



Code of Business Conduct and Ethics

This Code of Business Conduct and Ethics ("Code") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide officers and employees of Next Wave Pharmaceuticals Pharmaceutical, Inc. (the "Company"). All of our officers and employees must conduct themselves in accordance with this Code and seek to avoid even the appearance of improper behavior.

This Code will be strictly enforced. All officers are required to enforce this policy and are not permitted to sanction or condone violations. There will be serious adverse consequences for non-adherence to the Code, which may include removal from a position as officer, and dismissal as an employee of the Company. If you are in a situation which you believe may violate or lead to a violation of this Code, you should follow the procedures described in Sections 17-19 of this Code.

1. **Compliance with Laws.**

Obeying the law, both in letter and in spirit, is the foundation on which this Company's ethical standards are built. All officers and employees must obey the laws of the cities, states and countries in which we operate. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice.

2. **Ethical Conduct.**

Beyond compliance with laws, the Company requires that all its officers and employees act in a manner which meets the highest standards of ethical behavior. This includes the obligation to avoid any actual or apparent conflicts of interest in personal and professional relationships. The honesty and integrity of the Company's business conduct must not be compromised. The Company will not condone ethical violations for the sake of personal gain, personal advantage, expediency or perceived business advantage.

3. **Scientific Integrity.**

Research integrity is fundamental to the scientific process and to the Company's ability to bring pharmaceutical products to market. All research and development must be conducted according to applicable laws and regulations and to the generally accepted ethical standards of the scientific community. Scientific misconduct, such as fabrication, falsification, or plagiarism in proposing, conducting or reporting research, disregards the intellectual contributions and property of others, impedes the progress of research and corrupts the scientific record and is prohibited.

4. **Accounting, Auditing Matters and Public Disclosure Obligations.**

The Company's requirement that officers and employees follow the highest ethical standards applies directly to all actions which involve business accounting, financial reporting, internal accounting controls, auditing matters and public disclosure obligations. Full, fair, accurate, timely and understandable disclosure is required in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the "SEC") and in any other public communications. The Management Team of the Company has adopted special procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. These procedures are set out in Sections 18 and 19 of this Code.

5. **Conflicts of Interest.**

Any direct or indirect conflict of interest between the Company and any officer or employee is prohibited unless otherwise consented to by the Company. The Company believes that it is in its best interests and is consistent with the obligations of officers and employees to the Company to establish a policy that all business decisions will reflect independent judgment and discretion, uninfluenced by any considerations other than those honestly believed to be in the best interests of the Company and its shareholders. Any decision will be deemed to be in conflict with the interests of the Company if, in the course of affiliation with the Company, the judgment and discretion of an officer or employee is or

may be influenced by considerations of personal gain or benefit, or gain or benefit to a third party, whether or not affiliated with the, officer or employee. The divided loyalty that is present when an officer or employee has a conflict of interest could potentially lead to serious problems for the Company and could be grounds for disciplinary action or termination by the Company. It is not possible to describe every situation or occurrence that could lead to a conflict of interest between an officer or employee and the Company. The following events are intended to describe, by way of example, situations that could occur that could lead to a conflict of interest with the Company:

- Relationships with Customer or Competitors: Stock ownership by an employee and other financial interests or participation on the part of an employee in any customer, supplier or competitor of the Company will need to be reported to the Human Resource Manager of the Company.
- Indirect Interests and Relationships: A conflict of interest can arise because of the business activities of an affiliate of an officer or employee. The term affiliate includes close family members and family members who live in the same household as an officer or employee. An officer or employee has a potential conflict of interest whenever his or her affiliate has a significant interest in a transaction or a significant relationship with any customer, supplier or competitor of the Company. The officer or employee should not make or influence any decision which could directly or indirectly benefit his or her affiliate and, in order to protect the officer or employee and the Company from the appearance of a conflict of interest, all relationships of this nature will need to be reported to the Corporate Secretary.
- Gifts, Loans and Entertainment: An officer or employee will not accept gifts (including trips and outings) from competitors or from anyone having or seeking business with the Company, other than non-cash gifts of nominal value generally used for promotional purposes by the giver or accept loans from any person having or seeking business with the Company (other than loans from banks or financial institutions at prevailing market rates and terms). As a rule of thumb, any gifts with value in excess of \$250.00 will be not considered as nominal.
- Participation in business-related functions: Participation in business related functions is permitted, including the acceptance of lunches or other meals. However, each, officer or employee should exercise care to ensure that such functions are necessary and related to the conduct of business on behalf of the Company. If in doubt, the Human Resource Manager of the Company should be consulted.
- Outside Business Activities: As a general rule, the Company does not allow its employees to participate or engage in business activities outside of their employment with the Company. As a general rule, participation on a part time or other basis in any outside business or employment will be a conflict of interest if the, officer or employee's participation in that business could interfere with his or her ability to devote proper time and attention to his or her employment with the Company. Employees who are considering secondary employment must first get written approval from the President. Under no circumstance will any employee be allowed to work for another pharmaceutical company where there may be a conflict of interest.
- Non-business Activities: Participation in the activities of a trade association, professional society, charitable institution or governmental institution, on a non-compensated basis, or holding a part time public office (with or without compensation) will not generally create a conflict of interest in violation of this Code. However, if any, officer or employee is unsure of his or her particular situation; the Human Resource Manager of the Company should be consulted.
- Personal Use of Company Property and Company Information: It is against Company policy for any officer or employee to use or divert any Company property, including services of other employees, for his or her own advantage or benefit, or to use Company letterhead when writing personal correspondence.

