

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE TO  
(Rule 13e-4)

*Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)  
of the Securities Exchange Act of 1934*

**MannKind Corporation**

(Name of Subject Company (Issuer) and Filing Person (Offeror))

OPTIONS TO PURCHASE COMMON STOCK  
par value \$0.01 per share  
(Title of Class of Securities)

56400P201  
(CUSIP Number of Class of Securities (Underlying Common Stock))

Alfred E. Mann  
Chief Executive Officer and Chairman  
MannKind Corporation  
28903 North Avenue Paine  
Valencia, CA 91355  
(661) 775-5300

(Name, address and telephone number of person authorized to receive notices and  
communications on behalf of filing person)

*Copies to:*

David Thomson, Esq.  
Corporate Vice President, General Counsel  
and Secretary  
MannKind Corporation  
28903 North Avenue Paine  
Valencia, CA 91355  
(661) 775-5300

D. Bradley Peck, Esq.  
Ethan E. Christensen, Esq.  
Cooley Godward Kronish LLP  
4401 Eastgate Mall  
San Diego, California 92121  
(858) 550-6000

CALCULATION OF FILING FEE

Transaction Valuation\*

\$6,935,583

Amount of Filing Fee\*\*

\$272.57

\* Calculated solely for purposes of determining the filing fee. This amount assumes that options to purchase 5,417,840 shares of common stock of MannKind Corporation having an aggregate value of \$6,935,583 as of June 30, 2008 will be exchanged pursuant to this offer. The aggregate value of such options was calculated based on the Black-Scholes option pricing model.

\*\* The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, equals \$39.30 per million of the aggregate amount of transaction value. The transaction valuation set forth above was calculated for the sole purpose of determining the filing fee, and should not be used for any other purpose.

o Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable.

Filing Party: Not applicable.

Form or Registration No.: Not applicable.

Date Filed: Not applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

Third-party tender offer subject to Rule 14d-1.

Issuer tender offer subject to Rule 13e-4.

Going-private transaction subject to Rule 13e-3.

Amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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## ITEM 1. SUMMARY TERM SHEET.

The information set forth in the Offer to Exchange Outstanding Options to Purchase Common Stock, filed as Exhibit 99.(a)(1)(A) hereto (the “**Offer to Exchange**”), under the sections entitled *Offer to Exchange Outstanding Options to Purchase Common Stock*, *Summary Term Sheet* and *Stock Option Exchange Questions and Answers* is incorporated herein by reference.

## ITEM 2. SUBJECT COMPANY INFORMATION.

- (a) **Name and Address.** The name of the issuer is MannKind Corporation, a Delaware corporation (“**MannKind**” or, the “**Company**”), the address of its principal executive office is 28903 North Avenue Paine, Valencia, California 91355 and the telephone number of its principal executive office is (661) 775-5300. The information set forth in the Offer to Exchange under Section 16, *Information About Us*, is incorporated herein by reference.
- (b) **Securities.** This Tender Offer Statement on Schedule TO relates to the Offer to Exchange, pursuant to which the Company is offering certain option holders the opportunity to exchange outstanding options to purchase shares of the Company’s common stock, par value \$0.01 per share, that were originally granted under MannKind’s 2004 Equity Incentive Plan (the “**2004 Plan**”) or its 2001 Stock Awards Plan (the “**2001 Plan**”) and that have an exercise price that is equal to or greater than \$7.00 per share, for a reduced number of restricted stock units to be granted under the 2004 Plan. As of June 30, 2008, options to purchase approximately 5,417,840 shares of MannKind common stock were eligible for exchange in the Offer (as set forth in the Offer to Exchange). The Company is making the Offer upon the terms and subject to the conditions described in the Offer to Exchange. The information set forth in the Offer to Exchange under the section entitled *Summary Term Sheet* and under Section 1, *Number of Options; Expiration Date*, is incorporated herein by reference.
- (c) **Trading Market and Price.** The information set forth in the Offer to Exchange under Section 7, *Price Range of Common Stock*, is incorporated herein by reference.

## ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON.

- (a) **Name and Address.** The filing person is the subject company, MannKind Corporation. The information set forth under Item 2(a) above is incorporated herein by reference. The information set forth in the Offer to Exchange under Schedule A, *Information About our Directors and Executive Officers*, is incorporated herein by reference.

## ITEM 4. TERMS OF THE TRANSACTION.

- (a) **Material Terms.** The information set forth in the Offer to Exchange under the sections entitled *Offer to Exchange Outstanding Options to Purchase Common Stock*, *Summary Term Sheet* and *Stock Option Exchange Questions and Answers* and under Section 1, *Number of Options; Expiration Date*, Section 2, *Purpose of the Offer*, Section 3, *Procedures*, Section 4, *Change in Election*, Section 5, *Acceptance of Eligible Option Grants for Exchange and Cancellation and Issuance of Restricted Stock Units*, Section 6, *Conditions of the Offer*, Section 8, *Exchange Ratio*, Section 9, *Source and Amount of Consideration; Terms of Restricted Stock Units*, Section 11, *Status of Eligible Option Grants Acquired by us in the Exchange*, Section 12, *Legal Matters; Regulatory Approvals*, Section 13, *Material U.S. Federal Income Tax Consequences*, and Section 14, *Extension of the Offer; Termination; Amendment*, is incorporated herein by reference.
  - (b) **Purchases.** MannKind’s officers will be eligible to participate in the Offer to Exchange on the same terms and conditions as all of MannKind’s other employees. The information set forth under Item 4(a) above is incorporated herein by reference. Members of MannKind’s Board of Directors who are not employees of MannKind will not be eligible to participate in the Offer to Exchange. The information set forth in the Offer to Exchange under Section 10, *Interests of Directors and Officers; Transactions and Arrangements Involving the Eligible Option Grants*, is incorporated herein by reference.
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#### ITEM 5. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.

- (e) **Agreements Involving the Subject Company's Securities.** The information set forth in the Offer to Exchange under Section 1, *Number of Options; Expiration Date*, Section 9, *Source and Amount of Consideration; Terms of Restricted Stock Units*, Section 10, *Interests of Directors and Officers; Transactions and Arrangements Involving the Eligible Option Grants*, and Section 17, *Additional Information*, is incorporated herein by reference. The 2004 Plan filed as Exhibit 99.(d)(1), the form of Stock Option Agreement pursuant to the 2004 Plan filed as Exhibit 99.(d)(2), the form of Restricted Stock Unit Agreement (or Phantom Stock Award Agreement) under the 2004 Plan filed as Exhibit 99.(d)(3), the 2001 Plan filed as Exhibit 99.(d)(4) and the form of Stock Option Agreement pursuant to the 2001 Plan filed as Exhibit 99.(d)(5) are incorporated herein by reference.

#### ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS.

- (a) **Purposes.** The information set forth in the Offer to Exchange under Section 2, *Purpose of the Offer*, is incorporated herein by reference.
- (b) **Use of Securities Acquired.** The information set forth in the Offer to Exchange under Section 5, *Acceptance of Eligible Option Grants for Exchange and Cancellation and Issuance of Restricted Stock Units* and Section 11, *Status of Eligible Option Grants Acquired by us in the Exchange*, is incorporated herein by reference.
- (c) **Plans.** The information set forth in the Offer to Exchange under Section 2, *Purpose of the Offer*, and Section 17, *Additional Information*, is incorporated herein by reference.

#### ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

- (a) **Source of Funds.** The information set forth in the Offer to Exchange under Section 1, *Number of Options; Expiration Date*, Section 9, *Source and Amount of Consideration; Terms of Restricted Stock Units*, and Section 15, *Fees and Expenses*, is incorporated herein by reference.
- (b) **Conditions.** The information set forth in the Offer to Exchange under Section 6, *Conditions of the Offer*, is incorporated herein by reference.
- (d) **Borrowed Funds.** Not applicable.

#### ITEM 8. INTEREST IN THE SECURITIES OF THE SUBJECT COMPANY.

- (a) **Securities Ownership.** The information set forth in the Offer to Exchange under Section 10, *Interests of Directors and Officers; Transactions and Arrangements Involving the Eligible Option Grants*, is incorporated herein by reference.
- (b) **Securities Transactions.** The information set forth in the Offer to Exchange under Section 10, *Interests of Directors and Officers; Transactions and Arrangements Involving the Eligible Option Grants*, is incorporated herein by reference.

#### ITEM 9. PERSONS/ASSETS, RETAINED, EMPLOYED, COMPENSATED OR USED.

- (a) **Solicitations or Recommendations.** The information set forth in the Offer to Exchange in the section entitled *Offer to Exchange Outstanding Options to Purchase Common Stock* under the heading *Important* and Section 15, *Fees and Expenses*, is incorporated herein by reference.

#### ITEM 10. FINANCIAL STATEMENTS.

- (a) **Financial Information.** The information set forth in the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission (the "SEC") on March 14, 2008 under Item 8, *Financial Statements and Supplementary Data*, and the information set forth in the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, filed with the SEC on May 9, 2008 under Item 1, *Financial Statements*, is incorporated herein by reference. The information set forth in the Offer to Exchange under Section 16, *Information About Us*, and Section 17, *Additional Information*, is incorporated herein by reference. The Company's Annual Report on Form 10-K and Quarterly Report on Form 10-Q can also be accessed electronically on the SEC's website at <http://www.sec.gov>.
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(b) **Pro Forma Financial Information.** Not applicable.

**ITEM 11. ADDITIONAL INFORMATION.**

(a) **Agreements, Regulatory Requirements and Legal Proceedings.**

- (1) The information set forth in the Offer to Exchange under Section 10, *Interests of Directors and Officers; Transactions and Arrangements Involving the Eligible Option Grants*, and Section 17, *Additional Information*, is incorporated herein by reference.
- (2) The information set forth in the Offer to Exchange under Section 12, *Legal Matters; Regulatory Approvals*, is incorporated herein by reference.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

(b) **Other Material Information.** Not applicable.

**ITEM 12. EXHIBITS.**

<b>Exhibit Number</b>	<b>Description</b>
99.(a)(1)(A)	Offer to Exchange Outstanding Options to Purchase Common Stock, dated July 9, 2008.
99.(a)(1)(B)	E-Mail dated July 9, 2008 from Hakan Edstrom to all Employees of MannKind.
99.(a)(1)(C)	E-Mail dated July 9, 2008 from Stock Administration to Eligible Option Holders.
99.(a)(1)(D)	Form of E-Mail from Stock Administration re Eligible Option Grant.
99.(a)(1)(E)	Form of Election Form.
99.(a)(1)(F)	Form of E-Mail Confirming Receipt of Election Form.
99.(a)(1)(G)	Form of Notice of Withdrawal Form.
99.(a)(1)(H)	Form of E-Mail Confirming Receipt of Notice of Withdrawal.
99.(a)(1)(I)	Form of E-Mail Reminder re: Offer Deadline.
99.(a)(1)(J)	Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 14, 2008 and incorporated herein by reference.
99.(a)(1)(K)	Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, filed with the SEC on May 9, 2008 and incorporated herein by reference.
(b)	Not applicable.
99.(d)(1)	MannKind Corporation 2004 Equity Incentive Plan, incorporated by reference to MannKind's Current Report on Form 8-K filed with the SEC on May 22, 2008.
99.(d)(2)	Form of Stock Option Agreement under the 2004 Plan, incorporated by reference to MannKind's Current Report on Form 8-K filed with the SEC on May 31, 2006.
99.(d)(3)	Form of Restricted Stock Unit Agreement (or Phantom Stock Award Agreement) under the 2004 Plan, incorporated by reference to MannKind's Current Report on Form 8-K filed with the SEC on December 14, 2005.
99.(d)(4)	MannKind Corporation 2001 Stock Awards Plan, incorporated by reference to MannKind's registration statement on Form S-1 (File No. 333-115020), filed with the SEC on April 30, 2004, as amended.
99.(d)(5)	Form of Stock Option Agreement under the 2001 Plan.
(g)	Not applicable.
(h)	Not applicable.

**ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.**

Not applicable.

**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: July 9, 2008

**MANNKIND CORPORATION**

By: /s/ David Thomson

David Thomson, J.D., Ph.D.

Corporate Vice President,

General Counsel and Secretary

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99.(a)(1)(D)	Form of E-Mail from Stock Administration re Eligible Option Grant.
99.(a)(1)(E)	Form of Election Form.
99.(a)(1)(F)	Form of E-Mail Confirming Receipt of Election Form.
99.(a)(1)(G)	Form of Notice of Withdrawal Form.
99.(a)(1)(H)	Form of E-Mail Confirming Receipt of Notice of Withdrawal.
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(g)	Not applicable.
(h)	Not applicable.

**MANNKIND CORPORATION**  
**28903 NORTH AVENUE PAINE**  
**VALENCIA, CALIFORNIA 91355**  
**(661) 775-5300**

**OFFER TO EXCHANGE**  
**OUTSTANDING OPTIONS**  
**TO PURCHASE COMMON STOCK**  
**July 9, 2008**

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**MANKIND CORPORATION**

**OFFER TO EXCHANGE OUTSTANDING OPTIONS  
TO PURCHASE COMMON STOCK**

**THE OFFER EXPIRES AT 5:00 P.M., PACIFIC TIME,  
ON AUGUST 6, 2008, UNLESS WE EXTEND THE OFFER**

We are offering eligible employees the opportunity to exchange outstanding options to purchase shares of our common stock that have an exercise price that is equal to or greater than \$7.00 per share (Eligible Option Grants) for a reduced number of Restricted Stock Units to be granted under our 2004 Equity Incentive Plan (Offer). If you are an eligible employee and wish to accept this Offer, you must complete an election form agreeing to exchange one or more of your Eligible Option Grants for Restricted Stock Units and specifying the number of Eligible Option Grants to be exchanged. This Offer is currently expected to expire at 5:00 p.m., Pacific Time, on August 6, 2008, unless we extend the Offer to a later date (Expiration Date).

The Offer will be open to all persons (Eligible Employees) that as of the commencement of the Offer are employed by us. However, members of our Board of Directors who are not our employees will not be eligible to participate in the Offer.

The ratio of shares subject to Eligible Option Grants cancelled to Restricted Stock Units issued will be 2-to-1. In aggregate, this exchange ratio is intended to result in the issuance of Restricted Stock Units that have a fair value approximately equivalent to the fair value of the cancelled options they replace as of the date this Offer is commenced, determined using the Black-Scholes option valuation model.

