

BARRIER THERAPEUTICS, INC.
CODE OF CONDUCT

I. Background - Administration

The reputation and integrity of the Company is a valuable asset that is vital to the Company's success. Each Company employee, including each of the Company's officers, and each Company director is responsible for conducting the Company's business in a manner that demonstrates a commitment to the highest standards of integrity. This Code of Conduct, which applies to all directors, officers and employees of the Company (collectively referred to as "Company personnel") has been adopted to help Company personnel meet these standards. Specifically, the purpose of this Code of Conduct is:

- to encourage among our Company personnel a culture of honesty, accountability and mutual respect,
- to provide guidance to help Company personnel to recognize and deal with ethical issues, and
- to provide mechanisms for Company personnel to report unethical conduct.

While this Code of Conduct is designed to provide helpful general principles, it is not intended to address every specific situation. Nevertheless, in every instance, we require that Company personnel act honestly, fairly and with a view towards "doing the right thing." Therefore, dishonest or unethical conduct or conduct that is illegal will constitute a violation of this Code of Conduct, regardless of whether such conduct is specifically referenced in this Code of Conduct.

The Company's Board of Directors has approved this Code of Conduct. The Board has designated the Company's General Counsel to be the compliance officer (the "Compliance Officer") for the implementation and administration of this Code of Conduct. Our Audit Committee is responsible for the supervising and implementation of this Code of Conduct. Company personnel should feel free to direct questions concerning this Code of Conduct to the Compliance Officer.

II. Overview

It is the policy of the Company: (a) to comply with all applicable governmental and supranational laws, rules and regulations; (b) to expect that all of Company personnel at all times observe honest and ethical conduct in the performance of the Company's related responsibilities, including the avoidance of conflicts of interest; (c) to expect all of Company personnel to treat others with dignity, including other employees, stockholders, customers and vendors; and (d) to encourage and support internal disclosure of any violation of this policy for appropriate action.

The Code of Conduct governs the business-related conduct of all Company personnel, including, but not limited to the chief executive officer, chief financial officer and all other officers of the Company. The code applies to directors who are not employees of the Company insofar as it relates to their roles as directors.

III. **Compliance With Law**

A variety of laws apply to the Company and its operations. Company personnel are expected to comply with all such laws as well as rules and regulations adopted under such laws. Examples of violations under these laws include:

- stealing, embezzling or misapplying corporate or bank funds;
- using threats, physical force or other unauthorized means to collect money;
- making false entries in any scientific journal or log used by the Company for product development or clinical trials or engaging in any conduct that results in the making of false entries;
- making false entries in the financial or corporate books and records of the Company, or engaging in any conduct that results in the making of such false entries;
- making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose;
- utilizing Company funds or other assets or services to make a political contribution or expenditure;
- causing directly or indirectly the filing of false claims or false statements or omissions with any federal, state or local government authorities;
- providing any kind of illegal remuneration, direct or indirect, in cash or in bond, that are intended to influence the buying or offering to buy the Company's products or services; and
- making payments, whether corporate or personal, of cash or other items of value that are intended to influence the judgment or actions of political candidates, government officials or businesses in connection with any of Company activities.

The Company may report suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate, address and report, as appropriate, non-criminal violations.

IV. **Conflicts of Interest**

- a. Generally. Company personnel are expected to make or participate in business decisions and actions in the course of their employment with the Company based on the best interests of the Company as a whole, and not based on personal relationships or benefits. A conflict of interest, which can occur or appear to occur in a wide variety of situations, can compromise the business ethics of Company personnel. Generally speaking, a conflict of interest occurs when the personal interest of Company personnel or members of their immediate family

has the potential to interfere with the interests or business of the Company. For example, a conflict of interest may occur where an employee or a family member receives a gift, a unique advantage, or an improper personal benefit as a result of the employee's position at the Company. A conflict of interest could make it difficult for an employee to perform corporate duties objectively and effectively because he or she is involved in a competing interest. The following is a discussion of certain common areas that raise conflict of interest issues. However, a conflict of interest can occur in a variety of situations. You must be alert to recognize any situation that may raise conflict of interest issues and must disclose to the Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to actual or apparent conflicts of interest with the Company.

