
- D. Function of the Board;
- E. Orientation and education of Board members; and
- F. Governance.

#### **II. Obligations and Duties**

The Committee carries out the duties usually entrusted to a Nominating and Corporate Governance Committee and any other duty assigned from time to time by the Board. Specifically, the Committee is charged with the following obligations and duties:

- A. Recruit Candidates for the Board
  - 1. Identify potential candidates as members of the Company's Board of Directors. In so doing, the Committee will consider:
    - a. independence of candidates under the terms of National Policy 58-201 on corporate governance;
    - b. the competencies, skills and personal characteristics sought in candidates. The Committee will determine what it considers necessary by assessing competencies, skills and personal characteristics of the candidates in relation to: (1) those generally required by the Board; (2) those already present in other Board members; and (3) those which are a welcome addition; and
    - c. the availability of candidates.
  - 2. All Board members may submit to the Committee potential candidates for membership, and the Committee shall review such candidates in light of above described competencies and skills desirable for the Board.
  - 3. The Committee shall proceed as follows for the recruitment of candidates:
    - a. as it is determined by the Committee and the Board of Directors that Board vacancies must be filled or new members are desirable, the Chairman of the Board of Directors shall make contact with candidates

that have been identified by the Committee per the above described criteria;

- b. upon a positive evaluation by the Chairman of the Board of Directors and positive reaction from the candidate, at least two (2) members of the Board shall meet with the candidate; and
- c. upon a positive evaluation by the two (2) Board members and the continuing interest of the candidate, the Committee shall make a recommendation to the Board of Directors, providing all pertinent background information for analysis and discussion by the Directors.

**B. Board Size**

The Board must be composed of 3 to 20 directors, as per the Company's articles of incorporation and by law. As provided under the terms of the Company General By-Laws, the Board shall exercise its power to establish by resolution the exact number of directors. In this regard, the duties of the Committee are as follows:

- 1. Examine the size of the Board annually in view of assessing its effectiveness.
- 2. Consider modifications to the number of constituting members and issue its recommendations to the Board.

**C. Composition of the Board**

- 1. Ensure that the Board is composed of Directors that are sufficiently familiar with the business of the Company, and the risks it faces, to ensure active and effective participation in the deliberations of the Board.
- 2. Ensure that Directors have diverse backgrounds and personal characteristics and traits as well as competencies and expertise that add value to the Company.
- 3. Ensure that a majority of the directors are independent directors for the purposes of National Policy 58-201 Corporate Governance Guidelines.

**D. Board Functioning**

- 1. Examine the Board's functions and issue recommendations as to its obligations and role. Among others, the Committee must regularly review the Board's written mandate.
- 2. Determine and review, as needed, the roles and mandates of Board committees and issue recommendations.

**E. Orientation and Continuing Education of Board Members**

Develop an orientation and continuing education policy for Directors.

**F. Governance**

- 1. Follow corporate governance developments and, as required, advise the Board of appropriate actions.
- 2. Examine appropriate actions to promote ethical business conduct, issue relevant recommendations to the Board and oversee their implementation.

3. Examine conflict of interest issues that may be brought to the attention of the Board and offer solutions.

### **III. External Advisors**

In discharging its duties and responsibilities, the Committee is empowered to retain external legal counsel or other external advisors, as appropriate. The Company shall provide the necessary funds to secure the services of such advisors.

### **IV. Composition of the Committee**

The Committee is composed of any number of Directors, but no less than three, as may be determined by the Board from time to time by resolution. Each member of the Committee shall be independent from the Company, as determined by the Board in accordance with applicable laws, rules and regulations.

### **V. Term of the Mandate**

Committee members are appointed by Board resolution to carry out their mandate extending from the date of the appointment to the next Annual General Meeting of Shareholders, or until successors are so appointed.

### **VI. Vacancy**

The Board may fill vacancies at any time by resolution. Subject to the constitution of the quorum, the Committee's members can continue to act even if there is one or many vacancies on the Committee.

### **VII. Chairman**

The Board appoints the Committee Chairman who will call and chair the meetings.

### **VIII. Secretary**

Unless decided otherwise by resolution of the Board, the Secretary of the Company shall act as Committee Secretary. The Secretary must attend Committee meetings and prepare the minutes. He must provide notification of meetings as directed by the Committee Chairman. The Secretary is the guardian of the Committee's records, books and archives.

### **IX. Meeting Proceedings**

The Committee establishes its own procedures as to how meetings are called and conducted. Unless it is otherwise decided, the Committee shall meet privately and independently from Management at each regularly scheduled meeting. In the absence of the regularly appointed Chairman, the meeting shall be chaired by another Committee member selected among attending participants and appointed accordingly. In the absence of the regularly appointed Secretary, Committee members shall designate someone to carry out this duty.

### **X. Quorum and Vote**

Unless the Board otherwise specifies by resolution, two Committee members shall constitute an appropriate quorum for deliberation of items on the agenda. During meetings, decisions are reached by a majority of votes from Committee members, unless the quorum is of two members, in which case decisions are made by consensus of opinion.

**XI. Records**

The Committee keeps records that are deemed necessary for its deliberations and reports to the Board on its activities and recommendations on a regular basis.

**XII. Effective Date**

This charter was adopted by the Directors during the February 8, 2006 Board meeting.

## **APPENDIX E**

### **COMPENSATION COMMITTEE CHARTER**

#### **I. Mandate**

The Compensation Committee (the "Committee") is responsible for assisting the Company's Board of Directors (the "Board") in overseeing the following:

- A. compensation of Senior Management;
- B. assessment of Senior Management;
- C. compensation of Directors;
- D. stock option grants;
- E. overall increase in total compensation.

#### **II. Obligations and Duties**

The Committee carries out the duties usually entrusted to a compensation committee and any other duty assigned from time to time by the Board. Specifically, the Committee is charged with the following obligations and duties:

- A. Compensation of Senior Management
  - 1. Develop a compensation policy for the Company's Senior Management, notably the Senior Management compensation structure, annual salary adjustments as well as the creation and administration of short and long term incentive plans, stock options, indirect advantages and benefits proposed by the President and Chief Executive Officer.
  - 2. Review and establish all forms of compensation to Senior Management.
  - 3. Oversee, as required, employment contracts and terminations of Senior Management, notably severance pay.
  - 4. Oversee the Company's annual report on Senior Management compensation part of the Company's continuous disclosure requirements under applicable laws and regulations.
- B. Assessment of Senior Management
  - 1. Develop a written position description for the President and Chief Executive Officer.
  - 2. Establish general objectives annually for the President and Chief Executive Officer of the Company and for other members of senior management.
  - 3. Examine and review annually the President and Chief Executive Officer's performance against specific performance criteria pre-established by the Committee.

