

CODA OCTOPUS GROUP, INC. INSIDER TRADING POLICY

DATE: July 19, 2017

CODA OCTOPUS GROUP, INC.

INSIDER TRADING POLICY

I. PURPOSE

Coda Octopus Group, Inc. (the “Company”) has adopted this Insider Trading Policy (this “Policy”) to help its directors, officers and employees comply with insider trading laws and to prevent even the appearance of improper insider trading.

II. SCOPE

- A.** This Policy applies to all directors, officers and employees of the Company, as well as their respective family members and others who share the same household (collectively referred to as “Insiders”), the Company’s outside IR consultants and legal and accounting professionals and any other individuals the Compliance Officer (defined below) may designate as Insiders because they have access to material nonpublic information concerning the Company.
- B.** Except as set forth explicitly below, this Policy applies to any and all transactions in the Company’s securities, including transactions in common stock, options, preferred stock, restricted stock, restricted stock units, and any other type of securities that the Company may issue. This Policy applies to such securities regardless of whether they are held in a brokerage account, a 401(k) or similar account, or otherwise.

III. SPECIFIC GUIDANCE

A. Generally Prohibited Activities.

1. Trading in Company Securities.

- a. No Insider may buy, sell or otherwise trade in Company securities while aware of material nonpublic information concerning the Company.
 - b. No Insider may buy, sell or otherwise trade in Company securities during any special trading blackout period applicable to such Insider as designated by the Compliance Officer.
- 2. Tipping. Providing material nonpublic information to another person who may trade or advise others to trade on the basis of that information is known as “tipping” and is illegal. Therefore, no Insider may “tip” or provide material nonpublic information concerning the Company to any person other than a director, officer or employee of the Company, unless required as part of that Insider’s regular duties for the Company and authorized by the Compliance Officer.
- 3. Engaging in Short Sales. No Insider may engage in short sales of Company securities. A short sale is the sale of a security that the seller does not own at the time of the trade.
- 4. Engaging in Derivative Transactions. No Insider may engage in transactions in puts, calls or other derivative instruments that relate to or involve Company securities. Such transactions are, in effect, bets on short-term movements in the Company’s stock price and therefore create the appearance that the transaction is based on nonpublic information.
- 5. Hedging. No Insider may engage in hedging transactions involving Company securities, including forward sale or purchase contracts, equity swaps, collars or exchange funds. Such transactions are speculative in nature and therefore create the appearance that the transaction is based on nonpublic information.
- 6. Trading in Securities of Other Companies. No Insider may, while in possession of material nonpublic information about any other public company gained in the course of employment with the Company, (a) trade in the securities of the other public company, (b) “tip” or disclose such material nonpublic information concerning that company to anyone, or (c) give trading advice of any kind to anyone concerning the other public company.

B. Additional Restrictions Applicable to Covered Persons.

1. No Covered Person (each as defined below) may trade in Company securities outside of the Company trading window described in Section V.B below.
2. No Covered Person may trade in Company securities unless the trade(s) have been approved by the Compliance Officer in accordance with the procedures set forth in Section V.C.1 below.

C. Exceptions.

The prohibited activities above do not apply to:

1. Exercises of stock options or similar equity awards or the surrender of shares to the Company in payment of the stock option exercise price or in satisfaction of any tax withholding obligations, provided that any securities acquired pursuant to such exercise may not be sold while the Insider is in possession of material nonpublic information or subject to a special trading blackout or, with respect to Covered Persons, while the Company's trading window is closed.
2. Other purchases of securities from the Company or sales of securities to the Company.
3. Purchases or sales made pursuant to a Rule 10b5-1 plan that is adopted and operated in compliance with the terms of this Policy (see Section VII).

IV. DETERMINING WHETHER INFORMATION IS MATERIAL AND NONPUBLIC

A. Definition of "Material" Information.

1. There is no bright line test for determining whether particular information is material. Such a determination depends on the facts and circumstances unique to each situation and cannot be made solely based on the potential financial impact of the information.
2. In general, information about the Company should be considered “material” if:

A reasonable investor would consider the information significant when deciding whether to buy or sell Company securities; or

The information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available in the marketplace about the Company.

Put simply, if the information could reasonably be expected to affect the price of the Company’s stock, it should be considered material.

3. It is important to remember that whether information is material will be viewed by enforcement authorities with the benefit of hindsight. In other words, if the price of the Company’s stock changed as a result of the information having been made public, it will likely be considered material by enforcement authorities.
4. While it is not possible to identify every type of information that could be deemed “material,” the following matters ordinarily should be considered material (note that this list is not exhaustive):

Financial performance, especially quarterly and year-end earnings or significant changes in financial performance or liquidity.

Potential significant mergers and acquisitions or the sale of significant assets or subsidiaries.

New major contracts, orders, suppliers, customers, or finance sources, or the loss thereof.

Major discoveries or significant changes or developments in products or product lines, research or technologies.

Significant changes or developments in supplies or inventory, including significant product defects, recalls or product returns.