- b. Outside Activities/Employment. Any outside activity must not significantly encroach on the time and attention Company personnel devote to their corporate duties and should not adversely affect the quality or quantity of their work. In addition, Company personnel may not make use of corporate equipment, facilities or supplies, or imply (without the Company's approval) the Company's sponsorship or support of any outside activity, and under no circumstances are employees permitted to take for themselves or their family members business opportunities that are discovered or made available by virtue of their positions at the Company. Moreover, Company officers and employees may not perform services for or, except as noted in the following paragraph, have a financial interest in any entity that is or to such person's knowledge may become, a vendor, customer or competitor of the Company. Employees are prohibited from taking part in any outside employment without the Company's prior approval.

Employees may have a passive investment in up to one percent of the total outstanding shares of an entity that is listed on a national or international exchange, or quoted on Nasdaq, the OTC Bulletin Board or a similar quotation service, without the prior approval of the Board of Directors. Employees may invest in private businesses, with the Company's prior approval, if the investment does not create the appearance of a conflict of interest.

Directors of the Company who are not employees of the Company must be sensitive to situations in which they may be associated with, or have business or financial interests in, corporations or other business entities that, from time to time, have business dealings with the Company or that may compete with the Company. While these relationships are not prohibited, they should be avoided where reasonably practicable and disclosed promptly to the full Board of Directors. If a conflict cannot be avoided, it must be managed in an ethical and responsible manner.

- c. Civic/Political Activities. Company personnel are encouraged to participate in civic, charitable or political activities so long as such participation does not encroach on the time and attention they are expected to devote to their company-related duties. Such activities are to be conducted in a manner that does not

involve the Company or its assets or facilities, and does not create an appearance of the Company's involvement or endorsement.

- d. Inventions, Books and Publications. Employees must receive written permission from the Compliance Officer before developing or acquiring, outside of the Company, any experiments, scientific data or intellectual property that may be related to the Company's current or potential business. It is a violation of this Code of Conduct to omit to disclose any invention required to be disclosed to the Company and utilizing such invention for any purpose outside the Company.
- e. Proper Payments. Company personnel should pay for and receive only that which is proper. Company personnel should not make or promise directly or indirectly payments to influence another's acts or decisions, and Company employees must not give gifts except as permitted below.
- f. Gifts/Entertainment. Company personnel and members of their families must not give or receive valuable gifts (including gifts of equipment or money, discounts or favored personal treatment) to or from any person associated with the Company' vendors or customers. Acceptance of a gift in the nature of a memento, such as a conference gift or other inconsequential gift valued at less than one hundred dollars \$100, is generally permitted, although gifts to physicians may only be made in accordance with this Code on Interactions with Healthcare Professionals. (See PhRMA, "Code on Interactions with Healthcare Professionals," available at: <<http://www.pharma.org/publications/policy//2004-01-19-19.391.pdf>>). Engaging in normal occasional and appropriate business related entertainment, such as meals or use of sporting, theatrical or other public event tickets is permissible with the understanding that it is expected the Company personnel will exercise sound judgment in reliance on this exception so as to avoid any situation that may otherwise be subject to question and be in compliance with this Code on Interactions with Healthcare Professionals.
- g. Loans. The Company will not make loans or extend credit guarantees to or for the personal benefit of directors and officers except as permitted by law and the listing standards of any exchange or quotation system on which Company Common Stock is listed. Loans or guarantees may be extended to other employees only with the Company's approval.
- h. Insider Trading. Employees are prohibited from trading in securities while in possession of material inside information. Among other things, trading while in possession of material inside information can subject the employee to criminal or civil penalties. The Company's Policy Statement on Securities Trading by Company Personnel is attached as Appendix III and is incorporated by reference into this Code of Conduct.

V. **Fair Dealing**

Company personnel should deal fairly and in good faith with the Company's other employees, customers, suppliers, regulators, business partners and others. Company personnel may not take unfair advantage of anyone through manipulation, misrepresentation, inappropriate threats, fraud, abuse of confidential information or other related conduct.

VI. **Proper Use of Company Assets**

The Company's assets, including facilities, materials, supplies, time, information, intellectual property, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. The personal use of the Company's assets without the Company's approval is prohibited.

VII. **Delegation of Authority**

Company personnel, and particularly each of the Company's officers and other managerial employees, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope, and includes appropriate and continuous monitoring.