Prior to engaging in a transaction or activity that would present a conflict of interest, consent of the Company must be obtained. The proper source of that consent will depend on your position in the Company. If you are an officer of the Company, such consent must be obtained from the President and CEO of the company. If you are not an officer please consult with the Human Resource Manager of the Company to determine how to obtain the necessary consent.

6. Insider Trading.

Officers and employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business and in strict conformity with all applicable laws and SEC regulations. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. If you have any questions, please consult the Company's Human Resource Manager.

7. Corporate Opportunities.

All officers are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without the consent of the President and CEO. No officer or employee may use corporate property, information or position for improper personal gain or compete with the Company either directly or indirectly. Officers and employees owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises.

8. Competition and Fair Dealing.

The Company seeks to outperform its competition fairly and honestly. The Company seeks competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and to deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional act or practice. The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers or suppliers. Employees should discuss with the Human Resource Manager or President and CEO of the Company any gifts or proposed gifts of which they are not certain are appropriate.

9. Discrimination, Harassment and Retaliation.

The diversity of the Company's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate discrimination, harassment or retaliation. The Company's policy against discrimination applies to any legally protected status, including race, color, gender, religion, national origin, disability, veteran status and age. This policy also prohibits discrimination against any person who provides information to a federal regulatory or law enforcement agency, a member of Congress or any committee of Congress or to a supervisor concerning conduct which the employee reasonably believes constitutes a violation of securities laws or any provision of federal law relating to fraud against shareholders. The Company also prohibits discriminatory harassment of any employee covered by the policy against discrimination. No officer or employee may retaliate against an individual for bringing a complaint of discrimination or for participating in an investigation or proceeding involving a complaint of discrimination. No one may take any action harmful to any person for providing to a law enforcement officer any truthful information relating to the commission or possible commission of any federal offense.

10. Health and Safety

The Company strives to provide each employee with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe conditions. Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

11. Record-Keeping.

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported. Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask the Accounting Manager of the Company. All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform to applicable legal requirements, generally accepted accounting principles and the Company's system of internal controls. Further, it is prohibited under federal law and Company policy to fraudulently influence, coerce, manipulate or mislead the Company's independent public accountants for the purpose of rendering the Company's financial statements materially misleading. Full, fair, accurate, timely and understandable disclosure is required in all reports and documents that the Company files with, or submits to, the SEC and in any other public communications. Business records and communications often become public and officers and employees should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, please consult the Company's President and CEO or Human Resource Manager.

12. Confidentiality.

Employees must maintain the confidentiality of the information entrusted to them by the Company or its customers, except when disclosure is authorized by the President and CEO or required by law. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us and even the identities of our trading partners. The obligation to preserve confidential information continues even after employment ends.

13. Protection and Proper Use of Company Assets.

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported to the President and CEO or the Human Resource manager for investigation. The obligation of employees to protect the Company's assets includes the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing, product development and service plans, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or even criminal penalties.

14. Payments to Government Personnel.

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country. In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules.

15. Political Contributions.

A corporation is prohibited from making a political contribution to any candidate for federal office. In addition, virtually every state either limits or prohibits the making of political contributions by a corporation to a state or local candidate or political party. If any of the Company's customers request that the Company make a political contribution, it is essential that prior approval is given by the President before any contribution is made. Under no circumstances shall the Company make a



political contribution to any federal candidates.

16. Change or Waivers of the Code of Business Conduct and Ethics.

Any change or waiver of this Code for officers or employees may be made only by the President and CEO and will be promptly disclosed as required by law. Consents sought and obtained in accordance with the requirements of this Code are not considered waivers.

