



Corporate Governance Guidelines

Adopted by the Board May 11, 2006

1. PURPOSE

The purpose of these Corporate Governance Guidelines (“Guidelines”) is to provide a concise description of the corporate governance obligations, principles and practices of the Board of Directors (“Board”) of NPS Pharmaceuticals, Inc. (the “Company”). These Guidelines should be interpreted in the context of all applicable laws and the Company’s Certificate of Incorporation, Bylaws and other corporate governance documents.

2. MISSION OF THE BOARD

The business and affairs of the Company are managed under the direction of the Board, which is elected by the stockholders. The Board selects the senior management team, which is charged with the conduct of the Company’s business. The Board then acts as an advisor and counsel to senior management and monitors the senior management team’s performance.

Among the core responsibilities of the Board are: understanding and approving Company strategy; major plans of action; risk policy; annual budgets and business plans; setting corporate performance objectives; monitoring performance; CEO and key executive officer selection; succession planning; and overseeing major capital expenditures and acquisitions.

The Board should exercise objectivity and autonomy and make independent, informed decisions. The Board shall possess and develop the knowledge and expertise to provide effective oversight. The Board should display the character, integrity, and will to assert their points of view, and demonstrate loyalty exclusively to the Company and its stockholders in all matters pertaining to the Company. Finally, the Board should devote the time necessary to fulfill the legal, regulatory and stock exchange requirements imposed upon them.

3. COMPOSITION

3.1 Board Composition. The Board is composed of qualified individuals, a substantial majority of whom are free from disqualifying conflicts of interest, who have and will devote the necessary time to fulfill their responsibilities, and who are able to understand the issues facing the Company, challenge management with tough questions and goals, and take action when needed.

3.2 Independence of Nonemployee Directors. An “Independent Director” is one who has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An Independent Director also meets the definition of independence set forth in applicable SEC and Nasdaq regulations. The Board is comprised of a majority of Independent Directors and all members of the

Audit Committee, the Compensation Committee, and the Nominating & Corporate Governance Committee are Independent Directors.

- 3.3 Board Size. The number of directors does not exceed a number that can function efficiently as a body. The Nominating & Corporate Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Nominating & Corporate Governance Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason.
- 3.4 Director Compensation and Stock Ownership. Only nonemployee directors receive payment for serving on the Board. The Company's director compensation policies ensure a meaningful financial stake in the Company by its directors. Directors are required to own stock, stock units, or other equity equivalents as governed by the Company's Nonemployee Director Stock Ownership Guidelines adopted by the Board on March 28, 2005, as may be amended from time to time.

4. OPERATION OF THE BOARD

- 4.1 Board Committees. It is the general policy of the Company that all major Board decisions are considered by the Board as a whole, but that certain decisions are specifically delegated to committees as set forth in the committee charters, which charters are approved by the Board and made public on the Company website. The Board currently has three committees to assist the Board in discharging its responsibilities: Audit Committee; Compensation Committee; and Nominating & Corporate Governance Committee. From time to time, ad hoc committees may be established for special assignments. The committees report regularly to the full Board.
- 4.2 Rotation of Committee Members. Consideration is given to rotating committee members each year. To the extent practical, the Nominating & Corporate Governance Committee will recommend and the Chairman of the Board or the Board Leader will consider rotating one person on and one person off each committee each year, but rotation is not necessarily required each year. In addition, to the extent practical, the Chairman or Board Leader will endeavor to rotate committee chairpersons every three to five years, with the expectation that a new chairperson will have served on the committee before becoming chairperson of said committee.
- 4.3 Master Agenda. Annually, the Board and each committee agree upon a meeting schedule and tentative agenda for the upcoming year. Agenda items are added and deleted over the coming year at the members' requests and as business developments warrant. The Chairman or the Board Leader sets the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items that fall within the scope of responsibilities of a committee are reviewed with the chairperson of the committee. Any member of the Board may request that an item be included on the agenda. The chairperson sets the agenda for

- committee meetings in consultation with the Chairman or the Board Leader, appropriate members of management, and the committee members.
- 4.4 Board Agenda Items and Time Allocation. Agenda items are designated by the Chairman or the Board Leader, the Chief Executive Officer (CEO), management, or others as determined by the Chairman or the Board Leader. Individual directors may add topics to the agenda by contacting the Board Leader or the Chairman.
- 4.5 Committee Agenda Items. Committee chairpersons are responsible to set agenda items for each committee meeting. The Secretary shall solicit agenda topics from each chairperson and committee members may add topics to the agenda by contacting the committee chairperson.
- 4.6 Meeting Frequency and Length. The frequency and length of meetings of the Board and each committee is determined by the Chairman of the Board or the committee chairperson.
- 4.7 Attendance. Directors are expected to attend all scheduled Board and applicable committee meetings as well as the Company's Annual Meeting of Stockholders. In no event should a director attend less than 75% of the meetings. Directors are expected to participate in the entire meeting. The Board holds at least four scheduled meetings each year. The Board's committees also have regularly scheduled meetings throughout the year. The Board and its committees hold additional meetings on an as-needed basis, and directors are expected to attend these meeting whenever possible.
- 4.8 Attendance of Non-Directors at Meetings. It is appropriate for non-board members who are invited by the Chairman of the Board, CEO, Board Leader or committee chairperson, to regularly attend Board and committee meetings, except during Independent Sessions.
- 4.9 Board Materials. Materials related to agenda items are provided to directors sufficiently in advance of meetings to allow the directors to prepare for discussion of the items at the meeting. Generally, presentations on specific subjects will be sent to the directors in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed only at the meeting.
- 4.10 Independent Sessions. "Independent Sessions" (defined as meeting comprised solely of Independent Directors) are led by the Independent Chairman or Board Leader and held regularly to review the report of the independent auditor, the criteria upon which the performance of the Chairman of the Board and CEO are based, the performance of the Chairman of the Board and CEO against such criteria, the compensation of the Chairman of the Board and CEO and other senior management, and any other relevant matters. The Board Leader will report to the CEO the general discussions from the Independent Session.

