

# **DARA BIOSCIENCES, INC.**

## **CORPORATE CODE OF ETHICS AND CONDUCT**

**Revised: April 29, 2008 \***

\* On April 29, 2008, the Company's board of directors approved certain amendments to the Corporate Code of Ethics and Conduct. Sections of the Code of Ethics and Conduct that were revised include the sections titled “Confidential Information and Third Party Communications,” “Special Ethical Obligations for Employees with Public Reporting Responsibilities,” “Conflicts of Interest,” “Entertainment and Gift s” and “Response to Investigations or Government Inquiries.”

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## **DARA BioSciences, Inc.**

### **Corporate Code of Ethics and Conduct**

#### **1. General Policy**

It is the policy of DARA BioSciences, Inc. (“DARA” or the “Company”) to conduct business in compliance with all applicable laws, rules and regulations. Further, it is our policy to conduct business with integrity. We make this commitment to our partners, to our shareholders, to our community, to those government agencies that regulate DARA and to ourselves.

Each DARA employee, officer and director, as well as agents and contractors working on behalf of the Company, must work to comply with the policies set forth in this Corporate Code of Ethics and Conduct (the “Code”). All employees, officer and directors should review the Code to ensure these policies guide their actions. Because of the complex and changing nature of legal requirements, each member of the Company must be constantly vigilant to ensure that their conduct complies with the Code. If any employee, officer or director becomes aware of an issue of legal compliance which is not adequately addressed in the Code, you should notify your supervisor or the Company’s Compliance Officer (as defined below). The text of DARA’s Corporate Code of Ethics and Conduct can also be found at [www.DaraBio.com](http://www.DaraBio.com).

DARA takes compliance with laws, regulations, rules and the Code seriously. Any such violation will result in disciplinary action. Disciplinary action may include an oral or written warning, disciplinary probation, suspension, reduction in salary, demotion or dismissal from employment. These disciplinary actions also may apply to an employee’s supervisor who directs or approves the employee’s improper actions or is aware of those actions but does not act appropriately to correct them or fails to exercise appropriate supervision.

If a question arises as to whether any action complies with the Company’s policies or applicable law, an employee, officer or director should present that question directly to the Company’s Chief Financial Officer (the “Compliance Officer”). The Compliance Officer’s telephone number is (770) 514-0077. The Compliance Officer may also be contacted at the following e-mail address: [JThomas@DaraBio.com](mailto:JThomas@DaraBio.com). In raising an issue, you may remain anonymous, although you are encouraged to identify yourself. Simply ask your question or give any information you may have. Should you choose to identify yourself, your identity will be kept confidential to the extent feasible or permissible under the law. Also you should be aware that the Audit Committee has established a Whistleblower Policy that may be used to report complaints concerning accounting, internal accounting controls or auditing matters. All employees, officers and directors and agents of the Company have the commitment of the Company and the Audit Committee of the Company’s Board of Directors that they will be protected from retaliation. However, DARA reserves the right to discipline anyone who knowingly makes a false accusation, provides false information to the Company or has acted improperly. Failure to report known or suspected wrongdoing of which any member of the Company has knowledge may, by itself, subject that person to disciplinary action.

The Code generally highlights some of the more important legal principles with which employees, officers and directors and agents are expected to be familiar. The fact that the Code does not specifically reference other applicable laws (some of which may be covered in other DARA policies) does not diminish their importance or application.

## **2. Compliance with the Law**

The Company seeks to comply with all applicable government laws, rules and regulations. We need the cooperation of all employees, officers and directors to do so and to bring lapses or violations to light. While some regulatory schemes may not carry criminal penalties, they control the licenses and certifications that allow DARA to conduct its business. DARA's continued ability to operate depends upon your help for compliance.

Some of the regulatory programs which employees may deal with in the course of their duties include, but are not limited to, the following:

- Labor laws;
- Occupational Safety and Health regulations;
- Building, safety, and fire codes;
- Wage and Hour Laws; and
- Laws and regulations pertaining to the development, manufacture and sale of biopharmaceutical products, including, without limitation, the U. S. Food, Drug & Cosmetic Act and all applicable U.S. Food and Drug Administration regulations and guidance documents relating to the manufacture, promotion and sale of biopharmaceutical products.

The Compliance Officer can provide employees with information on these rules and can direct questions or concerns to the proper person.

