
TIMBER PHARMACEUTICALS, INC.
RELATED PARTY TRANSACTIONS POLICY

**As Adopted by the Board of Directors
on May 18, 2020**

Timber Pharmaceuticals, Inc. (the “*Company*”) expects its directors, officers and other employees to avoid conflicts of interest that might interfere with the performance of their duties to the Company or that might deprive the Company of that person’s undivided loyalty to the Company in business dealings. Transactions to which the Company is a party and in which a related person of the Company has a material interest may present actual or potential conflicts of interest or create the appearance of a conflict. Whether a conflict exists is often unclear and, in many circumstances, transactions with related persons may, on balance, be beneficial to the Company and its stockholders. While the Company’s Code of Business Conduct and Ethics addresses these matters generally, the Company also has adopted this Related Party Transactions Policy (“*Policy*”) to set forth the procedures for the identification, review, consideration, and approval or ratification of transactions involving the Company and its “Related Persons” (as defined below) by the Audit Committee of the Board of Directors (“*Committee*”).

This Policy has been approved by the Company’s Board of Directors and the Committee, and the Committee may from time to time recommend amendments to this Policy.

A. Definitions.

Under this Policy the following terms have the meanings set forth in this section.

“*Approval Authority*” means the Committee; provided that in the event that any member of the Committee is a Related Person in the transaction to be reviewed, the “Approval Authority” shall mean the other members of the Committee. In the event that it is inappropriate for any of the foregoing to review the transaction for reasons of conflict of interest or otherwise, after taking into account possible recusals, “Approval Authority” shall mean another independent body of the Board of Directors. The Chair of the Committee shall possess delegated authority to act between Committee meetings.

“*Commission Rules*” means Rule 10A-3 and any other rules and regulations promulgated by the Securities and Exchange Commission.

“*Related Person*” means any

- person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;

- security holder known by the Company to be the beneficial owner of more than 5% of any class of the Company’s voting securities (a “significant shareholder”); or
- “immediate family member” of any of the foregoing, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person.

“Related Party Transaction” means, for so long as the Company qualifies as a smaller reporting company under the Commission Rules, a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company is a party, in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company’s total assets at year end for the last two completed fiscal years and in which a Related Person has or will have a direct or indirect material interest or which otherwise requires disclosure pursuant to Item 404 of Regulation S-K. If and when the Company does not qualify as a smaller reporting company under the Commission Rules, “Related Party Transaction” means a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company is a party, in which the amount involved exceeds \$120,000 and in which a Related Person has or will have a direct or indirect material interest or which otherwise requires disclosure pursuant to Item 404 of Regulation S-K.

B. Identification of Related Persons and Dissemination of Information.

On an annual basis, the Company’s finance department shall collect information from each director and executive officer, including a list of all of the entities with which they have a relationship and their immediate family members.

Any transaction that the Company intends to undertake with a Related Person shall be submitted to the Company’s Chief Financial Officer for his or her determination of whether the transaction would constitute a Related Party Transaction, and such person shall refer to the Approval Authority any such transaction that it determines would be a Related Party Transaction, or that it otherwise determines should be evaluated by the Approval Authority. If a transaction between the Company and a Related Person is entered into prior to an evaluation by the Chief Financial Officer or review by the Approval Authority, such transaction shall be submitted to the Chief Financial Officer for a determination of whether the transaction constituted a Related Party Transaction, and the Chief Financial Officer shall refer to the Approval Authority any such transaction that it determines was a Related Party Transaction or that otherwise should be evaluated by the Approval Authority.

C. Advance Approval of Related Party Transactions.

The Approval Authority shall review and approve or disapprove any Related Party Transaction. If advance approval of a Related Party Transaction was not feasible or was not obtained, the Related Party Transaction shall be submitted to the Approval Authority as soon as reasonably practicable, at which time the Approval Authority shall consider whether to ratify and continue, amend and ratify, or terminate or rescind such Related Party Transaction.

D. Approval Process and Guidelines.

1. If a proposed Related Party Transaction is presented to the Approval Authority for approval, such presentation shall include, to the extent reasonably available, a description of (a) the parties thereto, (b) the interests, direct or indirect, of any Related Person in the transaction in sufficient detail to enable the Approval Authority to fully assess such interests, (c) a description of the purpose of the transaction, (d) all of the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction, or, in the case of indebtedness, that amount of principal that would be involved, (e) the benefits to the Company of the proposed Related Party Transaction, (f) if applicable, the availability of other sources of comparable products or services, (g) whether the proposed Related Party Transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to employees generally, and (h) management's recommendation with respect to the proposed Related Party Transaction. In the event the Approval Authority is asked to consider whether to ratify an ongoing Related Party Transaction, in addition to the information identified above, the presentation shall include a description of the extent of work performed and remaining to be performed in connection with the transaction and an assessment of the potential risks and costs of termination of the transaction, and where appropriate, the possibility of modification of the transaction.

2. The Approval Authority, in approving or rejecting the proposed Related Party Transaction, shall consider the facts and circumstances deemed relevant by and available to the Approval Authority. The Approval Authority shall approve only those Related Party Transactions that, in light of known circumstances, are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Approval Authority determines in the good faith exercise of its discretion.

E. Standing Pre-Approval for Certain Related Party Transactions.

1. The Approval Authority has determined that for the purposes of this Policy, in the absence of facts or circumstances indicating special or unusual benefits to the Related Person, a Related Person does not have a direct or indirect material interest in the following, and therefore such transactions, arrangements or relationships need not be approved by the Approval Authority under this Policy:

a. Any employment by the Company of an executive officer of the Company if:

(i) the related compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934, which is generally applicable to "named executive officers"; or

(ii) the executive officer is not an immediate family member of another executive officer or director of the Company, the related compensation would have been reported in the Company's proxy statement under Item 402 of Regulation S- K if the executive officer had

been a “named executive officer”, and the Company’s Compensation Committee approved (or recommended that the Board approve) such compensation;

b. Any compensation paid to a director if the compensation is required to be reported in the Company’s proxy statement under Item 402 of Regulation S-K;

c. Any transaction with another company at which a Related Person’s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company’s shares or as a limited partner holding interests of less than 10% in the limited partnership (or similar interests in an alternative form of entity, provided that if the Related Person is such only because of the ownership of more than 5% of the Company’s outstanding voting securities, then such person shall not be deemed to have an indirect material interest in the transaction if such person’s relationship with the other company is the ownership of less than a majority of such other company’s outstanding voting shares;

d. Any transaction where the Related Person’s interest arises solely from the ownership of the Company’s common stock and all holders of the Company’s common stock received the same benefit on a *pro rata* basis (e.g. dividends); or

e. Any transaction with a Related Person (i) where the rates or charges involved are determined by competitive bids; (ii) involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; or (iii) involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.