VIII. **Handling Confidential Information**

Company personnel should observe the confidentiality of information and laws such as HIPAA that protect patient health information that they acquire by virtue of their employment by or affiliation with the Company, including information concerning customers, patients, vendors, competitors and other employees, except where disclosure is approved by the Company or otherwise legally mandated. Of special sensitivity is financial information, which should under all circumstances be considered confidential except where its disclosure is approved by the Company, or after two full business days following its disclosure in a press release or a report filed with the Securities and Exchange Commission. In addition, employees must safeguard proprietary information, which includes information that is not generally known to the public and has commercial value in the Company's business. Proprietary information includes, among other things, trade secrets, ideas, techniques, inventions (whether patentable or not) and other information relating to scientific research, product designs and clinical trial results. It also includes information relating to marketing, pricing, terms of compensation for Company personnel, communications with regulators and proprietary information of our vendors and strategic partners. The obligation to preserve proprietary information continues even after employment ends. This obligation is intended to supplement and not supersede any contractual obligation between the Company and any Company personnel.

IX. Books and Records; Public Disclosures

The effective operation of the Company's business, and the integrity of the Company's public disclosures, is dependent on accurate business records. Company personnel must prepare and maintain all Company records accurately and honestly. No false or misleading entries may be made in any books, records or accounts of the Company, and no Company funds may be used for any purpose other than as described in the documents supporting the disbursement.

As a public company, the Company has an additional obligation to make or keep books, records and accounts that accurately and fairly reflect Company transactions so that filings and submissions with the Securities and Exchange Commission and public communications can provide full, fair, timely, accurate and understandable disclosure. The Company has formed a Disclosure Committee to monitor the Company's filings, submissions, and communications to meet these objectives. Depending on their duties and responsibilities, other employees may be called upon to provide information to assure that the Company's reports are complete, fair and understandable. The Company expects all of its personnel to take this responsibility very seriously. If requested by any Disclosure Committee member to provide information for use in such filings, submissions or communications, Company personnel will provide, as promptly as practicable, accurate, relevant, understandable and complete information on a timely basis.

Employees who are responsible for any aspect of our internal accounting controls and financial and tax reporting systems must be vigilant in recording entries accurately and honestly and in a manner consistent with all legal requirements. If you are uncertain about proper recording of Company transactions or accounting or tax matters, you should consult with a superior. Company personnel must not take any action to fraudulently influence, coerce, manipulate or mislead any auditor engaged in the performance of an audit of Company financial statements.

Complaints or concerns regarding accounting, internal accounting controls or auditing matters should be reported either to the Compliance Officer or to the Audit Committee of our Board of Directors as indicated in Section X of this Code of Conduct. You may choose to submit such complaints or concerns anonymously. Any such communication will be treated confidentially to the extent practicable.

X. Report of Violations

- a. Administration – General Policy Regarding Report of Violations. Employees who observe, learn of, or, in good faith, suspect a violation of this Code of Conduct must immediately report the violation to the General Counsel as Compliance Officer; alternatively, violations may be reported to the Audit Committee of the Board of Directors. Employees who report violations or suspected violations in a lawful manner will not be subject to retaliation of any kind. Employees in the United States and Canada may report violations anonymously by calling toll-free XXX-XXX-XXXX. Employees outside the United States and Canada may report violations anonymously by calling collect to XXX-XXX-XXXX. Calls will be answered by Reportline, a third party service provider that the Company has engaged to provide hotline services to Company employees who desire to report violations anonymously. Reported violations will

be investigated and addressed promptly and will be treated confidentially to the extent possible. A violation of this Code of Conduct may result in disciplinary action, which may include termination of employment. Reports of violations and complaints or concerns regarding accounting, internal accounting controls or auditing matters may be made directly to the Audit Committee as follows:

- i. In writing to: Charles F. Jacey, Jr.
Audit Committee Chair
XXXXXXXXXXXXXX
XXXXXXXXXXXXXX

- ii. Or, by e-mail at: XXXXXXXXXXXXXXXX

b. Complaint Procedure

- i. Notification of Complaint – Company personnel who observe, learn of or, in good faith, suspect a violation of this Code of Conduct must report the violation immediately to the Compliance Officer, or to the Audit Committee of the Board of Directors. You may be subject to disciplinary action, including termination of employment, if you fail to do so. It is unacceptable to submit a complaint knowing it is false, but you may indicate in your complaint any uncertainty you have with respect to the facts being reported.

