

CYPRESS BIOSCIENCE, INC. COMPREHENSIVE COMPLIANCE PROGRAM

I. INTRODUCTION

Cypress Bioscience, Inc. ("Cypress" or "Company") is committed to developing and commercializing pharmaceutical products and personalized medicine laboratory services that allow physicians to serve unmet medical needs. Cypress has a longstanding commitment to compliance with the laws and regulations that govern pharmaceutical and diagnostic product development and marketing and selling activities. Cypress's Comprehensive Compliance Program (the "Compliance Program") is consistent with prudent business practices and with the recommendations set forth in "Compliance Program Guidance for Pharmaceutical Manufacturers," published by the Office of Inspector General, U.S. Department of Health and Human Services (the "HHS-OIG Guidance"), and the provisions of the Code on Interactions with Healthcare Professionals created by the Pharmaceutical Research and Manufacturers of America ("PhRMA Code"). The goal of Cypress's Compliance Program has always been to maintain a culture that promotes the prevention, detection and resolution of potential violations of law or Company policy.

The fundamental elements of the Compliance Program are described below. The Compliance Program is dynamic, involving regular assessment and adjustment to ensure the Program is responsive to the Company's evolving business and associated compliance risks.

II. OVERVIEW OF COMPLIANCE PROGRAM

1. Leadership and Structure

Cypress has the appropriate resources in place to support our commitment to compliance.

- Cypress has designated a Compliance Officer dedicated to support Cypress's culture of compliance. The Compliance Officer reports to the Chief Executive Officer and regularly to the Audit Committee of the Company's Board of Directors.
- Cypress is committed to ensuring that its Compliance Officer has the ability to effectuate change within the organization as necessary and to exercise independent judgment. The compliance function has unrestricted access to information, executives and meetings related to business operations.
- A system for reporting complaints and suspected compliance violations has been set up, including a 24-hour anonymous Ethics Hotline. To the extent possible, the reporter's identity will be kept confidential. All reports are investigated and any necessary corrective action is implemented.

2. Written Standards

Cypress has established written policies and procedures to ensure compliance, including the following:

- Cypress Code of Business Conduct and Ethics (“Code of Conduct”) provides a universal statement of the values, standards and ethical principles that guide our daily operations. The Code of Conduct was designed to provide guidance on how to fulfill requirements of the Compliance Program, resolve questions about the appropriateness of our conduct and how to report possible violations of law or ethical principles. It is provided to all employees at the time of hiring and continues to be available to all employees on the Company’s intranet. The Code of Conduct is also found on Cypress’s website (www.cypressbio.com) and applies to everyone conducting business on behalf of Cypress.
- Cypress’s Code of Conduct provides for an open door policy to help establish our culture of compliance. Employees are given ready access to the Compliance Officer, their supervisors and any executives necessary for the reporting of concerns about compliance. The Company is committed to treating all such reports with seriousness and respect and will not retaliate against any employee who reports suspected compliance violations. As part of our employment culture, employees have the responsibility to comply with the laws and our policies and procedures, as well as the responsibility to report known or suspected compliance violations without fear of any form of retaliation.
- Cypress provides training and gives each employee an Employee Handbook which summarizes the Company’s personnel policies and benefits and provides information about the rules concerning employment with Cypress.
- Cypress has corporate policies, procedures and guidelines that outline the specific behaviors required for day-to-day operations and outline how Cypress employees are expected to conduct their activities. For example in the sales and marketing area, Cypress has polices regulating: prescription drug sampling for FDA-approved pharmaceutical products; Cypress-led promotional and educational programs; financial support of independent continuing medical education; scientific research grants; consulting arrangements and other interactions with healthcare professionals; the development and dissemination of promotional materials, privacy of patient information, gifts and meals provided to healthcare professionals, service agreements with customers; and the provision of grants in support of healthcare-related initiatives sponsored by professional societies, patient advocacy groups, trade associations, charitable entities and other organizations.
- As required by California Health & Safety Code §§ 119400-119402, Cypress has established an annual dollar limit on educational or practice-related items, items

of minimal value and meals which Cypress sales employees are permitted to provide to medical or health professionals in California under Cypress policy. As of July 1, 2008, the aggregate annual limit of \$1,500 applies prospectively to educational or practice-related items (limited to less than \$100 in value and even less in some states), items of minimal value, and meals associated with informational presentations or discussions provided to medical or health professionals in California; and incorporates the limitations and definitions contained in the statute.

