

**HEMISPHERX BIOPHARMA, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**  
as of February 2007

**Corporate Governance Mission**

The Company aspires to the highest standards of ethical conduct: Reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Company's businesses.

**Board of Directors**

The Board of Directors' primary responsibility is to provide effective governance over the Company's affairs for the benefit of its stockholders. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be the best interests of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

**Number and Selection of Board Members**

The Board has the authority under the by-laws to set the number of Directors, which should consist of one or more, with the flexibility to this number by resolution of the board of directors. The number of Directors is currently set at six members. Candidates for the Board shall be selected by the Nomination and Governance Committee, and recommended to the Board of Directors for approval, in accordance with the qualifications approved by the Board and set forth below, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer. Directors are elected by the stockholders at each Annual Meeting, to serve for a one-year term, which expires on the date of the next Annual Meeting. Between Annual Meetings, the Board may elect additional Directors by majority vote.

**Director Independence**

At least a majority of the members of the Board should be independent. The Board has adopted the categorical standards set forth in the attached Exhibit "A" to assist the Board in making the independence determination. These categorical standards are intended to comply with the American Stock Exchange ("AMEX") Company Guide and all other applicable laws, rules and regulations regarding director independence in effect from time to time. An outside Director shall qualify as independent for purposes of service on the Board of the Company and its Committees if the Board has determined that the Director has no material relationship with the Company. A Director shall be deemed to have no material relationship with the Company and will qualify as independent if (a) the Director meets the categorical standards set forth in Exhibit "A" attached to these Guidelines and (b) if there exists any relationship or transaction of a type not specifically mentioned in

Exhibit “A” then, taking into account all relevant facts and circumstances, the Board has determined that the existence of such other relationship or transaction is not material and would not impair the Director’s exercise of independent judgment.

### **Qualifications for Director Candidates**

One of the of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The Nomination and Governance Committee reviews the qualifications of potential director candidates and makes recommendations to the whole Board. The factors considered by the Committee and the Board in its review of potential candidates include:

- Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards.
- Whether the candidate has had business, governmental, non-profit or professional experience as the Chairman, Chief Executive Officer or Chief Operating Officer or equivalent policy-making and operational level of a large organization that indicates that the candidate will be able to make a meaningful and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing the pharmaceutical industry.
- Whether the candidate has special skills, expertise and background that would complement the attributes of the existing directors.
- Whether the candidate has the financial expertise required to provide effective oversight of a pharmaceutical company that operates on a global scale.
- Whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- Whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Company’s stockholders in reaching decisions, rather than advancing the interests of a particular constituency.
- Whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust.
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

Application of these factors involves the exercise of judgment by the Board. In addition, An outside Director shall not: (i) be or have been an employee of the Company within the last three years; (ii) be or have been affiliated with or employed by a present or former auditor of the Company within the five-year period following the auditing relationship.

### **Lead Director**

The Board may appoint a Lead Director. The Lead Director shall: (i) preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; (ii) serve as liaison between the Chairman and the independent directors; (iii) approve information sent to the Board; (iv) approve meeting agendas for the Board; (v) approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; (vi) have the authority to call meetings of the independent directors; and (vii) if requested by major stockholders, ensure that he or she is available for consultation and direct communication.

### **Additional Board Service**

The number of other public company boards on which a Director may serve shall be subject to a case-by-case review by the Nomination and Governance Committee, in order to ensure that each Director is able to devote sufficient time to perform his or her duties as a Director. Members of the Audit Committee may not serve on more than three public company audit committees, including the Audit Committee of the Company.

### **Change in Status or Responsibilities**

If a Director has a substantial change in professional responsibilities, occupation or business association he or she should notify the Nomination and Governance Committee and offer his or her resignation from the Board. The Nomination and Governance Committee will evaluate the facts and circumstances and make a recommendation to the Board whether to accept the resignation or request that the Director continue to serve on the Board. If a director assumes a significant role in a not-for-profit entity he or she should notify the Nomination and Governance Committee.

