



Whistleblower Policy

Statement of Policy

ARADIGM CORPORATION (the "**Company**") is committed to providing a workplace conducive to open discussion of our business practices and is committed to complying with the laws and regulations to which we are subject, as well as our Code of Business Conduct and Ethics (our "**Code**"). Accordingly, the Company will not tolerate conduct that is in violation of such laws, regulations or our Code. Each employee has a responsibility to promptly report any suspected misconduct, illegal activities or fraud, including any questionable accounting, internal accounting controls and auditing matters, or other violations of federal and state laws or of our Code in accordance with the provisions of this policy. In order to facilitate the reporting of employee complaints regarding suspected violations of the Code or of this policy, our Board of Directors (the "**Board**") has established procedures for (i) the submission by employees of suspected violations and (ii) the receipt, retention and treatment of these complaints.

Policy of Non-Retaliation

It is our policy to comply with all applicable laws that protect our employees against unlawful discrimination or retaliation as a result of their lawfully reporting information regarding, or their participation in investigations involving, corporate fraud or other violations of federal and state law or violations of our Code by the Company or its agents. Specifically, our policy is designed to prevent employees from being subject to disciplinary or retaliatory action by the Company or any of its agents or employees as a result of an employee's:

- disclosing information to a government or law enforcement agency or a representative of the Company, where the employee has a good-faith, reasonable belief that the information demonstrates a violation or possible violation of a federal or state law, rule or regulation;
- providing information, filing, testifying or participating in a proceeding filed or about to be filed, or otherwise assisting in an investigation or proceeding regarding any conduct that the employee reasonably and in good faith believes involves a violation or possible violation of a federal or state law, rule or regulation; or
- providing information to the Company's representatives or other persons where the employee has a good-faith, reasonable belief that the information discloses a violation or possible violation of our Code.

If any employee believes he or she has been subjected to any discrimination or retaliation or other action by us or our agents for reporting suspected violations in accordance with this policy, he or she may file a complaint with our Compliance Officer by following the procedures set forth below under the heading "Method of Reporting Complaints." If it is determined that an employee has experienced any improper employment action in violation of this policy of nonretaliation, we endeavor to promptly take appropriate corrective action.

However, employees who file reports or provide evidence which they know to be false or without a reasonable belief in the truth and accuracy of such information will not be protected by this policy and may be subject to disciplinary action, including termination of employment. Employees who violate the confidentiality of Company trade secrets or Company attorney-client privilege may not be entitled to protection under this policy. Accordingly, if your actions bring you into contact with individuals or organizations, including governmental agencies, you should be careful not to violate your confidentiality obligations to the Company. You will not be violating Company trade secrets or Company attorney-client privilege if your complaint is made to the Compliance Officer in the manner described below or if your disclosures are otherwise authorized by the Company.

Method of Reporting Complaints

The Board has designated our General Counsel as the Compliance Officer responsible for administering this policy. We have established a procedure under which suspected violations of this policy, including complaints regarding questionable accounting, internal accounting controls or auditing matters may be reported anonymously and confidentially. Employees may anonymously report a suspected violation to (i) our Compliance Hotline at (877) 778-5463 or (ii) website at www.reportit.com, User Name: Aradigm and Password: ARDM2005 for complaints regarding retaliation for reporting violations of this policy may also be reported by any of these methods.

If a complaining employee wishes to disclose his or her identity, the employee may do so. Confidentiality of the employee submitting the complaint will be maintained to the fullest extent possible, consistent with the need to conduct an adequate investigation. In the course of any investigation, we may find it necessary to share information with others on a "need to know"

basis.

Employees should make every effort to report their concerns using one or more of the methods specified above. The complaint procedure is specifically designed so that employees have a mechanism that allows the employee to bypass a supervisor he or she believes is engaged in prohibited conduct under this policy. Anonymous reports should be factual instead of speculative or conclusory, and should contain as much specific information as possible to allow the Compliance Officer and other persons investigating the report to adequately assess the nature, extent and urgency of the situation. Employees should realize that if an anonymous complaint cannot be properly investigated without additional information, we may have to close the matter for lack of sufficient information.

Policy for Receiving and Investigating Complaints

Upon receipt of a complaint, the Compliance Officer will determine whether the information alleged in the complaint alleges or contains allegations that might constitute a violation of this policy. The Audit Committee of the Board (the "**Audit Committee**") shall be notified promptly of complaints determined to involve accounting, internal accounting controls and auditing concerns, and the Nominating and Corporate Governance Committee of the Board (the "**Governance Committee**") shall be notified promptly of complaints determined to involve all other matters. The appropriate committee will, to the extent it deems appropriate, appoint one or more internal and/or external investigators to promptly and fully investigate the complaint, under the supervision of the Audit Committee, with respect to complaints alleging accounting, internal accounting controls and auditing concerns, and under the supervision of the Governance Committee for all other matters (or such other persons as the supervising committee determines to be appropriate under the circumstances. The Compliance Officer will confidentially inform the reporting person (if his or her identity is known) that the complaint has been received and, to the extent appropriate, provide him or her with the name of, and contact information for, the investigator assigned to the complaint (the "**Investigator**").

If the investigation confirms that a violation of this policy has occurred, we will promptly take appropriate corrective action with respect to the person(s) involved, including possible termination of such person(s), and will also take appropriate steps to correct and remedy any violation of this policy.

Retention of Complaints

The Compliance Officer will maintain a log of all complaints, tracking their receipt, investigation and resolution. As appropriate, each member of the Board, including each member of the Audit Committee and the Governance Committee and, at the discretion of the Compliance Officer, other personnel involved in the investigation of complaints, shall have access to the log. Copies of the log and all documents obtained or created in connection with any investigation will be retained for a period of three years.