If you are an Eligible Employee, you may exchange one or more of your outstanding Eligible Option Grants for Restricted Stock Units. However, you cannot exchange part of any particular Eligible Option Grant and keep the balance; you must exchange all unexercised shares that are subject to each Eligible Option Grant that you tender in response to this Offer. Your election to exchange one or more of your outstanding Eligible Option Grants for Restricted Stock Units is entirely voluntary and may not be withdrawn or changed after the stated time on the Expiration Date.

Each Restricted Stock Unit issued in the exchange will represent a right to receive one share of our common stock on a future date when the Restricted Stock Unit vests. If you exchange an Eligible Option Grant that is, or was, subject to time-based vesting, no matter how many shares have already vested or remain to vest, you will receive Restricted Stock Units that will vest as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010. If you exchange an Eligible Option Grant that is, or was, subject to performance-based vesting, no matter how many shares have already vested or remain to vest, you will receive Restricted Stock Units which will vest in three installments as follows: 20% upon the acceptance by the U.S. Food and Drug Administration (FDA) of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin. All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to the Eligible Employee's continued employment with us.

IF YOU EXCHANGE ONE OR MORE ELIGIBLE OPTION GRANTS FOR RESTRICTED STOCK UNITS AND YOUR EMPLOYMENT WITH US TERMINATES FOR ANY REASON BEFORE ALL OF THE RESTRICTED STOCK UNITS HAVE VESTED, THEN YOU WILL FORFEIT ANY RESTRICTED STOCK UNITS THAT REMAIN UNVESTED AT THE TIME YOUR EMPLOYMENT WITH US TERMINATES.

We will not issue any Restricted Stock Units covering a fractional share in exchange for Eligible Option Grants. In calculating the number of time-based vesting Restricted Stock Units issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to time-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of time-based vesting Restricted Stock Units issuable upon exchange. Similarly, in calculating the number of performance-based vesting Restricted Stock Units issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of performance-based vesting Restricted Stock Units issuable upon exchange.

We are making this Offer upon the terms, and subject to the conditions, described in the Offer (and attachments hereto) and in the related cover letter and attached Summary Term Sheet and Questions and Answers (which together, as they may be amended from time to time, constitute the Offer). Without limiting the preceding sentence, this Offer is subject to conditions that we describe in Section 6 of the Offer.

ALTHOUGH OUR BOARD OF DIRECTORS HAS APPROVED THIS OFFER, NEITHER WE NOR OUR BOARD OF DIRECTORS MAKES ANY RECOMMENDATION AS TO WHETHER OR NOT YOU SHOULD TENDER YOUR ELIGIBLE OPTION GRANTS FOR EXCHANGE. YOU MUST MAKE YOUR OWN DECISION WHETHER TO TENDER YOUR ELIGIBLE OPTION GRANTS.

Shares of our common stock are quoted on The Nasdaq Global Market (Nasdaq) under the symbol “**MNKD**”. On June 30, 2008, the closing price of our common stock as reported on Nasdaq was \$3.00. We recommend that you obtain current market quotations for our common stock before deciding whether to elect to exchange your Eligible Option Grants.

If you have any questions regarding the Offer, please consult the Summary Term Sheet and Questions and Answers. If the Summary Term Sheet or the Questions and Answers do not answer your questions, or if you need assistance completing the related documentation, please contact Stock Administration at (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com).

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (SEC), NOR HAS THE SEC PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**IMPORTANT**

Your election to exchange one or more of your Eligible Option Grants is voluntary. If you decide to participate in the Offer, ***you must properly complete the Election Form found at <http://forefront/hr/benefits1.1/optionexchange> and submit it in accordance with its instructions before 5:00 p.m. Pacific Time on the Expiration Date (currently August 6, 2008), or on a later date if we extend the Offer.*** If you do not submit the Election Form by the stated time on the Expiration Date, you will be deemed to have rejected the Offer. Delivery will be deemed made only when actually received by us. No late deliveries will be accepted.

Our Board of Directors recognizes that the decision to accept or reject the Offer is an individual one that should be based on a variety of factors. You should consult your personal advisors if you have questions about your financial and/or tax situation. The information about this Offer is limited to this document, the attached Summary Term Sheet and Questions and Answers.

WE HAVE NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER OR NOT YOU SHOULD TENDER YOUR ELIGIBLE OPTION GRANTS PURSUANT TO THE OFFER. WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFER OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DOCUMENT, THE ATTACHED SUMMARY TERM SHEET AND QUESTIONS AND ANSWERS. IF ANYONE MAKES ANY RECOMMENDATION OR REPRESENTATION TO YOU OR GIVES YOU ANY INFORMATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, REPRESENTATION OR INFORMATION AS HAVING BEEN AUTHORIZED BY US.

## GLOSSARY

**2004 Plan** means our 2004 Equity Incentive Plan. All Restricted Stock Units will be issued under the 2004 Plan.

**Commencement Date** means the date that we first provide to Eligible Employees the opportunity to participate in the Offer and the means to exchange Eligible Option Grants.

**Company Option Plans** means our 2004 Plan and its predecessor, our 2001 Stock Awards Plan.

**Eligible Employees** means all persons that as of the commencement of the Offer are employed by us but excludes members of our Board of Directors who are not employed by us.

**Eligible Option Grants** means all outstanding stock options under the Company Option Plans held by Eligible Employees that have an exercise price that is equal to or greater than \$7.00 per share.

As used in these materials, **employed** and **employment** does not include service as a member of our Board of Directors.

**Expiration Date** means the time that this Offer will expire, which is currently set to be at 5:00 p.m., Pacific Time on August 6, 2008, unless we extend the Offer to a later date.

**Fair Market Value** means the closing price of our common stock as reported on Nasdaq on the Expiration Date (or, if no sales are reported on such date, then the closing price of our common stock on the first day prior to such date on which there is a reported sale).

**FDA** means the U.S. Food and Drug Administration.

**Nasdaq** means The Nasdaq Global Market.

**Offer** means this offer to exchange Eligible Option Grants for Restricted Stock Units.

**Performance-Based RSUs** means Restricted Stock Units to be issued pursuant to this Offer in exchange for Eligible Option Grants that are, or were, subject to vesting upon the occurrence of specified events instead of the passage of time. Performance-Based RSUs will vest in three installments as follows: 20% upon the acceptance by the FDA of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin, in each case provided that the Eligible Employee remains employed by us.

**Restricted Stock Units** means Restricted Stock Units to be issued pursuant to this Offer in exchange for the Eligible Option Grants.

**SEC** means the U.S. Securities and Exchange Commission.

**Schedule TO** means the Tender Offer Statement filed by us with the SEC in connection with this Offer.

**Time-Based RSUs** means Restricted Stock Units to be issued pursuant to this Offer in exchange for Eligible Option Grants that are, or were, subject to vesting based on the passage of time instead of the occurrence of specified events. Time-Based RSUs will vest as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010.

## SUMMARY TERM SHEET

The following is a summary of the material terms of this Offer. We urge you to read carefully the remainder of this Offer, the Questions and Answers and the Schedule TO, because the information in this summary is not complete and additional important information is contained in the remainder of this Offer and the Schedule TO. We have included cross-references to the relevant sections of this Offer where you can find a more complete description of the topics discussed in this summary.