## **3. Company Securities**

Because our stock is a publicly-traded security, certain activities of the Company are subject to certain provisions of the federal securities laws. These laws govern the dissemination or use of information about the affairs of the Company or its subsidiaries or affiliates and other information which might be of interest to persons considering the purchase or sale of our stock. Violations of the federal securities laws could subject you and the Company to stiff criminal and civil penalties. Accordingly, the Company does not sanction and will not tolerate any conduct that risks a violation of these laws.

### **a. Disclosure of Securities Transactions**

The Securities and Exchange Commission ("SEC") requires continuing disclosure of transactions in the Company's publicly traded securities by the Company, its directors, officers, major shareholders and other affiliated persons. We are committed to complying with obligations related to this disclosure. See Memorandum Re: Information for Directors and Executive Officers of DARA BioSciences, Inc. concerning Section 16 of the Securities Exchange Act of 1934 and Related Matters dated October 10, 2007.

**b. Insider Trading**

It is illegal for any person, either personally or on behalf of others, (i) to buy or sell securities while in possession of material nonpublic information, or (ii) to communicate (to “tip”) material nonpublic information to another person who trades in the securities on the basis of the information or who in turn passes the information on to someone who trades. All directors, officers, employees and temporary insiders must comply with these “insider trading” restrictions. For further information concerning these requirements and related Company policies, see the Company’s Insider Trading Policy, which applies to all directors, officers and employees.

**4. Confidential Information and Third Party Communications**

You will be entrusted with DARA’s confidential business information. You are required to safeguard and use such information only for the Company’s purposes. Confidential information includes all non-public information that might be of use to competitors, or harmful to DARA or its partners, if disclosed. You are expected to maintain the confidentiality of any and all such information entrusted to you by DARA or its partners. Examples of confidential business information include, but are not limited to: the Company’s trade secrets, business trends, information on product development programs, detailed sales and cost figures, new product or marketing plans, research and development ideas or information, manufacturing processes, and information about potential acquisitions, divestitures and investments. Failure to observe this duty of confidentiality may compromise our competitive advantage over competitors and may additionally result in a violation of securities, antitrust or employment laws. It may also violate agreements providing for the protection of such confidential information. You should not discuss confidential Company information outside the Company, even with your own family.

You may also possess sensitive, privileged information about our partners. These parties properly expect that this information will be kept confidential. DARA takes very seriously any violation of a customer’s or partner’s confidentiality and will not tolerate such conduct.

It is the Company’s policy to coordinate all external communications regarding Company financial and other matters through the Company’s Principal Executive Officer, Chief Financial Officer or Investor Relations Manager, and all such inquiries regarding the Company received from third parties should be directed to one of these individuals.

**5. Special Ethical Obligations for Employees with Public Reporting Responsibilities**

As a public company, we are also committed to carrying out all continuing disclosure obligations in a full, fair, accurate, timely and understandable manner. Depending on their position with the Company, employees, officers or directors may be called upon to provide information to the Company’s Accounting Department, the Company’s Audit Committee or the Company’s outside auditor in order to assure that the Company’s public reports are complete, fair and understandable. DARA expects all of its personnel to take this

responsibility very seriously and to provide prompt and accurate answers to inquiries related to the Company's public disclosure requirements.

The Accounting Department and the Audit Committee bear special responsibility for promoting integrity throughout the organization, with responsibilities to shareholders both inside and outside of the Company. The Audit Committee, the Principal Executive Officer, the Chief Financial Officer and other Accounting Department personnel have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout the company as a whole that ensures the fair and timely reporting of DARA's financial results and condition.

Employees, officers and directors should promptly report to the Compliance Officer and/or the Chairman of the Audit Committee any conduct that the individual believes may impair the Company's full, fair, accurate, timely and understandable disclosure in reports and documents that it files with the Securities and Exchange Commission and in other public communications.

## **6. Continuing Disclosure Obligations and Accuracy of Business Records**

In order to support all our disclosure obligations, it is our policy to record and report our factual information honestly and accurately. Failure to do so is a grave offense and will subject an individual to severe discipline by the Company, as well as possible criminal and civil penalties.

Compliance with established accounting procedures, DARA's system of internal controls, and generally accepted accounting principles is necessary at all times. In order to achieve such compliance, the Company's records, books and documents must accurately reflect the transactions and provide a full account of DARA's assets, liabilities, revenues and expenses. Knowingly entering inaccurate or fraudulent information into the Company's accounting system is unacceptable and may be illegal. Any individual that has knowledge that an entry or process is false and material are expected to consult the Compliance Officer. In addition, it is the responsibility of each member of the Company to give their cooperation to the Company's authorized internal and external auditors.

