



CORPORATE GOVERNANCE GUIDELINES

PURPOSE

The following principles have been approved by the Board of Biodel and, along with the charters of the committees of the Board, provide the framework for the governance of the Company. The Board will review these principles and other aspects of the Company's governance when deemed necessary.

ROLE OF BOARD AND MANAGEMENT

The Company's day-to-day business is conducted by its employees, managers and officers, under the direction of the chief executive officer (the "CEO") and the oversight of the Board, to enhance the long-term value of the Company. The Members of the Board (the "Members") are elected by the stockholders to advise and oversee management and to assure that the long-term interests of the stockholders are being served. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of those stockholders and other interested constituencies including employees, recruits, customers, suppliers, communities, government officials and the public at large.

FUNCTIONS OF THE BOARD

The Board shall meet as often as it deems necessary in order to perform its responsibilities. The Chairperson, in consultation with the other members of the Board, will schedule the meetings.

For each of these meetings, the Chairperson (in consultation with the CEO and the Secretary of the Company) shall provide an agenda and distribute it to the Board in advance. Each Board member is free to suggest the inclusion of items on this agenda. At these meetings, the Board shall review and discuss reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board and Committee meetings. In addition to its general oversight of management, the Board, acting through its committees or acting jointly, also performs a number of specific functions, including:

- selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
- reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions;

- assessing major risks facing the Company and reviewing options for their mitigation; and
- ensuring processes are in place for maintaining the integrity of the Company, the integrity of the financial statements, the integrity of compliance with law, the integrity of relationships with customers and suppliers and the integrity of relationships with stockholders.

QUALIFICATIONS OF THE BOARD

Directors should be committed to representing the long-term interests of the stockholders. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant changes in their personal circumstances, including a change in their principal job responsibilities.

INDEPENDENCE OF DIRECTORS AND EXECUTIVE SESSIONS

A majority of the Board must meet the criteria for independence required by The NASDAQ Stock Market, Inc. (“Nasdaq”) and the Securities and Exchange Commission (“SEC”). The Nominating and Corporate Governance responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics required for new Board members as well as the composition of the Board as a whole. This assessment will include a review of (1) Members’ qualification as independent, as well as consideration of a potential candidate’s experience, areas of expertise and other factors relative to the overall composition of the Board and (2) the continued appropriateness of Board membership.

The Board will hold regularly scheduled executive sessions without the CEO or management present. The independent directors will also hold regularly scheduled in-person executive sessions without non-independent directors and management present.

DIRECTOR NOMINATION PROCESS

Nominees for directors will be selected by the Nominating/Corporate Governance Committee in accordance with the policies and principles in its charter. Upon the recommendation of the Nominating and Corporate Governance Committee, the Board will propose nominees to the stockholders for election to the Board at each annual meeting. Each director shall hold office as provided for in the Company’s certificate of incorporation and bylaws.

BOARD COMMITTEES

Each Committee shall be appointed by, and shall serve at the discretion of, the Board. Members of the Audit Committee must satisfy additional independence requirements under the Sarbanes-Oxley Act of 2002, the rules and regulations promulgated by the SEC and Nasdaq. Unless the Board elects a Chairperson of the Committee, the Committee shall elect a Chairperson by majority vote.

Each Committee shall meet as often as it deems necessary in order to perform its responsibilities unless mandated otherwise by the Board or its Charter. The Chairperson, in consultation with

the other members of the Committee, shall schedule the Committee meetings which schedule may be provided to the Board.

The Chairperson (or in his or her absence, a member designated by the Chairperson) shall preside at the meeting of each Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are consistent with any provisions of the Company's bylaws that are applicable to the Committee and, if applicable, the Committee's charter. Members of the Committee may participate in any meeting of the Committee by means of conference telephone or other telecommunications equipment by means of which all persons participating in the meeting can hear each other.

In lieu of holding a meeting, each Committee may act by circulating a written consent to each member of the Committee. The written consent constitutes a valid action of that Committee if it has been executed by each Committee member.

The Board has established the following committees to assist the Board in discharging its responsibilities:

- Audit Committee,
- Compensation Committee, and
- Nominating and Corporate Governance Committee.

The most current charters of these committees may be published on the Company's website.

CODE OF BUSINESS CONDUCT AND ETHICS AND WHISTLEBLOWER POLICY

The Company has a Code of Business Conduct and Ethics. The Company's Code of Business Contact and Ethics prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern, and is applicable to all employees and directors. The Company also has a Whistleblower Policy, which sets forth procedures for receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters. Each director is expected to be familiar with and follow the Code and its Whistleblower Policy.

COMPENSATION OF THE BOARD

The form and amount director compensation will be determined by the Compensation Committee and the Board in accordance with the policies and principles set forth in the charter of the Compensation Committee and these Guidelines. In determining compensation for Board, that decision shall be guided by these goals:

- compensation should fairly pay directors for work required in a company of the Company's size and scope; and

- consideration should be given to the maintenance of each director's continued independence required by these Guidelines, Nasdaq and SEC rules and regulations, the Sarbanes-Oxley Act of 2002, and other applicable law.

ANNUAL COMPENSATION REVIEW

In accordance with the charter of the Compensation Committee of the Board, the Compensation Committee shall annually evaluate the performance of the Company's executive officers and make recommendations to the Board for their salary, bonus and other incentive and equity compensation, except that the compensation of executive officers having employment agreements shall be determined in accordance with such agreements.

STOCKHOLDERS COMMUNICATION

Stockholders who wish to communicate with the Board may do so by sending a written communication addressed to the Company's Corporate Secretary. All such communications will be compiled by the Corporate Secretary and submitted to the Board or the individual director so designated on a periodic basis. Unless any communication is marked "Confidential" and is addressed to a particular Board member (whether under the Company's Whistleblower Policy or otherwise), the Board shall instruct the Corporate Secretary, prior to forwarding any correspondence, to review such correspondence and, in his discretion, not to forward items if they are deemed of a commercial, irrelevant or frivolous nature or otherwise inappropriate for consideration by the Board. These screening procedures are designed to assist the Board in reviewing and responding to stockholder communications in an appropriate manner.