

## SMART BALANCE, INC.

### **CORPORATE GOVERNANCE GUIDELINES**

Revised as of March 27, 2012

The following Corporate Governance Guidelines (these “Guidelines”) have been developed by the Governance and Nominating Committee (the “GC”) of the Board of Directors (the “Board”) of Smart Balance Inc. (the “Company”) and adopted by the Board to assist the Board in the exercise of its responsibilities to the Company and its stockholders and in further support of the integrity of the Company’s business practices. These Guidelines should be interpreted in the context of all applicable law and the Company’s corporate governance documents, including, without limitation, the Company’s Restated Certificate of Incorporation and Bylaws. These Guidelines were designed as flexible guiding principles for the conduct of the business of the Board, rather than as an established set of legally binding obligations. The Board may, from time to time, in its sole discretion, modify these Guidelines and deviate from these Guidelines, as it deems necessary and appropriate or as otherwise required by applicable law.

1. Goals of the Board. The goals of the Board are consistent with those of the Company – to foster the Company’s long-term success in order to maximize value to stockholders over time. The Board’s actions should always support these goals by offering strategic perspectives to supplement those of Company management.

2. Director Responsibilities. A director’s basic responsibility is to exercise his/her business judgment to act in what he/she reasonably believes to be the best interests of the Company and its stockholders. In discharging that obligation, the directors are entitled to rely on the Company’s executives and its outside advisors and auditors (who are reasonably selected) as to matters within their areas of expertise. The directors are also entitled to reasonable directors’ and officers’ liability insurance purchased by the Company on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company’s Restated Certificate of Incorporation, Bylaws and any indemnification agreements, and to exculpation as provided by applicable law and the Company’s Restated Certificate of Incorporation and Bylaws.

3. Board Composition and Structure

a. Board Size. The size of the Board may be set from time to time in accordance with the Company’s Restated Certificate of Incorporation and Bylaws. The Board prefers an odd number, approximately 9 members, but is willing to expand the Board in order to prepare for departures of directors or as otherwise required to provide the Company the appropriate set of skills to support business objectives.

b. Independence of Directors. A majority of directors will meet the criteria for independence of The NASDAQ Stock Market (“NASDAQ”). The Board will determine the independence of these directors and disclose such determination to the extent required by NASDAQ and applicable law.

c. Board Membership Criteria. The GC is responsible for developing the criteria for the requisite skills and characteristics of new Board members and the composition of the Board as a whole. The GC will annually review such criteria and composition with the Board.

d. Election of Directors. The Company's stockholders will elect Board members annually in accordance with the Company's Restated Certificate of Incorporation and Bylaws. The GC will select (or recommend for selection to the Board) a slate of nominees for members of the Board for stockholders to elect at the annual meeting of stockholders, in accordance with the membership criteria and the policies and principles in its charter. Potential new members of the Board may be recommended by a Board member or stockholder based on their experience, skills, and integrity. If outstanding candidates are not available, an executive recruiting firm may be retained. The invitation to join the Board should be extended on behalf of the Board by the Chairman of the GC, the Chairman of the Board (the "Chairman") or any Vice Chairman of the Board (the "Vice Chairman"). The GC will select (or recommend for selection to the Board) nominees for appointment by the remaining members of the Board or the stockholders (in accordance with the Restated Certificate of Incorporation and the Bylaws) to fill vacancies in existing or new director positions. Such directors will serve until the next annual meeting of stockholders when they must stand for re-election based upon their respective staggered term.

e. Chairman of the Board. The Board generally believes that the CEO should serve as the Chairman. However, the Board may exercise discretion in combining or separating the positions as it deems appropriate in light of prevailing circumstances. The succession planning process will consider the combination or separation of the positions. The Board will make a determination concerning the combination or separation of these offices when it elects a new CEO.

f. Lead Director. The Board will elect a Lead Director (the "Lead Director") from among its independent directors on an annual basis. The Lead Director may not serve more than three (3) sequential terms. The Lead Director will serve as liaison between the Chairman and any Vice Chairman, on the one hand, and the independent directors, on the other hand, and will have the following duties and responsibilities:

- Presiding at all meetings of the Board at which the Chairman and any Vice Chairman are not present;
- Chairing all executive sessions of the independent directors;
- Approving information sent to the Board;
- Approving agendas for meetings of the Board;
- Approving meeting schedules to assure there is sufficient time for discussion of all agenda items;
- Being available for consultation and direct communication with major stockholders; and

- Such other duties and responsibilities and as the Board may delegate from time to time to the Lead Director.