Every individual should also be aware that almost all business records of the Company may become subject to public disclosure in the course of litigation or governmental investigation. Records are also often obtained by outside parties or the media. Employees should therefore attempt to be as clear, concise, truthful and accurate as possible when recording any information. They should refrain from making legal conclusions or commenting on legal positions taken by the Company or others. They should also avoid exaggeration, colorful language, and derogatory characterizations of people and their motives. DARA will not tolerate any conduct that creates an inaccurate impression of the Company's business operations.

## **7. Protection and Proper Use of Company Assets**

### **a. In General**

Employees, officers and directors should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes.

### **b. Computers, the Internet and E-mail**

Everyone who works with the Company's computer-based resources is responsible for their appropriate use and protection from theft, damage or loss. Employees should take care to understand the risks and protect and ensure that the security features of the computer-based resources are not compromised. Information created, transmitted or accessed on Company networks is Company property and DARA reserves the right to monitor or restrict access to it. Individual supervisors are responsible for ensuring Company resources are used productively or to enhance employees' skills and job performance.

Computer software used in connection with DARA's business must be properly licensed and used only in accordance with that license. Using unlicensed software could constitute copyright infringement. If an employee has any questions as to whether his or her use of computer software is licensed, he or she should consult with the Company's Compliance Officer.

The same level of care should be taken when using DARA's e-mail, internet and voice mail systems as is used in written documents. For example, confidential information about the Company should not be disclosed on electronic bulletin boards, in chat rooms or posted on an internet website.

## **8. Corporate Opportunities**

Employees, officers and directors are prohibited from (a) taking for yourself personally opportunities that you discover through the use of Company property, information or position, (b) using Company property, information or position for personal gain and (c) competing with the Company. An employee, officer or director owes a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## **9. Fair Dealing**

Employees, officers and directors should endeavor to deal fairly with the Company's customers, partners, suppliers, competitors and employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practices.

## **10. Conflicts of Interest**

DARA employees, officers and directors should avoid all potential conflicts of interest or situations that give the appearance of such conflict of interest. A conflict of interest occurs

when the private interest of a DARA employee (or an immediate family or household member or someone with whom you have an intimate relationship) interferes, in any way -- or even appears to interfere -- with the duties performed by the Company employee or with the interests of the Company as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, such persons are of special concern.

To this end, unless approved in accordance with the following paragraph, DARA employees, officers or directors may not be employed by, act as a consultant to, or have an independent business relationship with any of DARA's customers, competitors or suppliers. Similarly, unless approved in accordance with the following paragraph, no employees, officers or directors may invest in any customer, supplier, or competitor (other than through mutual funds or through holdings of less than one percent of the outstanding shares of publicly traded securities) unless they first obtain written permission from the Principal Executive Officer. Employees, officers or directors should not have other outside employment or business interests that place them in the position of (i) appearing to represent DARA, (ii) providing goods or services substantially similar to those DARA provides or is considering making available or (iii) lessening their efficiency, productivity, or dedication to DARA in performing their everyday duties. Employees, officers and directors may not have an interest in or speculate in anything of value which may be affected by DARA's business. Employees, officers or directors may not divulge or use DARA's confidential information -- such as financial data, customer information, and computer programs -- for their own personal or business purposes.

Any personal or business activities by an employee, officer or director that may raise concerns along these lines must be disclosed to and approved in advance by the Compliance Officer. You should also obtain the approval of the Compliance Officer when accepting a board position with a not-for-profit entity, when there may be a Company business relationship with the entity or an expectation of financial or other support from the Company.

## **11. Gifts, Meals and Entertainment**

### **a. Entertainment and Gifts**

DARA recognizes that in some instances, gifts and entertainment can provide an entirely appropriate means of furthering a business relationship. However, no employee, officer or director should accept or provide gifts of more than \$150 in direct connection with their business dealings. The offer or receipt of any such gift over \$150 should be reported immediately to the Compliance Officer. Normal business courtesies involving no more than ordinary amenities (such as lunch, dinner, a spectator event, or a golf game) are permitted, as are token non-cash gifts of nominal value. The guiding principle and spirit of the Code is that no gift, favor or entertainment, whether a single event or a pattern of behavior, should be accepted or provided if it will obligate, or appear to obligate, the recipient. If you are

uncertain about the propriety of a gift, you should contact the Compliance Officer for guidance.

