

## PEDIAPHARM INC.

### INSIDER INFORMATION POLICY

Pediapharm Inc. (the "**Corporation**") is at all times firmly committed to the principles of fair and open markets for publicly traded securities. This policy specifically addresses the safeguarding of confidential information and employee trading in securities of the Corporation. This policy is intended to compliment the Corporation's Disclosure Policy and was approved by the Board of Directors of the Corporation (the "**Board**") on January 22, 2014.

This policy applies equally to all directors, officers, employees and consultants of the Corporation (the "**Employees**") regardless of their position, level or function. Employees and consultants whose positions may expose them to material information prior to public disclosure should familiarize themselves with this policy. If you have any questions on the confidentiality or disclosure of information relating to the Corporation or on trading in the securities of the Corporation, please contact the Chief Executive Officer or the Chief Financial Officer (collectively, the "**Disclosure Committee**") of the Corporation.

#### 1. **Confidentiality of Information**

**Generally, all information regarding the business and activities of the Corporation is confidential.** Disclosure of any such information to any non-employee without disclosure to the general public erodes shareholder and investor confidence and may place the Corporation in a position where applicable securities laws and regulations regarding continuous disclosure are breached even where the information in question may not be material. The Corporation is legally obligated to disclose material information immediately. However, in some circumstances, disclosure of material information may be delayed and kept confidential temporarily where immediate release of the information would be unduly detrimental to the Corporation. The determination of what is material and requires disclosure rests with the Board and the Disclosure Committee. All issues dealing with the materiality of information potentially requiring public disclosure should be immediately communicated to a director of the Corporation or the Disclosure Committee.

**Safeguarding confidential information is fundamental. Individuals with undisclosed confidential material information are prohibited from communicating such information to anyone, including any other employee, unless it is in the necessary course of business to do so and excepting communications to a director or officer of the Corporation on the Disclosure Committee.** Management of the Corporation will use its best efforts to limit access to such confidential material information to only those who need to know the information.

Employees who come into possession of material non-public information concerning the Corporation must not intentionally or inadvertently communicate that information to any person (including family members and friends) unless the person has a need to know the information for legitimate, company-related reasons. An Employee who improperly reveals material non-public information to another person can be held liable under various securities laws and regulations for the trading activities of his or her "**tippee**" and any other person with whom the tippee shares the information.

Accordingly, Employees should be discreet with inside information and not discuss it in public places where it can be overheard such as elevators, restaurants, dinner parties, taxis and airplanes. Further, discussion of inside information should be discouraged on cellular phones or other wireless devices. Material non-public information should be divulged only to persons having a need to know it in order to carry out their job responsibilities. To avoid even the appearance of impropriety, Employees should refrain from providing advice or making recommendations regarding the purchase or sale of securities of the Corporation. In this regard, Employees should familiarize themselves with the

Corporation's Disclosure Policy.

## 1. **Material Information**

It is important to understand what constitutes a material fact, a material change and material information.

Securities legislation defines "**material change**", when used in relation to the affairs of a corporation, as a change in the business, operations or capital of the corporation that would reasonably be expected to have a significant effect on the market price or value of the securities of the corporation, and includes a decision to implement the change made by the Board or by senior management of the corporation who believe that confirmation of the decision by the Board is probable.

Similarly, "**material fact**", when used in relation to securities of a corporation, means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities of the corporation.

Thus, "**material information**" consists of both material facts and material changes. Any information relating to the business and affairs of the Corporation that results in or would reasonably be expected to result in a significant change in the market price or value of any of the securities of the Corporation is considered to be material information.

The determination of when a material change has occurred or of what constitutes a material fact may not always be clear and is subject to reassessment on a regular basis. The information may become stale because of the passage of time, or subsequent events may supersede it. As long as the change or fact remains material and non-public, it must be maintained in strict confidence and not disclosed for purposes of trading in securities of the Corporation. Examples of material changes or material facts are set forth below.

