



LAB RESEARCH INC.

NOTICE OF 2009 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR
CONCERNING THE

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE FAIRMONT, LE REINE ELIZABETH, MONTREAL, QUEBEC

ON MAY 21, 2009 AT 10:00 A.M. (EASTERN TIME)

APRIL 3, 2009

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF LAB RESEARCH INC.

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of the Shareholders (the “**Meeting**”) of LAB RESEARCH INC. (the “**Company**”) will be held at The Fairmont, Le Reine Elizabeth, Montreal Quebec on May 21, 2009 at 10:00 a.m. (local time), for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended December 31, 2008, together with the auditors’ report thereon;
2. to elect the directors of the Company;
3. to appoint KPMG LLP as the auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
4. to consider, and if deemed appropriate, pass a resolution to renew the Stock Option Plan of the Company;
5. to consider, and if deemed appropriate, pass a resolution to approve the termination of the Shareholder Rights Plan Agreement and the redemption of the rights issued thereafter; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying management proxy circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

SHAREHOLDERS MAY EXERCISE THEIR RIGHTS BY ATTENDING THE MEETING OR BY COMPLETING A FORM OF PROXY. SHOULD YOU BE UNABLE TO ATTEND THE MEETING IN PERSON, KINDLY COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED AT YOUR EARLIEST CONVENIENCE. TO BE VALID, PROXIES MUST REACH THE OFFICE OF COMPUTERSHARE TRUST COMPANY OF CANADA, 1500 UNIVERSITY STREET, SUITE 700, MONTREAL, QUEBEC, H3A 3S8, NO LATER THAN AT THE CLOSE OF BUSINESS ON THE LAST BUSINESS DAY PRECEDING THE DATE OF THE MEETING OR ANY ADJOURNMENT THERETO. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS AS INDICATED ON THE PROXY.

By order of the Board of Directors



Luc Mainville
President and Chief Executive Officer

Laval, Quebec
April 3, 2009

MANAGEMENT PROXY CIRCULAR

FOR THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS TO BE HELD ON MAY 21, 2009

SECTION 1. VOTING AND PROXIES

1.1 Solicitation of Proxies

This management proxy circular (this “**Circular**”) is provided in connection with the solicitation by management of LAB Research Inc. (the “**Company**”) of proxies to be used at the Annual and Special Meeting of the Shareholders (the “**Meeting**”) of the Company to be held at the time and place and at all adjournments thereof, for the purposes set forth in the notice of the Meeting that accompanies this Circular (the “**Notice of Meeting**”). As used in this Circular, all references to “LAB Research”, the “Company”, “we”, “us”, “our” or similar terms are to LAB Research Inc. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or regular employees of the Company by telephone or in writing. Such persons will not receive any extra compensation for such activities. Upon request, we will reimburse all brokers, banks, depositaries, nominees and other trustees for the reasonable costs incurred by them in order to send the proxy documents to the beneficial owners of common shares of the Company (the “**Shares**”). **THE SOLICITATION OF PROXIES BY THIS CIRCULAR IS BEING MADE BY OR ON BEHALF OF THE MANAGEMENT OF THE COMPANY.** The cost of the solicitation will be borne by the Company.

1.2 Appointment and Revocation of Proxy

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY ACCOMPANYING THIS CIRCULAR ARE DIRECTORS OF THE COMPANY. A SHAREHOLDER OF THE COMPANY HAS THE RIGHT TO APPOINT A PERSON OTHER THAN THE PERSONS SPECIFIED IN SUCH FORM OF PROXY (WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY) TO ACT FOR AND ON BEHALF OF THE SHAREHOLDER AT THE MEETING. Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the manner set forth in the Notice of Meeting.

Any proxy to be used at the Meeting must be received by 5 p.m. on May 19, 2009 by our transfer agent, Computershare Trust Company of Canada. A person giving a proxy may revoke it at any time including at any adjournment, unless the proxy has already been used. A proxy may be revoked by a written notice executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a Company, by an officer or an attorney thereof duly authorized and sent to our Corporate Secretary at LAB Research Inc., 445 Armand-Frappier Boulevard, Laval, Quebec, Canada, H7V 4B3. The authority conferred upon the proxyholder may also be revoked if the shareholder attends the Meeting in person and makes a request to that effect.

1.3 Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will exercise the voting rights attached to the Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions contained therein. **IN THE ABSENCE OF SUCH INSTRUCTIONS, THE VOTING**

RIGHTS ATTACHED TO THE SHARES SHALL BE EXERCISED IN FAVOUR OF THE MATTERS MENTIONED IN THE ATTACHED NOTICE OF MEETING.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to, or variations of, matters identified in the Notice of Meeting and with respect to all other matters, if any, which may properly be brought before the Meeting and all adjournments thereof. At the date of the Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting. However, if such amendments or other matters do properly come before the Meeting or any adjournments thereof, the Shares represented by the form of proxy will be voted at the discretion of the proxyholder.

1.4 Non-Registered Shareholders

Non-registered shareholders may vote Shares that are held by their nominees in one of two manners. Applicable securities laws and regulations, including National Instrument 54-101 —*Communication with Beneficial Owners of Securities of a Reporting Issuer*, require nominees of non-registered shareholders to seek their voting instructions in advance of the Meeting. Non-registered shareholders will receive (or will have received) from their nominees either a request for voting instructions or a proxy form for the number of Shares held by them. The nominees' voting instructions or proxy forms will contain instructions relating to signature and return of the document and these instructions should be read carefully and followed by non-registered shareholders to ensure that their Shares are accordingly voted at the Meeting.

Non-registered shareholders who would like their Shares to be voted for them must therefore follow the voting instructions provided by their nominees.

Non-registered shareholders who wish to vote their Shares in person at the Meeting must insert their own name in the space provided on the request for voting instructions or proxy form, as the case may be, in order to appoint themselves as proxy holder and follow the signature and return instructions provided by their nominees. Non-registered shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of our transfer agent, Computershare Trust Company of Canada. Non-registered shareholders should not otherwise complete the form sent to them by their nominees as their votes will be taken and counted at the Meeting.

1.5 Record Date

The directors of the Company have fixed April 13, 2009 (the "**Record Date**") as the record date for the determination of shareholders entitled to receive notice of the Meeting. Only shareholders of record on the Record Date are entitled to vote at the Meeting.

1.6 Voting Securities and Principal Holders Thereof

As of April 3, 2009, there were 18,089,360 Shares issued and outstanding. Each Share entitles its holder to one vote with respect to matters voted on a poll at the Meeting.

As of April 3, 2009, to the knowledge of the directors and officers of the Company, the only persons or companies who beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the issued and outstanding Shares were as follows:

	Number of Shares Beneficially Owned or Controlled	Percentage of Outstanding Shares
HealthCor Management, L.P.	3,437,000 ⁽¹⁾	19.00%
Fonds de solidarité des travailleurs du Québec (F.T.Q.)	3,025,957 ⁽²⁾	16.73%
Pyramis Global Advisors LLC	1,917,000 ⁽³⁾	10.60%

- (1) Based upon information contained in the report dated January 5, 2007 filed on SEDAR pursuant to *National Instrument 62-103 – Early Warning System and Related Take-over Bid and Insider Reporting Issues* (“**NI 62-103**”).
- (2) Based upon information contained in the report dated January 31, 2008 filed on SEDAR pursuant to NI 62-103.
- (3) Based upon information contained in the report dated July 10, 2007 filed on SEDAR pursuant to NI 62-103.

All matters to be submitted to the shareholders at the Meeting require approval by at least a majority of the votes cast by the holders of Shares at the Meeting.

SECTION 2. BUSINESS OF THE MEETING

2.1 Election of Directors

The articles of the Company provide for a minimum of three and a maximum of twelve directors. The incumbent directors have determined that the number of directors to be elected at the Meeting is five and propose that the five persons named in the list set out below be nominated for election at the Meeting. Each director elected will hold office until the close of the next annual meeting of the shareholders, unless, prior thereto, he resigns or otherwise, by operation of law, ceases to be a director.