4. Examine, in collaboration with the President and Chief Executive Officer, the annual performance assessment of other senior managers.
- C. Compensation of Directors
1. Recommend to the Board approval of the Director's Compensation Policy.
  2. Examine the compensation of Directors in relation to the risks and duties of their position.
- D. Stock Option Grants
1. Oversee, review as needed and recommend Board approval of the Company Share Option Plan.
  2. The Committee may delegate, at its discretion, the plan's administration to members of the Company's Management and employees.
  3. Examine, oversee and recommend Board approval of stock option grants, specifically:
    - a. the people to whom options are granted;
    - b. the number of options granted;
    - c. the exercise price of the options;
    - d. the exercise period of the options; and
    - e. all other conditions relating to options granted.
  4. Overall Increase in Total Compensation  
Approve annually the Company's increase in overall compensation.

### **III. External Advisors**

In discharging its duties and responsibilities, the Committee is empowered to retain external legal counsel or other external advisors, as appropriate. The Company shall provide the necessary funds to secure the services of such advisors.

### **IV. Composition of the Committee**

The Committee is composed of any number of Directors, but no less than three, as may be determined by the Board from time to time by resolution. Each member of the Committee shall be independent from the Company, as determined by the Board, in accordance with applicable laws, rules and regulations.

### **V. Term of the Mandate**

Committee members are appointed by Board resolution to carry out their mandate extending from the date of the appointment to the next annual general meeting of shareholders, or until successors are so appointed.

**VI. Vacancy**

The Board may fill vacancies at any time by resolution. Subject to the constitution of the quorum, the Committee's members can continue to act even if there is one or many vacancies on the Committee.

**VII. Chairman**

The Board appoints the Committee Chairman who will call and chair the meetings.

**VIII. Secretary**

Unless decided otherwise by resolution of the Board, the Secretary of the Company shall act as Committee Secretary. The Secretary must attend Committee meetings and prepare the minutes. He/she must provide notification of meetings as directed by the Committee Chairman. The Secretary is the guardian of the Committee's records, books and archives.

**IX. Meeting Proceedings**

The Committee establishes its own procedures as to how meetings are called and conducted. Unless it is otherwise decided, the Committee shall meet privately and independently from Management at each regularly scheduled meeting. In the absence of the regularly appointed Chairman, the meeting shall be chaired by another Committee member selected among attending participants and appointed accordingly. In the absence of the regularly appointed Secretary, Committee members shall designate someone to carry out this duty.

**X. Quorum and Vote**

Unless the Board otherwise specifies by resolution, two Committee members shall constitute an appropriate quorum for deliberation of items on the agenda. During meetings, decisions are reached by a majority of votes from Committee members, unless the quorum is of two members, in which case decisions are made by consensus of opinion.

**XI. Records**

The Committee keeps records that are deemed necessary for its deliberations and reports to the Board on its activities and recommendations on a regular basis.

**XII. Effective Date**

This charter was adopted by the Directors at its May 3, 2004 Board meeting. It was amended by the Directors during the February 8, 2006 Board meeting.

**APPENDIX F**

**SHARE OPTION PLAN**

~~THERATECHNOLOGIES INC.~~<sup>1</sup>



SHARE OPTION PLAN<sup>2</sup>

LAST UPDATE: FEBRUARY 8, 2007

## ~~SHARE OPTION~~<sup>4</sup> 1. PURPOSE OF THE<sup>5</sup> PLAN

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### ~~Purpose~~<sup>6</sup>

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The Share Option Plan (the "**Plan**") is intended to interest key persons toward the success of Theratechnologies Inc. (the "**Company**") by making them participate in the increase of the value of the common shares.

### ~~1. Category and Number of Shares Reserved under the Plan~~<sup>7</sup><sup>8</sup>

## 2. CATEGORY AND NUMBER OF SHARES RESERVED UNDER THE PLAN<sup>9</sup><sup>10</sup>

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The shares that are reserved to be issued under the Plan are common shares of the share capital of the Company (the "**Common Shares**"). The maximum number of Common Shares that may be issued upon the terms of the Plan shall not exceed ~~3,500,000~~<sup>11</sup> 5,000,000<sup>12</sup> Common Shares. Upon expiry or cancellation, in whole or in part, of unexercised options, the Common Shares underlying such options shall be available for other options to be granted from time to time under the Plan.

### ~~2. Administration~~<sup>13</sup>

## 3. ADMINISTRATION<sup>14</sup>

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The Board of Directors of the Company (the "**Board**") administers the Plan. Subject to the terms of the Plan, the Board shall have full power and authority to (i) designate the persons who are to receive options under the Plan, (ii) determine the number of options granted<sup>15</sup>, (iii) establish the exercise price of such options, (iv) decide on the option period of the options and (v) establish the other conditions relative to such options. The Board shall have the right to vary the terms upon which options are granted to particular optionees, provided such different terms do not increase the benefits accruing to such optionees hereunder. Any determination by the Board shall be final and conclusive. The day-to-day administration of the Plan may be delegated to such officers and employees of the Company or of any subsidiary of the Company as the Board in its sole discretion shall determine.

### ~~3. Terms and Conditions~~<sup>16</sup><sup>17</sup>

## 4. TERMS AND CONDITIONS<sup>18</sup>

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4.1 ~~3.1~~<sup>19</sup> Persons Eligible to Receive Options. The persons eligible to receive options under the Plan are the directors, senior executives and key employees of the Company and its subsidiaries, as well as researchers and consultants who work on behalf of the Company.

4.2 ~~3.2~~<sup>20</sup> Number of Options. Each option will entitle the optionee to purchase one Common Share. The total number of options granted to an optionee is determined by the Board, at its sole discretion, except for the following:

- 4.2.1 ~~a)~~<sup>21</sup> The total number of Common Shares set aside for the exercise of options under the Plan by one individual shall not represent, in any circumstances, more than 5% of the Company's issued and outstanding Common Shares;
- 4.2.2 ~~b)~~<sup>22</sup> the ~~total~~<sup>23</sup> number of Common Shares ~~reserved for issuance under all plans to the Company's~~<sup>24</sup> ~~that may be issued to~~<sup>25</sup> insiders, as defined in the Securities Act (Ontario) (the "~~Insiders~~")<sup>26</sup>, Insiders<sup>27</sup>, at any time, under all security based compensation arrangements of the Company, as defined in the Toronto Stock Exchange Company Manual, (the "Security Based Compensation Arrangements"), cannot exceed 10% of issued and<sup>27</sup> outstanding shares of the Company<sup>28</sup>, as defined in the Toronto Stock Exchange Company Manual (~~the~~<sup>29</sup> "**Shares Outstanding**");
- 4.2.3 ~~e)~~<sup>30</sup> the ~~total~~<sup>31</sup> number of Common Shares issued ~~under all plans~~<sup>32</sup> to the ~~Insiders~~<sup>33</sup>, within ~~a~~<sup>34</sup> any<sup>35</sup> one<sup>36</sup> year period, ~~shall not~~<sup>37</sup> under all Security Based Compensation Arrangements, cannot<sup>38</sup> exceed 10% of the Shares Outstanding; and
- 4.2.4 ~~d)~~<sup>39</sup> the ~~total~~<sup>40</sup> number of Common Shares issued ~~under all plans to an Insider and such Insider's associates~~<sup>41</sup> to non-employee directors<sup>42</sup>, within ~~a~~<sup>43</sup> any<sup>44</sup> one<sup>45</sup> year period, ~~shall not~~<sup>46</sup> under all Security Based Compensation Arrangements, cannot<sup>47</sup> exceed ~~5~~<sup>48</sup> 0.5<sup>49</sup>% of the Shares Outstanding.
- 4.3 ~~3.3~~<sup>50</sup> **Exercise Price.** The price at which Common Shares may be purchased under the Plan is determined by the Board on the date an option is granted (the "**Grant Date**"); provided however, that such price may not be less than the market price of the Common Shares ~~at the time of the grant~~<sup>51</sup> (the "**Exercise Price**"). For the purpose hereof, "market price" shall mean:
- 4.3.1 ~~a)~~<sup>52</sup> the closing price of the Common Shares on the Toronto Stock Exchange on the last trading day immediately preceding the relevant Grant Date; and
- 4.3.2 ~~b)~~<sup>53</sup> if there was no closing price for the Common Shares on the Toronto Stock Exchange, then the market price shall be the average of the bid and ask quotations for the Common Shares for the five trading days prior to the Grant Date.
- 4.4 ~~3.4~~<sup>54</sup> **Conditions.** The Board may subject the exercise of the options to certain conditions which it will determine, at its sole discretion.
- 4.5 ~~3.5~~<sup>55</sup> **Option Period.** The optionee may exercise an option at any time starting on the date determined by the Board until the tenth anniversary of the Grant Date or during any other shorter period at the discretion of the Board on the Grant Date<sup>56</sup> (the "Option Period"). All unexercised options expire, and have no effect, following the date of the ~~tenth anniversary of the Grant Date (the "Expiry Date")~~<sup>57</sup> end of the Option Period (the "Expiry Date"), except in the circumstances where the end of the term of an option falls within, or within ten business days after the end of, a "blackout" or similar period imposed under any insider trading policy or similar policy of the Company (but not, for greater certainty, a restrictive period resulting from the Company or its Insiders being the subject of a cease trade order of a securities regulatory authority). In such circumstances, the

Option Term shall automatically be extended to end on the tenth (10th) business day after the end of such blackout period (the “Blackout Expiration Term”).<sup>58</sup>

4.6 ~~3.6~~<sup>59</sup> Methods of Payment. The optionee may, during the Option Period, elect to exercise any or all of the options then granted and not previously exercised by delivering to the Company payment in full of the Exercise Price accompanied by a completed purchase form, substantially in the form provided in Schedule A hereto. Subject to Section ~~4~~,<sup>60</sup> 5,<sup>61</sup> options may only be exercised in increments of 100. Payment of the Exercise Price may be made by cash, cheque,<sup>62</sup> certified cheque, cheque from a recognized brokerage firm,<sup>63</sup> bank draft or money order payable to the Company, or any other method of payment approved by the Board,<sup>64</sup> subject to Subsection ~~3.7~~,<sup>65</sup> 4.7.<sup>66</sup>

4.7 ~~3.7~~<sup>67</sup> Loan. Any optionee may obtain from the Company, upon the exercise of an option, a loan with or without interest, within the limit and in accordance with the terms established by the Board, to pay the Exercise Price of the Common Shares subscribed under the Plan. This loan shall be repayable upon the terms prescribed by the Board. The optionee paying the Exercise Price of the Common Shares using this loan shall sign a promissory note and pledge or hypothecate the Common Shares in favour of the Company as a security for the repayment of the loan and the interest thereon, if any. The Common Shares shall be discharged of the pledge or hypothec, as the case may be, upon the terms determined by the Board.

In the event of death of an optionee, the balance of the loan must be repaid within six months after the date of death and no new loan may be granted upon the exercise of options after the date of the optionee's death.

If an optionee retires, the balance of the loan must be repaid within twelve months of the date of retirement and no new loan may be granted upon the exercise of options after the date of retirement.

If the employment, research project or consulting agreement of an optionee terminates for any cause other than death or retirement, the balance of the loan must be repaid within ninety days of the date of termination of employment, research project or consulting agreement and no new loan may be granted upon the exercise of options after the date of termination of employment, research project or consulting agreement.

4.8 ~~3.8~~<sup>68</sup> Termination of an Optionee's Employment. If the employment, research project or consulting agreement of an optionee terminates for any cause other than death prior to the Expiry Date,<sup>69</sup> (a "**Termination of Employment**"), any or all of the unexercised vested options may be exercised, at any time during a period of 180 days following the date of Termination of Employment of the optionee, or any other shorter period at the discretion of the Board, ~~but before the Expiry Date provided, however, that:~~<sup>70 71</sup>

- ~~a) in the event the employment of an optionee is terminated without a serious reason, the Board may, at its discretion, amend the terms of any option held by such optionee to permit such person to exercise any or all of such options as if such optionee's employment had not been terminated; and~~<sup>72</sup>
- ~~b) notwithstanding any other term or condition of the Plan, in the event the employment of an optionee is terminated for a serious reason, the unexercised vested options held by such optionee will only be exercisable on the next~~

~~business day following the date of remittance of a written notice to the optionee confirming (i) such termination for a serious reason and (ii) the delay to exercise such options.~~<sup>73</sup>

For the purposes of the ~~P~~<sup>74</sup>P<sup>75</sup>lan, the transfer of an optionee to another position or project within the Company or a subsidiary is not considered a Termination of Employment.

All unexercised options shall be cancelled at a meeting of the Board following the end of the period granted above for the exercise of the options.