- ii. Investigation – Reports of violations will be investigated under the supervision of the Compliance Officer. Company personnel are required to cooperate fully in the investigation of reported violations and to provide truthful, complete and accurate information.

- iii. Confidentiality – Except as may be required by law or by the requirements of the resulting investigation or corrective action, the Compliance Officer and others conducting the investigation or corrective action will not disclose the identity of anyone who reports a suspected violation if confidentiality is requested.

- iv. Protection Against Retaliation – Retaliation in any form against an individual who reports an alleged violation of this Code of Conduct, even if the report is mistaken, may itself be a violation of law and is a serious violation of this Code of Conduct. Any alleged act of retaliation must be reported immediately to the Compliance Officer. If determined to have in fact occurred, any act of retaliation will result in appropriate disciplinary action, which may include termination of employment.

XI. Waivers

Requests for a waiver of a provision of this Code of Conduct must be submitted in writing to the Compliance Officer for appropriate review, and an executive officer, director or appropriate Board committee will decide the outcome. For conduct involving an executive officer or director, only the Board of Directors or the Audit Committee of the Board has the authority to waive a provision of this Code of Conduct. The Audit Committee must review and approve any “related party” transaction as defined in Item 404(a) of Regulation S-K, promulgated by the Securities and Exchange Commission, involving executive officer or director before it is consummated. In the event of an approved waiver involving the conduct of an executive officer, appropriate and prompt disclosure must be made as required by Securities and Exchange Commission or other regulation or by applicable listing standards of the principal exchange or interdealer quotation system on which Company Common Stock is listed.

Statements in this Code of Conduct to the effect that certain actions may be taken only with “the Company’s approval” will be interpreted to mean that the Chief Executive Officer, the Chief Financial Officer, the Compliance Officer or the Audit Committee must give prior approval before the proposed action may be undertaken.

XII. Compliance

- a. Adherence to Code of Conduct; Disciplinary Action. All Company personnel have a responsibility to understand and follow this Code of Conduct. In addition, all Company personnel are expected to perform their work with honesty and integrity in all areas not specifically addressed in this Policy. A violation of this policy may result in appropriate disciplinary action, including the possible termination from employment with the Company.
- b. Communications; Training; Annual Certification. The Company strongly encourages dialogue among employees and their supervisors to make everyone aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations. Employees will receive periodic compliance training on the contents and importance of this Code of Conduct and related policies and the manner in which violations must be reported and waivers must be requested. In addition, each officer and each other managerial employee of the Company has an obligation to annually certify that he or she has read and reviewed this Code of Conduct with his or her subordinates, and all Company personnel must certify that they read this Code of Conduct and annually certify that, to the best of their knowledge, they are in compliance with all its provisions. Forms of these certifications are attached hereto as Appendix I and Appendix II.
- c. Responsibility of Managerial Employees. All Company officers and other managerial employees will be responsible for the enforcement of, and compliance with, this Code of Conduct, including necessary distribution to assure employee knowledge and compliance. Directors, officers and other managerial employees

are expected to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. Managerial employees may be disciplined if they condone misconduct, do not report misconduct, do not take reasonable measures to detect misconduct, or do not demonstrate the appropriate leadership to insure compliance.

- d. Communication with Audit Committee. The Compliance Officer will meet periodically, but not less often than annually, with the Audit Committee to review the Company's compliance with this Code of Conduct and review any proposals for amending this Code of Conduct.

XIII. **Related Policies**

This Code of Conduct should be read in conjunction with the Company's other policy statements adopted from time to time by the Company.