Unless instructions are given to abstain from voting with respect to the election of directors, the persons named in the enclosed form of proxy intend to vote FOR the election of the nominees named in the table below. Our management has no reason to believe that any of such persons will be unable to serve as a director, but if that should occur for any reason prior to the election, the persons named in the enclosed form of proxy reserve the right to vote for another nominee of their choice.

The following table sets forth certain information with respect to the persons proposed to be nominated by management for election as directors.

Name and Municipality of Residence	Principal Occupation	Director Since	Number of LAB Research Shares held directly or indirectly as Beneficial Owner
Stephen R. Farrell ⁽¹⁾ Québec, Canada	Consultant	2006	1,000
Richard Lacombe ⁽¹⁾⁽²⁾ Québec, Canada	Consultant	2006	3,800
Garth Likes ⁽¹⁾⁽³⁾ Alberta, Canada	President and Chief Executive Officer, Cyplasin Biomedical Ltd.	2006	Nil
Luc Mainville ⁽³⁾ Québec, Canada	President and Chief Executive Officer, LAB Research Inc.	2006	148,857

Name and Municipality of Residence	Principal Occupation	Director Since	Number of LAB Research Shares held directly or indirectly as Beneficial Owner
Carl A. Spalding ^{(2) (3) (4)} Florida, USA	Chairman of the Board	2009	Nil

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Human Resources Committee.

(3) Member of the Mergers and Acquisitions Committee.

(4) Mr. Carl A. Spalding was appointed Chairman of the Board on February 9, 2009 in replacement of Mr. Karsten Skydsgaard

During the past five years, all of the nominees for election to the position of director mentioned above have held the principal occupations shown above, except for (i) Stephen Farrell who was President and Chief Executive Officer of Uniboard Canada Inc. from November 2005 to August 2007, Vice-President, Finance and Chief Financial Officer of Uniboard Canada Inc. from November 2004 to November 2005 and previously Executive Vice-President, Finance and Chief Financial Officer of Velan Inc. from January 1999 to November 2004; (ii) Richard Lacombe who was Vice-President, Clinical Affairs of BioSyntech Inc. from July 2006 to December 2008, who worked as an independent consultant for biotech companies from February 2004 to July 2006, and was President and Chief Executive Officer of Virocell Inc. from July 2002 to February 2004 (iii) Garth Likes who was Vice-President, Business Development of InNexus Biotechnology Inc. from July 2003 to January 2006 (iv) Luc Mainville, who was Chief Operating Officer of LAB International Inc., now called Akela Pharma Inc., from November 2004 to August 2006, Chief Financial Officer of LAB International Inc., from November 2003 to November 2004 and (v) Carl A. Spalding who was President and Chief Operating of PAREXEL from April 2001 until he retired in June 2005.

During the 2008 financial year, the Corporate Governance and Human Resources Committee retained the services of, Mr. André Perrault, of PCI, Perrault Consulting Inc., as executive compensation consultant firm for the purpose of providing external market data and commentary on the compensation of the Board of Directors. The fees paid to PCI, Perrault Consulting Inc., for services provided to the Committee and to the Company during the 2008 financial year were \$7,355.

During the year 2008, the Board and its Committees held the following number of meetings:

Board of Directors	10
Audit Committee	4
Corporate Governance and Human Resources	<u>3</u>
Total	<u>17</u>

The attendance of the members to the meetings was as follows:

Director	Board meeting attended		Audit Committee attended		Corporate Governance and Human Resources attended	
Stephen R. Farrell	10 of 10	100%	4 of 4	100%	N/A	N/A
Richard Lacombe	10 of 10	100%	4 of 4	100%	3 of 3	100%
Garth Likes	10 of 10	100%	4 of 4	100%	N/A	N/A
Luc Mainville	10 of 10	100%	N/A	N/A	3 of 3	100%
Karsten Skydsgaard	7 of 10	70%	N/A	N/A	3 of 3	100%

M. Carl A. Spalding was appointed Chairman of the Board on February 9, 2009 in replacement of Mr. Karsten Skydsgaard. He, therefore, did not attend any meetings in 2008.

2.2 Appointment of Auditor

The auditors of the Company are KPMG LLP. It is proposed that KPMG LLP be reappointed as auditors of the Company, to hold office until the close of the next annual meeting of the shareholders and that the directors of the Company be authorized to fix their remuneration.

Unless instructions are given to abstain from voting with regard to the appointment of auditors, the persons named in the enclosed form of proxy intend to vote FOR the appointment of KPMG LLP as auditors of the Company and to authorize the Board to fix their remuneration. KPMG LLP was first appointed as the auditor of the Company on May 24, 2006.

The following table presents the fees billed by the external auditors of the firm, KPMG LLP, by category for the fiscal years ended December 31, 2008 and 2007.

Category of fees	2008 (\$)	2007 (\$)
Audit Fees	210,000	240,800
Audit-Related Fees.....	10,750	2,750
Tax Fees	21,725	15,950
Fees related to the implementation of the International Financial Reporting Standards	43,500	-
Total	285,975	259,500

All fees paid and payable by the Company to KPMG in 2008 and 2007 were pre-approved by the Company's audit committee pursuant to procedures and policies set forth in the Audit Committee mandate. At every meeting of the Audit Committee a report is presented on all services performed by the Company's external auditors.

2.3 Renewal of the Stock Option Plan

Reference is made to page 15 of this Circular for a description of our stock option plan (the “**Stock Option Plan**”).

Detailed Renewal Provisions

The Toronto Stock Exchange (“**TSX**”) requires that every three years after institution, all unallocated options under the stock option plan of an issuer which does not have a fixed maximum number of securities issuable, must be approved by the issuer’s directors and shareholders. Since the Stock Option Plan was adopted by the Board on July 6, 2006 and came into force at the closing of the Corporation’s initial public offering on August 3, 2006, the unallocated options under the Stock Option Plan shall be approved by the shareholders of the Corporation at the Meeting.

On April 2, 2009, the Board of the Company unanimously approved the unallocated options issuable pursuant to the Stock Option Plan. As of April 3, 2009, there were 250,369 unallocated options under the Stock Option Plan (which represented approximately 13.8% of the maximum number of options that could be issued and outstanding under the Stock Option Plan as of that date).

Shareholders resolution approving the renewal of the Stock Option Plan

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to adopt the resolution below approving and authorizing the unallocated options issuable pursuant to the Stock Option Plan (the “**Stock Option Plan Resolution**”) subject to such amendments, variations or additions as may be approved at the Meeting.

The Stock Option Plan Resolution does not amend the Stock Option Plan and does not increase the maximum number of options that can be granted thereunder. Previously allocated options will continue unaffected by the approval or disapproval of the Stock Option Plan Resolution. If the Stock Option Plan Resolution is not approved, previously granted options cancelled prior to their exercise will not be available for reallocation from the date of the Meeting.

The Board recommends that shareholders approve the unallocated options under the Stock Option Plan by voting **FOR** the Stock Option Plan Resolution. To be adopted, the Stock Option Plan Resolution must be approved by a majority of votes cast by shareholders of the Company who vote in person or by proxy at the Meeting. **Unless otherwise instructed by a shareholder, the persons named in the accompanying form of proxy will vote FOR the Stock Option Plan Resolution.**

“NOW THEREFORE BE IT RESOLVED:

1. **THAT** all unallocated options issuable pursuant to the Stock Option Plan of the Company be and they are hereby approved and authorized until May 21, 2012;
2. **THAT** any officer or director of the Company be, and each is hereby authorized and directed, for and on behalf of the Company, to sign and execute all documents, to conclude any agreements and to do and perform all acts and things deemed necessary or advisable in order to give effect to this resolution, including compliance with all securities laws and regulations; and

3. **THAT** the Board of the Company be, and it is hereby authorized to cause all measures to be taken, such further agreements to be entered into and such further documents to be executed as may be deemed necessary or advisable to give effect to and fully carry out the intent of this resolution.”

