



**EURAND N.V.**

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**INSIDER TRADING POLICY**

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## EURAND N.V.

### INSIDER TRADING POLICY

#### **I. Purpose**

Preventing insider trading is necessary to comply with securities law and to preserve the reputation and integrity of Eurand N.V. and its affiliates (the “Company”) and all persons affiliated with it. “Insider trading” occurs when any person purchases or sells a security while in possession of inside information relating to the security or the company to which the security pertains. As explained in Section II below, “inside information” is information that is considered to be both “material” and “non-public.” Insider trading is a crime under U.S. and Dutch law and the penalties for violating the law include imprisonment, disgorgement of profits, civil fines of up to three times the profit gained or loss avoided, and criminal fines of up to \$5,000,000 for individuals and \$25,000,000 for entities. Insider trading is also prohibited by this Policy and could result in serious sanctions by the Company, including dismissal.

It should be noted that these policies address compliance with U.S. and Dutch securities laws and the rules of the NASDAQ Global Market. Many laws of other jurisdictions may also be implicated by trading in the securities of the Company.

This Policy applies to all officers, directors and employees of the Company and extends to all activities within and outside an individual’s duties at the Company. Members of the Board of Directors of Eurand N.V (the “Directors”) and key employees will be subject to specific preordained blackout periods as set forth in Section III.D, below. The Directors shall determine which individuals are key employees for the purpose of this policy (see Key Employees List maintained in the office of the General Counsel). Every officer, director and employee of the Company must review and comply with this Policy. Questions regarding this Policy should be directed to the Company’s General Counsel (the “General Counsel”).

#### **II. Explanation Of Insider Trading**

As noted above, “insider trading” refers to the purchase or sale of a security while in possession of “material”, “non-public” information relating to the security or the company to which the security pertains. “Securities” include not only shares, bonds, notes and debentures, but also options, warrants and similar instruments. “Purchase” and “sale” are defined broadly under applicable securities law. “Purchase” includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. “Sale” includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, conversions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options

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related to a security. It is generally understood that insider trading includes the following:

- Trading by insiders while in possession of material, non-public information;
- Trading by persons other than insiders while in possession of material, non-public information where the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; or
- Communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

### A. What Facts Are Material?

The materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) facts concerning: dividends; corporate earnings or earnings forecasts; mergers, acquisitions or dispositions; changes in senior management; major litigation; significant borrowings or financings; defaults on borrowings; material contracts; the success or failure of a material product in development and arrangements related to the acquisition or disposition of any material product. Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: **when in doubt, do not trade.**

### B. What is Non-Public?

Information is "non-public" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as *Dow Jones*, *Reuters Economic Services*, *The Wall Street Journal*, *Associated Press*, or *United Press International*. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time

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must lapse in order for the market to react to the information. **Generally, one should allow a period of two full business days following publication before such information is deemed to be public.**

### **C. Who is an Insider?**

“Insiders” include officers, directors and employees of a company and may include others who have material inside information about a company. Insiders have independent fiduciary duties to their company and its shareholders not to trade on material, non-public information relating to the company’s securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about business, activities and securities. Officers, directors and employees may not trade the Company’s securities while in possession of material, non-public information relating to the Company nor tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by members of an officer’s, director’s or employee’s household can be the responsibility of such officer, director or employee under certain circumstances and could give rise to legal and Company-imposed sanctions.

### **D. Trading by Persons Other than Insiders**

Insiders may be liable for communicating or tipping material, non-public information to a third party (“tippee”), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider’s duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee’s liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

### **E. Penalties for Engaging in Insider Trading**

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The U.S. Securities and Exchange Commission (“SEC”) and U.S. Department of Justice

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have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the U.S. federal securities laws include:

- (1) SEC administrative sanctions;
- (2) Securities industry self-regulatory organization sanctions;
- (3) Civil injunctions;
- (4) Damage awards to private plaintiffs;
- (5) Disgorgement of all profits;
- (6) Civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- (7) Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of \$1,100,000 or three times the amount of profit gained or loss avoided by the violator;
- (8) Criminal fines for individual violators of up to \$5,000,000 (\$25,000,000 for an entity); and
- (9) Jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of U.S. federal securities laws: other U.S. federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the U.S. Racketeer Influenced and Corrupt Organizations Act (“RICO”), Dutch laws and the laws of other jurisdictions also may be violated upon the occurrence of insider trading.

### **F. Examples of Insider Trading**

Examples of insider trading cases include actions brought against: corporate officers, directors, and employees who traded a company’s securities after learning of significant confidential corporate developments; friends, business associates, family members, and other tippees of such officers, directors, and employees who traded the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

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The following are illustrations of insider trading violations. These illustrations are hypothetical and consequently not intended to reflect on the actual activities or business of the Company or any other entity.

(1) Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's shares. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to \$5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

(2) Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's shares in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits and each is liable for all penalties of up to three times the amount of the friend's profits. In addition, the officer and his friend are subject to, among other things, criminal prosecution, as described above.

### III. Statement of Policies Prohibiting Insider Trading

**A.** No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security or the company to which the security pertains, whether the issuer of such security is the Company or any other company.

**B.** No officer, director or employee shall directly or indirectly tip material, non-public information to anyone while in possession of such information.