**b. Relationships with Government Personnel**

Separate and more stringent gift, meals, and entertainment rules apply to dealings with government officials. Federal and state anti-kickback laws prohibit DARA and its representatives from knowingly and willfully offering, paying, requesting, or receiving any money or other benefit, directly or indirectly, in return for obtaining or rewarding favorable treatment in connection with the award of a government contract.

Any employee who becomes aware of any such conduct should immediately report it to the Compliance Officer.

The anti-kickback laws must be considered whenever something of value is given or received by DARA or its representatives or affiliates that is in any way connected to work performed for the government. There are many transactions that may violate the anti-kickback rules. As a result, no one acting on behalf of DARA may offer or accept gifts, loans, rebates, services, or payment of any kind to or from government suppliers and vendors without first consulting the Compliance Officer.

**c. Business Dealings in Foreign Countries**

Federal law prohibits U.S. companies, and those acting on their behalf, from bribing foreign officials to obtain or retain business. Foreign officials include officers and employees of a foreign government or of a foreign governmental department or agency. Indirect payments including those to agents or third parties with the knowledge that at least a portion of the payment will be given to a foreign official for an illegal purpose are prohibited. DARA will not tolerate any conduct that violates this law.

**12. Interacting with the Government**

DARA values its good relations with local, state, federal and foreign governments. We are committed to being a “good corporate citizen” and are proud of the contributions we have made to help the communities where we do business.

The Company’s policy is to deal honestly and fairly with government representatives and agents and to comply with valid and reasonable governmental requests and processes. Be truthful and straightforward in your dealings with governmental representatives and do not direct or encourage another DARA employee (or someone else) to provide false or misleading information to any government agent or representative. Do not direct or encourage anyone to destroy records relevant to a fact-finding process.

**13. Privacy and Employee Relations**

The Company recognizes and understands the importance of balancing work and family life. Even though an employee’s non-work-related activities outside of the Company

are considered personal business, employees should always remember that they are a representative of the Company.

#### **14. Market Competition**

DARA is committed to complying with all state and federal antitrust laws. The purpose of the antitrust laws is to preserve the competitive free enterprise system. The antitrust laws in the United States are founded on the belief that the public interest is best served by vigorous competition, free from collusive agreements among competitors on price or service terms. The antitrust laws help preserve the country's economic, political, and social institutions; DARA is firmly committed to the philosophy underlying those laws.

While the antitrust laws clearly prohibit most agreements to fix prices, divide markets, and boycott, they also proscribe conduct that is found to restrain competition unreasonably. This can include, depending on the facts and circumstances involved, certain attempts to tie or bundle services together, certain exclusionary activities, and certain agreements that have the effect of harming a competitor or unlawfully raising prices. Any questions that arise in this area should be addressed to the Compliance Officer.

#### **15. Purchasing**

Purchasing decisions must be made in accordance with applicable Company policy. In addition, the prohibitions discussed in Section 11 of the Code, entitled "Gifts, Meals and Entertainment" apply to purchasing decisions made on behalf of the Company. Purchasing decisions must in all instances be made free from any conflicts of interest that could affect the outcome. DARA is committed to a fair and objective procurement system, which results in the acquisition of quality goods and services for the Company at a fair price.

#### **16. Political Contributions**

DARA believes that our democratic form of government benefits from citizens who are politically active. For this reason, DARA encourages each of its employees to participate in civic and political activities in his or her own way.

DARA's direct political activities are, however, limited by law. Corporations may not make any contributions -- whether direct or indirect -- to candidates for federal office. Thus, the Company may not contribute any money or products, or lend the use of vehicles, equipment, or facilities, to candidates for federal office. Nor may the Company make contributions to political action committees that make contributions to candidates for federal office. Neither DARA, nor supervisory personnel within DARA, may require any employees to make any such contribution. Finally, DARA cannot reimburse its employees for any money they contribute to political candidates or campaigns.

Many state laws also limit the extent to which corporations and individuals may contribute to political candidates. Any question about the propriety of political activity or contribution should be directed to the Compliance Officer.

## **17. Exports and Imports**

There are many U.S. laws governing international trade and commerce which serve to limit the export of certain products to certain countries. DARA is committed to complying with those laws. Under no circumstances will DARA make sales contrary to U.S. export laws. Because these regulations are complicated and change periodically, employees and agents seeking to make a sale to a customer in a foreign country must first confirm the legal trade status of that country. If an employee or agent is uncertain about whether a foreign sale complies with U.S. export laws, he or she must contact the Compliance Officer for guidance. DARA employees and agents should be aware that there are also many U.S. laws that govern the import of items into the United States. Among other things, these laws control what can be imported into the United States, how the articles should be marked, and the amount of duty to be paid. DARA complies with all U.S. import laws. If an employee or agent is uncertain about whether a transaction involving the importation of items into the United States complies with these laws, he or she must contact the Compliance Officer for guidance.