2.4 Approval of Termination of the Rights Plan

The shareholder rights plan agreement dated as of February 7, 2007 between the Company and Computershare Trust Company of Canada (the “**Rights Plan**”) provides that, subject to certain exceptions set out in the Rights Plan, a person who becomes a beneficial owner of 20% or more of the outstanding voting shares of the Company is an “Acquiring Person” for the purpose of the Rights Plan. The existence of an “Acquiring Person” triggers certain provisions of the Rights Plan. For more information a copy of the Rights Plan is available under the Company’s filings at www.sedar.com.

Due to the financial market crisis and the respective ownership of the current shareholder base of the Company, the Board believes that it is in the best interests of the Company and its shareholders to terminate the Rights Plan, effective at the close of the Meeting, and to redeem the rights issued thereunder.

Main Objective of the Rights Plan

The purpose of the Rights Plan is to provide shareholders and the Board with adequate time to consider and evaluate any unsolicited bid made for the Company; to provide the Board with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid; to encourage the fair treatment of shareholders in connection with any take-over bid for the Company, and to ensure that any proposed transaction is in the best interests of the Company’s shareholders.

The Rights Plan encourages a potential offeror who makes a take-over bid to proceed either by way of a “Permitted Bid”, which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of Shares, other than the offeror, will be able to purchase additional Shares at a significant discount to market, thus exposing the offeror to substantial dilution of its holdings. The Company is not aware of any specific take-over bid that has been made or is currently being contemplated for the Company.

Certain Reasons for Terminating the Rights Plan

The Company is currently evaluating various alternatives to accelerate the growth of its activities including possibly accessing additional capital. The Board believes that some of the financial alternatives that could be considered may involve the participation of existing shareholders of the Company and could, therefore, due to their current respective ownership, trigger the Rights Plan. In that context, the Board has determined that the Rights Plan could adversely affect the Company’s ability to support its growth and believes that it is in the best interests of the Company and its shareholders to terminate the Rights Plan, effective at the close of the Meeting, and to redeem the rights issued thereunder.

In the context of evaluating its alternatives, the Company entered into a non-binding letter of intent dated March 13, 2009 with Fonds de solidarité des travailleurs du Québec (F.T.Q.) (“**Fonds FTQ**”), pursuant to which Fonds FTQ has agreed to participate in an offering of rights to all of the Company’s shareholders to subscribe to Shares, should the Company decide to proceed with such alternative. In accordance with the letter of intent, Fonds FTQ would undertake, subject to certain conditions including the termination of the rights plan, to subscribe to Shares up to \$7,500,000 in such a rights offering, provided, however, that

Fonds FTQ could not increase its holdings to more than 49% of the Company's outstanding Shares, on a non-diluted basis. Upon completion of the contemplated rights offering, Fonds FTQ may, should other shareholders fail to exercise their rights to participate, hold more than 20% of all the issued and outstanding Shares of the Company, which would trigger the Rights Plan. Under the same scenario, other shareholders of the Company could potentially also increase their participation above 20% of all the issued and outstanding Shares of the Company, which would also trigger the Rights Plan. The Board has not, at this time, determined that the Company should proceed with a rights offering. It has however executed the letter of intent with Fonds FTQ in order to secure the participation of Fonds FTQ in such an offering, while the Company evaluates all possible alternatives.

The Board continues to be committed to achieving the objectives for which the Rights Plan was initially adopted but believes that the objectives of the Rights Plan could be achieved otherwise. The proposed termination of the Rights Plan does not restrict the Company's ability to adopt a rights plan in the future. In fact, the Board believes that in the event the Company becomes aware of a take-over bid being made or contemplated for the Company by an offeror, the Board will be able to achieve the objectives by adopting a limited duration shareholder rights plan in response to the particular take-over bid.

Shareholders resolution approving the termination of the Rights Plan

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a resolution in the form set out below (the "**Rights Plan Resolution**") subject to such amendments, variations or additions as may be approved at the Meeting.

The Board recommends that shareholders vote FOR the Rights Plan Resolution. In order to be effective the Rights Plan Resolution must be approved by not less than a majority of the votes cast by "Independent Shareholders" (as defined in the Rights Plan) present in person, or represented by proxy, at the Meeting. Management is not aware as of the date of this Circular of any shareholder who would not be considered an "Independent Shareholder". **Unless otherwise instructed by a shareholder, the persons named in the accompanying form of proxy will vote FOR the Rights Plan Resolution.**

"NOW THEREFORE BE IT RESOLVED:

1. **THAT** the rights issued under the Rights Plan be redeemed in accordance with the terms of the Rights Plan;
2. **THAT** the Rights Plan be terminated and that the Company enters into a termination agreement with Computershare Trust Company of Canada confirming the termination of the Rights Plan;
3. **THAT** any one officer or director of the Company be and is hereby authorized and directed to execute all such documents, instruments and agreements and take all necessary steps to redeem the rights in accordance with the terms of the Rights Plan and terminate the Rights Plan."

SECTION 3 DISCLOSURE OF COMPENSATION

3.1 Remuneration of Directors

The Board of Directors (the "**Board**") has adopted a compensation policy for its directors who are not our officers or employees. During the year ended December 31, 2008, the Chairman of the Board received an annual fee of \$20,000 and all directors other than the Chairman of the Board received an annual fee of \$12,500. In addition, the chairman of the Audit Committee received an annual fee of \$10,000 and the chairman of the Corporate Governance and Human Resources Committee received an annual fee of \$5,000 and members of the Audit Committee received an annual fee of \$5,000 and members of the

Corporate Governance and Human Resources Committee received an annual fee of \$2,500. All directors received an attendance fee for board meetings of \$1,500 per director per meeting attended and all committee members received an attendance fee for committee meetings of \$1,000 per director. Directors of the Company are eligible to participate in our stock option plan. During the year ended December 31, 2008, we paid an aggregate of \$143,500 in cash to our non-management directors then in office (excluding reimbursement of expenses) and granted no options under our stock option plan to such directors during the same period. Pursuant to the study performed by Mr. André Perrault of PCI, Perrault Consulting Inc. on Board's compensation and the hiring of the new Chairman, starting January 1, 2009, the Chairman of the Board of Directors will receive an annual fee of \$75,000USD and all directors, other than the Chairman of the Board of Directors, shall receive an annual fee of \$15,000. In addition, the Chairman of the Audit Committee will receive an annual fee of \$10,000 and the Chairman of the Corporate Governance and Human Resources Committee will receive an annual fee of \$7,500. All directors, except the Chairman of the Board, shall receive an attendance fee for board meetings of \$1,750 per director per meeting attended. Audit Committee members and Corporate Governance and Human Resources Committee members except for the Chairman of the Board shall receive an attendance fee for committee meetings of \$1,500 and \$1,250, respectively per director per meeting attended.

Outside directors are reimbursed for travel and out-of-pocket expenses incurred in attending board or committees meetings

The following table described the compensation of the members of the Board of Directors except for the President and CEO.

Name	Fees earned (\$)		Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
	Retainer	Attendance						
Stephen R. Farrell ⁽¹⁾	22,500	14,500	—	—	—	—	—	37,000
Richard Lacombe ⁽¹⁾⁽²⁾	22,500	17,500	—	—	—	—	—	40,000
Garth Likes ⁽¹⁾⁽³⁾	17,500	14,500	—	—	—	—	—	32,000
Karsten Skydsgaard ⁽²⁾⁽³⁾	22,500	12,000	—	—	—	—	—	34,500

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Human Resources Committee.