**C.** No officer, director or employee shall directly or indirectly communicate material, non-public information to anyone outside the Company under any circumstances, or to anyone within the Company other than on a need-to-know basis.

**D.** Except for the exercise of options that does not involve the sale of Company securities (i.e. "Exercise and Hold" transactions, the cashless exercise of a Company stock option, does involve the sale of Company securities and

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therefore would not qualify under this exception), no Director or key employee shall purchase or sell any security of the Company:

- (1) during the period beginning two weeks before the end of any fiscal quarter of the Company and ending two full business days after the public release of earnings data for such quarter;
- (2) during the period beginning two weeks before the execution of a material strategic partnering arrangement if such officer, director or key employee has knowledge of such arrangement and ending two full business days after the public release regarding such transaction; or
- (3) during (i) the period of two months immediately preceding the publication of the annual report; (ii) the period of 21 days immediately preceding the publication of a half-yearly or quarterly report or the announcement of a dividend or interim dividend; and (iii) the period of one month immediately preceding the publication of a prospectus relating to an offering of shares.

This “trading blackout period” is subject to change as deemed necessary by the General Counsel.

### **IV. Statement of Procedures Preventing Insider Trading**

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every director, officer and employee is required to follow these procedures, with the exception of paragraphs A and D, below, that apply only to Directors and key employees.

#### **A. Identifying Material, Non-public Information**

Prior to directly or indirectly trading any security of the Company, every Director and key employee is required to contact the General Counsel (as part of the clearance procedure discussed below in Section D) and make an initial determination whether the Company and/or such Director or key employee is in possession of material, non-public information relating to such security. In making such assessment, the explanations of “material” and “non-public” information set forth above should be of assistance. If after consulting with the General Counsel it is determined that the Company and/or such Director or key employee is in possession of material, non-public information, trading may not occur in such security.

**B. Information Relating to the Company**

(1) Access to Information

(i) Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances or to anyone within the Company on other than a need-to-know basis.

(ii) In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

(2) Inquiries From Third Parties

(i) Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the appropriate person in accordance with the Disclosure Policy.

**C. Limitations on Access to the Company Information**

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

(1) All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

(i) Maintaining the confidentiality of Company related transactions;

(ii) Conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;

(iii) Restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need to-know basis (including

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maintaining control over the distribution of documents and drafts of documents);

- (iv) Promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;
  - (v) Disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;
  - (vi) Restricting access to areas likely to contain confidential documents or material, non-public information; and
  - (vii) Avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.
- (2) Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

### **D. Clearance of All Trades by Directors of Eurand N.V. and Key Employees**

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company securities, **all transactions in Company securities (including without limitation, acquisitions and dispositions of Company shares, the exercise of stock options and the sale of Company shares issued upon exercise of stock options) by Directors and key employees must be cleared by the General Counsel prior to consummation.** Clearance of a transaction is valid only for a 48 hour period. If the transaction order is not placed within that 48 hour period, clearance for the transaction must be re-requested. If clearance is denied, the fact of such denial must be kept confidential by the director or key employee who requested for the clearance.

The Netherlands Authority for the Financial Markets (“AFM”) must be notified of all transactions in Company securities by Directors and officers of Eurand N.V. and certain related parties such as their respective family members. Such notification must be submitted to the AFM no later than on the fifth working day after the date of the transaction on a standard form of the AFM, which is available on the AFM website ([www.afm.nl](http://www.afm.nl)).

**E. Avoidance of Certain Aggressive or Speculative Trading; Additional Prohibitions**

Officers, directors and employees and their respective family members (including spouses, minor children, or any other family members living in the same household) should ordinarily not directly or indirectly participate in transactions involving trading activities that by their aggressive or speculative nature may give rise to an appearance of impropriety. Such activities would include the purchase of put or call options, or the writing of such options, or engaging in short sales (i.e., selling shares one does not own and borrowing the shares to make delivery), or selling any security within six months of purchase (which is viewed as short term or speculative transactions).

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because such a sale may occur at a time when an officer, director or employee had material inside information or is otherwise not permitted to trade in Company securities, the Company prohibits officers, directors and employees from purchasing Company securities on margin or holding Company securities in a margin account. Similarly, because they can be triggered when such officer, director or employee is in possession of material nonpublic information, no officer, director or employee should have any standing orders to sell or purchase the Company's securities at a particular price unless such purchases or sales are to be made pursuant to, and in compliance with, a written trading plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended; provided that such plan has been approved in advance in writing by the General Counsel.

**F. Execution and Return of Certification of Compliance**

After reading this policy statement all officers, directors and employees must execute and return to the General Counsel the Certification of Compliance form attached hereto as "Attachment A."

ATTACHMENT A



**CERTIFICATION OF COMPLIANCE**

RETURN BY \_\_\_\_\_, 2008

**TO:** General Counsel

**FROM:** \_\_\_\_\_

**RE:** STATEMENT OF POLICIES AND PROCEDURES OF EURAND N.V. GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING (DATED MARCH 7, 2007, REVISED NOVEMBER 8, 2008)

I have received, reviewed, and understand the above-referenced Statement of Policies and Procedures and hereby undertake, as a condition to my present and continued employment at/affiliation with Eurand N.V., to comply fully with the policies and procedures contained therein.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title