4.11 Executive Sessions. “Executive Sessions” (defined as meeting comprised solely of Board members) are held regularly. Such meetings may include, where necessary or appropriate, members of management or other advisers. The Board Leader will report to the CEO the general discussions from the Executive Session.

5. **AUTHORITY AND RESPONSIBILITIES OF THE BOARD**

- 5.1 Selection of Chairman. The Board has the responsibility to select its Chairman. The Chairman has the responsibility for managing the Board. The Chairman and the CEO may be the same person.
- 5.2 Selection of Chief Executive Officer. The Board has the responsibility to select the CEO. The CEO has the responsibility for managing the Company. The Chairman and the CEO may be the same person.
- 5.3 Selection of Board Leader. The Board has the responsibility to select a Board Leader when the Chairman is not an Independent Director, or there is no Chairman. The Board Leader has the responsibility for chairing Independent Sessions if the Chairman is not an Independent Director, and shall serve as a liaison between Independent Directors and the CEO, if the CEO is also the Chairman or if the Chairman is not an Independent Director. The Board Leader shall also provide feedback to the CEO from the meetings of the Independent Directors.
- 5.4 Corporate Performance Goals and Annual Evaluation. The Board is responsible for setting annual and long-term performance goals for the Company and for evaluating its performance against such goals. The Compensation Committee administers the process by meeting annually with management to receive recommendations concerning such goals.
- 5.5 Director Access to Corporate and Independent Advisors. Board members have free access to all members of senior management, but they have the obligation to inform the CEO, Chairman or Board Leader of any communications. The CEO has been designated as liaison between management and directors to ensure that the role between Board oversight and management operations is respected. The Board and any of its committees may consult with independent legal, financial and accounting advisors to assist in their duties to the Company and its stockholders.
- 5.6 Board Interaction with Outside Stakeholders. The Chairman and the CEO are responsible for establishing effective communications with the Company’s stakeholder groups, i.e., stockholders, customers, company associates, communities, suppliers, creditors, governments and corporate partners. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside directors from meeting with stakeholders, but directors must inform the CEO or Chairman of any communications. It is suggested that in the majority of circumstances any such meeting be held with the CEO present. Outsiders may contact the Company’s Board through its website. Any such communications, if material, and addressed to the Board or any individual member of the Board, will be forwarded by the Secretary.

- 5.7 Membership on Other Boards. Directors, officers, or other Company employees may wish to serve on boards of other public, private, or non-profit organizations. Such service is often in the best interests of the Company and the individual, but the Company must protect against conflicts of interest and on limiting demands on the person's time. Therefore, the person wishing to serve on another board: (a) if a director of the Company, must notify the Corporate Governance Committee who will review the situation and make a recommendation to the full Board; (b) if a Section 16 reporting officer, must receive prior approval of the Board; and (c) if an officer (who is not a Section 16 reporting officer) or a nonofficer employee, must receive prior approval of the CEO.
- 5.8 Change in Responsibility of Directors. A director who changes his/her full-time responsibility should volunteer to resign from the Board. The Board shall determine whether such change in responsibilities will impair the director's ability to effectively serve on the Board. The Board should review the continued appropriateness of the Board membership under these circumstances.
- 5.9 Strategic Planning. The Board views involvement in strategic planning and approval of the Company's long-term strategic plan as important responsibilities and shall conduct a strategic planning meeting at least annually.
- 5.10 Annual Review of Corporate Governance Guidelines. These Guidelines are reviewed by the Board at least annually.

6. SELECTION OF THE BOARD

- 6.1 Director Qualification Standards. Directors are to possess the highest personal and professional ethics, and must be committed to representing the long-term interests of the stockholders. Directors shall devote sufficient time to carrying out their duties and responsibilities effectively, and be committed to serve on the Board for an extended period of time.
- 6.2 Director Selection Process. The Board is responsible for selecting new members to join the Board and generally will appoint a new member to fill a vacant seat and to stand for election at the next Annual Meeting of Stockholders. The Board delegates the screening process involved in such selection to the Nominating & Corporate Governance Committee with direct input from the Chairman, the CEO, the Board Leader, and such other Independent Directors and executive officers as the Nominating & Corporate Governance Committee deems appropriate. Stockholders may propose nominees for consideration by the Nominating & Corporate Governance Committee by submitting names and supporting information to the Secretary of the Company in accordance with the deadlines and procedures set forth in the most recent Proxy Statement.

7. BOARD AND CEO EVALUATION, EDUCATION AND SUCCESSION

- 7.1 Director Orientation and Continuing Education. The Board encourages directors to participate in continuing education programs and the Company has established an annual allowance to pay reasonable expenses and fees incurred for attendance at these programs. The Secretary of the Company is responsible for creating and coordinating an orientation program that includes interaction with management and materials for new directors that make them familiar with the Company's vision, core values, financial matters, corporate governance practices, and other key policies and practices.
- 7.2 CEO Performance Goals and Annual Evaluation and Compensation. The Board is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals. The Compensation Committee administers the process by meeting annually with the CEO to receive his or her recommendations concerning such goals. Both the goals and the evaluation are considered by the Independent Directors of the Board at an Independent Session wherein CEO compensation is approved.
- 7.3 Management Succession and Development. The Board oversees plans for CEO and senior management succession and, when appropriate, replaces the CEO and/or other members of senior management.