## **18. Media/Public Relations and Governmental Inquiries**

When DARA provides information to the news media, securities analysts or stockholders, it has an obligation to do so accurately and completely. In order to ensure that DARA complies with its obligations, employees receiving inquiries regarding DARA's activities, results, plans or position on public issues should refer the request to the Company's Principal Executive Officer, Chief Financial Officer or the designated corporate spokesperson. DARA employees may not speak publicly for the Company unless specifically authorized by senior management.

Although unlikely, a government representative may seek to interview an employee regarding DARA's business activities or an employee's work at the Company. If an employee is contacted by a government agent or representative and asked to provide information, contact the Compliance Officer at (770) 514-0077.

Occasionally, someone will arrive unexpectedly or a government representative may seek to inspect Company property. If this happens, an employee should immediately notify his or her manager or supervisor and contact the Compliance Officer at (770) 514-0077.

## **19. Response to Investigations or Government Inquiries**

Numerous state and federal agencies have broad legal authority to investigate DARA and review its records. DARA will comply with subpoenas and respond to governmental investigations as required by law. The Compliance Officer is responsible for coordinating DARA's response to investigations and the release of any information.

If an employee or officer receives an investigative demand, subpoena, or search warrant involving the Company, it should be brought immediately to the Compliance Officer. No documents should be released or copied without authorization from the Compliance Officer.

If an investigator, agent or government auditor comes to DARA's corporate offices, the Principal Executive Officer should be contacted immediately. In the absence of the Principal Executive Officer, contact DARA's Compliance Officer. Ask the investigator to wait until the contacted individual arrives before reviewing any documents or conducting any interviews. The Compliance Officer is responsible for assisting with any interviews. If DARA's employees are approached by government investigators and agents while they are away from DARA's premises and asked to discuss Company affairs, the employee is not required to speak to such government representative on the spot. The employee may either agree to be interviewed or refuse to be interviewed by the government representative. The employee has the right to insist that the interview take place in the office during normal business hours as well as to have someone present during any interview with a government representative, which may include a supervisor, Company counsel or an attorney of the employee's own choosing at his or her own expense. If an employee chooses to speak with government personnel, it is essential that the employee be truthful. Questions may be directed to the Compliance Officer.

DARA employees are not permitted to alter, remove, or destroy documents or records of the Company except in accordance with regular document retention and destruction practices.

## **20. Amendments and Waivers**

The Code applies to all DARA employees, officers and directors. There shall be no substantive amendment or waiver of any part of the Code affecting the directors, senior financial officers, or executives officers, except by a majority vote of the Board of Directors. Such vote will ascertain whether an amendment or waiver is appropriate and ensure that the amendment or waiver is accompanied by appropriate controls designed to protect the Company.

In the event that any substantive amendment is made or any waiver is granted, the amendment or waiver, as applicable, will be publicly reported as required by applicable SEC laws and regulations and listing requirements.

## **EMPLOYEE CERTIFICATION AND AGREEMENT OF COMPLIANCE**

I certify that I have read DARA's "Corporate Code of Ethics and Conduct" (the "Code") and fully understand the obligations set forth in that document.

The Code includes a statement of DARA's policies, which are designed to ensure that the Company and its employees conduct DARA's business in compliance with all federal and state laws governing its operations and the conduct is consistent with the highest standards of business and professional ethics.

I understand that the Code obligates all employees to carry out their duties for DARA in accordance with these policies and with applicable laws. I further understand that any violation of these policies or applicable laws, or any deviation from appropriate ethical standards, will subject an employee to disciplinary action. Indeed, I understand that even a failure to report such a violation or deviation may, by itself, subject an employee to disciplinary action.

I am also aware that in the event that I have any question about whether an action complies with DARA's policies or applicable law, I should present that question to my supervisor or, if appropriate, directly to the Company's Compliance Officer.

With these understandings of my obligations, I agree to act in accordance with the DARA policies set forth in the Code. Having read the Code, I am not currently aware of any matter that should be brought to the attention of compliance personnel as a violation or suspected violation of the Code.

Signed:

Print Name:

Date: