

Tercica, Inc.
Corporate Governance Guidelines
(Approved April 27, 2005)

1. Composition of the Board; Board Operation

Role of Directors. The business and affairs of the Company will be managed by or under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to attend the meetings of the Board and committees on which such director sits and to review prior to such meetings material distributed in advance. A director who is unable to attend a scheduled meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

The Board's Goals. The Board's goals are to build long-term value for the Company's stockholders and to ensure the vitality of the Company for the benefit of its employees and the other individuals, including patients using the Company's therapies, and organizations who depend on the Company. To achieve these goals, the Board will monitor the performance of the Company (in relation to its goals, strategy and competitors), assess the performance of the Chief Executive Officer and offer him or her constructive advice and feedback.

Recruitment/Invitation to Join Board. The Corporate Governance and Nominating Committee (the "Committee") will be responsible for the recruitment of new Board members. Invitations to join the Board will be extended by the Chairman of the Board on behalf of the entire Board.

Board Membership Criteria. Board membership criteria will be provided by the Committee. The criteria should take into consideration: applicable laws and regulations (including those of Nasdaq), skills, experience, integrity, ability to make independent analytical inquiries, understanding of the Company's business and business environment, willingness to devote adequate time and effort to Board responsibilities, diversity, age, and other relevant factors.

Board Nominating Procedure. The Committee will review candidates for director in the context of the current composition, skills and expertise of the Board, the operating requirements of the Company and the interests of stockholders. In the case of new director candidates, the Committee will determine whether the nominee must be independent for Nasdaq purposes, based upon Nasdaq listing standards and applicable SEC rules and regulations. The Committee will then identify potential candidates, for which purpose it may, if it deems appropriate, engage a professional search firm. The Committee will conduct any appropriate and necessary inquiries into the backgrounds and qualification of possible candidates after considering the functions and needs of the Board. The Committee will meet to discuss and consider such candidate's qualifications. The Committee, Chief Executive Officer and Chairman will then interview candidates that the Committee believes have the requisite background

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before recommending a nominee to the Board, which will vote to elect the nominee.

Stockholder Nominating Procedure. The Committee will consider, but not necessarily recommend to the Board, director candidates recommended by stockholders. Stockholders who wish to recommend individuals for consideration by the Committee to become nominees for election to the Board may do so by delivering a written recommendation by certified mail only, c/o the Chairman or Secretary, at the following address: Tercica, Inc., 651 Gateway Boulevard, Suite 950, South San Francisco, CA 94080. After the Company's 2005 Annual Meeting of Stockholders, the recommendations must be delivered no sooner than 120 and no later than 90 days prior to the anniversary date of the mailing of the Company's proxy statement for the last Annual Meeting of Stockholders. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of the Company's stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Size of the Board. The Board believes that it should generally have a size that permits diversity of experience without hindering effective discussion or diminishing individual accountability.

Chairman of the Board. The Board will be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time.

Independence of Directors. The Board believes that there should be a substantial majority of independent directors, and in no event will the Board consist of less than a majority of independent directors. The definition of "independent director" adopted by the Board is as set forth in Rule 4200(a)15 of the *Marketplace Rules* of the Nasdaq Stock Market, as may be amended by the Nasdaq Stock Market periodically. The independent directors will have the authority to hire their own advisors (e.g., legal counsel, financial auditors, etc.).

Director Tenure/Term Limits. In connection with each director nomination recommendation, the Corporate Governance and Nominating Committee will consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains openness to new ideas and a willingness to critically re-examine the status quo. It is the general policy of the Board that non-management directors on the Board will serve for a maximum of 12 years; however, the Board may determine to waive this policy in individual cases.

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Mandatory Retirement Age. The mandatory retirement age for a director will be 70 years old, unless otherwise requested by the Board.

Board Compensation. The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar equity-based compensation. The Compensation Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation for companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Any suggested changes to director compensation will be proposed to the full Board for consideration and approval. A director who is also an officer of the Company will not receive additional compensation for such service as a director.

Board Agenda. The Chairman of the Board will set the agenda for Board meetings in consultation with the Chief Executive Officer taking into consideration that certain items necessary for appropriate Board oversight, such as annual budgets and long range plans, must appear periodically on the agenda. Board members, either independently or through the Chairman, may suggest that particular items be placed on the agenda.