### **Evaluation of Board Performance**

The Nomination and Governance Committee shall conduct an annual review of Board performance, in accordance with guidelines recommended by the Committee and approved by the Board. This review shall include an overview of the talent base of the Board as a whole as well as an individual assessment of each outside Director's qualification as independent under the AMEX Company Guide and all other applicable laws, rules and regulations regarding director independence; consideration of any changes in a Director's responsibilities that may have occurred since the Director was first elected to the Board; and such other factors as may be determined by the Committee to be appropriate for review. Each Committee shall conduct an annual evaluation of its

own performance as provided in its charter. The results of the Board and Committee evaluations shall be summarized and presented to the Board.

### **Attendance at Meetings**

Directors are expected to attend the Company's Annual Meeting of Stockholders, Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed to the Directors prior to the meeting, in order to provide time for review. The Chairman should establish a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing year, and shall also establish the agenda for each Board meeting. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting. The Chair of the Nomination and Governance Committee shall preside at the executive sessions. The independent directors shall meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.

### **Annual Strategic Review**

The Board shall review the Company's long-term strategic plans and the principal issues that it expects the Company may face in the future during at least one Board meeting each year.

### **Communications**

The Board believes that senior management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, at the request of the Board or senior management.

### **Board Committees**

The standing committees of the Board are the Executive Committee, the Audit Committee, the Compensation Committee, the Nomination and Governance Committee and the Strategic Planning Committee. All members of these committees, other than the Executive and Strategic Planning Committee, shall meet the independence criteria, as determined by the Board, set forth in the AMEX Company Guide, and all other applicable laws, rules or regulations regarding director independence. Committee members shall be appointed by the Board upon recommendation of the Nomination and Governance Committee, after consultation with the individual Directors. Committee chairs and members shall be rotated at the recommendation of the Nomination and Governance Committee.

The Audit and Corporate Governance and Nomination Committees shall each have its own written charter which shall comply with the applicable AMEX Company Guide, and other applicable laws, rules and regulations. The charters shall set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and reporting to the Board. The Chair of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and senior management, shall develop the committee's agenda. At the beginning of the year, each committee shall establish a schedule of major topics to be discussed during the year (to the degree these can be foreseen). The agenda for each committee meeting shall be furnished to all Directors in advance of the meeting, and each independent Director may attend any meeting of any committee, whether or not he or she is a member of that committee. The Board and each committee shall have the power to hire and fire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of senior management of the Company in advance. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

### **Director Access to Senior Management**

Directors shall have full and free access to senior management and other employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Secretary or directly by the Director. The Board welcomes regular attendance at each Board meeting by senior management of the Company. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for approval.

### **Director Compensation**

The form and amount of director compensation is determined by the Board based upon the recommendation of the Corporate Governance and Nomination Committee. The Corporate Governance and Nomination Committee shall conduct an annual review of director compensation. Directors who are not employees of the Company may not enter into any consulting arrangements with the Company without the prior approval of the Corporate Governance and Nomination Committee. Directors who serve on the Audit Committee shall not directly or indirectly provide or receive compensation for providing accounting, consulting, legal, investment banking or financial advisory services to the Company.

### **Director Orientation and Continuing Education**

The Company shall provide an informal orientation program for new Directors which may include presentations by senior management on the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs,

its Code of Ethics and Business Conduct, its management structure and executive officers and its internal and independent auditors. The Company shall also make available the ability of directors to participate in continuing education programs for all members of the Board.

### **Chairman, CEO and COO Performance**

The Compensation Committee shall conduct an annual review of the Chairman's, the CEO's and the COO's performance, as set forth in its charter. The Board of Directors shall review the Compensation Committee's report in order to ensure that the Chairman, the CEO and the COO are providing the best leadership for the Company in the long and short term.