17. Personal Responsibility.

It is essential that the Company ensures prompt and consistent action against violations of this Code. However, in some situations it is difficult to know right from wrong. Since, officers and employees cannot anticipate every situation that will arise, it is important to have guidelines on how to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with the President and CEO. This is the basic guidance for all situations. In many cases, they will be more knowledgeable about the question and will appreciate being brought into the decision-making process. Remember that it is their responsibility to help solve problems.
- Seek help from Company resources. If you believe that it is not appropriate to discuss an issue with the President and CEO, call the Human Resource Manager of the Company.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act

18. Reporting/Compliance Procedure.

Every employee and officer has the responsibility to ask questions, seek guidance, and report suspected violations and express concerns regarding compliance with this Code. Any employee or officer who knows or believes that any other employee or representative of the Company has engaged or is engaging in Company-related conduct that violates applicable law or this Code should report such information to his or her supervisor or to the HR Manager, as described below. You may report such conduct openly or anonymously without fear of retaliation. The Company will not discipline, discriminate against or retaliate against any employee who reports such conduct (unless it is determined that the employee made the report with knowledge that it was false) or who cooperates in any investigation or inquiry regarding such conduct. Any supervisor who receives a report of a violation of this Code must immediately inform the President or HR Manager. You may report violations of this Code, on a confidential or anonymous basis, by contacting the Company's Human Resource Manager by mail, or fax at: Next Wave Pharmaceuticals, Inc., 50 Lakeview Parkway Suite 134, Vernon Hills, IL 60061, ph: (847) 996-6200, fax: (847) 996-6202. In addition, the Company has established a Next Wave Pharmaceuticals Compliance Hotline toll-free telephone number (1-877-874-8416) where you can report any violation or suspected violation of this Code. All calls to the Next Wave Pharmaceutical Compliance Hotline are reported simultaneously to the Compliance Officer of the Company. While we prefer that you identify yourself when reporting violations so that we may follow up with you, as necessary, for additional information, you may make a report anonymously if you wish. When the Compliance Officer of the Company receives information regarding an alleged violation of this Code, he or she shall, as appropriate, (a) shall discuss with the Compliance Committee of the Company and evaluate the information, (b) if the alleged violation involves an officer inform the President and CEO of the Company about the alleged violation, (c) determine whether it is necessary to conduct an informal inquiry or a formal investigation and, if so, initiate such inquiry or investigation and (d) report



the results of any such inquiry or investigation, together with a recommendation as to disposition of the matter, to the President and CEO of the Company for action, or if the alleged violation involves an employee or report the results of any such inquiry or investigation to the Human Resource Manager or President and CEO of the Company or a committee thereof. They shall determine whether a violation of this Code has occurred and, if so, shall determine the disciplinary measures to be taken against the employee. Employees and officers are expected to cooperate fully with any inquiry or investigation by the Company regarding an alleged violation of this Code. Failure to cooperate with any such inquiry or investigation may result in disciplinary action, up to and including discharge. The Company shall determine whether violations of this Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee who has violated this Code. In the event that the alleged violation involves the President and CEO of the Company, the Board of Directors shall determine whether a violation of this Code has occurred and, if so, shall determine the disciplinary measures to be taken against the President and CEO. Failure to comply with the standards outlined in this Code will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, and reductions in salary, discharge and restitution. Certain violations of this Code may require the Company to refer the matter to the appropriate governmental or regulatory authorities for investigation or prosecution. Moreover, any supervisor who directs or approves of any conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including discharge.

19. Procedures for Submitting Confidential, Anonymous Complaints Regarding Accounting and Auditing Matters.

As an alternative to the procedures described in Section 18, any employee who reasonably believes that there has been a material violation of this Code caused by questionable accounting or auditing matters has the right to submit a confidential, anonymous complaint via the Company's Compliance or hotline toll free number 1-877-874-8416. The complaint should contain sufficient information so that a reasonable investigation can be conducted.

Dissemination and Amendment

This Code shall be distributed to each new employee, and officer of the Company upon commencement of his or her employment or at any appropriate time period and shall also be distributed upon any update or annually to each employee and officer of the Company, and each employee and officer shall certify that he or she has received, read and understood the Code and shall comply with its terms. The Company reserves the right to amend, alter or terminate this Code at any time for any reason. This document is not an employment contract between the Company and any of its employees and officers.



**Certificate of Training on Next Wave Pharmaceuticals'
Code of Business Conduct and Ethics**

**I have received, read and understood Next Wave Pharmaceuticals' Code of
Business Conduct and Ethics and shall comply with the Code.**

Name of Employee: _____

Signature of Employee: _____

Date: _____