

8/30/04

SpectraScience, Inc.
POLICY STATEMENT
ON INSIDER TRADING

Introduction

Insider trading occurs when an individual with “material nonpublic” information about a company buys or sells the company’s stock. “Material nonpublic information” (also referred to as “inside information”) is defined for you under “Definitions,” below.

Insider trading includes “tipping,” which is the unauthorized disclosure of material nonpublic information to other persons who trade on such information. For example, if an employee discloses inside information to a friend or family member, and then that person trades Company stock, the employee is also liable for insider trading and subject to criminal and civil penalties.

The prohibitions on trading and tipping also apply to the securities of any other publicly held company about which an employee learns material nonpublic information in the course of his or her employment. This could occur, for example, if the employee has access to inside information about a supplier or customer or about another company that the Company intends to acquire.

Individuals who violate the laws prohibiting “insider trading” face a criminal fine of up to \$1 million and a jail term of up to ten years for each violation and a civil fine in an SEC enforcement action of up to three times the profits realized or losses avoided by the insider trading. Such individuals may also be required to give up all illegal profits, including interest from the date of the violation. In addition, insider traders may be liable in civil suits brought by persons who were trading in the market contemporaneously with the insider trading, as well as by anyone who can show he or she was actually damaged by the illegal trading. Finally, insider traders may lose their jobs and face additional sanctions.

The Insider Trading and Securities Fraud Enforcement Act of 1988 (the “Act”) also imposes liability on “controlling persons” for failing to take appropriate steps to prevent illegal trading by those over whom they may be deemed to have control. The House Report accompanying the Act defines “controlling person” as “any person with power to influence or control the direction or the management, policies, or activities of another person.” This term may be interpreted to include not only the Company, but also senior management and other employees who can be said to control the activities of an individual violator. Thus, an insider trader not only risks his or her own well being and livelihood, he or she potentially exposes this Company and his or her colleagues to legal action, fines, and embarrassment as well.

Federal securities law requires all officers, directors, and 10% or greater shareholders (“affiliates”) to file a Form 4 with the SEC within 2 days of the transaction. In addition, all affiliates must file a Form 144 with the SEC prior to selling shares.

Because of the requirements of Federal securities laws, the Company has developed the Policy Statement set forth below. The Company recognizes that even the appearance of impropriety may detract from the Company's reputation for integrity and invite costly and embarrassing investigations. Accordingly, the Policy Statement has been designed to help directors, officers, and employees of the Company recognize and avoid insider trading.

Policy Statement

The Company's Policy on Insider Trading is as follows:

1. An employee who possesses Material Nonpublic Information (as defined herein) concerning the Company has an absolute duty to refrain from:
 - (a) Trading (as defined herein) in the Company's stock until such information is Broadly Disseminated (as defined herein); and
 - (b) disclosing such information to **any** person, unless such disclosure is necessary in the course of business and is subject to appropriate safeguards regarding confidentiality.
2. For directors, officers, certain management employees, and other employees with frequent access to Material Nonpublic Information who are designated in writing to be subject to such restrictions, the Company has established a policy requiring such persons to provide 24 hours' advance notice of any trading in the Company's stock to the Company's Chief Executive Officer (or the Chairman of the Company's Board of Directors in the case of trading by the Chief Executive Officer). The Chief Executive Officer or Chairman, as applicable, in his or her discretion, shall advise the entire Board of such proposed transaction. Upon notification, the Executive will perform a common sense test, or "smell test" to determine how the trade will appear to outsiders. The results of this test will be forwarded to the Board. The Board shall not have the authority to prevent or delay any proposed transaction in the Company's stock (unless such transaction may violate applicable law) but may voice approval or disapproval in the form of a recommendation.
3. As a general rule, persons who may be deemed to be insiders should refrain from trading during the following periods:
 - (a) the period beginning with the fifteenth (15th) day of the third month in any fiscal quarter and ending the second (2nd) business day after the press release of quarterly or annual earnings; and
 - (b) any period during which the individual is in possession of Material Nonpublic Information until the second business day following the wide dissemination of such information (for example, the distribution of a proxy statement or prospectus which gives such information in connection with a merger or new financing or a press release announcing a material event).
4. An employee shall not recommend or express an opinion to anyone as to the desirability of buying or selling, or as to the timing of buying or selling, or as to the holding of, the Company's stock.
5. An employee who possesses Material Nonpublic Information concerning any entity, which information he or she learns as a result of his or her employment with the Company, shall not trade the securities of such entity until such information is Broadly Disseminated and shall not recommend or express an opinion to anyone as to the

- desirability of buying or selling, or as to the timing of buying or selling, or as to the holding of, the stock of such company.
6. No employee or officer or director of the Company shall buy or sell puts or calls on Company stock without the prior approval of the Board of Directors.
 7. The restrictions in this policy apply to the trading by an employee and also by the employee's spouse, children receiving support from the employee, and any dependent living in the same household as the employee.
 8. Violations of this policy shall subject the employee to disciplinary action, which may include the commencement of legal proceedings or termination of employment or both. The employee also may be subject to criminal proceedings and to civil litigation.
 9. Supervisors are responsible for ensuring that their subordinates understand and follow this policy.
 10. Any employee with frequent access to Material Nonpublic Information may be required to comply with the restrictions in paragraph 2 above.

Definitions

Material Nonpublic Information: Information is "material" if a reasonable investor would consider the information important in a decision to buy, hold, or sell the security in question. Generally, any information that could be expected to affect the price of the stock is considered material. What is considered to be "material" information often depends upon the specific circumstances, and it is therefore not possible to set forth all examples of such information. In general, information falling within the following categories would be considered material:

- company or major division financial results
- unusual gains or losses in major operations
- dividend changes
- stock splits and stock dividends
- public offerings or private sales of debt or equity securities
- calls, redemptions, or purchases of the Company's own securities
- top management or control changes
- bankruptcy or Chapter 11 proceedings
- financial projections
- pendency of proposals or negotiations for total or partial acquisitions, including mergers and tender offers
- significant new products or services gain or loss of significant business, or the prospect thereof
- negotiations or agreements for joint ventures
- major marketing plans
- exclusive licenses and other patent or franchise agreements
- capital investment plans and changes in such plans
- significant write-offs
- significant borrowings
- changes in accounting methods

- litigation or governmental investigations concerning the Company or any of its officers or directors
- adoption of stock option plans or other significant compensation plans
- labor negotiations, contracts, disputes, strikes, or lockouts
- significant changes in sources or availability of supply
- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

Information is "nonpublic" if it has not been disclosed in the Company's annual or periodic reports to shareholders, has not been the subject of a prior "broadly disseminated" (as defined below) press release intended for and made available to the public, or has not been widely reported in the media, market letters, statistical services, or the like.

Broadly Disseminated: When the Company discloses Material Nonpublic Information to the public, such information is not considered to be "broadly disseminated" until (i) the information has been disseminated in media of the widest circulation, such as the Dow Jones broad tape, and to local newspapers and brokerage firms and (ii) the public has had reasonable opportunity to evaluate the impact of the information on the stock of the Company. The duration of the evaluation period by the public will depend on the nature of the information. For example, a release of earnings information may require a shorter waiting period than an announcement of a restructuring plan, merger, or substantial acquisition.

Trading: means the purchase or sale of any securities of the Company that are publicly traded (currently SPECTRASCIENCE, INC. common stock is publicly traded). Purchase and sale includes the exercise of options, warrants, puts, and calls, etc. As an exception to the foregoing, the exercise of options granted under the Company's stock option plan will not be considered trading (such options may be exercised at any time within the exercise period), but selling the shares issued upon such exercise will be considered trading. Also, as a general rule, the existence of a periodic investment program whereby the individual makes regular purchases under an established program administered by a broker, and where the timing of purchases is outside the control of the individual, will not be considered trading for insider trading purposes.

Further information or Assistance

Any person who has any questions about specific transactions may obtain additional guidance from the Company's Chief Executive Officer. However, the ultimate responsibility for adhering to the Policy and avoiding improper transactions rests with the employee.

I have read this document and understand its meaning.

Employee Name

Employee Signature

Receipt acknowledged by SpectraScience