### **Succession Planning**

The Compensation Committee make an annual report to the Board on succession planning. The entire Board shall work with the Compensation Committee to nominate and evaluate potential successors to the CEO and the COO. The CEO and the COO shall meet periodically with the Compensation Committee in order to make available their recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

### **Code of Ethics and Business Conduct**

The Company has adopted a Code of Ethics and Business Conduct and other internal policies and guidelines designed to support the mission statement set forth above and to comply with the laws, rules and regulations that govern the Company's business operations. The Code of Ethics and Business Conduct applies to all employees of the Company and its subsidiaries, as well as to directors, temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Company and its interests. The Nomination and Governance Committee shall monitor compliance with the Code of Ethics and Business Conduct and other internal policies and guidelines.

### **Insider Transactions**

The Company does not generally purchase Company stock from employees (except in connection with the routine administration of employee stock option and other equity compensation programs).

### **Stock Options**

All new equity compensation plans and material revisions to such plans shall be submitted to stockholders for approval.

**Investments**

Neither the Company nor any member of senior management shall make any investment in a partnership or other privately held entity in which a Director is a principal or in a publicly traded company in which a Director owns or controls more than a 10% interest.

**Indemnification**

The Company provides reasonable directors' and officers' liability insurance for the Directors and shall indemnify the Directors to the fullest extent permitted by law and the Company's certificate of incorporation and by-laws.

**Amendments**

The Board may amend these Corporate Governance Guidelines, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation and further provided that any such modification or waiver is appropriately disclosed.

## **Exhibit “A” To Corporate Governance Guidelines**

### **Director Independence Standards**

An outside Director shall qualify as independent for purposes of service on the Board of the Company and its Committees if the Board has determined that the Director has no material relationship with the Company that would interfere with the exercise of independent judgment. The Board has adopted the following categorical standards to assist the Board in making this determination. These categorical standards have been drafted to incorporate the independence requirements contained in the **AMEX Company Guide, Rule 10A-3 under the Securities Exchange Act of 1934** and all other applicable laws, rules and regulations in effect from time to time and are intended to supplement the provisions contained in the **Corporate Governance Guidelines**. A fundamental premise of the standards is that any permitted transactions between the Company and a Director, any family member of a Director or their respective primary business affiliations shall be on arms-length, market terms.

### **Advisory, Consulting and Employment Arrangements**

Neither a Director nor any immediate family member of a Director shall: Within the last three years, have been employed by the Company or subsidiary of the Company (the “Company”), have received, directly or indirectly, from the Company any compensation, fees or benefits in an amount greater than \$60,000 per annum, other than (a) standard compensation arrangements applicable to non-employee Directors generally; or (b) compensation paid to an immediate family member of a Director who is a non-executive employee of the Company.

In addition, no member of the Audit Committee, nor any immediate family member of such individual, nor any entity in which an Audit Committee member is a partner, member or executive officer shall accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof or be an affiliated person of the Company or any subsidiary thereof.

### **Business Relationships**

All business relationships between the Company and a Director’s primary business affiliation or the primary business affiliation of a family member of a Director must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. In addition, the aggregate amount of payments by the Company to, and to the Company from, any company of which a Director is an executive officer or employee or where a family member of a Director is an executive officer, must not exceed the greater of \$200,000 or 5% of such other company’s consolidated gross revenues in any single fiscal year in any of the most recent three fiscal years.

## **Employment/Affiliations**

An outside Director shall not:

- (i) Be or have been an employee of the Company within the last three years; or
- (ii) be or have been affiliated with or employed by a present or former auditor of the Company within the five-year period following the auditing relationship.

## **Definitions**

For purposes of these independence standards, (i) the term “family member” means any of the Director’s spouse, parents, children, brothers, sisters, mother- and father-in law, sons- and daughters-in-law, and brothers and sisters-in-law and anyone (other than domestic employees) who shares the Director’s home, (ii) the term “immediate family members” of a Director includes the Director’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home (other than domestic employees), (iii) the term “primary business affiliation” means an entity of which the Director is an officer, partner or employee or in which the Director owns directly or indirectly at least a 5% equity interest and (iv) the term “affiliated person of the Company” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.