(3) Member of the Mergers and Acquisitions Committee

The following table shows all awards outstanding to each Outside Director for the year ended December 31, 2008:

Name	Option-based Award				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Stephen R. Farrell	20,000	5.05	December 4, 2016	—	N/A	N/A
Richard Lacombe	20,000	4.00	August 3, 2016	—	N/A	N/A
Garth Likes	10,400	4.00	August 3, 2016	—	N/A	N/A
Karsten Skydsgaard	17,500	4.00	August 7, 2009 ⁽¹⁾	—	N/A	N/A

⁽¹⁾ Following the resignation of Mr. Skydsgaard as member of the Board, on February 9, 2009, the 17,500 options outstanding will expire on August 7, 2009, if not exercised, as per the Plan rules.

On March 12, 2007, the Company entered into a indemnity agreement (“**Indemnity Agreement**”) with all its directors whereby the Company will indemnify any director for all costs, charges and expenses including any amount paid to settle an action or satisfy a judgment, reasonably incurred in respect of any civil, criminal, administrative, investigative or other proceeding in which the director may be involved by reason of being or having been a director of the Company or, at the request of the Company, of any other entity, provided that: (i) the director acted honestly and in good faith to the best interests of the Company or, as the case may be, to the best interests of the other entity; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director had reasonable grounds for believing that his conduct was lawful. The Company shall not be obligated under this agreement to make any payment to the director: (i) for which payment is prohibited by applicable law from paying as an indemnity; (ii) for which payment is actually made to the director under an insurance policy, except in respect of any deductible or excess beyond the amount of payment under such insurance policy; or (iii) for which payment the director is indemnified for by another party or by the Company otherwise than pursuant to this agreement.

3.2 STATEMENT OF EXECUTIVE COMPENSATION

3.2.1 Compensation Discussion and Analysis

a) Objective of Compensation Program

Within the Company, remuneration plays an important role in attracting and retaining key members of the management team. The Company is committed to a compensation policy that drives business performance, is competitive and encourages share ownership.

b) What the Compensation Program is Designed to Reward

Plans and programs are designed so as to constitute adequate reward for services and incentive for the senior management team to implement both short-term and long-term strategies aimed at

increasing share value and creating economic value. The Company's compensation strategy is therefore heavily weighted towards pay-for-performance components. Actual rewards are directly linked to the results of the Company. Financial performance targets set each year represent improvements to the Company's financial results and are therefore aligned with shareholder interests.

Remuneration potential as well as the allocation of various remuneration and incentive components have been established in order to compete with remuneration practices of companies similar to the Company. In this respect, the Company identifies remuneration practices and remuneration levels of publicly traded Canadian, US and European companies that, similarly to the Company, are involved in the contract research organization industry ("**Comparator Group**"), and in pharmaceutical research and development. Remuneration is reviewed annually to account for the cost of living in Hungary and Denmark for Named Executive Officers ("**NEOs**") working in those subsidiaries.

c) Elements of Compensation Program, Determination of Accounts for each Element, Rationale for Amounts of each Element

In the Company's case, the major elements of the executive compensation program are base salary, annual individual and corporate performance incentives, long-term incentives through the granting of stock options. The compensation policies and guidelines for the NEOs, other than the President and Chief Executive Officer, are recommended by the President and Chief Executive Officer and approved by the Compensation and Human Resources Committee and the Board. The compensation for the President and Chief Executive Officer, as described at the end of this Section, is recommended by the Compensation and Human Resources Committee and approved by the Board.

Perquisites and personal benefits provided to senior management reflect competitive practices and particular business needs.

i) Base Salary

Except for the President and Chief Executive Officer, salaries for the NEOs and other senior executives are paid within a salary range established on the basis of the level of responsibility relative to other positions in the Company and relative to the base salaries paid by the Comparator Group.

ii) Performance Reward Program

The Performance Reward Program (the "**PRP**") is designed to recognize the contribution of the NEOs and other senior executives to corporate and business unit results. No PRP incentive payments for the NEOs in the 2008 financial year were made considering the financial situation of the Company and the fact that no financial targets were met.

Under the PRP, the target incentive payment to NEOs varies on the basis of their position. For NEOs from our Danish ("**LAB Denmark**") and Hungarian ("**LAB Hungary**") subsidiaries, target incentive payment was weighted 75% as to achievement of financial performance targets of the Company and of the NEO's business unit and 25% as to achievement of other including personal objectives. The financial performance targets ("**Targets**") pertained to revenues, earnings before income taxes, interest on long-term debt, depreciation and amortization ("**EBITDA**") and net earnings before management fees of LAB Hungary and LAB Denmark, respectively. A 30% ratchet

was also to be considered on the Company's consolidated results. For the President and CEO and the Vice-President Finance, the target incentive programs was weighted 45% as to achievement of financial performance and 55% of other including personal objectives. If the financial results achieved are lower or higher than 100% of such targets, the payment or additional payment, respectively was at the Board's discretion. The Targets were approved by the Board of Directors

iii) Key Employee Stock Option Plan

The Company believes that the grant of stock options helps align management interest with shareholder value growth.

Options to purchase common shares of the Company ("**Options**") may be granted from time to time to senior executives pursuant to the Company's key employee stock option plan (the "**Stock Option Plan**") in order to sustain a commitment to long-term profitability and maximize shareholder value. Each option has an exercise price equal to the prevailing market price of the Shares at the time of the grant.

For each senior executive, the number of options granted is determined on the basis of their position within the rules set in the Stock Option Plan.

During the financial year ended December 31, 2008, the Company granted 40,000 options to Mr. Christopher Banks when he was appointed Managing Director of LAB Hungary. Since the Public Offering ("**IPO**") of the Company on August 3, 2006, NEOs, excluding the President and CEO, were granted a total of 170,000 options outstanding representing 13.1% of the total options outstanding.

iv) Employee Share Purchase Plan

An employee share purchase plan (the "**SPP**") was established in February 2008. The SPP provides an opportunity for all full-time employees of the Company to participate in its ownership. Under the SPP, the Company will contribute a cash amount equivalent to the price of one Share for each 10 Shares bought by the participant up to a maximum of 3% of the participant's salary annually. The contributions of the employee are deducted by the Company from the payroll of any participant and paid over to a custodian for the account of such participant. The custodian then purchases the Shares on the stock market, for and on behalf of each participant. The Company assumes the general administrative costs of the SPP and the costs associated to the purchase of the Shares. No shares can be issued from treasury under the SPP.

3.2.2 President and Chief Executive Officer

3.2.2.1 Base Salary

The base salary and the annual incentive payment made to the President and Chief Executive Officer, Mr. Luc Mainville, are also determined by reference to the Comparator Group. Accordingly, the Compensation and Human Resources Committee reviews this information, as well as the performance of the Company and of the President and Chief Executive Officer individually when recommending the President and Chief Executive Officer's salary and annual incentives for a given year. On the basis of projections made using 2007 Comparator Group compensation data, the base salary paid to the President and Chief Executive Officer in the 2008 financial year was in line with the Comparator Group's median salary.

3.2.2.2 Performance Reward Program

In the 2008 financial year, the PRP target incentive for the President and Chief Executive Officer was 40% of his base salary up to a maximum of 60% (for overachievement), which was in line with the median and the Comparator Group's short-term incentive practices. A description of the Performance Reward Program for the President and CEO was described in Section 3.2.1. No bonus was accrued in 2008 due to financial targets not met.

The financial target of the Company used for PRP purposes pertains to earnings before taxes from continuing operations and is approved by the Board of Directors. Personal objectives are set by the Compensation and Human Resources Committee and focus on strategic initiatives and management development.

3.2.2.3 Long-term Incentives

On August 3, 2006, date of the Initial Public Offering ("IPO") of the Company, the President and Chief Executive Officer was granted 750,000 options. As at December 31st 2008, no additional options had been granted to him. Those options vest over 5 years.