Most Recent Update: January, 2005

APPENDIX I

CODE OF CONDUCT DISCLOSURE STATEMENT

As a director, officer or other employee of Barrier Therapeutics, Inc., I have read and understand the Barrier Therapeutics, Inc. Code of Conduct, including the appendices thereto (the “Code of Conduct”) and I hereby reaffirm my agreement to comply with its terms. I hereby certify as follows:

1. I have received a copy of the Code of Conduct.
2. I have read, understand and agree to comply with the Code of Conduct.
3. To the best of my knowledge, I am currently in compliance with the terms of the Code of Conduct and all obligations imposed by it, except as disclosed below or on a separate page attached to this statement.
4. I have not been debarred pursuant to 21 U.S.C. § 335(a), or otherwise disqualified or suspended or otherwise subject to any restrictions or sanctions by the FDA or any other regulatory authority or professional body, nor am I aware that I am the subject of any inquiry or investigation by the FDA or any other regulatory authority or professional body, except as disclosed below or on a separate page attached to this statement.
 - No statement attached
 - Statement attached

I understand that all Disclosure Statements may be available to the Compliance Officer, the Board of Directors of the Company and outside legal counsel. Such information shall otherwise be held in confidence except when, after consultation with the Company’s legal counsel and President, the Company’s best interests would be served by disclosure.

Each person signing a Disclosure Statement is responsible for keeping his/her Disclosure Statement current. These statements will be kept by the Company’s Compliance Officer.

Signature

Name

Date

APPENDIX II

ANNUAL DISCLOSURE STATEMENT

As a director, officer or other employee of Barrier Therapeutics, Inc., I have read and understand the Barrier Therapeutics, Inc. Code of Conduct, including the appendices thereto (the “Code of Conduct”) and I hereby reaffirm my agreement to comply with its terms. Since the date of my last certification, I hereby certify as follows:

1. To the best of my knowledge, I have complied with the terms of the Code of Conduct and all obligations imposed by it, except as disclosed below or on a separate page attached to this statement.
2. I have not been debarred pursuant to 21 U.S.C. § 335(a), or otherwise disqualified or suspended or otherwise subject to any restrictions or sanctions by the FDA or any other regulatory authority or professional body, nor am I aware that I am the subject of any inquiry or investigation by the FDA or any other regulatory authority or professional body, except as disclosed below or on a separate page attached to this statement.
 - No statement attached
 - Statement attached

I understand that all Disclosure Statements may be available to the Compliance Officer, the Board of Directors of the Company and outside legal counsel. Such information shall otherwise be held in confidence except when, after consultation with the Company’s legal counsel and President, the Company’s best interests would be served by disclosure.

Each person signing a Disclosure Statement is responsible for keeping his/her Disclosure Statement current. These statements will be kept by the Company’s Compliance Officer.

Signature

Name

Date

APPENDIX III

POLICY STATEMENT ON SECURITIES TRADING

Since the Common Stock of Barrier Therapeutics, Inc. (the “Company”) is publicly-traded, all directors, officers and other employees of the Company must be aware of and scrupulously observe the various laws and rules prohibiting what is commonly referred to as “insider trading.” This Policy Statement is designed to protect the Company's reputation for integrity and ethical conduct that we have all worked hard to achieve. The policy applies to all directors, officers and employees of the Company. It also affects members of your family as well as your friends and associates.

At the outset, it should be made clear that an investment in the Company's publicly traded securities by directors, officers and employees is encouraged. Nonetheless, it is also important to advise you of certain restrictions on purchases or sales as required under the securities laws. The securities laws are comprehensive and far reaching. Accordingly, this Policy Statement, which is primarily concerned with insider trading, points out only the more common problems relevant to that subject and does not attempt to deal with all of the prohibitions and restrictions which may be applicable to transactions in securities by a director, officer or other employee of the Company or his or her relatives or friends. Specific questions should be addressed to the Company's Compliance Officer. Please note that this Policy Statement is not intended to replace the responsibility of each director, officer and other employee to understand and comply with the prohibition on insider trading under federal securities laws. In other words, you have the ultimate responsibility for complying with insider trading laws and should therefore not simply and completely rely on the procedures and policies set forth in this Policy Statement.

Failure to comply with this Policy Statement or Insider Trading Laws may result in the loss of your job or position as well as substantial civil and criminal penalties. Transactions that may be necessary for independent reasons (such as the need to raise money for an emergency) are no exception. Even the appearance of an improper transaction must be avoided. Because you will be asked to certify as to your understanding and intention to comply (as well as to your actual compliance) with this Policy Statement, you should read this Policy Statement carefully, keep it in your files for future reference and contact the Company's Compliance Officer if you have any questions.