- **Offer.** We are offering Eligible Employees the opportunity to exchange Eligible Option Grants for a reduced number of Restricted Stock Units at an exchange ratio of one Restricted Stock Unit exchanged for each two shares of our common stock underlying a surrendered Eligible Option Grant. Eligible Option Grants that are, or were, subject to time-based vesting will be exchangeable for Time-Based RSUs. Eligible Option Grants that are, or were, subject to performance-based vesting will be exchangeable for Performance-Based RSUs. Eligible Option Grants are outstanding options under the Company Option Plans with an exercise price equal to or greater than \$7.00 per share. (See Section 1)
- **Eligible Employees.** The Offer will be open to all persons that as of the Commencement Date are employed by us, including our executive officers. Members of our Board of Directors who are not employed by us will not be eligible to participate in the Offer.
- **Voluntary Participation; Exchange.** Your participation in the Offer is voluntary. You may exchange one or more of your Eligible Option Grants for Restricted Stock Units. However, you cannot exchange part of any particular Eligible Option Grant and keep the balance; you must exchange all unexercised shares that are subject to each Eligible Option Grant that you tender in response to this Offer.
- **Exchange Ratio.** We have established the following exchange ratio for all Eligible Option Grants: We will issue to an Eligible Employee one Restricted Stock Unit for each two shares of our common stock underlying each Eligible Option Grant surrendered by an Eligible Employee. We will not issue any Restricted Stock Units covering a fractional share in the exchange. In calculating the number of Time-Based RSUs issuable to an Eligible Employee in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to time-based vesting that the Eligible Employee surrenders, and we will round any fractional share up to the next whole share to determine the number of Time-Based RSUs issuable upon exchange. Similarly, in calculating the number of Performance-Based RSUs issuable to an Eligible Employee in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that the Eligible Employee surrenders, and we will round any fractional share up to the next whole share to determine the number of Performance-Based RSUs issuable upon exchange.
- **Vesting of Restricted Stock Units.** Restricted Stock Units issued in the exchange will be completely unvested at the time they are granted and will become vested subject to an Eligible Employee's continued employment with us. Time-Based RSUs will vest as

follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010, regardless of the extent to which the corresponding Eligible Option Grants were vested upon surrender. Performance-Based RSUs will vest in three installments as follows: 20% upon the acceptance by the FDA of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin. All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to the Eligible Employee's continued employment by us. **If you exchange Eligible Option Grants for Restricted Stock Units and your employment with us terminates for any reason before all of the Restricted Stock Units vest, then you will forfeit any Restricted Stock Units received that remain unvested at the time your employment with us terminates.** All Eligible Option Grants surrendered in the exchange that provide for acceleration of vesting in connection with certain change-in-control transactions will be exchanged for Restricted Stock Units with similar provisions regarding acceleration of vesting in connection with certain change-in-control transactions.

- **Other Terms and Conditions of Restricted Stock Units.** An Eligible Employee is not required to pay any monetary consideration to receive shares of our common stock upon settlement of his or her Restricted Stock Units. However, Eligible Employees generally will recognize taxable income upon settlement of the Restricted Stock Units that is subject to income and employment tax or social security contribution withholding. We may elect to satisfy our tax withholding obligations by deducting from the shares of common stock that would otherwise be issued in settlement of Restricted Stock Units a number of whole shares having a fair market value that does not exceed the applicable minimum statutory withholding rate. Alternatively, we may require you to satisfy the applicable tax withholding requirements through payroll withholding, by withholding proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement, or otherwise. All other terms and conditions of the Restricted Stock Units issued in the exchange will be substantially the same as those that apply generally to Restricted Stock Units granted under the 2004 Plan.
- **Timing.** We commenced this Offer on July 9, 2008. The Expiration Date of this Offer is currently August 6, 2008, but we may extend this Offer to a later date.
- **Eligibility.** If for any reason you are not employed by us on the Commencement Date, you will not be eligible to participate in the Offer. If you are not employed by us on the Expiration Date or the date your Restricted Stock Units are granted, you will not be eligible to receive Restricted Stock Units and your cancelled options will not be reinstated.
- **Election.** To make your election to accept this Offer, you must properly complete and deliver an Election Form before 5:00 p.m., Pacific Time, on the Expiration Date in accordance with the procedures described in this Offer. You may change or withdraw your election at any time prior to 5:00 p.m., Pacific Time, on the Expiration Date by following similar procedures. You may not withdraw or change your election after the stated time on the Expiration Date. (See Sections 3 and 4)

- **Conditions to this Offer.** This Offer is subject to a number of conditions. If any of the conditions to which this Offer is subject occurs, we may terminate or amend this Offer, or we may postpone or forego our acceptance of any Eligible Option Grants for exchange. (See Section 6)
- **Trading Price for Our Common Stock.** Shares of our common stock are traded on Nasdaq under the symbol “MNKD”. We recommend that you obtain current market quotations for our common stock before deciding whether to elect to exchange your Eligible Option Grants. (See Section 7)
- **Tax Consequences.** The exchange of Eligible Option Grants for Restricted Stock Units pursuant to this Offer should be treated as a non-taxable exchange and neither we nor any of our employees should recognize any income for U.S. federal income tax purposes upon the surrender of eligible options and the grant of Restricted Stock Units. (See Section 13)
- **Amendment and Termination.** As long as we comply with applicable laws, we may amend or terminate this Offer in any way. We will notify you if we amend or terminate this Offer. We may be required to extend this Offer in the event we materially change the terms of this Offer. (See Section 14)



## THE OFFER

### 1. NUMBER OF OPTIONS; EXPIRATION DATE.

We are offering to exchange a reduced number of Restricted Stock Units for Eligible Option Grants held by persons (Eligible Employees) that as of the commencement of the Offer are employed by us, including our executive officers. However, members of our Board of Directors who are not employed by us will not be eligible to participate in the Offer.

Eligible Option Grants are all outstanding options to purchase shares of our common stock held by Eligible Employees that were granted under our 2004 Plan and its predecessor, our 2001 Stock Awards Plan (Company Option Plans), and that have an exercise price that is equal to or greater than \$7.00 per share of common stock. As of June 30, 2008, approximately 6,876,060 shares of our common stock were covered by options outstanding under the Company Option Plans, approximately 5,417,840 of which were covered by Eligible Option Grants.

Your participation in the Offer is voluntary. You may exchange one or more of your Eligible Option Grants. However, you cannot exchange part of any particular Eligible Option Grant and keep the balance; you must exchange all unexercised shares that are subject to each Eligible Option Grant that you tender in response to this Offer. This Offer is subject to the terms and conditions described in this Offer and the attached Summary Term Sheet and Questions and Answers. We will only accept Eligible Option Grants that are properly exchanged and not validly withdrawn in accordance with Section 5 of this Offer before the Offer expires on the Expiration Date.

The ratio of shares subject to Eligible Option Grants cancelled to Restricted Stock Units issued is 2-to-1. In aggregate, this exchange ratio is intended to result in the issuance of Restricted Stock Units that have a fair value approximately equivalent to the fair value of the cancelled Eligible Option Grants they replace as of the Commencement Date, determined using the Black-Scholes option valuation model.