3.2.3 Compensation Consultant

During the 2008 financial year, the Compensation and Human Resources Committee retained the services of its own executive compensation consultant, Mr. André Perrault, of PCI, Perrault Consulting Inc. for the purpose of providing external market data and commentary on the compensation of the President and Chief Executive Officer. The fees paid to PCI, Perrault Consulting Inc., for services provided to the Committee and to the Company during the 2008 financial year were \$4,500.

3.2.4 Performance graph

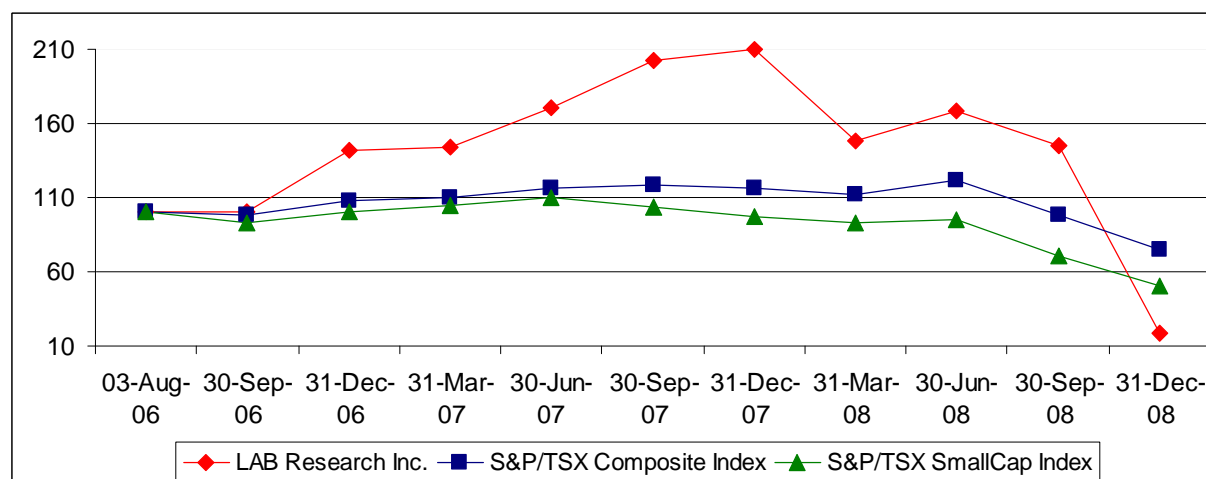
The performance graph presented below illustrates the cumulative total return of a \$100 investment in Canadian dollars in LAB Research Shares from August 3, 2006 (first trading day of the Company) until December 31, 2008, compared with the cumulative total return of the S&P/TSX Composite Index and S&P/TSX SmallCap Index.

The year-end values of each investment are based on share appreciation plus dividends, if any, reinvested on the date they were paid. The calculations exclude brokerage fees and taxes. Total shareholder returns from each investment can be calculated from the year-end investment values shown below the graph.

LAB Research Inc. – Share Price Evolution

August 3, 2006 to December 31, 2008

(August 3, 2006 = 100)



	03-Aug-06	30-Sep-06	31-Dec-06	31-Mar-07	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08	30-Jun-08	30-Sep-08	31-Dec-08
LAB Research Inc.	100	100.25	142.08	143.56	170.79	202.97	209.90	148.51	168.32	144.80	18.32
S&P/TSX Composite Index	100	98.53	108.14	110.29	116.50	118.11	115.89	111.84	121.20	98.46	75.29
S&P/TSX SmallCap Index	100	93.42	100.51	104.93	110.37	103.62	97.55	92.74	95.38	70.57	50.86

The trend shown by the above performance graph is a constant increase in the cumulative shareholder return from August 3, 2006 to 2007, followed by a decrease starting in the first quarter of the last financial year. The trend in the Company's compensation for the NEOs has not been linked to the trend in the performance graph. The base salary increases have been calculated since August 3, 2006 on consumer price index and additional responsibilities due to promotions. In 2007 and 2008, no bonuses were declared and no additional options granted except to Mr. Andrew Makin, who was promoted to Managing Director of LAB Denmark in January 2008 and to Mr. Christopher Banks, who was appointed Managing Director of LAB Hungary. In 2008, the base salary and bonus package of the President and Chief Executive Officer was revised based on the results of the compensation study performed by PCI, Perrault Consulting Inc.

3.3 Summary Compensation Table

3.3.1 Summary Compensable table

The following table sets forth the annual compensation, including total compensation, for the financial year ended December 31, 2008 for the President and Chief Executive Officer, the Vice-President Finance and the three other most highly compensated executive officers of the Company and any of its subsidiaries (collectively) called the NEOs.

Summary Compensation Table

Name and Principal Occupation	Year	Salary (\$)	Share-based award (\$)	Option-Based awards (\$) ⁽⁴⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All Other Compensation ⁽¹⁾ (\$)	Total compensation (\$)
					Annual incentive plans ⁽⁵⁾	Long-term incentive plans			
Luc Mainville President and Chief Executive Officer	2008	371,404	—	—	—	—	8,416	—	379,820
	2007	290,000	—	—	—	—	8,417	—	298,417
	2006	111,375 ⁽²⁾	571,428	1,037,250	108,000	—	—	—	1,828,053
Louise Bussieres Vice-President Finance and Secretary	2008	169,423	—	—	—	—	3,301	—	179,326
	2007	155,000	—	—	—	—	3,301	—	158,398
	2006	68,762 ⁽³⁾	—	69,150	22,500	—	—	—	160,412
Christopher Banks ⁽⁸⁾ Managing Director LAB Research Hungary	2008	190,160	—	139,560	—	—	—	—	329,720
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Makin ⁽⁸⁾ Managing Director LAB Research Denmark	2008	264,091	—	—	—	—	14,659	40,709 ⁽⁶⁾	319,459
	2007	241,822	—	—	—	—	12,091	—	253,913
	2006	209,929	—	69,840	18,249	—	9,628	—	307,646
Kim Konradsen ⁽⁸⁾ Vice-President Administration and Finance LAB Research Denmark	2008	207,529	—	—	—	—	11,513	27,148 ⁽⁶⁾	246,190
	2007	192,187	—	—	—	—	9,410	—	201,597
	2006	171,084	—	41,490	13,023	—	8,383	17,758 ⁽⁶⁾	251,738

- (1) Perquisites that do not exceed the lesser of \$50,000 and 10% of the total of total annual salary are not included in this column.
- (2) Based on annual salary of \$290,000. Amounts disclosed for period from August 1, 2006 to December 31, 2006.
- (3) Based on annual salary of \$150,000. Amounts disclosed for period from August 1, 2006 to December 31, 2006.
- (4) The fair value of the options was determined in accordance with Section 3870 of the CICA Handbook using the Black-Scholes model. The 2006 options were granted on the IPO date.
- (5) The amounts relate to bonus expensed during the respective year.
- (6) Includes car allowance, car leases and/or car expenses.
- (7) Mr. Banks' compensation is paid in Hungarian Forints. The average translation rate for the year of 0.006215 Hungarian Forint to \$1 Canadian was used for above disclosure.
- (8) Mr. Makin and Mr. Konradsen's compensation is paid in Danish Kroner. The average translation rate for the year of 0.2093 Danish Kroner to \$1 Canadian was used for above disclosure.

3.4 Incentive Plan Awards

3.4.1 Outstanding Share-based Awards and Option-based Awards

On July 5, 2006, our Board adopted the Stock Option Plan.

As of April 3, 2009, there were options outstanding in respect of 1,558,567 Shares under our Stock Option Plan, representing approximately 8.6% of our issued and outstanding Shares as of April 3, 2009, of which 130,000 were options granted to the NEOs other than the President and Chief Executive Officer.