### **Examples of Material Changes and Material Facts**

The following events are generally considered to be material and privileged in nature:

#### ***Changes in Corporate Structure***

- changes in share ownership that may affect control of a company, major reorganizations; amalgamations, or mergers;
- take-over bids, issuer bids, or insider bids;

#### ***Changes in Capital Structure***

- the public or private sale of additional securities;
- planned repurchases or redemptions of securities;
- planned splits of common shares or offerings of warrants or rights to buy shares;
- any share consolidation, share exchange, or stock dividend;
- changes in a company's dividend payments or policies;
- the possible initiation of a proxy fight;
- material modifications to rights of security holders;

***Changes in Financial Results***

- a significant increase or decrease in near-term earnings prospects;
- unexpected changes in the financial results for any periods;
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs;
- changes in the value or composition of a company's assets;
- any material change in a company's accounting policy;

***Changes in Business and Operations***

- any development that affects a company's resources, technology, products or markets;
- a significant change in capital investment plans or corporate objectives;
- major labour disputes or disputes with major contractors or suppliers;
- significant new contracts, products, patents, or services or significant losses of contracts or business;
- significant discoveries by resource companies;
- changes to a company's board of directors or executive management, including the departure of the company's chief executive officer, chief financial officer, chief operating officer or president (or persons in equivalent positions);
- the commencement of, or developments in, material legal proceedings or regulatory matters;
- waivers of corporate conduct rules for officers, directors, and other key employees;
- any notice that reliance on a prior audit is no longer permissible;
- de-listing of a company's securities or their movement from one quotation system or exchange to another;

***Acquisitions and Dispositions***

- significant acquisitions or dispositions of assets, property or joint venture interests;
- acquisitions of other companies, including a take-over bid for, or merger with, another company;

***Changes in Credit Arrangements***

- the borrowing or lending of a significant amount of money;
- any mortgaging or encumbering of a company's assets;
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors;
- changes in rating agency decisions;
- significant new credit arrangements; and
- any other material change or material fact that a reasonable investor would consider important in deciding whether to buy, sell or hold the securities of the Corporation.

## 2. General Information on Insider Trading

Securities laws and regulations generally prohibit any person in a "**special relationship**" with the Corporation from either:

- purchasing or selling securities of the Corporation with the knowledge of a material fact or a material change concerning the Corporation that has not been publicly disclosed; or
- informing (or "**tipping**"), other than when necessary in the course of business, another person (including family members and friends) or corporation of a material fact or a material change concerning the Corporation before the material fact or material change has been publicly disclosed. A person who is so informed is called the "**tippee**" and is also in a special relationship with the Corporation and is not permitted to buy or sell securities of the Corporation.

This prohibition applies to, among others, the following persons who are deemed to have a special relationship with the Corporation:

- directors, officers and employees of the Corporation; and
- persons or corporations who learn of a material fact or a material change concerning the Corporation from any of the persons referred to above and who know or ought reasonably to know that such person is in a special relationship with the Corporation.

A special relationship with the Corporation includes:

- a significant shareholder;
- a person or corporation involved in a major transaction with the Corporation;
- a person or corporation involved in a professional relationship with the Corporation or any person or corporation involved in a major transaction with the Corporation (e.g., investment bankers, outside lawyers, accountants, consultants and the like);
- insiders of corporations proposing to be a party to a major transaction with the Corporation;
- a person or corporation that learns of material information from another person in a special relationship with the Corporation;
- a person or corporation that learns of material information while in a special relationship with the Corporation; and
- a family member or friend of a person in a special relationship with the Corporation.

It is against this policy and a violation of securities laws and regulations to trade on non-public information or to disclose inside information to others in a manner that is reasonably likely to result in trading by the person to whom the information is disclosed.

Employees should also keep in mind that, if they have knowledge about a material change or a material fact about another public company as a result of a transaction, a proposed transaction or a business relationship between the Corporation and that other company, they will be trading on inside information if they trade in shares of the other company prior to the public release of that information.