Stock splits, public or private securities/debt offerings, or changes in dividend policies or amounts.

Significant changes in senior management.

Actual or threatened major litigation, or the resolution of such litigation.

The contents of forthcoming publications that may affect the market price of Company securities.

B. Definition of “Nonpublic” Information.

Information is “nonpublic” if it has not been disseminated to investors through a widely circulated news or wire service (such as Dow Jones, Bloomberg, PR Newswire, etc.) or through a public filing with the Securities and Exchange Commission (the “SEC”). For the purposes of this Policy, information will be not considered public until after the close of trading on the second full trading day following the Company’s widespread public release of the information.

C. Consult the Compliance Officer for Guidance.

Any Insider who is unsure whether the information that he or she possesses is material or nonpublic should consult the Compliance Officer for guidance before trading in any Company securities.

V. ADDITIONAL TRADING RESTRICTIONS FOR COVERED PERSONS

A. Definitions of Covered Persons.

- Current Directors of the Company and its affiliates;
- “Executive officers” of the Company as described in Rule 3b-7 under the Securities Exchange Act of 1934, as amended (“Exchange Act”), and all individuals designated as “officers” of the Company for purposes of Section 16 under the Exchange Act (“Section 16 Officers”);
- All employees in the accounting, finance, investor relations, and law departments of the Company and its affiliates;
- Immediate family members and their spouses as well their parents, siblings and children if they share the same household.

B. The Trading Window.

1. Trading Only While Trading Window is Open. Covered Persons may buy, sell or trade in Company securities only while the Company’s trading window is open. In general, the Company’s trading window opens after the close of trading on the second full trading day following the Company’s public announcement of quarterly earnings and remains open through the 25th day of the third calendar month of the then-current fiscal quarter.
2. Independent Directors. With respect to independent directors only, the Company’s trading window opens after the close of trading on the second full trading day following the Company’s public announcement of quarterly earnings and remains open until 15 days before the SEC filing due date of the financial results for the then most recent fiscal quarterly or annual period. For purposes hereof, a person is deemed an independent director if that person meets the director independence standards of the

NASDAQ Stock Market as determined by the Company's Board of Directors.

3. No Trading While Aware of Material Nonpublic Information. Notwithstanding the provisions of the immediately preceding section, any Covered Person who is in possession of material nonpublic information regarding the Company may not trade in Company securities during an open trading window until the close of trading on the second full trading day following the Company's widespread public release of such information.
4. Exceptions for Hardship Cases. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows (but not during special trading blackout periods) due to financial hardship or other hardships, but only in accordance with the procedures set forth in Section V.C.2 below.

VI. COMPLIANCE OFFICER

The Company has designated its Chief Executive Officer as the individual responsible for ensuring compliance with this Policy (the "Compliance Officer"). The duties of the Compliance Officer include the following:

- A. Administering this Policy and monitoring and enforcing compliance with all Policy provisions and procedures.
- B. Responding to all inquiries relating to this Policy.
- C. Reviewing and either approving or denying all proposed trades by Covered Persons in accordance with the procedures set forth in Section V.C.1 above.
- D. Designating and announcing special trading blackout periods during which certain Insiders may not trade in Company securities.
- E. Providing copies of this Policy and other appropriate materials to all new Insiders.

- F. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations.
- G. Assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities.
- H. Revising the Policy as necessary to reflect changes in federal or state insider trading laws and regulations, or as otherwise deemed necessary or appropriate.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

VII. RULE 10b5-1 TRADING PLANS

A. General Information.

Under Rule 10b5-1 of the Securities Exchange Act of 1934, an individual has an affirmative defense against an allegation of insider trading if he or she demonstrates that the purchase, sale or trade in question took place pursuant to a binding contract, specific instruction or written plan that was put into place before he or she became aware of material nonpublic information. Such contracts, irrevocable instructions and plans are commonly referred to as Rule 10b5-1 plans.

Rule 10b5-1 plans have the obvious advantage of protecting against insider trading liability. However, they also require advance commitments regarding the amounts, prices and timing of purchases or sales of Company securities and thus limit flexibility and discretion. In addition, once a Rule 10b5-1 plan has been adopted, it is generally not permissible to amend or modify such plan. Accordingly, while some individuals may find Rule 10b5-1 plans attractive, they may not be suitable for all Insiders.

B. Specific Requirements.

1. Material Nonpublic Information and Special Blackouts. An individual desiring to enter into a Rule 10b5-1 plan must enter into the plan at a time when he or she is not aware of any material nonpublic information about the Company or otherwise subject to a special trading blackout
2. Trading Window. Covered Persons may only establish a Rule 10b5-1 plan when the Company's trading window is open.
3. 30-Day Waiting Period. To avoid even the appearance of impropriety, the Company requires a waiting period of 30 days between the date the Rule 10b5-1 plan is adopted and the date of the first possible transaction under the plan.