The following table provides the equity compensation plan information as at December 31, 2008:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,295,947	\$4.25	512,751
Equity compensation plans not approved by security holders	—	—	—
Total	1,295,947	\$4.25	512,751

Under the Stock Option Plan, our Board may grant options to acquire Shares to directors, officers, employees and service providers of the Company and its subsidiaries. The maximum number of Shares that can be issued upon the exercise of options granted under the Stock Option Plan, together with any Shares issued or reserved for issuance under any other share compensation arrangement which is then in place, is the number of Shares representing 10% of our outstanding Shares at the time of granting the options.

The number of Shares issuable (or reserved for issuance) to insiders under all security based compensation arrangements, cannot at any time exceed 10% of issued and outstanding Shares of the Company. Furthermore, the number of Shares issued to insiders under all security based compensation arrangements, within a one year period, cannot exceed 10% of issued and outstanding Shares of the Company.

The exercise price of options granted under the Stock Option Plan is set by the Board at the time of the grant of the options, but cannot be less than (i) the closing trading price of the Shares on the TSX immediately preceding the day on which an option is granted; (ii) in the event that the Shares did not trade on the TSX or any other recognized stock exchange during the said trading day, the volume weighted average trading price of the Shares on the TSX or any other recognized stock exchange for the five trading days immediately preceding the day on which an option is granted; or (iii) in the event that the Shares are not listed or posted for trading on the TSX or any other recognized stock exchange, the fair market value of the Shares as determined by the Board in its discretion.

The maximum period during which options may be exercised is 10 years from the date on which they are granted. Unless otherwise provided at the time of grant, options may not be exercised during the first year following the grant thereof. Thereafter, options vest in three equal annual tranches of the Shares under option, commencing one year after the date on which the option is granted except as otherwise provided by our Board.

Options granted under the Stock Option Plan are not transferable other than by will or by the laws of succession of the domicile of the deceased optionee.

Under the Stock Option Plan, if an optionee's employment or service provider relationship with the Company is terminated for serious reasons, options not then exercised terminate immediately. If an optionee dies or becomes, in the determination of our Board, permanently disabled, options may be exercised for that number of Shares which the optionee was entitled to acquire at the time of death or

permanent disability, as the case may be. Such options may be exercised before the later of (i) the expiry date provided at the time of the grant, and (ii) one year after the optionee's death or permanent disability. Upon an optionee's employment, office, directorship or service provider relationship with us terminating or ending other than by reason of death, permanent disability or termination for serious reasons, options may be exercised for that number of Shares which the optionee was entitled to acquire at the time of such termination. Except as otherwise provided by our Board, such options may be exercised for a period of 60 days after such date and 180 days in the case of a director.

Notwithstanding anything contained to the contrary in the Stock Option Plan or in any resolution of the Board in implementation thereof, in the event the Company proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly-owned subsidiary of the Company) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the Shares of the Company or any part thereof shall be made to all holders of Shares, the Company shall have the right, upon written notice thereof to each optionee holding options under the Stock Option Plan, to permit the exercise of all such options within the 20-day period next following the date of such notice and to determine that upon the expiration of such 20-day period, all rights of optionees to such options or to exercise same (to the extent not theretofore exercised) shall terminate and cease to have further force or effect whatsoever.

If an option is to expire during a period when the optionee is prohibited by the Company from trading in the Shares pursuant to its policies (a "**Blackout Period**"), the term of the option will automatically be extended for a period of 5 business days immediately following the end of the Blackout Period.

The Company provides no financial assistance to optionees in connection with the exercise of options under the Stock Option Plan.

The Stock Option Plan is administered by the Board. The Board, subject to any necessary regulatory approval, may suspend or terminate the Stock Option Plan in whole or in part at any time and may make the following amendment without the shareholders approval:

- (i) any addition to, deletion from or alteration of the Stock Option Plan or an option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
- (ii) any amendment to correct or rectify any ambiguity, defective provision, error or omission in the Stock Option Plan or an option; and
- (iii) any other amendment to the Plan or options granted thereunder, that does not require shareholder approval under the Stock Option Plan.

However, the Stock Option Plan provides that shareholder approval is required for the following amendments:

- (i) any increase in the number (or percentage in the case of rolling plan) of Shares reserved for issuance under the Stock Option Plan;
- (ii) any reduction in the exercise price or cancellation and reissue of options held by insiders;
- (iii) any amendment that extends the term of expiry of an option under the Stock Option Plan;
- (iv) any amendment to the class of persons eligible for grants of options under the Stock Option Plan; and

- (v) any amendment to allow options granted under the Stock Option Plan to become transferable or assignable other than for estate settlement purposes.

The following table indicates for each of the Named Executive Officers all awards outstanding at the end of the 2008 financial year.

Name	Option-based Award				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Luc Mainville	750,000	4.00	August 3, 2016	—	—	—
Louise Bussieres	50,000	4.00	August 3, 2016	—	N/A	N/A
Christopher Banks	40,000	8.05	January 7, 2018	—	N/A	N/A
Andrew Makin	40,000	4.00	August 3, 2016	—	N/A	N/A
	10,000	5.05	December 4, 2016	—	N/A	N/A
Kim Konradson	30,000	4.00	August 3, 2016	—	N/A	N/A

- (1) The value of unexercised in-the-money options at financial year-end (some of which have not yet vested) is nil since the closing price of the Shares on December 31, 2008 was \$0.74 per share, therefore lower than all option exercise price on the TSX.

3.4.2 Incentive-plan Awards - Value Vested or Earned during the year

The following table indicates for each of the NEOs the value on vesting of all awards and the bonus payout during the year 2008.

Name	Option awards – Value during the year on vesting (\$)	Share awards – Value during the year on vesting (\$)	Non-Equity incentive plan compensation – Payout during the year (\$)
Luc Mainville	315,000	—	—
Louise Bussieres	35,000	N/A	—
Christopher Banks	—	N/A	—
Andrew Makin	31,500	N/A	—
Kim Konradsen	21,000	N/A	—

(1) The value represents the number of options vested during the 2008 year multiplied by the difference between the market price of the Shares at the vesting date and the exercise price of the options.

The following table indicates for each of the NEOs and for the year ended December 31, 2008 the options vested, options exercised, their exercise price and the expiry date

Name	Options vested during the year (#)	Options exercised during the year (#)	Exercise Price (\$)	Expiry Date
Luc Mainville	150,000	—	4.00	August 3, 2016
Louise Bussieres	16,667	—	4.00	August 3, 2016
Christopher Banks	—	—	8.05	January 7, 2018
Andrew Makin	13,333	—	4.00	August 3, 2016
	3,333	—	5.05	December 4, 2016
Kim Konradsen	10,000	—	4.00	August 3, 2016

3.5 Pension Benefits

The Company offers a retirement savings program in Canada and Denmark.

Under the Canadian plan, the Company contributes an amount equal to 50% of the employee's contribution up to a maximum of 3% of the employee's basic salary. The Company's contribution is vested to the employee after two years.

Under the Danish plan, the Company contributes an amount equal to 6% of the basic salary and the employee contributes an amount equal to 3% of the basic salary. The Company's contribution is vested to the employee after three month of employment.

The following table indicates for each of the NEOs the details of the value of the defined contribution pension plans offered by the Company.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Non-Compensatory (\$)	Accumulated value at end of year (\$)
Luc Mainville	43,064	8,406	12,337	63,807
Louise Bussièrès	9,923	3,301	1,046	14,270
Christopher Banks	N/A	N/A	N/A	N/A
Andrew Makin	71,300	14,659	(17,259)	68,700
Kim Konradsen	300,339	11,513	43,616	355,468

3.6 Employments contracts, termination and change of control benefits

Luc Mainville (President and Chief Executive Officer) – Luc Mainville’s employment agreement is for an indeterminate term, and provides for a base salary, bonus opportunities. In the event of dismissal without cause or upon a change of control, Mr. Mainville would be entitled to a severance payment of 18 months and 24 months calculated on base salary and bonus, respectively, and earned and unpaid salary, and business expenses already incurred at time of termination.