Strict compliance with this policy is required. All persons subject to this policy should be aware of the following potential consequences of non-compliance:

1. Canadian securities laws provide that Employees or tippees who trade on the basis of

undisclosed Material Information may be subject to prosecution which may result in fines of up to \$1,000,000 (or three times the profit made in the illegal trade) or to imprisonment for a term of up to five (5) years, or both. In addition to fines and imprisonment, violation may result in civil liability to shareholders affected.

2. If Material Information is leaked or adequate disclosure not forthcoming, securities exchanges or regulatory authorities may require the untimely disclosure by the Corporation of information in order to deny or confirm rumors or to account for unusual trading activity. Securities exchanges or regulatory authorities may halt trading of the Corporation's securities for an indeterminate period until satisfied that adequate public disclosure has been made.

In addition to the foregoing consequences, any Employee who fails to adhere to this policy will be subject to disciplinary action by the Corporation which could result in termination of employment for cause.

### 3. General Rule on Trading

The Corporation has adopted the following general rule in respect of trading in securities of the Corporation by Employees:

If you have knowledge of a material fact or a material change relating to the business and affairs of the Corporation or any public corporation involved in a transaction with the Corporation which is not generally known, no purchase or sale of the Corporation's securities or the securities of the other public corporation may be made until the material fact or material change has been publicly disclosed. As a general guideline, once information is disclosed by the Corporation, it is not considered to be generally disseminated and absorbed by the marketplace until at least the second trading day after the information has been released. In addition, the material fact or material change must not be conveyed to any other person for the purpose of assisting that person in trading securities. **It is the sole responsibility of each Employee to determine whether he or she has knowledge of material information relating to the Corporation and to refrain from trading until at least the second trading day following the disclosure of material information. If unsure, prior to any trades the Employee must address this issue with the Chief Executive Officer or the Chief Financial Officer.**

Based on an Employee's job function, he or she may regularly have knowledge of material information and in such instances be prevented from trading in securities of the Corporation. Therefore, Employees should consider any investment in the Corporation as a long-term investment as they may be precluded from selling their securities in the Corporation from time to time in certain circumstances.

From time to time, the Corporation may circulate notices to Restricted Persons (as defined below) alerting them to material events and information specifying "blackout" periods during which securities of the Corporation should not be bought or sold by Employees. It should be noted that these trading blackout periods are in addition to trading prohibited at any time an Employee has knowledge of undisclosed material information.

### 4. Trading Policy for Restricted Persons

For purposes of this policy, "**Restricted Persons**" are the persons most likely to have knowledge of undisclosed material facts or material changes with respect to the Corporation and, accordingly, are subject to a more restrictive trading policy. Restricted Persons consist of all members of the Board, officers of the Corporation and other members of senior management, and such additional persons as may

be designated by the Board from time to time.

In addition to the general rule on trading outlined above, the Corporation has adopted the following policy to regulate trading of securities of the Corporation by Restricted Persons:

- (a) Restricted Persons shall refrain from engaging in transactions involving securities of the Corporation during the period from the date of the calling of a meeting of the Board called for reasons other than approval of quarterly or year end financial results and, if applicable, continuing until the opening of trading on the second trading day following the date of public disclosure by the Corporation of matters resolved at the meeting, if any;
- (b) Restricted Persons shall refrain from purchasing or selling securities of the Corporation frequently and shall not trade in securities when they are aware of any material event or information which may affect the securities of the Corporation prior to its being made public or until the opening of trading on the second trading day after its release by the Corporation. From time to time, the Corporation may circulate notices to Restricted Persons alerting them to material events and information and specifying "blackout" periods during which securities of the Corporation should not be bought or sold by Restricted Persons. It should be noted that these trading blackout periods are in addition to trading prohibited at any time by an individual has knowledge of undisclosed material information;
- (c) Restricted Persons shall not engage in short selling, or trade in puts or calls of securities of the Corporation; and
- (d) Restricted Persons may engage in transactions involving the securities of the Corporation at all times during the year, unless otherwise restricted by this policy, except during the period beginning on the date that is: (i) forty five (45) days after the last day of the reporting year; or (ii) thirty (30) days after the last day of the month of the reporting quarter, and, in either case, ending the second day on which the applicable stock exchange that the Corporation's shares trade on is open for trading after publication. Such publication will be deemed effected on dissemination of such results by news release or filing on SEDAR, whichever is earlier. Notwithstanding the foregoing, the Board may by resolution allow trades within such blackout period provided the Board determines, to the best of its knowledge, that such trade or trades are: (i) in compliance with insider trading or similar restrictions pursuant to securities laws applicable to the Corporation and the Restricted Persons; (ii) in compliance with blackout period restrictions and insider rules of every stock exchange on which the Corporation's shares are listed; and (iii) not made at such time as there is material undisclosed information in respect of the Corporation available to any Restricted Person.

Regarding the trading restrictions set forth in paragraph (d) above, the Chief Financial Officer will advise the Restricted Persons of the expected dates of public disclosure by the Corporation of its quarterly and year end financial results at least four weeks prior to such dates. Regarding the trading restrictions set forth in paragraph (a) above, the Chief Financial Officer will advise the Restricted Persons of the dates of meetings of the Board provided that the Chief Financial Officer or Secretary has determined that the trading restrictions should apply having regard to the matters to be discussed at such meetings.

## **5. Insider Reporting Obligations**

Under securities legislation, a person or Corporation who becomes a "reporting insider" of the

Corporation must file an insider report within 10 days of the date of becoming a reporting insider. In addition, a reporting insider whose direct or indirect beneficial ownership of or control or direction over securities of the Corporation changes, must file an insider report of the change within 5 days of the date of the change.

The following will be considered to be reporting insiders of the Corporation:

- (i) the CEO, CFO or COO of the Corporation, of a "significant shareholder" of the Corporation or of a major subsidiary of the Corporation ("**significant shareholder**" means a person or company that has beneficial ownership of, or control or direction over shares of the Corporation carrying more than 10% of the voting rights attached to all of the Corporation's outstanding voting shares);
- (ii) a director of the Corporation, of a significant shareholder of the Corporation or of a major subsidiary of the Corporation;
- (iii) a person or company responsible for a principal business unit, division or function of the Corporation;
- (iv) a "significant shareholder" of the Corporation;
- (v) a significant shareholder based on post-conversion beneficial ownership of the Corporation's securities and the CEO, CFO, COO and every director of the significant shareholder based on post-conversion beneficial ownership;
- (vi) a management company that provides significant management or administrative services to the Corporation or a major subsidiary of the reporting issuer, every director of the management company, every CEO, CFO and COO of the management company, and every significant shareholder of the management company;
- (vii) an individual performing functions similar to the functions performed by any of the insiders described in paragraphs (i) to (iv);
- (viii) the Corporation itself, if it has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security; or
- (ix) any other insider that in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed and directly or indirectly, exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of the Corporation.

The System for Electronic Disclosure by Insiders ("**SEDI**") has been established by the applicable securities regulatory authorities. SEDI facilitates the filing and public dissemination of "insider reports" in electronic format via the Internet and this website. The SEDI website can be accessed at [www.sedi.ca](http://www.sedi.ca). Reporting insiders who are required by provincial securities laws to file insider reports in electronic format must use this website to make these filings.

The responsibility for complying with the insider reporting requirement rests with the reporting insider. Securities legislation may change from one jurisdiction to another. The consequences of non-compliance can be serious. If uncertain about the legal obligations one should seek advice from legal counsel practicing in the area of securities law.

**6. Insider Reporting Obligations**

A periodic review of this policy will be conducted by the Compensation and Corporate Governance and Nominating Committee of the Corporation to evaluate its effectiveness. Subsequent revisions will be made, if required, and communicated to employees.