- 4.9 ~~3.9~~<sup>76</sup>Non-Employee Director Ceasing to Act as Director. If a non-employee director ceases to act as a director of the Company prior to the Expiry Date<sup>77</sup>, such non-employee director may exercise, at any time during a period of 180 days following<sup>78</sup> following the announcement of the quarterly results after the date such director ceases to act as such and prior to the Expiry Date, any or all unexercised options which are vested on the date he ceased to act as a director.
- 4.10 ~~3.10~~<sup>79</sup>Rights in the Event of an Optionee's Death. In the event of the death of an optionee prior to the Expiry Date<sup>80</sup>, such optionee's legal personal representative(s) may exercise, at any time during a period of ~~180 days~~<sup>81</sup> one (1) year<sup>82</sup> after the date of the optionee's death ~~and prior to~~<sup>83</sup>, or any other period at the discretion of the Board, but before<sup>84</sup> the Expiry Date, any or all unexercised options which are vested on the date of the optionee's death.
- 4.11 ~~3.11~~<sup>85</sup>No Employment Guaranty. Nothing in the Plan shall confer upon the optionee the continued right to be employed by the Company or its subsidiaries or the right to render services to the Company or in the case of a researcher the continued right to be employed by the University and its affiliated centres or interfere in any way with the right of the Company or the University and its affiliated centres to terminate an optionee's employment or agreement at any time and for any reason.
- 4.12 ~~3.12~~<sup>86</sup>No Shareholder Rights. An optionee shall have no rights as a shareholder with respect to the Common Shares underlying such optionee's options until the date of issue of such Common Shares to the optionee following the exercise of such options, and only after such Common Shares shall have been fully paid.
- 4.13 ~~3.13~~<sup>87</sup>Transfer and Assignment. The optionee's rights with respect to the options granted under the Plan are not assignable or transferable by the optionee or capable of being the subject of any other alienation, sale, pledge, hypothec or other encumbrance by such optionee other than a transfer to its legal personal representative(s) by will or by law and ~~other than to the Company pursuant to Section 3.7 herein and~~<sup>88</sup> except by an order of a court of competent jurisdiction. Vested options are exercisable during the optionee's lifetime only by the optionee. The obligations of each optionee shall be binding on the heirs and executors.
- 4.14 ~~3.14~~<sup>89</sup>Compliance with Applicable Securities and Other Laws. Options may be exercised only to the extent that the Company has obtained the necessary approvals under applicable securities and other laws governing the issue and sale by the Company of its Common Shares to optionees.

## ~~4.~~<sup>90</sup> **Adjustments**<sup>91</sup>

## 5. ADJUSTMENTS<sup>92</sup>

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Subject to any regulatory approval or notification required by applicable law or stock exchange guidelines, upon the happening of any of the following events, an optionee's rights with respect to an option granted under the Plan shall be adjusted as hereinafter provided:

- 5.1 ~~4.1~~<sup>93</sup> Subdivision, Redivision or Change into a Greater Number. In the event of any subdivision, redivision or change of the Common Shares into a greater number of shares at any time, or in the case of the issue of shares of the Company to the holders of its outstanding Common Shares by way of a share dividend or share dividends, the number of Common Shares deliverable by the Company upon the exercise of an option shall be increased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, redivision or change.
- 5.2 ~~4.2~~<sup>94</sup> Consolidation or Change into a lesser Number. In the event of any consolidation or change of the Common Shares into a lesser number of shares at any time, the number of Common Shares deliverable by the Company upon the exercise of an option shall be decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such consolidation or change.
- 5.3 ~~4.3~~<sup>95</sup> Reclassification. In the event of any reclassification of the Common Shares, an optionee shall accept, at the time of the exercise of options, in lieu of the number of Common Shares in respect of which the options are being exercised, the number of shares of the Company of the appropriate class or classes as the optionee would have been entitled as a result of such reclassification had the options been exercised before such reclassification.
- 5.4 ~~4.4~~<sup>96</sup> Amalgamation, Acquisition by an Entity, Sale of Assets. Subject to Subsection ~~4.5,~~<sup>97</sup> ~~5.5,~~<sup>98</sup> if the Company is to be amalgamated with or acquired by another entity in a merger, sale of all or substantially all of its assets or otherwise (an "Acquisition"), the Board ~~or the board of directors of any entity assuming the obligations of the Company under the Plan (the "Successor Board").~~<sup>99</sup> shall, as to outstanding options, either (i) make appropriate provisions for the continuation of such options by substituting on an equitable basis for the shares then subject to such options the consideration payable with respect to the outstanding Common Shares in conjunction with the Acquisition; or (ii) upon written notice to the optionees, provide that all options must be exercised, to the extent they are then exercisable, within a specified number of days of the date of such notice, at the end of which period the options shall terminate; or (iii) terminate all options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to such options (to the extent they are then exercisable) over the ~~e~~<sup>100</sup> E<sup>101</sup> exercise ~~p~~<sup>102</sup> P<sup>103</sup>rice thereof.
- 5.5 ~~4.5~~<sup>104</sup> Offer to purchase. Notwithstanding Subsection ~~4.4~~<sup>105</sup> ~~5.4~~<sup>106</sup> hereof, if an offer to purchase all of the outstanding Common Shares is made, all options which are not vested shall, from the date of the offer, be exercisable notwithstanding any provision to the contrary at the time of the grant.

5.6 ~~4.6~~<sup>107</sup> Dissolution or liquidation. In the event of the proposed dissolution or liquidation of the Company, all options will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Board.

5.7 ~~4.7~~<sup>108</sup> No adjustments. Except as expressly provided herein, no issue by the Company of shares of any class, or securities convertible into shares of any class, shall affect the number or Exercise Price of Common Shares underlying the options and no modification shall be made with respect to the number or Exercise Price of Common Shares underlying the options under the Plan. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company or its subsidiaries.

5.8 ~~4.8~~<sup>109</sup> No fraction. No fractional shares shall be issued under the Plan and the optionee shall receive from the Company cash in lieu of such fractional shares.

5.9 ~~4.9~~<sup>110</sup> Appropriate adjustments. Upon the occurrence of any of the foregoing events described in Subsections ~~4.1, 4.2, 4.3~~<sup>111</sup> 5.1, 5.2, 5.3<sup>112</sup> and ~~4.4~~<sup>113</sup> 5.4<sup>114</sup> above, the class and aggregate number of shares set forth in Section ~~4~~<sup>115</sup> 2<sup>116</sup> underlying the options which previously have been or subsequently may be granted under the Plan shall also be appropriately adjusted to reflect the events described in such subsections. The Board or the Successor Board shall determine the specific adjustments to be made under this Section ~~4~~<sup>117</sup> 5<sup>118</sup> and its determination shall be conclusive.