Each Restricted Stock Unit issued in the exchange will represent a right to receive one share of our common stock on a specified future date when the Restricted Stock Unit vests subject to an Eligible Employee's continued employment. Eligible Option Grants subject to time-based vesting will be exchangeable for Time-Based RSUs. Eligible Option Grants subject to performance-based vesting will be exchangeable for Performance-Based RSUs. Time-Based RSUs will vest in three installments as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010. Performance-Based RSUs will vest in three installments as follows: 20% upon the acceptance by the FDA of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin. All vesting of Restricted Stock Units issued pursuant to this Offer will be subject to the Eligible Employee's continued employment by us.

We will not issue any Restricted Stock Units covering a fractional share in exchange for Eligible Option Grants. In calculating the number of Time-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option

Grants subject to time-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Time-Based RSUs issuable upon exchange. Similarly, in calculating the number of Performance-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Performance-Based RSUs issuable upon exchange.

If you exchange any Eligible Option Grants under the Company Option Plans, then your Restricted Stock Units will be granted under the 2004 Plan.

PARTICIPATION IN THE OFFER DOES NOT CONFER UPON YOU THE RIGHT TO REMAIN EMPLOYED BY US. YOUR EMPLOYMENT IS “AT WILL” AND MAY BE TERMINATED BY US OR BY YOU AT ANY TIME, INCLUDING PRIOR TO THE EXPIRATION DATE OR THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, FOR ANY REASON, WITH OR WITHOUT CAUSE.

IF YOUR EMPLOYMENT WITH US TERMINATES AFTER YOU TENDER YOUR OPTIONS BUT PRIOR TO THE EXPIRATION DATE, YOU WILL NOT BE ELIGIBLE TO PARTICIPATE IN THE OFFER. IF YOUR EMPLOYMENT WITH US TERMINATES FOLLOWING THE EXPIRATION DATE AND PRIOR TO THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, YOU WILL NOT RECEIVE ANY RESTRICTED STOCK UNITS OR ANY OTHER CONSIDERATION IN EXCHANGE FOR YOUR ELIGIBLE OPTION GRANTS THAT HAVE BEEN EXCHANGED AND THE EXCHANGED ELIGIBLE OPTION GRANTS WILL NOT BE REINSTATED. IF THE OPTIONS THAT YOU TENDERED FOR EXCHANGE HAVE AN EXERCISE PRICE THAT IS LESS THAN \$7.00 PER SHARE, THEY ARE NOT ELIGIBLE TO BE EXCHANGED.

IF YOU EXCHANGE ELIGIBLE OPTION GRANTS FOR RESTRICTED STOCK UNITS AND YOUR EMPLOYMENT WITH US TERMINATES FOR ANY REASON BEFORE ALL OF THE RESTRICTED STOCK UNITS VEST, THEN YOU WILL FORFEIT ANY RESTRICTED STOCK UNITS RECEIVED THAT REMAIN UNVESTED AT THE TIME YOUR EMPLOYMENT WITH US TERMINATES.

The Expiration Date of this Offer means 5:00 p.m., Pacific Time, on August 6, 2008, unless we, in our discretion, extend the Offer. If we extend the Offer, the term “Expiration Date” will refer to the latest time and date at which the Offer expires. See Section 14 for a description of our rights to extend, delay, terminate and amend the Offer.

We will publish a notice if we decide to amend this Offer and take any of the following actions:

- increase or decrease what we will give you in exchange for your Eligible Option Grants;
- increase or decrease the number of Eligible Option Grants that can be exchanged; or
- extend or terminate the Offer.

If the Offer is scheduled to expire within ten business days from the date we notify you of such an amendment, we also intend to extend the Offer for a period of ten business days after the date the notice is published.

A business day means any day other than a Saturday, Sunday or U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight.

## **2. PURPOSE OF THE OFFER.**

Historically, we have regularly granted stock options to virtually all of our employees. When the Compensation Committee of our Board of Directors approves the grant of a stock option, it establishes the exercise price that the employee must pay to purchase shares of common stock when the option is exercised. The exercise price per share is typically equal to the market price of a share of our common stock on the date the option is granted. Thus, an employee receives value only if he or she exercises an option and later sells the purchased shares at a price that exceeds the option's exercise price.

Like many biopharmaceutical companies, our stock price has experienced significant volatility, particularly in recent years. Public companies in general and companies included on Nasdaq in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. There has been particular volatility in the market prices of securities of biotechnology and other life sciences companies, and the market prices of these companies have often fluctuated because of problems or successes in a given market segment or because investor interest has shifted to other segments. These broad market and industry factors may cause the market price of our common stock to decline, regardless of our operating performance. We have no control over this volatility and can only focus our efforts on our own operations. However, during the last year, while we have been executing according to our plans to bring our lead product to commercialization, all of our competitors in the area of inhaled insulin have terminated their products and development programs. Over this period of time, our stock price has experienced a substantial decline.

Consequently, many of our employees hold options with exercise prices significantly higher than the current market price of our common stock. As of June 30, 2008, Eligible Employees held options for approximately 5,417,840 shares with exercise prices ranging from \$7.05 per share to \$25.23 per share. On June 30, 2008, the closing price of our common stock as reported by Nasdaq was \$3.00. We believe that these "out of the money" options are no longer effective as performance and retention incentives, and that to enhance long-term stockholder value we need to maintain competitive employee compensation and incentive programs. An equity stake in our success is a critical component of these programs. We believe the Offer will provide us with an opportunity to restore for Eligible Employees the ability to participate economically in our future growth and success.

In addition, many of the Eligible Option Grants have been out of the money for an extended period of time and, therefore, have not been exercised. As a result, we have developed a significant stock option "overhang" consisting of options which we believe are not serving their intended purpose of incentivizing employees. Assuming that 100% of Eligible Employees

participate in the Offer and surrender all of their Eligible Option Grants for exchange, Eligible Option Grants covering approximately 5,417,840 shares of our common stock as of June 30, 2008 would be surrendered and cancelled, while approximately 2,708,920 Restricted Stock Units would be issued (subject to increase due to rounding of fractional shares).

We regularly evaluate various strategic and business development opportunities, including licensing agreements, marketing arrangements, joint ventures, acquisitions and dispositions. We intend to continue to selectively pursue alliances and acquisitions that would help us to achieve our development and commercialization goals. Subject to the foregoing, and except as otherwise disclosed in this Offer or in our filings with the SEC, we presently have no plans, proposals or negotiations that relate to or would result in:

- (a)** any extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving us;
- (b)** any purchase, sale or transfer of a material amount of our assets;
- (c)** any material change in our present dividend rate or policy, or our indebtedness or capitalization;
- (d)** any change in our management, including a change to the material terms of employment of any executive officer (although in an effort to further develop our business and improve our performance, we intend to continue to identify and hire additional qualified management personnel as and when appropriate);
- (e)** any change in our present Board of Directors, including a change in the number or term of directors;
- (f)** any other material change in our corporate structure or business;
- (g)** our common stock not being authorized for quotation in an automated quotation system operated by a national securities association;
- (h)** our common stock becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934;
- (i)** the suspension of our obligation to file reports pursuant to Section 15(d) of the Securities Exchange Act of 1934;
- (j)** the acquisition by any person of any material amount of our securities or the disposition of any material amount of securities; or
- (k)** any change in our Certificate of Incorporation or Bylaws, or any actions which may impede the acquisition of control of us by any person.

