



## Harbor BioSciences, Inc. Code of Business Conduct and Ethics

### A MESSAGE ABOUT THE CODE FROM THE PRESIDENT AND CEO

To All Officers, Directors and Employees of Harbor BioSciences:

One of most valuable assets of Harbor BioSciences (the "Company") is its integrity. Protecting this asset is the job of everyone in the Company. To that end, the Board of Directors has established a Code of Business Conduct and Ethics (the "Code"), as part of the Company's overall policies and procedures, to help all of us, including the Board, comply with the law and maintain the highest standards of ethical conduct. The Code does not cover every issue that may arise, but sets out basic principles and a methodology to help guide all of us in the attainment of this common goal. In addition to the Code, our employees, officers and directors are expected to comply with the other policies and procedures of the Company that are not included as part of the Code, including without limitation the Insider Trading Policy, the Harassment Policy, the Company Policy in Relation to the Foreign Corrupt Practices Act, and the obligations of confidentiality contained in the Company's Proprietary Information and Inventions Agreement signed by each employee. From time to time we may adopt additional policies and procedures with which our employees, officers and directors are expected to comply, if applicable to them.

The Company's reputation is upheld and enhanced or diminished by each person's decisions, actions and sense of business ethics. We expect every employee, officer and director to read the Code, understand its contents and then apply the principles it states in the course of his or her work. We expect our agents and representatives to have similar standards of ethics and codes of conduct.

The Company understands that not every situation is black and white. You should not hesitate to voice concerns, ask for clarification of gray areas or ask questions about whether any conduct may violate the Code. If you are in a situation that you believe may violate or lead to a violation of this Code, follow the procedures described in Section 2 of the Code. In addition, you should be alert to possible violations of the Code by others and report suspected violations, without fear of any form of retaliation, as further described in Section 2.

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As you all know, our reputation is integral to our success, and reputation comes from our actions on a continuous basis. Your performance in conducting our business in a manner that is consistent with the principles contained in the Code will enable us to keep and enhance that reputation.

Thank you,

James M. Frincke

President and CEO

**WHO IS RESPONSIBLE FOR THE COMPANY'S REPUTATION AND BUSINESS ETHICS?**

***ALL OF US ARE RESPONSIBLE FOR THE COMPANY'S REPUTATION. ONE SINGLE EMPLOYEE'S ACT CAN HAVE A VERY DAMAGING EFFECT ON OUR REPUTATION.***

The Company's reputation is based on our individual business conduct. Every interaction, both inside and outside the Company, is an opportunity for us to demonstrate our integrity. Ethical business conduct is a part of everyone's job. We do not change our standards because competitors, suppliers, or customers behave differently, or in order to meet financial goals.

Each employee, officer and director is responsible for the integrity of his or her own work (references in the Code to "employees" or "you" are intended to cover all employees, officers and, as applicable, directors). This Code of Business Conduct and Ethics outlines the Company's expected behaviors and practices. However, it is the responsibility of each employee to apply common sense, together with his or her own highest personal ethical standards, in making business decisions where there is no stated guideline in the Code. If we fail to comply with the Code, we risk being disciplined or terminated, and if we have broken a law, we may also be personally liable for that violation (whether in a civil action or criminal prosecution).

Action by members of your family, significant others or other persons who live in your household (referred to in the Code as "family members") also may potentially result in ethical issues to the extent that they involve Harbor BioSciences business. Consequently, in complying with the Code, you should consider not only your own conduct, but also that of your family members, significant others and other persons who live in your household.

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Initially, all employees will be provided a copy of the Code, and will be asked to confirm that they have read and understand it. Subsequently, all new employees will be required to do the same. All revisions to the Code will be provided to the employees, who will then acknowledge the Code by signing and returning the signature page to the Company's Compliance Officer.

Each manager is responsible for ensuring that their employees understand and comply with the Code, for discussing business practice situations with their employees, and for responding promptly to concerns raised by any employee. Managers and supervisors are responsible for their employees' actions, and are subject to discipline or dismissal if they participate in, direct or approve an employee's improper actions, or are or become aware of such actions and do not act appropriately to correct them.

We all are also individually responsible for reporting wrongdoing. If a provision of the Code has been violated or a law has been broken, report it promptly to the Compliance Officer as described in Section 2.

Nothing in the Code alters the at-will employment policy of the Company.