Louise Bussièrès (Vice-President Finance and Secretary) – Louise Bussièrès’ employment agreement is for an indeterminate term, and provides for a base salary, bonus opportunities and, in the event of dismissal without cause, for a severance payment of 12 months salary, and earned and unpaid salary, and business expenses already incurred at time of termination. Her contract doesn’t provide for any additional severance payment upon a change in control.

Christopher Banks (Managing Director – LAB Research Hungary) – Christopher Banks’s employment agreement is for an indeterminate term, and provides for a base salary, bonus opportunities and, in the event of dismissal without cause, for a severance payment for a period determined by local laws, and earned and unpaid salary, and business expenses already incurred at time of termination. His contract doesn’t provide for any additional severance payment upon a change in control.

Andrew Makin (Managing Director – LAB Denmark) – Andrew Makin’s employment agreement is for an indeterminate term, and provides for a base salary, bonus opportunities and, in the event of dismissal without cause, for a 6 months’ notice period, and earned and unpaid salary, and business expenses already incurred at time of termination. His contract doesn’t provide for any additional severance payment upon a change in control.

Kim Konradsen (Vice-President Administration and Finance – LAB Denmark) – Kim Konradsen’s employment agreement is for an indeterminate term, and provides for a base salary, bonus opportunities and, in the event of dismissal without cause, for a 6 months’ notice period, and earned and unpaid salary, and business expenses already incurred at time of termination. His contract doesn’t provide for any additional severance payment upon a change in control.

The following table sets out the benefits that are paid following a change in control in circumstances described above, assuming the change of control took place on December 31, 2008.

Name	Severance ⁽¹⁾ (\$)	Options ⁽²⁾
Luc Mainville	750,000	nil ⁽⁴⁾
Louise Bussieres	170,000	nil
Christopher Banks	14,406	nil
Andrew Makin ⁽³⁾	132,046	nil
Kim Konradsen ⁽³⁾	103,765	nil

- (1) Calculations have been made for each NEO as per the provisions described in Section 3.6 above but unpaid vacations and benefits were excluded from the calculations.
- (2) The change in control provisions as described in the Company's stock option plan provide that the Company shall have the right, upon written notice thereof to each optionee holding options under the stock option plan, to permit the exercise of all such options within the 20-day period following the date of such notice and to determine that upon the expiration of such 20-day period, all rights of optionees to such options or to exercise same (to the extent not theretofore exercised) shall terminate and cease to have further force or effect whatsoever. Since the Company's trading share price as at December 31, 2008 was lower than the options exercise prices, the benefit was nil.
- (3) Mr. Makin and Mr. Konradsen's severance would be paid in Danish Kroner. The average exchange rate for the year of 0.2093 Danish Kroner to \$1 Canadian was used for above disclosure.
- (4) Mr. Mainville's contract provides for vesting of all unvested options and notwithstanding the provisions of the stock option plan of the Company, Mr. Mainville shall have 36 months following the change in control to exercise his options.

SECTION 4 OTHER INFORMATION

4.1 Indebtedness of Directors and Executive Officers

On April 27, 2007, the Company disbursed a 5-year loan to Mr. Luc Mainville in the amount of \$300,000, (\$300,000 outstanding as at December 31, 2008) bearing interest at the cost of borrowing for the Company or interest that the Company would have received on such amount, as the case may be. Until full and complete repayment of the loan, the Shares in the Company held by Mr. Luc Mainville must, at all times, be free and clear of any hypothec, lien or any other restriction on transfer of any kind. In the event that Mr. Luc Mainville sells all or any part of its Shares before the full and complete reimbursement of the loan, the Company will be reimbursed an amount equal to the net after tax gain realized with respect of the sale of such Shares. If the sale of all Shares does not result in the full reimbursement of the loan, the outstanding portion of the loan remains due to the Company.

No other directors, executive officers or senior officers or persons of the Company who held such positions during the most recently completed financial years or any nominees proposed as a director nor any person associated with any of the foregoing is indebted to us or any of our subsidiaries or was indebted to us or any of our subsidiaries either at any time during the most recently completed financial year or as at April 3, 2009.

4.2 Directors and Officers Liability Insurance

We maintain liability insurance for the benefit of our directors and officers to cover them against certain liabilities contracted by them in such capacity. For the most recently completed financial year, this insurance provided for a coverage limit of \$20,000,000 per event and policy year. During the same period, the premium paid by us amounted to \$66,875. When we are authorized or required to indemnify

an insured, a deductible of \$50,000 per securities claim applies and a deductible of \$50,000 for all other claims also applies.

4.3 Transactions with Interested Parties

Except for the loan disbursed to Mr. Luc Mainville described in the section "Indebtedness of Directors and Executives Officers" above, we are not aware that any of our directors, officers, nominees for election as directors, other informed persons or any persons associated with or otherwise related to any of the foregoing has had an interest in any material transaction carried out since the beginning of our most recently completed financial year or in any proposed transaction which has materially affected or is likely to materially affect us or any of our subsidiaries.

4.4 Statement of Corporate Governance Practices

In accordance with *National Instrument 58-101 – Respecting Disclosure of Corporate Governance Practices*, the Corporation is required to disclose its corporate governance practices.

Schedule A sets forth a description of the Corporation's corporate governance practices. The Corporation recognizes the importance of maintaining good corporate governance practices and it believes that its corporate governance practices are, in all material respects, in compliance with the applicable Guidelines set forth in *National Policy 58-201 – Corporate Governance Guidelines*.

4.5 Receipt of Shareholder Proposal for the 2010 Annual Meeting

Shareholders who will be entitled to vote at the 2010 annual meeting of the shareholders and who will wish to submit a proposal in respect of any matter to be raised at the 2010 meeting, and who wish their proposal to be considered for inclusion in the Circular and form of proxy relating thereto, shall ensure that the Corporate Secretary of the Corporation receives their proposal no later than December 1, 2009.

4.6 Other Business

Management of LAB Research knows of no other matters to be put before the Meeting. If, however, any other matters properly come before the Meeting, the persons designated in the accompanying form of proxy shall vote on such matters in accordance with their best judgment pursuant to the discretionary authority conferred thereon by the proxy with respect to such matters.

4.7 Audit Committee Disclosure

Multilateral Instrument 52-110 – Audit Committees (including Form 52-110F1 – Audit Committee Information Required in an AIF) requires issuers to disclose certain information in their annual information forms with respect to the existence, charter, composition, and education and experience of the members of their audit committees, as well as all fees paid to their external auditors. Our audit committee's charter is attached as Schedule A in our Annual Information Form dated April 3, 2009 as is the other required disclosure regarding the audit committee, referred to above, under the heading "The Audit Committee". The language under such heading is incorporated by reference into this Circular.

4.8 Additional Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com or the Corporation's website, www.labresearch.com. Financial information relating to the Corporation is provided in the Corporation's comparative financial statements and the Management Discussion & Analysis for the year ended December 31, 2008. We provide the following documents to any person who requests same at LAB Research Inc., 445, Armand-Frappier Blvd., Laval, Quebec, H7V 4B3:

- i. a copy of the financial statements and management's discussion and analysis thereon; and
- ii. a copy of this Circular.

4.9 Approval of Management Proxy Circular

The Board of Directors has approved the content and the sending of this Circular.

By order of the Board of Directors



Luc Mainville
President and Chief Executive Officer

Laval, Quebec
April 3, 2009

SCHEDULE A

CORPORATE GOVERNANCE PRACTICES

Corporate Governance in Canada

The Canadian Securities Administrators (the “CSA”) adopted *Multilateral Instrument 52-110 — Audit Committees* (“MI 52-110”), which sets forth certain requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters.