Neither we nor our Board of Directors makes any recommendation as to whether you should exchange your Eligible Option Grants, nor have we authorized any person to make any such recommendation. You are urged to evaluate carefully all of the information in this Offer

and to consult your own legal, investment and/or tax advisors. You must make your own decision whether to exchange your Eligible Option Grants.

### 3. PROCEDURES.

**Making Your Election.** To make your election to accept or reject this Offer, you must make your election and submit the Election Form to Stock Administration via hand delivery, interoffice mail or facsimile to (661) 775-5332 before 5:00 p.m., Pacific Time, on the Expiration Date. The Election Form is found on our intranet website located at <http://forefront/hr/benefits1.1/optionexchange>. If you cannot use this website, please contact Stock Administration at (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com). You do not need to return your stock option agreements for your Eligible Option Grants to effectively elect to accept the Offer as they will be automatically cancelled if we accept your Eligible Option Grants for exchange. You will be required to return your stock option agreements only upon our request.

The delivery of the Election Forms and any other required documents are at the sole risk of the option holder. ***Delivery will be deemed made only when actually received by us. No late deliveries will be accepted.***

**Determination of Validity; Rejection of Eligible Option Grants; Waiver of Defects; No Obligation to Give Notice of Defects.** We will determine, in our discretion, all questions as to the number of shares subject to Eligible Option Grants and the validity, form, eligibility (including time of receipt) and acceptance of Election Forms. Neither we nor any other person is obligated to give notice of any defects or irregularities in any Election Form or otherwise in the exchange of any Eligible Option Grants, and no one will be liable for failing to give such notice. Our determination of these matters will be final and binding on all parties. We may reject any or all Election Forms or Eligible Option Grants that are exchanged to the extent that we determine they were not properly executed or delivered or to the extent that we determine it is unlawful to accept the Eligible Option Grants that are exchanged. We may waive any of the conditions of the Offer or any defect or irregularity in any Election Form with respect to any particular Eligible Option Grants or any particular option holder. No Eligible Option Grants will be accepted for exchange until all defects or irregularities have been cured by the option holder exchanging the Eligible Option Grants, or waived by us, prior to the Expiration Date.

**Our Acceptance Constitutes an Agreement.** If you elect to exchange your Eligible Option Grants and you exchange your Eligible Option Grants according to the procedures described above, you will have accepted the Offer. Our acceptance of your Eligible Option Grants that are properly exchanged will form a binding agreement between us and you on the terms and subject to the conditions of this Offer.

Subject to our rights to extend, terminate and amend the Offer, we currently expect that we will accept on or promptly after the Expiration Date of the Offer all Eligible Option Grants that are properly submitted to be exchanged and have not been validly withdrawn.

#### **4. CHANGE IN ELECTION.**

You may only change your election by following the procedures described in this Section 4. You may change your election at any time beginning on the Commencement Date and ending at 5:00 p.m., Pacific Time, on the Expiration Date.

To change your election, you must deliver a Notice of Withdrawal, or re-deliver the Election Form, each to Stock Administration via hand delivery, interoffice mail or facsimile to (661) 775-5332 before 5:00 p.m., Pacific Time, on the Expiration Date. Each of these documents is located on our intranet website at <http://forefront/hr/benefits1.1/optionexchange>. If you cannot use this website, please contact Stock Administration at (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com). The last Notice of Withdrawal or Election Form delivered by you as described above prior to 5:00 p.m., Pacific Time, on the Expiration Date will be treated as your final election with respect to the Offer. After you deliver a Notice of Withdrawal, you will receive an email confirmation that will confirm your election to withdraw your Eligible Option Grants from the exchange.

The delivery of Election Forms, Notices of Withdrawal and any other required documents are at the sole risk of the option holder. Delivery will be deemed made only when actually received by us. No late deliveries will be accepted.

#### **5. ACCEPTANCE OF ELIGIBLE OPTION GRANTS FOR EXCHANGE AND CANCELLATION AND ISSUANCE OF RESTRICTED STOCK UNITS.**

On the terms and subject to the conditions of this Offer, we currently expect that on or promptly after the Expiration Date, we will accept for exchange and cancel all Eligible Option Grants properly exchanged and not validly withdrawn before the Expiration Date in accordance with this Offer. Eligible Option Grants that are, or were, subject to time-based vesting will be exchangeable for Time-Based RSUs. Eligible Option Grants that are, or were, subject to performance-based vesting will be exchangeable for Performance-Based RSUs. The Restricted Stock Units are expected to be granted shortly after the Expiration Date. The ratio of shares subject to Eligible Option Grants cancelled to Restricted Stock Units issued is 2-to-1. In aggregate, this exchange ratio is intended to result in the issuance of Restricted Stock Units that have a fair value approximately equivalent to the fair value of the cancelled options they replace as of the Commencement Date, determined using the Black-Scholes option valuation model.

We will not issue any Restricted Stock Units covering a fractional share in exchange for Eligible Option Grants. In calculating the number of Time-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to time-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Time-Based RSUs issuable upon exchange. Similarly, in calculating the number of Performance-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Performance-Based RSUs issuable upon exchange.

A listing of all of your Eligible Option Grants can be viewed online by accessing your account at [www.ubs.com/onesource/mnkd](http://www.ubs.com/onesource/mnkd). If you are an employee of ours (including an employee on a leave of absence) as of the Expiration Date but are not employed continuously by us (including on a leave of absence) through the date the Restricted Stock Units are granted, then you are not eligible to receive the Restricted Stock Units and any exchanged Eligible Option Grants will not be reinstated.

We will notify you as promptly as practicable after the Expiration Date if we reject your election to exchange your Eligible Option Grants. After you deliver an Election Form you will receive an email confirmation that will confirm your election and state where you can find information regarding the number of Restricted Stock Units that we will grant to you.

## **6. CONDITIONS OF THE OFFER.**

We will not be required to accept any Eligible Option Grants that you elect to exchange, and we may terminate or amend the Offer, or postpone our acceptance and cancellation of any Eligible Option Grants that you elect to exchange, in each case at any time on or before the Expiration Date, if we determine that any event has occurred and, in our reasonable judgment, such event makes it inadvisable for us to proceed with the Offer or to accept and cancel Eligible Option Grants that you elect to exchange, including:

- any change or changes in the applicable accounting rules that cause the Offer to subject us to adverse accounting treatment.
- any action or proceeding by any government agency, authority or tribunal or any other person, domestic or foreign, is threatened or pending before any court, authority, agency or tribunal that directly or indirectly challenges the making of the Offer, the acquisition of some or all of the Eligible Option Grants, the issuance of Restricted Stock Units, or otherwise relates to the Offer or that, in our reasonable judgment, could materially and adversely affect our business, condition (financial or otherwise), income, operations or prospects or materially impair the benefits we believe we will receive from the exchange.
- any action is threatened, pending or taken, or any approval is withheld, by any court or any authority, agency, tribunal or any person that, in our reasonable judgment, would or might directly or indirectly:
  - (a) make it illegal for us to accept some or all of the Eligible Option Grants or to issue some or all of the Restricted Stock Units or otherwise restrict or prohibit consummation of the Offer or otherwise relates to the Offer;
  - (b) delay or restrict our ability, or render us unable, to accept the Eligible Option Grants for exchange and cancellation or to issue Restricted Stock Units for some or all of the exchanged Eligible Option Grants;
  - (c) materially impair the benefits we believe we will receive from the exchange; or