A. Prohibition on Trading on the Basis of Material, Non-Public Information.

It is the Company's policy that a director, executive officer or other employee of the Company who has material, non-public information relating to the Company may not buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, such information. This policy also applies to non-public information about any other company, including without limitation any information concerning customers or suppliers, that is obtained either in the course of your employment with the Company or while acting on behalf of the Company. Further, a director, officer or other employee should avoid discussing or disclosing non-public information about the Company or its activities that may have an impact on the value

of the Company's business. To enforce this policy, the Company has adopted the procedures for securities trading described below.

B. Prohibition on Certain Types of Transactions.

The following transactions are PROHIBITED for directors, executive officers and employees of the Company (even if you are not in possession of material, non-public information):

1. "Short" sales of the Company's stock (i.e., where a person borrows the Company's stock, sells it and then buys the Company's stock at a later date to replace the borrowed shares or where a person already has sufficient shares of the Company's stock to sell, but does not deliver them until a later date).
2. Buying or selling puts or calls of the Company's shares. A put is an option or right to sell a specific stock at a specific price prior to a set date, and a call is an option or right to buy a specific stock at a specific price prior to a set date. Put options are purchased when a person believes that the price of a stock will fall, whereas call options are purchased when a person believes that the price of a stock will rise.
3. Participating in equity swap transactions involving Company stock. These transactions involve negotiated contracts generally designed to transfer the risk of ownership of Company shares to third parties, although not constituting a "sale" in the conventional sense. For example, one form of swap involves a contract under which a holder of Company stock agrees to exchange, or "swap," the return on the Company stock for the return on an equity index, basket of equities or an interest rate-based cash flow.

C. Blackout Periods.

The Company may, from time to time, issue instructions advising some or all directors, officers and other employees that they may not for designated periods (known as "blackout periods") buy or sell securities of the Company, or that no such securities may be traded without the prior approval of the Compliance Officer or other officer designated in such notice.

Currently, the following blackout period is in effect: All directors, executive officers (i.e. Section 16 officers) and accounting staff employees who have been notified of their placement on the blackout list are PROHIBITED from buying or selling securities of the Company at any time during the period commencing on the last day of the calendar quarter and continuing through the second business day following the Company's quarterly earnings announcement.

D. Pre-Clearance of Transactions.

No director or executive officer (i.e. Section 16 officer) may buy or sell any securities of the Company, unless such transaction is pre-approved by the Company's Compliance Officer or Chief Financial Officer.

E. Family Members.

The restrictions described in this policy apply to family members (and any other individuals) living in a director's, executive officer's or employee's household. Directors, officers, and other employees are responsible for ensuring that members of their household and their immediate families comply with this policy.

QUESTIONS AND ANSWERS RELATED TO THE INSIDER TRADING POLICY

I. What is Insider Trading?

Insider trading occurs when a person buys or sells the Company's securities while in the possession of material, non-public information about the Company. Insider trading is not confined to the Company's securities. If, for example, an employee learns that a contract is about to be entered into with another public company, trading in the securities of that other company also is prohibited if the information is material to that company and not yet disclosed to the public.

Liability also can occur if this kind of information is passed on to a person (a practice known as “tipping”) who then trades in the security. Intent generally is not relevant. A casual comment made to another person could be a “tip,” even without knowledge or intent that the other person will trade in the securities. In essence, being in possession of material inside information imposes an obligation not to disclose that information to an unauthorized person. This non-disclosure obligation is in addition to any confidentiality responsibilities you may have to the Company.

II. Who is an Insider?

Any person (directors, officers, other employees and other non-employees alike) who is in possession of material, non-public information is an “insider” for purposes of these restrictions.