The CSA adopted *National Instrument 58-101 — Disclosure of Corporate Governance Practices* (“NI 58-101”) and *National Policy 58-201 — Effective Corporate Governance* (“NP 58-201” and, together with MI 52-110, the “CSA Corporate Governance Standards”). NP 58-201 provides guidance to Canadian issuers with respect to corporate governance practices, while NI 58-101 requires issuers to make certain disclosures regarding their governance practices.

LAB Research’s Corporate Governance Practices

The following table sets forth the CSA Corporate Governance Standards and provides a summary of our corporate governance practices.

CSA Guidelines	LAB Research’s Company Governance Practices
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1. Board of Directors

- | | |
|---|---|
| (a) Disclose the identity of directors who are independent. | Of the current five (5) members of our Board, four (4) are independent within the meaning of NI 58-101, namely Messrs. Stephen R. Farrell, Richard Lacombe, Garth Likes and Carl Spalding in replacement of Karsten Skydsgaard who was Chairman of the Board during all year 2008 and who was also independent. |
| (b) Disclose the identity of directors who are not independent, and describe the basis for that determination. | Mr. Luc Mainville does not qualify as “independent” within the meaning of NI 58-101, as he is the President and Chief Executive Officer of the Company. |
| (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board does to facilitate its exercise of independent judgement in carrying out its responsibilities. | See above. Four of our five current directors are independent. The proposed nominees for election to our Board are the same individuals as our current directors. |

CSA Guidelines	LAB Research's Company Governance Practices
<p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>Mr. Luc Mainville is presently a director of PowerTech Company Inc. a TSX Venture listed company. Mr. Garth Likes is currently a director of Cyplasin Biomedical Ltd, an Over the Counter Bulletin Board listed company.</p>
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>During the year, a session was held outside the presence of management and all non-independent directors during four (4) Board meetings.</p>
<p>(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p>	<p>The Chairman of the Board, Mr. Carl Spalding is not a member of management and qualifies as an "independent" director within the meaning of NI 58-101. The Chairman of the Board leads the Board of Directors in accordance with the mandate of the Board.</p>
<p>(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The record of attendance of each Director to Board and committee meetings is set forth under Section 2.1 in this Circular.</p>
<p>2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p>	<p>The Board adopted a written mandate on December 4, 2006, a copy of which is available on our web site at www.labresearch.com. The Board has the overall responsibility to supervise the management of the business and affairs of the Company. The Board periodically assesses and monitors management's performance.</p>

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3. Position Descriptions

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| <p>(a) Disclose whether or not the board has developed written position descriptions for the chair of the board and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p> | <p>The Board has developed and approved in March 2009 written position descriptions for the Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Corporate Governance and Human Resources Committee.</p> |
| <p>(b) Disclose whether or not the board and chief executive officer have developed a written position description for the chief executive officer. If the board and chief executive officer have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the chief executive officer.</p> | <p>The Board has developed and approved in March 2009 a written position description for the President and Chief Executive Officer.</p> |

4. Orientation and Continuing Education

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| <p>(a) Briefly describe what measures the board takes to orient new directors regarding</p> <ul style="list-style-type: none">(i) the role of the board, its committees and its directors, and(ii) the nature and operation of the issuer's business. | <p>New directors are provided with a Director's Manual containing extensive information about the Company and its subsidiaries, including its structure, organization, Articles and By-Laws, insurance coverage, various policies governing the Board and the committees, the senior management and employees of the Company. New directors also have access to minutes of previous meetings (Board and committees). In addition, new directors are given an opportunity to visit the facilities and meet with senior management and key personnel to become familiar with the operations and the culture of the Company. New directors also have access to legal counsel of the Company to discuss the affairs of the Company, as needed.</p> |
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<p>(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>Directors are provided on a regular basis with information about the Company's business and industry. The President and Chief Executive Officer provide them with monthly reports covering all important aspects of the business.</p>
<p>5. Ethical Business Conduct</p>	
<p>(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p>	<p>We adopted a Code of Ethics and Business Conduct on July 5, 2006 (the "Code of Ethics").</p>
<p>(i) disclose how a person or company may obtain a copy of the code;</p>	<p>Our Code of Ethics is available on our web site at www.labresearch.com.</p>
<p>(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p>	<p>The Corporate Governance and Human Resources Committee is responsible for monitoring compliance with our Code of Ethics, reviewing and assessing its adequacy on a periodic basis but at least annually.</p>
<p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>Neither the Board nor management of the Company is aware of any material breach of the Company's Code of Ethics.</p>
<p>(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>The Audit Committee reviews and approves all related party transactions for potential conflicts of interest situations on an ongoing basis.</p>
<p>(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	<p>We adopted a Whistle-Blowing policy on July 5, 2006. Our Whistle-Blowing policy is available on our web site at www.labresearch.com.</p>

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6. Nomination of Directors

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| (a) Describe the process by which the board identifies new candidates for board nomination. | The Corporate Governance and Human Resources Committee, in consultation with the President and Chief Executive Officer of the Company, is responsible for determining the criteria for selection of Board's members, including establishing and periodically reviewing the Company's practices relating to the recruitment of Board's members. |
| (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process. | The Corporate Governance and Human Resources Committee is currently composed of two outside and independent directors, Messrs Richard Lacombe and Carl Spalding (in replacement of Karsten Skydsgaard who was a member of such committee during all year 2008). |
| (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee. | The Corporate Governance and Human Resources Committee charter includes: <ul style="list-style-type: none">- identifying and proposing to the Board new nominees for the Board and candidates for the filling of vacancies on the Board;- determining the criteria for selection of Board members;- reviewing and considering the size of the Board in relation to the needs of the Company and the commitment required of individual directors;and- evaluating the composition and organization of the Board. |

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7. Compensation

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers. The Board has adopted a compensation policy for its directors. During the year 2008, an independent consulting firm, PCI, Perrault Consulting Inc., was retained to review the Board compensation package. See Section 3.1 entitled "Remuneration of Directors" in this Circular for information about the compensation received by outside directors, and Section 3.2 entitled "Compensation of Executive Officers" for information about the compensation received by Named Executive Officers.
- (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation. The Corporate Governance and Human Resources Committee is currently composed of two outside and independent directors, Messrs Richard Lacombe and Carl Spalding (in replacement of Karsten Skydsgaard who was also independent).
- (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee. The charter of the Corporate Governance and Human Resources Committee provides that the committee is responsible for reviewing and recommending the overall employment environment and the aggregate compensation levels as well as guidelines to be applied generally to management employees, with the assistance of outside human resources consultants where appropriate. The Corporate Governance and Human Resources Committee is also responsible for reviewing any proposing amendments to our stock option plan and for reviewing the level of ownership of Shares of the Company by its various officers.

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<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>During the year 2008, the Corporate Governance and Human Resources Committee retained the services of PCI, Perrault Consulting Inc. for the purpose of providing external market data and commentary on the compensation of the Board of Directors and the President and CEO.</p>
<p>8. Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>Other than the committees mentioned above, the Board has no other standing committees.</p>
<p>9. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p><u>Assessment process</u> – On an annual basis, the Corporate Governance and Human Resources Committee assesses the performance and the effectiveness of the Board as a whole. Questionnaires are distributed to each director for the purpose of (i) evaluating the Board's responsibilities and functions and its operations and (ii) inviting directors to make suggestions for improving the performance of the Board. The results of the questionnaire are compiled and are discussed during a subsequent meeting of the Corporate Governance and Human Resources Committee. The Corporate Governance and Human Resources Committee chair then presents to the Board the committee's findings and its recommendations to enhance the Board's performance and effectiveness. The Audit Committee is also self-evaluating itself using a questionnaire distributed to each director and the President and CEO and Vice-President Finance of the Company. The evaluation reviewed the same way as for the Board of Directors.</p>