**WHAT SHOULD YOU DO IF YOU HAVE A CONCERN ABOUT BUSINESS PRACTICES AND THE CODE AND WHAT ARE THE CONSEQUENCES?**

***ALL EMPLOYEES SHOULD IMMEDIATELY REPORT ANY VIOLATION OR SUSPECTED VIOLATION OF THIS CODE TO THE APPROPRIATE COMPANY PERSONNEL.***

The Company's efforts to ensure observance of, and adherence to, the goals and policies outlined in the Code mandate that employees bring any instance, occurrence or practice that they, in good faith, believe is inconsistent with or in violation of the Code to the appropriate Company personnel, as described below. The following describes the proper procedures for dealing with potential problem situations. At all times maintain a professional demeanor when dealing with such situations.

- Every employee and manager is expected to become familiar with and to understand the requirements of the Code. If you become aware of a suspected violation, don't try to investigate it or resolve it on your own. Prompt disclosure to the appropriate parties is vital to ensuring a thorough and timely investigation and resolution. A violation of the Code is a serious matter and could have legal implications. Allegations of such behavior are not taken lightly and should not be made to embarrass

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someone or put him or her in a false light. Reports of suspected violations should always be made in good faith. Although no one will be punished for asking about or reporting in good faith questionable conduct, allegations made in bad faith are subject to disciplinary action.

- The Company's Compliance Officer will, with the assistance and cooperation of the Company's executives and managers, foster an environment where employees are comfortable in communicating and/or reporting concerns and possible Code violations. In addition to fielding questions or concerns with respect to potential violations of the Code, the Compliance Officer is responsible for:
  - investigating possible violations of the Code;
  - coordinating the training of new employees in the Code and other policies;
  - coordinating periodic training sessions to refresh employees' familiarity with the Code and other policies;
  - coordinating the distribution copies of the Code periodically to each employee with a reminder that each employee is responsible for reading, understanding and complying with the Code;
  - working with the Company's executives and managers in assessing areas of concern, potential problems and overall compliance with Code and other policies;
  - updating the Code as needed and alerting employees to any updates, with appropriate approval of the Board of Directors, to reflect changes in the law, the Company's operations and in recognized best practices, and to reflect the Company's experience; and
  - otherwise promoting an atmosphere of responsible and ethical conduct.

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- In the event you believe a violation of the Code has occurred, or you have observed or become aware of conduct that appears to be contrary to the Code, immediately report the situation to the Compliance Officer or to the Company's Confidential Compliance Hotline at (858) 587-4058. You may call the hotline anonymously if you prefer, as it is not equipped with caller identification, although the Compliance Officer will be unable to obtain follow-up details from you that may be necessary to investigate the matter. In any instance where the Code directs you to report to the Compliance Officer, if the Compliance Officer is unavailable or if it would be inappropriate to discuss the issue with the Compliance Officer, you should contact the Company's Chief Financial Officer. If the suspected violation concerns any internal accounting controls or questionable accounting or auditing matters, whether or not material, then you should report the alleged violation either to the Compliance Officer (directly or via the Company's Confidential Compliance Hotline) or to Marc Sarni, the Chairman of the Company's Audit Committee. Mr. Sarni can be contacted either by mail c/o Harbor BioSciences, 4435 Eastgate Mall, San Diego, California 92121, or by voicemail at (858) 320-2588. These communications to Mr. Sarni will be confidential and also may be made anonymously if you prefer.
- These resources will promptly listen to your concerns, assess the situation and investigate all reported possible Code violations promptly and with the highest degree of confidentiality that is possible under the specific circumstances. Neither you nor your supervisor may conduct any preliminary investigation, unless authorized to do so by the Compliance Officer (or, if applicable, the Chief Financial Officer or Chairman of the Audit Committee). Your cooperation in the investigation will be expected.
- A manager, after consultation with the Compliance Officer, shall be responsible for implementing the appropriate disciplinary action in accordance with the Company's policies and procedures for any employee who is found to have violated the Code. If a violation has been reported to the Audit Committee of the Board, that committee (after consultation with the Compliance Officer as appropriate) shall be responsible for determining appropriate disciplinary action, also in accordance with the Company's policies and procedures. Such disciplinary action may include the termination of the employee's employment. In addition to imposing discipline upon persons involved in non-compliant conduct, the Company may also impose discipline, as appropriate, upon individuals who fail to

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report known non-compliant conduct. Disciplinary action shall be documented, as appropriate.