The Lead Director will also have the authority to call meetings of the independent directors.

g. Change in Primary Employment. A non-employee director who retires from or changes his/her primary employment should voluntarily tender a resignation to the GC. The GC will then have the opportunity to review the continued appropriateness of Board membership under the prevailing circumstances. However, any director who is an officer of the Company must resign from the Board when he/she ceases to be employed by the Company.

h. Conflicts of Interest. A director should promptly report each actual, apparent or potential conflict of interest situation involving the director to the General Counsel of the Company and to the chairs of the GC and the Audit Committee. The Audit Committee shall review and, if appropriate, approve or ratify each related-party transaction involving a director in accordance with the related party transaction policies and procedures. The GC or the Audit Committee shall be responsible for reviewing and resolving any other actual, apparent or potential conflict of interest situation involving any director. If a director has a direct or indirect personal interest in a matter before the Board, the director must disclose the interest to the Board, and where appropriate, the director should recuse himself/herself from all or a portion, as appropriate, of the deliberations and decisions on the matter.

i. Limitations on Other Board Service. The Board expects each director to ensure that other commitments do not interfere with his/her duties as a Company director. Directors must inform the Chairman and the Chair of the GC upon becoming a director or member of a committee of any other public company or substantial private entity. A “private entity” includes, without limitation, a private company, a venture fund, or an equity fund, exclusive of charitable enterprises. Management directors are limited to Board membership in one public or substantial private entity. Independent directors should have no more than four (4) substantive directorships. The GC and the Board will take into account the nature and extent of a director’s other commitments when determining whether it is appropriate to nominate that individual for re-election. Service on boards and committees of other public companies or substantial private entities should be consistent with the Company’s conflict of interest policies. No director shall serve as a director, officer or employee of a competitor of the Company. Interlocking relationships are discouraged. Any exception to these practices should be approved by the Governance and Nominations Committee.

j. Retirement Age for Directors. All directors elected after September 1, 2007 will be required to submit their resignation to the Board on reaching their 75<sup>th</sup> birthday. The Board will then have the opportunity to review the continued appropriateness of Board membership under the prevailing circumstances, and may accept the resignation, or may in special circumstances reject it.

k. Director Orientation and Continuing Education. The Company will provide an orientation process for new directors, including a review of Company background materials, a

briefing on key issues facing the Company and meetings with senior management. The Board and its committees will receive regular presentations on the Company's strategic and business plans, financial performance, legal and regulatory matters, Code of Conduct and compliance programs, as well as other matters. Periodically, the Board will meet with senior management and may visit the Company's operating subsidiaries' facilities. Directors are encouraged to take advantage of continuing education opportunities that enhance their ability to fulfill their responsibilities.

l. Director Communication with Third Parties. The Board believes that management speaks for the Company and should communicate about the Company with stockholders, analysts, the press, media and other constituencies. If contacted directly, a Director should explain that the appropriate member of management will contact the party promptly. From time to time, an individual director, usually the Lead Director, may meet with or communicate with various Company constituencies, doing so with management's knowledge and, absent unusual circumstances, only at management's request.

m. Stockholder and Interested Party Communications with the Board. Stockholders may send communications to the Company's directors (or any subset of the directors) as a group or individually, by writing to the group or any particular individual: c/o the Corporate Secretary, 115 West Century Road, Suite 260, Paramus, New Jersey 07652. The Corporate Secretary will forward communications relating to matters within the Board's purview to the independent directors, communications relating to matters within a Board committee's area of responsibility to the Chair of the appropriate committee, and communications relating to ordinary business matters, such as consumer complaints, to the appropriate Company executive. The Corporate Secretary will not forward solicitations, junk mail and obviously frivolous or inappropriate communications, but makes them available to any non-management director who requests them.

#### 4. Board Meetings.

a. Frequency of Meetings. The Board will meet at least four times per fiscal year "in person" with added meetings as required by business needs. Special meetings will be held as needed. The Board's annual organizational meeting will follow the annual meeting of stockholders. At that meeting, the Board will appoint Board committee members and committee chairs, as well as Company officers.

b. Attendance at Meetings. Although attendance at all meetings is encouraged, it is understood that, on occasion, a director may be unable to attend a meeting. Directors are expected to prepare themselves for and attend the annual meeting of stockholders and no less than 75% of all meetings of the Board and of the committees on which they serve.

c. Distribution of Meeting Materials. To facilitate active and informed discussion at Board and committee meetings, directors should receive background materials in advance of meetings. Through these materials and presentations at meetings, the Board and its committees keep abreast of the Company's performance and businesses, plans (including acquisitions, divestitures and capital expenditures), various issues (including regulatory updates), and new

developments. In addition to meeting-related materials, directors will receive other regular and special reports throughout the year.

d. Calendar of Board Meetings; Selection of Agenda Items. For planning purposes, the Chairman, in consultation with the Lead Director, will annually prepare, and furnish to all directors, a calendar of scheduled Board meetings. In determining the agenda for each Board meeting, the Lead Director and the Chairman will take into account input from other directors and senior management. Key members of senior management are expected to periodically make presentations to the Board.

e. Access to Management and Independent Advisors. The Board will have unrestricted access to management for discussion and information gathering with any Board or member request for action directed to the Chairman, the Board or the Lead Director. The Board welcomes regular attendance at each Board meeting of senior officers of the company. If the CEO wishes to have additional Company personnel attend on a regular basis, this suggestion should be brought to the Board for approval. The Board and each Board committee will have the authority and funding to retain and utilize independent legal, accounting and other experts and consultants as they may deem appropriate.

f. Executive Sessions. The independent directors of the Board will meet in executive session either before or after every meeting with the session chaired by the Lead Director. The Lead Director will communicate as needed out of this session to other directors and management.