VIII. POTENTIAL PENALTIES AND DISCIPLINARY SANCTIONS

A. Civil and Criminal Penalties.

The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the Insider or tippee, pay significant civil and/or criminal penalties, and serve a lengthy jail term. The Company in such circumstances may also be required to pay major civil or criminal penalties.

B. Company Discipline.

Violation of this Policy or federal or state insider trading or tipping laws by any Insider may, in the case of a director, subject the director to dismissal proceedings and, in the case of an officer or employee, subject the officer or employee to disciplinary action by the Company up to and including termination for cause.

C. Reporting of Violations.

Any Insider who violates this Policy or any federal or state law governing insider trading or tipping or knows of any such violation by any other Insider, must report the violation immediately to the Compliance Officer. Upon determining that any such violation has occurred, the Compliance Officer, in consultation with the Chair of the Audit Committee of the Board, will determine whether the Company should release any material nonpublic information, and, when required by applicable law, shall cause the Company to report the violation to the SEC or other appropriate governmental authority.

IX. SHORT TERM TRADING BY COVERED PERSONS AND RULE 144

Covered Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase. This prohibition does not apply to stock option exercises (whether regular or cashless) and Employee Stock Purchase Plan purchases.

Note that in addition to this Policy, under Section 16(b) of the Exchange Act, any “short-swing profits” realized by a Section 16 Officer or director of the Company from a “matching” purchase and sale or “matching” sale and purchase of Company stock occurring within a six-month period would be subject to disgorgement to the Company. Note that under Section 16(b), the highest sale price is matched with the lowest purchase price in determining profit, and purchases and sales that result in a loss are ignored— meaning that under these rules, you could be deemed to have a profit to be disgorged even though you actually lose money on your trades in the aggregate. There is an active group of lawyers that track purchases and sales by Section 16 Officers and Directors for violation of these rules. If short swing profits were generated, there is no defense against a claim of disgorgement.

Any transactions by Section 16 Officers and Directors are subject to disclosure on a Form 4 that must be filed with the SEC within two business days after the transaction.

Before a sale of Company securities, prospective sellers should also be prepared to comply with Rule 144 and, if necessary, file a Form 144 at the time of sale.

X. MISCELLANEOUS

This Policy will be delivered to all directors, officers, employees and designated outsiders upon its adoption by the Company and to all new directors, officers, employees and designated outsiders at the start of their employment or relationship with the Company. Upon first receiving a copy of this Policy or any revised versions, each Covered Person must sign an acknowledgment that he or she has received a copy of this Policy and agrees to comply with its terms.

Receipt and Acknowledgment

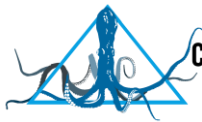
Upon first receiving a copy of the Coda Octopus Group, Inc. Insider Trading Policy or any revised version thereof, each member of the Board of Directors, each officer meeting the definition of “Covered Person” must sign and return to the Chief Executive Officer the following receipt and acknowledgement.

I, _____, hereby acknowledge that I have received and read a copy of the Coda Octopus Group, Inc. Insider Trading Policy and agree to comply with its terms. I understand that violation of insider trading or tipping laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the above- titled policy may subject me to discipline by the Company up to and including termination for cause.

Signature

Date

_____ (Print Name)



Coda Octopus Group, Inc.

EXHIBIT A

CODA OCTOPUS GROUP, INC.

INSIDER TRADING POLICY

Notice and Certification for Section 16 Individuals

To the Compliance Officer:

I hereby notify you of my intent to trade in securities of Coda Octopus Group, Inc. (the “Company”). The amount and nature of the proposed trade is as follows:

—

☐ Exercise _____ non-qualified stock options granted under the 2017 Stock Incentive Plan on _____;

☐ Sell in the open market _____ shares of Company Common Stock currently held at

—

_____ (example: Fidelity; another broker; in certificated form);

☐ Purchase in the open market _____ shares of Company Common Stock;

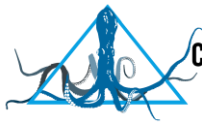
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☐ Gift _____ shares of Company Common Stock to _____;

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☐ Adopt a Rule 10b5-1 plan to sell _____ shares granted on _____;

—



Coda Octopus Group, Inc.

☐ Other

(explain) _____

—

I understand that I am not authorized to trade in Company securities or adopt a Rule 10b5-1 plan in reliance upon this Notice and Certification until _____ (insert the date that is four business days after the date hereof), and that such authorization will continue until

_____ (insert the date that is eight business days after the date hereof). I understand that if I have not completed my proposed trade or adopted my Rule 10b5-1 plan by the last date of the authorization period set forth in the immediately preceding sentence, I must submit a new Notice and Certification in order to trade in Company securities or adopt a plan.

I hereby certify that I am not aware of material nonpublic information concerning the Company.

Date: _____

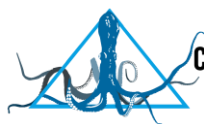
Signature: _____

Print Name: _____

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To be completed by Compliance Officer Approved:

_____ Date: _____



Coda Octopus Group, Inc.

[END]