Frequency of Meetings. The Board has a minimum of four regularly scheduled meetings per year. In addition, special meetings may be called periodically as determined by the needs of the business.

Director-Called Meetings. Pursuant to the Company's Bylaws, the CEO, Chairman of the Board or any two directors may call a special meeting of the Board. The CEO or two directors will inform the Chairman of the Board, who will timely arrange for and notify the members of the special meeting.

Corporate Strategy. Periodically, but no less than once per year, the Board will devote an extended meeting to a review of the Company's long-term strategic and business plans.

Former Chief Executive Officer. When the Chief Executive Officer resigns or retires, he or she will resign from the Board by submitting his or her Board resignation to the Secretary at that time, unless otherwise requested by the Board.

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2. Committees

Number and Structure. The Board has three standing committees: Audit, Compensation, and Corporate Governance and Nominating. The Audit and Corporate Governance and Nominating Committees will consist solely of independent directors. The Compensation Committee will have a majority of independent directors and no inside directors.

Membership on Committees. The Corporate Governance and Nominating Committee will recommend to the Board the memberships of committees of the Board of Directors. The Board will determine the memberships of committees and the Chairman.

Frequency and Length of Committee Meetings. The chairman of each committee, in consultation with committee members, will determine the frequency and length of committee meetings.

Committee Agenda. The chairman of each committee, in consultation with appropriate members of management, will develop the committee's agenda. Each Board member may recommend agenda items for any committee meeting.

3. Private Sessions of Independent Directors

At a minimum, the independent directors will meet in private session after or before each regular Board meeting to consider such matters as they deem appropriate.

4. Board Access to Management

General. Board members will have complete access to the Company's executive officers. Board members will use judgment to ensure that their contact is not distracting to the business operation of the Company.

Attendance of Non-Directors at Board Meetings. The Board encourages the Chief Executive Officer to bring members of management into Board meetings to:

- (a) provide management insight into items being discussed by the Board which involve the manager;
- (b) make presentations to the Board on matters which involve the manager; and
- (c) bring managers with high potential into contact with the Board.

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Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

5. Board Materials Distributed in Advance

Presentation materials relevant to each meeting will be distributed in writing to the Board in advance of each meeting, unless doing so would compromise the confidentiality of the information. Materials should be delivered at least three days in advance of each meeting. In the event of a pressing need for the Board to meet on short notice, it is understood that written materials may not be available in advance of the meeting. Management will make every effort to provide presentation materials that are brief and to the point, yet communicate the essential information.

6. Periodic Reviews

The Corporate Governance and Nominating Committee will periodically review areas in which the Board or management believes the Board can make a better contribution to the governance of the Company. The purpose of the review will be to improve the performance of the Board as a unit. The Corporate Governance and Nominating Committee will utilize the results of any reviews in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

7. Board Communications with Outside Parties and Stockholders

Each director will refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his designee.

Stockholders may send written communications to the Board or any of the directors, by certified mail only, c/o Chairman or Secretary, Tercica, Inc., 651 Gateway Boulevard, Suite 950, South San Francisco, CA 94080. All such written communications will be compiled by the Chairman or Secretary of the Company and submitted to the full Board, or the individual directors, as the case may be, within a reasonably timely period.

8. Board Orientation and Continuing Education

The Company will provide new directors with director orientation materials to familiarize such director with, among other things, the Company's business; strategic plans; significant financial, accounting disclosure and risk management issues; compliance programs; conflicts policies; Code of Business Conduct and Ethics; Corporate Governance Guidelines. The Company will make available the opportunity for each director to participate in continuing educational programs in

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order to maintain the necessary level of expertise to perform his or her responsibilities as a director and to comply with all applicable laws and regulations, including those of Nasdaq.

9. Selection of the Chief Executive Officer

The Board will be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for and selecting the Company's Chief Executive Officer, the Board will consider, among other things: a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

10. Periodic Review

The Corporate Governance and Nominating Committee is responsible for periodically reviewing these Corporate Governance Guidelines, as well as considering other guidelines that may merit consideration by the Board.