## ~~5. — Amendment and Discontinuance~~<sup>119</sup>

## 6. AMENDMENT AND TERMINATION<sup>120</sup><sup>121</sup>

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6.1 ~~The Board may at any time terminate the Plan with respect to any Common Shares not at the time subject to option, and the Board may at any time amend any of the provisions of the Plan subject to obtaining any required approval of applicable stock exchanges or other regulatory authorities, provided that any such amendment may not, without the consent of the optionee, adversely affect or impair any option previously granted to an optionee under the Plan.~~<sup>122</sup> bears full responsibility with regard to the Plan, which includes, but not limited to, the power and authority to adopt, amend, suspend or terminate the Plan. Any such adoption, amendment, suspension or termination is subject to the rules set forth by the regulatory authorities.<sup>123</sup>

## ~~6. — Eligibility to the Stock Savings Plan~~<sup>124</sup>

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~~In the Budget Speech delivered before the National Assembly by the Finance Minister on June 12, 2003, a moratorium was imposed on the issue of securities under the Quebec Stock Savings Plan pursuant to the Taxation Act (Quebec). Consequently, of the 3,500,000 Common Shares offered under the Plan, only 2,682,209 may be included in a Stock Savings Plan. The Participants will be informed if the Common Shares underlying their options qualify.~~<sup>125</sup>

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6.2 Subject to Section 6.3, shareholder approval is not required for amendments to the Plan or options.<sup>126</sup>

6.3<sup>127</sup> Approval by a majority of the voting shareholders present at a duly called shareholder meeting is required for the following amendments:<sup>128</sup>

- a) <sup>129</sup>any increase to the number of Common Shares that may be issued under the Plan;<sup>130</sup>
- b) <sup>131</sup>the reduction of the Exercise Price of options or the cancellation and reissue of options to the same individual within a period of 6 months;<sup>132</sup>
- c) <sup>133</sup>the extension of the Option Period of options;<sup>134</sup>
- d) <sup>135</sup>the extension of the Blackout Expiration Term provided for in Section 4.5;<sup>136</sup>
- e) <sup>137</sup>any transfer and assignment of options other than pursuant to Section 4.13; and<sup>138</sup>
- f) <sup>139</sup>the removal or increase of limits to the number of options that may be granted to non-employee directors.<sup>140</sup>

6.4 <sup>141</sup>No amendment of the Plan or options may contravene the requirements of any competent regulatory authority to which the Plan or the Company is now or may hereafter be subject to.<sup>142</sup>

6.5 <sup>143</sup>With regard to the approval of amendments mentioned in Sections 6.3 b) and c) votes attached to Shares beneficially owned by the Insider may never be included.<sup>144</sup>

6.6 <sup>145</sup>The shareholders' approval of an amendment may be given by way of confirmation at the next meeting of shareholders after the amendment is made, provided that no Common Shares are issued pursuant to the amended terms.<sup>146</sup>

**7. ~~Governing Law~~<sup>147</sup> GOVERNING LAW<sup>148</sup>**

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The Plan and the options granted under the Plan shall be construed in accordance with and be governed by the laws of the Province of Quebec.

**~~8. Effective Date~~<sup>149</sup>**

**8. EFFECTIVE DATE<sup>150</sup>**

The Plan came in effect on December 6, 1993. It was approved by the Directors on December 6, 1993, by the regulatory authorities on December 8, 1993 and by the shareholders on March 29, 1995. It was modified by the Directors on ~~eight~~<sup>151</sup> nine<sup>152</sup> occasions, being July 18, 1994, February 20, 1995, September 26, 1996, July 27, 1998, December 15, 1998, February 16, 1999, March 15, ~~2001 and on~~<sup>153</sup> 2001,<sup>154</sup> March 14, ~~2003~~<sup>155</sup> 2003 and February 8, 2007.<sup>156</sup> These changes were approved by the shareholders on ~~four~~<sup>157</sup> five<sup>158</sup> occasions, being March 26, 1997, April 22, 1999, May 10, ~~2001 and~~<sup>159</sup> 2001,<sup>160</sup> May 7, ~~2003~~<sup>161</sup> 2003 and March 29, 2007.<sup>162</sup>

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**THERATECHNOLOGIES INC.  
SHARE OPTION PLAN – PURCHASE FORM**

**SECTION A – PURCHASE REQUEST – TO BE COMPLETED BY OPTIONEE**

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

~~Social Insurance Number:~~ \_\_\_\_\_<sup>163</sup> Office telephone: \_\_\_\_\_<sup>164</sup>

Current Position in Company: \_\_\_\_\_

Date of Grant	Number of Options Granted	Number of Options Exercised Hereby*	Exercise Price	Purchase Price
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Purchase Price: \_\_\_\_\_

Method of Payment: <sup>165</sup> ~~Cash~~ <sup>166</sup> ~~Certified Cheque~~ <sup>168</sup> ~~Bank draft~~ <sup>170</sup> \_\_\_\_\_<sup>171</sup>

I hereby elect to exercise the number of options to purchase  $\epsilon$  <sup>172</sup> C <sup>173</sup> ommon  $\$$  <sup>174</sup> S <sup>175</sup> hares of Theratechnologies Inc. as indicated above\*.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

~~If the Common Shares purchased hereby are for inclusion in your Quebec Stock Savings Plan, please provide the name and address of your broker:~~ \_\_\_\_\_

\_\_\_\_\_<sup>176</sup>

**SECTION B – VERIFICATION – TO BE COMPLETED BY THE COMPANY**

I hereby certify that the above individual is eligible to exercise the number of options as indicated above and acknowledge receipt of payment therefore.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**INFORMATION FOR TAX PURPOSES**

Market value of Common Shares on exercise date: \_\_\_\_\_

**SECTION C – RECEIPT OF COMMON SHARES**

I acknowledge receipt of certificate numbers: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**PLEASE RETAIN FOR TAX PURPOSES**

**APPENDIX G**

**SHARE PURCHASE PLAN**



**COMMON SHARE PURCHASE PLAN**  
**FOR EMPLOYEES OF**  
**THERATECHNOLOGIES INC. AND ITS SUBSIDIARIES**

[LAST UPDATE: FEBRUARY 8, 2007<sup>1</sup>](#)

~~LAST UP-DATE: APRIL 25, 2005<sup>2</sup>~~

## 1. ~~1.~~<sup>4</sup> PURPOSE OF THE PLAN

In order to facilitate employee shareholding, Theratechnologies Inc. ~~(the “Company”)~~<sup>5</sup> establishes a share purchase plan for its employees and those of its subsidiaries.