- (d)** materially and adversely affect our business, condition (financial or other), income, operations or prospects.
- there is:
  - (a)** any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market; or
  - (b)** the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, whether or not mandatory.
- another person publicly makes or proposes a tender or exchange offer for some or all of our common stock, or an offer to merge with or acquire us, or we learn that:
  - (a)** any person, entity or group, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, has acquired or proposes to acquire beneficial ownership of more than 5% of the outstanding shares of our common stock, or any new group shall have been formed that beneficially owns more than 5% of the outstanding shares of our common stock, other than any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC on or before the Expiration Date;
  - (b)** any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC on or before the Expiration Date has acquired or proposed to acquire beneficial ownership of an additional 1% or more of the outstanding shares of our common stock; or
  - (c)** any person, entity or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or made a public announcement that it intends to acquire us or any of our assets or securities.
- any change or changes occur in our business, condition (financial or other), assets, income, operations, prospects or stock ownership that, in our reasonable judgment, is or may be material to us.

The conditions to the Offer are for our benefit. We may assert them in our discretion before the Expiration Date and we may waive them at any time and from time to time, whether or not we waive any other condition to the Offer.

Our failure to exercise any of these rights is not a waiver of any of these rights. The waiver of any of these rights with respect to particular facts and circumstances is not a waiver with respect to any other facts and circumstances. Any determination we make concerning the events described in this Section 6 will be final and binding upon everyone.

Also, if your employment with us terminates, whether voluntarily, involuntarily or for any other reason (including death), before your Restricted Stock Units are granted, you will not receive any Restricted Stock Grants or have a right to any Eligible Option Grants that were



previously cancelled. If your employment with us is terminated as part of any announced reduction in force, you will fall within this category. THEREFORE, IF YOU ARE NOT EMPLOYED BY US FROM THE EXPIRATION DATE THROUGH THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, YOU WILL NOT RECEIVE ANY RESTRICTED STOCK UNITS OR ANY OTHER CONSIDERATION IN EXCHANGE FOR YOUR ELIGIBLE OPTION GRANTS THAT HAVE BEEN ACCEPTED FOR EXCHANGE AND CANCELLED.

**7. PRICE RANGE OF COMMON STOCK.**

The Eligible Option Grants subject to this Offer are not publicly traded. However, upon exercise of an Eligible Option Grant, the option holder becomes a holder of our common stock. Our common stock is quoted on Nasdaq under the symbol “MNKD.” The following table shows, for the periods indicated, the high and low sales prices per share of our common stock as reported on Nasdaq.

Quarter ended	High	Low
<b>Fiscal Year 2008</b>		
June 30, 2008	\$ 6.44	\$ 1.86
March 31, 2008	\$ 8.62	\$ 4.25
<b>Fiscal Year 2007</b>		
December 31, 2007	\$12.14	\$ 7.50
September 30, 2007	\$13.87	\$ 7.85
June 30, 2007	\$15.65	\$10.18
March 31, 2007	\$17.52	\$14.22
<b>Fiscal Year 2006</b>		
December 31, 2006	\$21.68	\$15.73
September 30, 2006	\$21.48	\$15.50
June 30, 2006	\$21.74	\$16.42

On June 30, 2008, the closing price of our common stock as reported by Nasdaq was \$3.00. We recommend that you obtain current market quotations for our common stock before deciding whether to elect to exchange your Eligible Option Grants.

**8. EXCHANGE RATIO.**

We have established the exchange ratio for Eligible Option Grants such that for each two shares of our common stock underlying a surrendered Eligible Option Grant, the Eligible Employee will receive one Restricted Stock Unit in exchange. Eligible Option Grants that are, or were, subject to time-based vesting will be exchangeable for Time-Based RSUs. Eligible Option Grants that are, or were, subject to performance-based vesting will be exchangeable for Performance-Based RSUs.

We will not issue any Restricted Stock Units covering a fractional share in exchange for Eligible Option Grants. In calculating the number of Time-Based RSUs issuable to an Eligible Employee in the exchange, we will combine the aggregate number of shares subject to all of the

Eligible Option Grants subject to time-based vesting that the Eligible Employee surrenders, and we will round any fractional share up to the next whole share to determine the number of Time-Based RSUs issuable upon exchange. Similarly, in calculating the number of Performance-Based RSUs issuable to an Eligible Employee in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that the Eligible Employee surrenders, and we will round any fractional share up to the next whole share to determine the number of Performance-Based RSUs issuable upon exchange.

#### **9. SOURCE AND AMOUNT OF CONSIDERATION; TERMS OF RESTRICTED STOCK UNITS.**

Each Restricted Stock Unit issued in the exchange will represent a right to receive one share of our common stock on a fixed settlement date, which is the date on which the Restricted Stock Unit vests, provided the Eligible Employee remains employed by us. Restricted Stock Units granted pursuant to this Offer will be subject to time-based or performance-based vesting. If you exchange an Eligible Option Grant that is or was subject to time-based vesting, no matter how many shares have already vested or remain to vest, you will receive Time-Based RSUs that will vest in three installments as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010. If you exchange an Eligible Option Grant that is or was subject to performance-based vesting, no matter how many shares have already vested or remain to vest, you will receive Performance-Based RSUs which will vest in three installments as follows: 20% upon the acceptance by the FDA of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin. All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to the Eligible Employee's continued employment with us.

The Restricted Stock Units to be granted in the exchange will be granted pursuant to the 2004 Plan. A participant is not required to pay any monetary consideration to receive shares of our common stock upon settlement of his or her Restricted Stock Units. However, employees generally will recognize taxable income upon settlement of the Restricted Stock Units that is subject to income and employment tax or social security contribution withholding. We may elect to satisfy our tax withholding obligations by deducting from the shares of common stock that would otherwise be issued in settlement of Restricted Stock Units a number of whole shares having a fair market value that does not exceed the applicable minimum statutory withholding rate. Alternatively, we may require you to satisfy the applicable tax withholding requirements through payroll withholding, by withholding proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement, or otherwise. All other terms and conditions of the Restricted Stock Units issued in the exchange will be substantially the same as those that apply generally to Restricted Stock Units granted under the 2004 Plan. For additional information regarding the terms of the Restricted Stock Units to be issued in the exchange, please refer to the 2004 Plan prospectus located at [www.ubs.com/onesource/mnktd](http://www.ubs.com/onesource/mnktd).

If we receive and accept the exchange of all Eligible Option Grants, we will grant Restricted Stock Units to purchase a total of approximately 2,708,920 shares of our common stock (subject to increase due to rounding of fractional shares). As of June 30, 2008, there were approximately 101,597,305 shares of our common stock outstanding. The common stock

issuable upon exercise of the Restricted Stock Units would equal approximately 2.7% of the total shares of our common stock outstanding as of June 30, 2008.