- Consistent with California Law Cypress's annual dollar limit does not include drug samples given to physicians and healthcare professionals intended for free distribution to patients, financial support for continuing medical education forums, financial support for health educational scholarships and fair market value payments for legitimate professional services provided by healthcare or medical professionals. In addition, the annual dollar limit does not include reprints, printed advertising or promotional materials, and items provided for distribution to patients (e.g., patient-oriented health and disease management information).

3. Education and Training

Another critical element of the Compliance Program is the education and annual training of our employees on their legal and ethical obligations under Cypress policy and the laws, regulations and guidelines that govern our business.

- Cypress is committed to taking all necessary steps to effectively communicate our standards and procedures to all affected personnel.
- All Cypress employees are required to participate in annual training as a condition of their employment. In addition, employees will undergo periodic re-training and remedial training programs as necessary. The training process is a combination of live and computer-based programs.
- Our education and training programs cover Cypress's policies and procedures and also cover a variety of laws and regulations that impact the way we conduct business, including the Anti-Kickback Statute, the Prescription Drug Marketing Act for FDA-approved pharmaceutical products, HHS-OIG Guidance, the PhRMA Code, American Medical Association ethical guidelines, Deficit Reduction Act, False Claims Act, Health Insurance Portability and Accountability Act, Sarbanes-Oxley Statute, various states laws that impact sales and marketing, and FDA drug promotion regulations.
- Cypress regularly reviews and updates its training programs and identifies additional areas of training on an "as-needed" basis.

4. Internal Lines of Communication

As a matter of policy, employees are required to bring workplace issues of any type to the attention of management. Cypress strives to provide a work environment that

encourages employees to communicate openly with management about all types of workplace issues without fear of retaliation or recrimination. To support this concept, Cypress has established the following resources:

- Cypress encourages employees, as a first step, to seek out an immediate supervisor or manager to discuss workplace issues. If the matter is not successfully resolved, an employee is encouraged to pursue the issue with his/her next level of management or Human Resources.
- The Cypress Compliance Officer is available to answer questions, address concerns and take reports of suspected violations.
- Cypress also has a confidential outside telephone line made available to all employees who wish to anonymously raise concerns about potential unethical or illegal behavior or violations of Cypress policies. This telephone line is operated by an independent firm who will forward reported concerns to the Compliance Officer for response or investigation. The telephone line is available 24 hours a day, 7 days a week.

5. Auditing and Monitoring

The Compliance Program includes the development of monitoring, auditing, and ongoing evaluation regarding compliance with the company's policies and procedures. In accordance with the HHS-OIG Guidance, the nature of our reviews, as well as the extent and frequency of our compliance monitoring and auditing, varies according to a variety of factors, including new regulatory requirements, changes in business practices, and other considerations. Results of auditing, monitoring and evaluation are, as appropriate, followed up on specifically, incorporated in training and communications strategies and considered when making choices in connection with ongoing general management of the business.

6. Hiring

Cypress is committed to hiring a workforce whose actions will reflect a high degree of integrity and ethics, recognizing that the ability to excel depends on the integrity, knowledge and skills of our people. Accordingly, the Company invests significant resources in identifying and hiring highly qualified and skilled individuals. In addition, prior to allowing the individual to commence employment with the Company, Cypress performs a background investigation of the individual. The background investigation includes verification of employment history and education. Cypress also performs a criminal background investigation that searches for any felony or misdemeanor on both a county and federal level and reviews all candidates against the Federal exclusions list. If deemed appropriate to the position, checks also will be conducted of professional certifications and licenses, motor vehicle records and credit history.

7. Responding to Potential Violations

The Compliance Program increases the likelihood of preventing, or at least identifying, unlawful and unethical behavior. However, HHS-OIG recognizes that even an effective compliance program may not prevent all violations. As such, our Compliance Program requires employees to report and the company to respond promptly to potential violations of law or company policy and take appropriate disciplinary action. Although each situation is considered on a case-by-case basis, Cypress's policy requires that consistent and appropriate disciplinary action be taken to address inappropriate conduct and deter future violations. Cypress also assesses whether identified violations are in part due to gaps in our policies, practices, or internal controls, and if so, takes appropriate action to prevent future violations.

8. Conclusion

In summation, Cypress is dedicated to the maintenance and ongoing assessment required of an effective compliance program. A copy of this document, our Code of Conduct and/or Cypress's written Declaration of the Company's adherence to the Comprehensive Compliance Program described above can be obtained on our website at www.cypressbio.com or by calling 1-888-452-1522.