- In cases in which an employee reports a suspected violation and is not engaged in the questionable conduct, the Company will attempt to keep its discussions and actions confidential to the greatest extent possible. In the course of its investigation, however, the Company may find it necessary to share information with others on a “need to know” basis.

### COMPLIANCE WITH LAWS, RULES AND REGULATIONS

#### ***THE COMPANY SEEKS TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN ALL COUNTRIES IN WHICH IT OPERATES.***

Obeying the law, both in letter and in spirit, is the foundation of this Code. Our success depends upon each employee’s operating within legal guidelines and cooperating with local, national and international authorities. This includes, for example, regulations of the Food and Drug Administration, antitrust laws, insider trading laws, labor laws and laws preventing bribery, illicit payments and corruption, among others. We expect employees to understand the legal and regulatory requirements applicable to their areas of responsibility. While we do not expect you to memorize every detail of these laws, rules and regulations, we want you to be able to determine when to seek advice from others. If you do have a question in the area of legal compliance, it is important that you not hesitate to seek answers from the Compliance Officer.

Disregard of the law will not be tolerated. The fact that, in some countries, certain laws are not enforced or that violation of those laws is not subject to public criticism will not be accepted as an excuse for noncompliance. Violation of domestic or foreign laws, rules and regulations may subject an individual, as well as the Company, to civil and/or criminal penalties. You should be aware that conduct and records, including emails, are subject to internal and external audits and to discovery by third parties in the event of a government investigation or civil litigation. It is in everyone’s best interests to know and comply with our legal obligations.

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CORPORATE OPPORTUNITIES

***EMPLOYEES, OFFICERS AND DIRECTORS OWE A DUTY TO THE COMPANY TO ADVANCE ITS LEGITIMATE INTERESTS WHEN THE OPPORTUNITY TO DO SO ARISES.***

You may not take personal advantage of opportunities for the Company that are presented to you or discovered by you as a result of your position with us or through your use of corporate property or information, unless authorized in writing by the Compliance Officer. You may not use your position with the Company or corporate property or information for improper personal gain, nor should you compete with the Company.

If an employee has any doubt concerning his or her obligations with respect to any opportunity that presents itself to the employee, the employee should seek advice from the Compliance Officer.

FAIR DEALING

***OUR GOAL IS TO BE REGARDED AS A COMPANY THAT DOES BUSINESS WITH INTEGRITY.***

We strive to outperform our competition fairly and honestly. Advantages over our competitors are to be obtained through superior performance of our products and services, not through unethical or illegal business practices. You are expected to deal fairly with our customers, suppliers, employees and anyone else with whom you have contact in the course of performing your job. Be aware that the Federal Trade Commission Act provides that "unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are declared unlawful." It is a violation of the Act to engage in deceptive, unfair or unethical practices and to make misrepresentations in connection with sales activities.

Acquiring proprietary information from others through improper means, possessing trade secret information that was improperly obtained, or inducing improper disclosure of confidential information from past or present employees of other companies is prohibited, even if motivated by an intention to advance our interests.

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## COMPLIANCE WITH ACCOUNTING AND DISCLOSURE REQUIREMENTS

### ***OUR GOAL IS TO MAINTAIN ACCURATE FINANCIAL REPORTS, AND TO KEEP OUR INVESTORS INFORMED ABOUT THE COMPANY.***

The integrity of our records and public disclosure depends upon the validity, accuracy and completeness of the information supporting the entries to our books of account. Therefore, our corporate and business records should be completed accurately and honestly. Our accounting records are also relied upon to produce reports for our management and stockholders, as well as for governmental agencies. In particular, we rely upon our accounting and other business and corporate records in preparing the periodic and current reports that we file with the SEC. Securities laws require that these reports provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations. Employees who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that our financial disclosure is accurate and transparent and that our reports contain all of the information about Harbor BioSciences that would be important to enable stockholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. Any employee who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to the Compliance Officer.

A standing Disclosure Committee has been established to review any proposed public disclosure regarding the Company and to make any additions or modifications that each member deems to be appropriate.