III. What is Material Information?

Information which is material, as used in this context, is any fact or circumstance which, if known to a reasonable investor, would have a reasonable likelihood of influencing the decision to invest or to sell. Both good and bad news can be material, and information may be material even though it would not be sufficient to change the investor's decision. It is sufficient that the information would be significant as part of the total mix of information available to an insider, for purposes of making a decision. In simple terms, material information is anything that is likely to affect the price of the stock. Examples of material information include, without limitation, knowledge of:

- a. Projections of future earnings or losses (including, but not limited to, internal financial information that departs from what the market would expect);
- b. Pending or proposed mergers, a tender offer for the Company's securities, or purchase and/or sale of substantial assets;
- c. Significant expansion or cutback of operations;
- d. Changes in dividend policies;

- e. Events of default or anticipated default under debt instruments or important contracts;
- f. Acquisition or termination of an important payor/customer or supplier arrangement, including co-marketing and distribution agreements for the Company's products;
- g. Declaration of a stock split or the offering of additional securities;
- h. Introduction or status of significant existing product candidates products or technologies or new product candidates, products, technologies or discoveries
- i. Earnings estimates or revision of a previously released earnings estimate;
- j. Major litigation or the threat of major litigation;
- k. Regulatory action by the FDA or similar foreign agency;
- l. Liquidity problems; and
- m. Significant management developments.

Please remember, either positive or negative information may be material. Please also note that the above list is not exhaustive; if in doubt about whether information is material, **do not** trade in the Company's securities and **do not** discuss the information outside of the Company unless and until the information has properly become public through proper channels. Bear in mind that your conduct will be viewed, and perhaps acted upon, by a regulatory agency and others, with the benefit of hindsight.

IV. **What is Non-Public Information?**

An insider may trade only when he or she is certain that official announcements of material information have been sufficiently publicized so that the public has had the opportunity to evaluate it. Thus, insider trading is not made permissible merely because material information is reflected in rumors or other unofficial statements in the press or marketplace. An insider may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of such information. As a normal rule, information is considered non-public until at least two full trading days have passed after the information is released by the Company to a national wire service. For example, if an announcement is made on a Monday, trading should not occur until Thursday. The Compliance Officer and the Chief Financial Officer will know when information has been released to the public.

V. **What are the restrictions and procedures for Securities Trading by Directors, Officers and Other Employees?**

No director or executive officer may buy or sell any securities of the Company, unless such transaction is pre-approved by the Company's Compliance Officer or the Chief Financial Officer.

In addition, all directors, officers and other employees may be prohibited from trading at any time during any period (known as a blackout period) established from time to time by the Company and communicated to the directors, officers and other employees in advance.

Currently, the following blackout period is in effect: All directors, executive officers (i.e. Section 16 officers) and accounting staff employees who have been notified of their placement on the blackout list are prohibited from buying or selling securities of the Company at any time during the period commencing on the last day of the calendar quarter and continuing through the second business day following the Company's quarterly earnings announcement.

An exception to these pre-approval and timing limitations applies to transactions in compliance with an SEC Rule 10b5-1. This rule provides a defense from insider trading liability if trades for the benefit of a person occur in accordance with a contract, instruction or written plan that meets specified conditions and was established at a time when the person were not aware of material, non-public information (a "Rule 10b5-1 Plan"). A Rule 10b5-1 Plan may specify the amount, price and date on which securities are to be purchased or sold or may provide a formula for determining amounts, prices and dates. Alternatively, it may specify trading parameters (for example, a provision that sales may be made only if the per share price exceeds a specified amount). In any case, the person entering into the 10b5-1 Plan may not exercise any subsequent influence with respect to the transactions, and if the person's broker has the power to exercise discretion with regard to the transaction, the broker may not possess material non-public information at the time of the transaction.

There are a number of additional conditions and limitations affecting Rule 10b5-1 Plans. Therefore, any director or employee who wishes to enter into a Rule 10b5-1 Plan must obtain pre-clearance for the plan from the Company's Compliance Officer. A Rule 10b5-1 plan may not be established during any period in which the trading limitations described above are in effect.

Directors and officers also are reminded to be aware of the various restrictions on securities trading imposed under Section 16 of the Securities Exchange Act of 1934 and the applicable reporting requirements.

VI. **What are the Penalties for Insider Trading?**

The consequences of insider trading violations can be enormous, as individuals who trade on inside information or who "tip" such information to others may now be subject to:

- a. civil penalties of up to three times the profit gained or the loss avoided as a result of such sale, purchase or communication;
- b. criminal fines (no matter how small the profit) of up to one million dollars (\$1,000,000); and
- c. prison sentences of up to ten years.

Individuals also may be prohibited from serving as directors or officers of the Company or any other public company.

These penalties are in addition to any sanctions the Company itself may impose, including dismissal for cause.