## 5. Board Committees.

a. Committees and Responsibilities. Pursuant to the Company's Bylaws, the Board may establish committees from time to time to assist it in the performance of its responsibilities. There are currently four Board committees.

(i) Audit Committee. The Audit Committee oversees the Company's accounting and financial reporting processes, the audits of the Company's financial statements, the Company's systems of internal accounting control, the independence and the performance of the independent auditors, and the performance of the internal audit function.

(ii) Compensation Committee. The Compensation Committee oversees the Company's executive compensation, including: designing in consultation with management or the Board, and recommending to the Board for approval and evaluation, the compensation plans, policies and programs of the Company; determining the compensation of the CEO and all other officers of the Company; and preparing an annual report on executive compensation to be included in the Company's proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission.

(iii) Governance and Nominating Committee. The GC is responsible for the identification of qualified candidates to become Board members, the selection, or recommendation to the Board, of a slate of director candidates for election at each annual meeting of stockholders, the selection, or recommendation to the Board, of director candidates to fill vacancies on the Board, and the development and recommendation to the Board of a set of corporate governance guidelines and principles applicable to the Company.

(iv) Finance Committee. The Financing Committee assists the Board in satisfying its duties relating to the financing strategy, financial policies, commodities and risk management and the financial condition of the Company.

b. Membership and Chairs of Committees. The Board will appoint committee members and chairs in consideration of the GC's recommendations. The Board generally does not favor mandatory rotation of committee assignments or chairs, believing that experience and continuity are more important. However, from time to time, as the Board composition changes, the GC may recommend rotation of committee assignments and chairs. All of the members of the Audit Committee, the Compensation Committee, the GC will be, and a majority of the members of the Finance Committee will be, independent directors under the criteria established by NASDAQ and the charters of the applicable committee. The Board will make and disclose its independence determination to the extent provided in the applicable committee charter or otherwise required under applicable law.

c. Committee Agendas, Meetings and Reports to the Board. Each committee chair, in consultation with the other committee members and management, will develop the committee's agenda, set meeting agendas and determine the frequency and length of committee meetings. For planning purposes, the chair of each committee will annually prepare and furnish to the members of the committee a calendar of meetings for that committee. Each committee will report its actions and recommendations, and furnish all committee minutes, to the Board.

d. Committee Charters. Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees, qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

e. Access to Independent Advisors. Each committee may retain or replace any independent counsel, experts or advisors that the committee believes to be necessary or appropriate. Each committee, in its discretion, may also use the services of the Company's regular outside legal counsel, special counsel or other advisors to the Company.

6. Plan Review. The Board will review and have approval rights concerning all of the Company's strategic and annual plans.

7. Performance Evaluation and Succession Planning.

a. Annual CEO Evaluation and CEO Compensation. The Compensation Committee after consultation with other Board members, shall, at least annually, review and approve goals and objectives relating to the compensation of the CEO, evaluate, in consultation with the GC with respect to governance matters, the performance of the CEO in light of the goals and objectives and establish the compensation of the CEO based on such evaluation. The Compensation Committee will seek input from and report to the Board on their CEO evaluation and compensation actions. The CEO may not be present during voting or deliberations. The chair of the Compensation Committee will communicate these evaluation and compensation actions to the CEO.

b. Succession Planning. The GC will oversee and review the development of executive succession plans, evaluate and make recommendations to the Board regarding potential CEO candidates, and review candidates to fill other senior executive positions. The GC will also recommend to the Board at least once annually succession plans in the event of an emergency or the CEO's retirement.

c. Board and Committee Self-Evaluations. The performance of the Board and all committees will be self-evaluated annually within a predetermined format with a complete reporting to the Board. The GC will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve its effectiveness.

8. Board Compensation. The form and amount of director compensation will be determined by the independent directors of the Board. The Compensation Committee will review director compensation as appropriate. Director compensation will be in an amount that is competitive with the market and is geared towards attracting and retaining qualified directors.

9. Charitable Contributions. The Company will make charitable contributions in line with established priorities and practices (including any Company matching grants program), and the recipients of these charitable contributions may include organizations affiliated with directors. Any request by a Board member for a contribution to a favored charity should be approved by the Audit Committee if the request is greater than \$1,000.

10. Confidentiality.

a. Board Meetings. Each director shall hold all meetings of the Board and each of its committees completely confidential.

b. Stockholder Voting. The Company will hold the votes of each stockholder in confidence from directors, officers and employees except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company; (b) in case of a contested proxy solicitation; (c) if a stockholder makes a written comment on the proxy card or otherwise communicates his/her vote to management; or (d) to allow the independent inspectors

of election to certify the results of the vote. The Company will retain an independent tabulator to receive and tabulate the proxies. The Company will retain independent inspectors of election to certify voting results.

11. Amendment, Modification and Waiver. These Guidelines and the charters of the Board committees may be amended, modified or waived by the Board and waivers and amendments of these Guidelines may also be made by the GC, subject in each case to timely compliance with any applicable disclosure requirements.