## CONFLICTS OF INTEREST

### ***EMPLOYEES SHOULD AVOID ANY SITUATION IN WHICH THEIR PERSONAL INTERESTS CONFLICT OR MIGHT APPEAR TO CONFLICT WITH THE COMPANY'S INTERESTS.***

We respect the rights of our employees to manage their personal affairs and investments and do not wish to impinge on their personal lives. At the same time, employees should avoid conflicts of interest that occur when their personal interests may interfere in any way with the performance of their duties or the best interests of Harbor BioSciences. A conflicting personal interest could result from an expectation of personal gain now or in the future or from a need to satisfy a prior or concurrent personal obligation. We expect our employees to be free from influences that conflict with the best interests of Harbor BioSciences. Even

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the appearance of a conflict of interest where none actually exists can be damaging and should be avoided. Conflicts of interest are prohibited unless the potential conflict situation is reviewed and expressly approved in writing, in advance, by the Compliance Officer or, as indicated below, the Company's Audit Committee.

Whether or not a conflict of interest exists or will exist can be unclear. If you have any questions about a potential conflict or if you become aware of an actual or potential conflict, and you are not an officer or director of the Company, you should discuss the matter directly with the Compliance Officer. Your supervisor may not authorize conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first seeking the approval of the Compliance Officer. Officers and directors may seek authorizations and determinations from either the Compliance Officer or the Company's Audit Committee. Factors that may be considered in evaluating a potential conflict of interest are, among others:

- whether it may interfere with the employee's job performance or responsibilities;
- whether the employee has access to confidential information;
- whether it may interfere with the job performance, responsibilities or morale of others within the organization;
- any potential adverse or beneficial impact on our business;
- any potential adverse or beneficial impact on our relationships with our suppliers or service providers;
- the extent to which it would result in financial or other benefit (direct or indirect) to the employee;
- the extent to which it would result in financial or other benefit (direct or indirect) to one of our suppliers or service providers; and
- the extent to which it would appear improper to an outside observer.

Although no list can include every possible situation in which a conflict of interest could arise, the following are examples of situations that may, depending on the facts and circumstances, involve problematic conflicts of interests:

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- Competing business is done with a family member or relative.
- An employee or officer (see below for directors) is employed simultaneously by a competitor, supplier or service provider.
- An employee or officer (see below for directors) has a financial interest in a competitor, supplier or service provider that is significant enough to influence the individual's business conduct at Harbor BioSciences.
- An employee, officer, or director acquires an interest in intellectual property in an area that the Company has, or might reasonably be expected to acquire, an interest.
- An employee, officer or director divulges or uses the Company's confidential information, such as clinical data or financial data, for his or her own personal or business purposes.

Directors shall disclose to the Compliance Officer and the Chairman of the Audit Committee any known potential conflict of interest, including without limitation any known competitor, supplier or service provider of the Company with respect to which such director is an officer or director or controls 10% or more of any class of equity securities.

Loans to, or guarantees of obligations of, employees or their family members by the Company could constitute an improper personal benefit to the recipients of these loans or guarantees, depending on the facts and circumstances. Some loans are expressly prohibited by law. As a result, all loans and guarantees by the Company must be approved in advance by the Compliance Officer, the Chief Financial Officer or the Chairman of the Audit Committee.

#### PROTECTION AND PROPER USE OF COMPANY ASSETS

#### ***ALL EMPLOYEES SHOULD PROTECT THE COMPANY'S ASSETS AND ENSURE THEIR PROPER USE.***

Our property, such as office supplies, computer equipment and buildings, are expected to be used for legitimate business purposes, although limited incidental personal use is permitted. Employees are expected to protect the Company's tangible and intangible assets, including but not limited to: intellectual property such as trade secrets, patents, copyrights, and trademarks; laboratory notebooks; clinical data and databases; unpublished clinical data; unpublished clinical trial designs and protocols; unpublished salary information; and any

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unpublished financial data and reports. Unauthorized alteration, destruction, use, disclosure or distribution of these assets violates Company policy and this Code.

All data residing on or transmitted through our computing and communications facilities, including email and word processing documents, is the property of Harbor BioSciences and subject to inspection, retention and review by the Company, with or without an employee's or third party's knowledge, consent or approval, in accordance with applicable law.

### WAIVERS

Any waiver of this Code for executive officers (including, for purposes of this Code, the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and any person(s) performing similar functions) or directors may be authorized only by our Board of Directors (or to the extent permitted by the rules of Nasdaq, a committee of the Board), and will be disclosed to stockholders as required by applicable laws, rules and regulations.

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I acknowledge that I have received and read the Harbor BioSciences Code of Business Conduct and Ethics and understand my obligations to comply with the Code.

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Signature

Date

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Printed Name

This signed and completed form must be returned to the Company's Compliance Officer.

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