## 2 DEFINITIONS

Within the meaning of this plan, unless the context indicates otherwise:

- 2.1 “**Common Shares**” means the common shares of the Company's share capital;
- 2.2 “**Company**” means Theratechnologies Inc.;
- 2.3 “**Employee**” means any eligible employee within the meaning of Section 5.1;
- 2.4 “**Employer**” means the Company or a Subsidiary for which an Employee works;
- 2.5 “**Financing Program**” means the financing program offered pursuant to Article 9;
- 2.6 “**Hypothec**” means the hypothec of the Subscribed Shares by the Participant in favor of the Company to secure full and final repayment of the Loan, pursuant to Sub-section 9.3.3;
- 2.7 “**Insider**” means (i) an insider as defined in the *Securities Act* (~~Quebec~~<sup>6</sup>~~Ontario~~<sup>7</sup>), other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary; and (ii) an associate of any person who is an insider by virtue of (i) above;
- 2.8 “**Loan**” means the loan extended to a Participant pursuant to the Plan by the Company in accordance with Section 9.1;
- 2.9 “**Participant**” means an Employee who is participating in the Plan, in accordance with Article 6;
- 2.10 “**Participation Date**” means November 1<sup>st</sup> or May 1<sup>st</sup> of each year, or if this date is not a business day, the first following business day;
- 2.11 “**Plan**” means this common share purchase plan;
- 2.12 “**Promissory Note**” means the promissory note in the form as attached hereto, completed and signed by a Participant;
- 2.13 ~~8:~~<sup>8</sup> “**Security-Based Compensation Arrangements**” means all security-based compensation arrangements of the Company, as defined in the Toronto Stock Exchange Company Manual;<sup>9</sup>
- 2.14 ~~10:~~<sup>10</sup> “**Shares Outstanding**” means the issued and outstanding shares of the Company, as defined in the Toronto Stock Exchange Company Manual;<sup>11</sup>
- 2.15 ~~2.13:~~<sup>12</sup> “**Subscribed Shares**” means the Common Shares subscribed by a Participant in accordance with the Plan;

2.16 ~~2.14~~<sup>13</sup>“**Subscription Form**” means the subscription form in the form as attached hereto, completed and signed by a Participant;

2.17 ~~2.15~~<sup>14</sup>“**Subscription Price**” means the price of the Subscribed Shares, as determined in Section 7.1;

2.18 ~~2.16~~<sup>15</sup>“**Subsidiary**” means an entity controlled by the Company. An entity is reputed controlled by the Company when it owns the necessary securities enabling it to elect the majority of directors. The Subsidiary of a Subsidiary is reputed being a Subsidiary of the Company.

2.19 ~~2.17~~<sup>16</sup>“**Trustee**” means ~~National Bank~~<sup>17</sup> Computershare<sup>18</sup> Trust ~~Inc.~~<sup>19</sup> Company of Canada<sup>20</sup>, at its head office in Montreal, or any other trustee designated by the Company.

### 3. ~~3.~~<sup>21</sup> **OFFER**

The Company offers Employees the right to directly subscribe for Common Shares by means of an<sup>22</sup> interest-free ~~l~~<sup>23</sup> l<sup>24</sup> ~~oans~~<sup>25</sup>.

### 4. ~~4.~~<sup>26</sup> **MAXIMUM NUMBER OF OFFERED SHARES**

The total number of Common Shares offered pursuant to this Plan shall not exceed ~~250,000;~~<sup>27</sup> 400,000.<sup>28</sup> If, during a participation period, the Company receives Subscription Forms which would bring the Common Shares issued pursuant to this Plan above ~~250,000;~~<sup>29</sup> 400,000;<sup>30</sup> the Company will distribute the Common Shares available under the Plan among the participants of such participation period in proportion to their respective subscriptions.

### 5. ~~5.~~<sup>31</sup> **ELIGIBILITY AND RESTRICTIONS**

5.1 Are eligible to participate in the Plan, all regular, full-time or part-time, employees of the Company or of a Subsidiary who, on the Participation Date, are residents of Quebec or Ontario, have at least three (3) months of continuous service and, directly, indirectly or with related persons who are not employees of the Company or of a Subsidiary, hold less than 5% of the Company's issued and outstanding share capital.

5.2 ~~The Company may not reserve for issuance to Insiders pursuant to the Plan and any other share option plan adopted by the Company, a number of shares exceeding 10% of the Company's issued and outstanding share capital.~~<sup>32</sup> number of Common Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, cannot exceed 10% of the Shares Outstanding.<sup>33</sup>

5.3 ~~The Company may not issue~~<sup>34</sup> number of Common Shares issued<sup>35</sup> to Insiders,<sup>36</sup> within a one-year period, pursuant to the Plan and any other share option plan adopted by the Company, a number of shares exceeding 10% of the Company's issued and outstanding share capital<sup>37</sup> any one year period, under all Security Based Compensation Arrangements, cannot exceed 10% of the Shares Outstanding<sup>38</sup>.

~~5.4 The Company may not issue to any one Insider within a one-year period, a number of shares exceeding 5% of the Company's issued and outstanding share capital.~~<sup>39</sup>

## **~~6.~~ <sup>40</sup> PARTICIPATION IN THE PLAN AND SUBSCRIPTION OF SHARES**

- 6.1 Participation in the Plan is completely voluntary.
- 6.2 The Employee who wishes to participate in the Plan and subscribe for Common Shares pursuant to the Plan must complete and sign the Subscription Form and remit it to the Secretary of the Company no later than ten (10) days after the Participation Date.
- 6.3 A Participant may annually subscribe for a number of Common Shares pursuant to the Plan up to a maximum amount of 10% of his current annual gross salary.

## **7 SUBSCRIPTION PRICE, ISSUE OF COMMON SHARES AND REMITTANCE OF SHARE CERTIFICATES**

- 7.1 The subscription price of the Subscribed Shares will be equal to the weighted average closing price of the Common Shares on the Toronto Stock Exchange during a period of five (5) days prior to the Participation Date. If during such period there is no closing price, such price shall be replaced by the simple average of the bid and ask prices.
- 7.2 For the purposes of the Plan, it is presumed that the Common Shares will be issued as of the date of acceptance by the Company on the Subscription Form.
- ~~7.3~~ ~~7.2.1~~ ~~7.3~~ <sup>41</sup>The certificates representing the Subscribed Shares shall be prepared by the Trustee within 15 working days following the participation date and shall be held by the latter during the complete term of the Loan.

## **8 ~~8.~~ <sup>42</sup> PAYMENT OF THE SUBSCRIPTION PRICE**

The Subscription Price must be paid in full at the time of remittance of the Subscription Form. To do so, the Participant shall complete, sign and remit the Promissory Note to the Secretary together with the Subscription Form. The Company will then pay the total Subscription Price on behalf of the Participant.

## **~~9.~~ <sup>43</sup> FINANCING PROGRAM**

- 9.1 Subject to section 9.2, the Company offers each Participant who subscribes for Common Shares pursuant to this Plan, an interest-free loan of an amount corresponding to the Subscription Price.
- 9.2 The aggregate amount of the ~~the~~ <sup>44</sup> loans granted to each Participant pursuant to this Plan shall not, in any case, exceeds 10% of the amount of his ~~her~~ <sup>46</sup> current annual gross salary.
- 9.3 Any Loan is subject to the following conditions:
- 9.3.1 all the proceeds from the Loan must be used exclusively to purchase the Subscribed Shares;
- 9.3.2 the Loan is repayable by equal withholdings from the Participant's salary for a period not exceeding 52 consecutive withholdings, according to the payment method applicable to this Participant, the first of these withholdings to start on the first pay following the issue date of the Subscribed Shares;



## **10. ~~10.~~<sup>47</sup> OWNERSHIP OF THE SUBSCRIBED SHARES**

Notwithstanding the Loan and the Hypothec, the Participant retains the ownership of the Subscribed Shares and continues to benefit from the rights attached thereto, such as the right to vote and to receive the dividends declared and paid thereon, as long as the Participant is not in default with respect to the Loan.

## **11. ~~11.~~<sup>48</sup> PLAN ADMINISTRATIVE EXPENSES**

The Company will cover the account's administrative and management expenses charged by the Trustee during the complete term of the Loan.

## **12 CERTAIN TAX CONSIDERATIONS**

For federal and Quebec income tax purposes, as the case may be, the Company must add to each Participant's gross revenue an amount equal to the product obtained by multiplying, for any given period, the balance of the Loan to facilitate the purchase of the Common Shares by the interest rate recommended pursuant to the *Income Tax Act* (Canada) and the *Taxation Act* (Quebec), as the case may be, as amended from time to time. These rates may vary at the discretion of the governments in question. However, any amount to be added to a Participant's gross revenue is deemed to be interest paid for investment purposes by the latter and may be deducted in computing his taxable income.

## **~~13.~~ ~~13.~~<sup>49</sup> RESALE OF THE SHARES**

The Company is a reporting issuer pursuant to the provisions of the *Securities Act* (Quebec) whose Common Shares are listed and traded on the Toronto Stock Exchange. A Participant's Subscribed Shares may be resold through the Toronto Stock Exchange, if the Company is still a reporting issuer and has complied with the applicable requirement for more than 12 months.

## **~~14.~~ ~~14.~~<sup>50</sup> VARIOUS PROVISIONS**

14.1 The Plan is a voluntary program set up by the Company and does not constitute a condition of employment or a condition to maintain employment.

2.7 An Employee's participation in the Plan is not mandatory; it is purely voluntary by the Employee and cannot be construed as conferring any right or privilege whatsoever other than the rights and privileges expressly set out in this Plan. In particular, participation in the Plan does not constitute an undertaking by the Company or a Subsidiary to continue to guarantee employment to the Employee and cannot be construed as interfering with or preventing the Employer from exercising its management rights.

2.8 The Plan does not offer any guarantee against any loss a Participant may incur because of a decline in the value of the Subscribed Shares due to market fluctuations.

## **15. ~~15.~~<sup>51</sup> AMENDMENTS<sup>52</sup>**

15.1 The Board of Directors bears full and complete responsibility with regard to the Plan, which includes, but not limited to, the power and authority to adopt, amend, suspend or

terminate the Plan, as it deems necessary or desirable. Any such adoption, amendment, suspension or termination is subject to the rules set forth by the regulatory authorities.<sup>53</sup>

15.2 Subject to Sub-section 15.3, shareholder approval is not required for amendments to the Plan.<sup>54</sup>

15.3 Approval by a majority of the voting shareholders present at a duly called shareholder meeting is required for any increase to the number of Common Shares issuable under the Plan.<sup>55</sup>

15.4 No amendment of the Plan may contravene the requirements of any competent regulatory authority to which the Plan or the Company is now or may hereafter be subject to.<sup>56</sup>

15.5 The shareholders' approval of an amendment may be given by way of confirmation at the next meeting of shareholders after the amendment is made, provided that no Common Shares are issued pursuant to the amended terms.<sup>57</sup>

## 21. ~~15.~~<sup>58</sup> **RIGHT TO TERMINATE THE PLAN**

The Company reserves the right, at all times, before the Subscribed Shares are issued, to amend, ~~subject to the approval of regulatory authorities,~~<sup>59</sup> to suspend or to terminate the Plan, in whole or in part, subject to subsection 15.1-15.5<sup>60</sup>; the Company may not however amend this Plan in a way that would remove a right or a privilege existing on the date of the amendment from a Participant or any other person<sup>61</sup> and in contravention of Subsections 15.1-15.5.<sup>62</sup>

The Plan terminates automatically as soon as all the Common Shares set aside for purposes of the Plan have been subscribed for and the ~~!~~<sup>63</sup> L<sup>64</sup>oans extended thereon repaid. The Company may decide to extend the Plan by setting aside additional shares for this purpose.

## 22. ~~16.~~<sup>65</sup> **NON-ASSIGNABILITY**

A Participant cannot assign or otherwise alienate his rights in the Plan and any such assignment or alienation is not enforceable against the Company.

## ~~17. — MINIMUM FUNDS TO AMASS AND USE OF PROCEEDS~~<sup>66</sup>

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~~No minimum funds have to be amassed. The proceeds from the sale of the Common Shares issued pursuant to the Plan will be used to increase the Company's working capital.~~<sup>67</sup>

## **23 OTHER MATERIAL FACTS**

There is no other material fact pertaining to the Company and to the offered Common Shares, the disclosure of which would be necessary to enable a person to make a well-informed decision.

