

SMART BALANCE, INC.

Related Party Transaction Policies and Procedures

Revised as of March 10, 2010

Policy

All Related Party Transactions, as those terms are defined in this policy, are subject to approval or ratification in accordance with the procedures set forth below.

These Related Transaction Policies and Procedures were adopted by the Audit Committee. The Audit Committee is responsible for applying these policies and procedures.

Definitions

“Immediate Family Member” means a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and any person residing in such person’s home (other than a tenant or employee) sharing the same household as such person.

A “Related Party Transaction” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

- (1) Smart Balance, Inc. (or any subsidiary) is a participant,
- (2) any Related Party has or will have a direct or indirect interest, and
- (3) the aggregate amount involved (including any interest payable with respect to indebtedness) will or may be expected to exceed \$120,000, except that there is no \$120,000 threshold for members of the Audit Committee.

A “Related Party” is any:

- (1) person who is or was (since the beginning of the last fiscal year, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director,
- (2) greater than 5% beneficial owner of Smart Balance, Inc.’s common stock, or
- (3) Immediate Family Member of any of the foregoing.

Procedures

If a Related Party or management acting on behalf of the Company is considering a transaction that could reasonably be a Related Party Transaction, the Related Party or a member of management, as applicable, should consult with the chair of the Audit Committee, or his or her designee, to discuss the material facts of the proposed transaction and whether the transaction would constitute a Related Party Transaction requiring Audit Committee approval.

The Audit Committee will review the material facts of all Related Party Transactions that require the Audit Committee's approval and either approve or disapprove of the entry into the Related Party Transaction, subject to the exceptions described below. Potential Related Party Transactions should be submitted for advance approval by the Audit Committee. However, there may be limited circumstances in which advance Audit Committee approval of a Related Party Transaction is not feasible. Then, in that event, the Related Party Transaction will be considered and, if the Audit Committee determines it to be appropriate, ratified at the Audit Committee's next meeting. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee will take into account, among other factors it deems appropriate:

- whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances,
- the extent of the Related Party's interest in the transaction,
- in the case of an transaction involving an executive officer or director, whether the transaction would interfere with the performance of such person's duties to Smart Balance, Inc.;
- in the case of a transaction involving a non-employee director or a nominee for election as a non-employee director (or their Immediate Family Member):
 - whether the transaction would disqualify the director or nominee from being deemed an "independent" director, as defined by Nasdaq, and
 - whether the transaction would disqualify the individual from serving on the Audit Committee or the compensation or other committees of Smart Balance, Inc.'s board of directors under applicable Nasdaq and other regulatory requirements.

No director shall participate in any discussion or approval of a Related Party Transaction for which he or she or any of his or her Immediate Family Member's is a Related Party, other than providing all material information concerning the Related Party Transaction to the Audit Committee.

The Audit Committee has reviewed the Related Party Transactions described below in "Standing Pre-Approval for Certain Related Party Transactions" and determined that each of the Related Party Transactions described below is deemed to be pre-approved or ratified (as applicable) by the Audit Committee under the terms of this policy. In connection with each regularly scheduled

meeting of the Audit Committee, a summary of each new Related Party Transaction deemed pre-approved pursuant to paragraphs (1), (2) or (3) under “Standing Pre-Approval for Certain Related Party Transactions” below shall be provided to the Audit Committee for its review.

If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for Smart Balance’s, Inc.’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee, on at least an annual basis, will review and assess ongoing relationships with the Related Party to determine that they are in compliance with the Audit Committee’s guidelines and that the Related Party Transaction remains appropriate.

Standing Pre-Approval for Certain Related Party Transactions

The Audit Committee has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions is deemed to be pre-approved by the Audit Committee, even if the aggregate amount involved will exceed \$120,000, but only if the transaction does not involve a member of the Audit Committee.

1. ***Certain transactions with other companies.*** Any transaction involving Smart Balance, Inc. (or any subsidiary) and another company or organization with which a Related Party’s **only** relationship is as:

- director, and/or
- beneficial owner (together with all other Related Parties) of less than 10% of the equity of the other company, and
- the aggregate amount involved does not exceed 1% of the other company’s total annual revenues for the other company or organization’s most recently completed fiscal year.

2. ***Certain transactions with limited partnerships.*** Any transaction (other than a joint venture or partnership) involving Smart Balance, Inc. (or any subsidiary), on the one hand, and a limited partnership (other than a partnership that provides internal or external audit services to Smart Balance, Inc.), on the other hand, with which a Related Party’s **only** relationship is as:

- a limited partner,
- the beneficial owner (together with all other Related Parties) of less than 10% of the equity of the limited partnership, and
- the aggregate amount involved does not exceed 1% of the limited partnership’s total annual revenues for the limited partnership’s most recently completed fiscal year.

3. ***Certain Smart Balance, Inc. charitable contributions.*** Any charitable contribution, grant or endowment by Smart Balance, Inc. (or any subsidiary) to a charitable organization, foundation or university with which a Related Party’s only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed 1% of the charitable organization’s total annual receipts of the charitable organization, foundation or university for its most recently completed fiscal year.

4. ***Transactions where all shareholders receive proportional benefits.*** Any transaction where the Related Party's interest arises solely from the ownership of Smart Balance, Inc. common stock and all holders of Smart Balance, Inc. common stock received or will receive the same benefit on a pro rata basis (e.g., dividends).
5. ***Transactions involving competitive bids.*** Any transaction involving Smart Balance, Inc. (or any subsidiary) and a Related Party where the rates or charges involved are determined by competitive bids.
6. ***Regulated transactions.*** Any transaction involving Smart Balance, Inc. (or any subsidiary) and a Related Party and services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
7. ***Depository services.*** Any transaction involving Smart Balance, Inc. (or any subsidiary) and a Related Party and services as a bank depository of funds, transfer agent, registrar or trustee under a trust indenture.
8. ***Compensation Arrangements.*** Any employment relationship or transaction involving an executive officer and any related compensation that is approved by the Compensation Committee.