## ~~19. — TRANSFER OF SECURITIES~~<sup>68</sup>

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~~There has been no transfer of securities entailing a material change in control of the Company since the last annual meeting.~~<sup>69</sup>

**24.     ~~20.~~<sup>70</sup> INTERPRETATION AND ADMINISTRATIVE DETAILS**

A committee composed of the President and Chief Executive Officer, the Senior Executive Vice President and Chief Financial Officer, and the Secretary of the Company has full power to interpret the provisions of the Plan, adopt any by-law and make any decision it deems necessary or expedient to administer the Plan and may, together with the Trustee, concur on the administrative details to ensure the efficiency of the Plan.

**25.     ~~21.~~<sup>71</sup> APPLICABLE LAWS**

This Plan must be construed in accordance with the laws of Quebec.

**26.     ~~22.~~<sup>72</sup> SUBSCRIPTION AND PROMISSORY NOTE FORMS**

The Subscription Form and Promissory Note attached hereto form an integral part of this Plan.

**27.     ~~23.~~<sup>73</sup> EFFECTIVE DATE OF THE PLAN**

The Plan became effective on April 22, 1999. It was approved by its directors on February 16, 1999, by its shareholders on April 22, 1999 and by the regulatory authorities on September 13, 1999. It was modified on two occasions, May ~~9, 2002~~<sup>74</sup>, 7, 2003<sup>75</sup> and ~~May 7, 2003.~~<sup>76</sup> March 29, 2007.<sup>77</sup>

**COMMON SHARE PURCHASE PLAN**  
**FOR EMPLOYEES OF**  
**THERATECHNOLOGIES INC. AND ITS SUBSIDIARIES**

**SUBSCRIPTION FORM**

**PRESENTED TO**

Theratechnologies Inc.  
2310, Alfred-Nobel Boulevard  
Saint-Laurent<sup>78</sup> Montreal<sup>79</sup>, Québec  
H4S 2A4  
Attention: The Secretary of the Company

**PARTICIPANT GENERAL INFORMATION**

Name: \_\_\_\_\_

First Name: \_\_\_\_\_

Personal Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone (Office): \_\_\_\_\_

Telephone (Home): \_\_\_\_\_

Employer: \_\_\_\_\_

Date of Employment: \_\_\_\_\_  
(3 months from the Participation Date)

**SUBSCRIPTION**

- C. Number of Subscribed Shares: \_\_\_\_\_  
(hereinafter the “**Subscribed Shares**”)
  
- D. Price per Share: \_\_\_\_\_  
(determined by the Plan)
  
- E. Total Amount Invested: \_\_\_\_\_  
(hereinafter “Total Amount Invested”)  
(Number of Subscribed Shares (1) multiplied by the price per share (2))  
(Maximum 10% of the annual gross salary, including the previous subscriptions of the year)

**PAYMENT TERMS**

A promissory note (annexed hereto) for the Total Amount Invested (3) must be completed and signed by the Participant, and remitted with the present form.

Number of withholding periods: \_\_\_\_\_  
(Maximum 52)

**PARTICIPANT’S UNDERTAKINGS**

The undersigned hereby wishes to join the Plan and confirms that:

- (i) I have read the Common Share Purchase Plan for Employees of Theratechnologies Inc. and of its Subsidiaries (the "Plan") and I accept all the terms, conditions and covenants set out therein which are integrated herein by reference and are deemed to form an integral part hereof;
  
- B. I acknowledge that the total balance of all loans I would have contracted, cannot exceed, in any circumstances, 10% of my annual gross salary;
  - 1. I undertake to repay the Loan in accordance with the terms and conditions set out in Article 9 of the Plan;
  
  - 2. I irrevocably authorize the Company to withhold installments from my salary according to the applicable payment method (covering the capital and, as the case may be, interest), to repay the Loan;
  
  - 3. once issued, the Subscribed Shares (and all dividends to be subsequently paid thereon) will automatically and immediately be hypothecated in favour of the Company to secure repayment of the Loan;
  
  - 4. to create and preserve the Hypothec, the certificates representing the Subscribed Shares (as well as all securities issued in relation to these shares or in replacement thereof) will be held by the Trustee on behalf of the Company; for this purpose, I authorize you to remit to the Trustee a copy hereof, as written evidence of the Hypothec;
  
  - 5. notwithstanding the Hypothec, I retain the ownership of the Subscribed Shares and will continue to benefit from the rights attached thereto, such as the right to vote and to

receive the dividends declared and paid thereon, as long as I am not in default with respect to the Loan.

6. in the event a portion of the Loan is not repaid, all of the unpaid balance of the Loan will bear interest an annual rate equal to the prime (base) rate of National Bank of Canada increased by three (3)% per year;
7. I name the Company as mandatory with respect to the Subscribed Shares, with full powers of substitution, to endorse any certificate representing such shares or to sign any transfer form in their respect, so as to allow the Company to more effectively exercise its rights as creditor pursuant to the aforementioned Hypothec;
8. if the balance of the Loan remains outstanding, the Company may exercise its hypothecary right and sell, for its own account, the Subscribed Shares; I remain responsible for the repayment of the balance of the Loan if the sale of the Subscribed Shares is insufficient to repay all of the balance owed of the Loan and the interest payable thereon; and
9. as soon as the Loan is repaid in its entirety, the Promissory Note and the Hypothec shall be automatically terminated and I will be able to obtain possession of the Subscribed Shares.

AND I HAVE SIGNED, ON \_\_\_\_\_.

\_\_\_\_\_  
(Participant's signature)

ACCEPTED ON \_\_\_\_\_.

THERATECHNOLOGIES INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PROMISSORY NOTE**

FOR VALUE RECEIVED the undersigned promises to pay Theratechnologies Inc. ("Theratechnologies"), or to its order

\$ \_\_\_\_\_  
(Total Amount Invested)

no later than on the date of the last withholding from my salary as provided for in the Subscription Form or on any other earlier date, if this amount becomes immediately repayable, without interest before its due date, but after its due date with interest on the entire balance then due at the prime (base) rate of National Bank of Canada increased by three (3)% per year.

**"Prime Rate"** means the annual interest rate declared from time to time by National Bank of Canada and which serves as a reference rate to fix interest rates on loans extended in Canada, in Canadian Dollars, by the bank to its preferred customers.

This promissory note evidences my loan contracted with Theratechnologies, repayable by withholdings from my salary and subject to the terms and conditions of the Common Share Purchase Plan for Employees of Theratechnologies and of its Subsidiaries (the "Plan"). The terms and conditions of the Plan are integrated herein by reference and are deemed to form an integral part hereof.

AND, I have signed, the \_\_\_\_\_.

\_\_\_\_\_  
(Participant's signature)

\_\_\_\_\_  
(Name in block letters)