#### 10. INTERESTS OF DIRECTORS AND OFFICERS; TRANSACTIONS AND ARRANGEMENTS INVOLVING THE ELIGIBLE OPTION GRANTS.

A list of our directors and executive officers is attached to this Offer as Schedule A. Our executive officers are included in the group of Eligible Employees and will be able to participate in the Offer. As of the close of business on June 30, 2008, our executive officers as a group (eight persons) held Eligible Option Grants to purchase a total of 2,020,735 shares of our common stock. This covered approximately 37.3% of the shares subject to all Eligible Option Grants as of the same date. Our executive officers are included in the group of Eligible Employees and will be able to participate in the Offer. Members of our Board of Directors who are not employed by us hold no Eligible Option Grants and therefore will not be eligible to participate in the Offer.

The following table sets forth certain information as of June 30, 2008 regarding the Eligible Option Grants held by each of our executive officers. Except as otherwise indicated, the address and telephone number of each of the persons set forth below is c/o MannKind Corporation, 28903 North Avenue Paine, Valencia, California 91355, telephone number: (661) 775-5300.

Name of Executive Officer	Title	Maximum Number of Eligible Option Grants	Percentage of All Eligible Option Grants That Can Be Exchanged
Alfred E. Mann	Chairman of the Board of Directors and Chief Executive Officer	413,300	7.6%
Hakan S. Edstrom	President, Chief Operating Officer and Director	498,300	9.2%
Juergen A. Martens, Ph.D.	Corporate Vice President, Technical Operations and Chief Technical Officer	210,700	3.9%
Diane M. Palumbo	Corporate Vice President, Human Resources	236,000	4.4%
Matthew J. Pfeffer	Corporate Vice President, Chief Financial Officer	—	—
Dr. Peter C. Richardson	Corporate Vice President and Chief Scientific Officer	211,000	3.9%
John R. Riesenberger	Corporate Vice President and Chief Commercialization Officer	140,300	2.6%
David Thomson, Ph.D., J.D.	Corporate Vice President, General Counsel and Secretary	311,135	5.7%

During the past 60 days, we have not issued any Eligible Option Grants and no Eligible Option Grants have been exercised. Neither we, nor, to the best of our knowledge, any member of our Board of Directors or any of our executive officers, nor any affiliate of ours, engaged in transactions involving Eligible Option Grants during the past 60 days.

Except as otherwise described in this Offer or in our filings with the SEC, including our Definitive Proxy Statement filed on Schedule 14A on April 22, 2008, our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q

for the fiscal quarter ended March 31, 2008, and other than outstanding stock options and other stock awards granted from time to time to certain of our employees (including our executive officers) and members of our Board of Directors under our equity incentive plans, neither we nor, to our knowledge, any of our executive officers, members of our Board of Directors or any person holding a controlling interest in us is a party to any agreement, arrangement or understanding with respect to any of our securities, including but not limited to, any agreement, arrangement or understanding concerning the transfer or the voting of any of our securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

#### **11. STATUS OF ELIGIBLE OPTION GRANTS ACQUIRED BY US IN THE EXCHANGE.**

We have designed the proposed Offer in a manner intended to ensure that the fair value of the Eligible Option Grants surrendered in the exchange is approximately equal to the fair value of the Restricted Stock Units granted in the exchange. The Offer is intended to restore competitive and appropriate equity incentives for our employees and to reduce our existing overhang.

If we implement the Offer, Eligible Option Grants surrendered under the Offer will be returned to the applicable Company Option Plan pursuant to which they were originally granted. We have discontinued the issuance of stock awards under any of the Company Option Plans other than our 2004 Plan. Assuming that 100% of Eligible Employees participate in the Offer, Eligible Option Grants covering approximately 5,417,840 shares as of June 30, 2008 would be surrendered and cancelled, while approximately 2,708,920 Restricted Stock Units would be issued, resulting in a net reduction of approximately 2,708,920 shares of our common stock underlying outstanding equity awards.

#### **12. LEGAL MATTERS; REGULATORY APPROVALS.**

We are not aware of any license or regulatory permit that appears to be material to our business that might be adversely affected by the Offer, or of any approval or other action by any government or regulatory authority or agency that is required for the acquisition or ownership of the Eligible Option Grants and the grant of Restricted Stock Units as described in the Offer. If any other approval or action should be required, we presently intend to seek such approval or take such action. This could require us to delay the acceptance of any Eligible Option Grants that you elect to exchange. We cannot assure you that we would be able to obtain any required approval or take any other required action. Our failure to obtain any required approval or take any required action might result in harm to our business. Our obligation under the Offer to accept exchanged Eligible Option Grants and to issue Restricted Stock Units is subject to conditions, including the conditions described in Section 6.

### 13. MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES.

**CIRCULAR 230 DISCLAIMER. THE FOLLOWING DISCLAIMER IS PROVIDED IN ACCORDANCE WITH THE INTERNAL REVENUE SERVICE'S CIRCULAR 230 (21 C.F.R. PART 10). THIS ADVICE IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY YOU FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON YOU. THIS ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF PARTICIPATION IN MANKIND CORPORATION'S EQUITY INCENTIVE PLANS. YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following is a discussion of the material U.S. federal income tax consequences of the exchange of Eligible Option Grants for Restricted Stock Units pursuant to the Offer for those Eligible Employees subject to U.S. federal income tax. This discussion is based on the Internal Revenue Code, its legislative history, treasury regulations thereunder and administrative and judicial interpretations as of the date of the Offer, all of which may change, possibly on a retroactive basis. This summary does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to apply in all respects to all categories of option holders. In addition, this discussion does not address any aspect of foreign, state or local income taxation or any other form of taxation that may be applicable to an option holder.

***We recommend that you consult your own tax advisor with respect to the United States federal, state and local tax consequences of participating in the Offer, as the tax consequences to you are dependent on your individual tax situation.***

We believe the exchange of Eligible Option Grants for Restricted Stock Units pursuant to the Offer will be treated as a non-taxable exchange. If you exchange outstanding incentive stock options or nonqualified stock options for Restricted Stock Units, you will not be required to recognize income for U.S. federal income tax purposes at the time of the exchange.

#### **Restricted Stock Units**

If you participate in the Offer, you will not recognize any income or be subject to income tax withholding upon receipt of your Restricted Stock Units. However, in connection with the issuance of shares on the date or dates when your Restricted Stock Units vest you generally will recognize ordinary income equal to the fair market value of the shares. When shares are delivered to you under your Restricted Stock Units, you must make adequate provision for any sums required to satisfy applicable federal, state, local and foreign tax withholding obligations. We may withhold these sums from any amounts otherwise payable to you, through payroll withholding, by withholding proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement, or otherwise. We may also authorize the withholding of shares in such amounts as we determine are necessary to satisfy our tax withholding obligations. Unless the foregoing tax withholding obligations are satisfied, we have no obligation to deliver any shares to you under your Restricted Stock Units.

## **Stock Options**

If you participate in the Offer, your Eligible Option Grants will be exchanged for Restricted Stock Units. So that you are able to compare the tax consequences of new Restricted Stock Units to that of your Eligible Option Grants, we have included the following summary as a reminder of the tax consequences generally applicable to options under U.S. federal tax law.

### **Nonstatutory Stock Options**

Under current law, an option holder generally will not realize taxable income upon the grant of a nonstatutory stock option granted with an exercise price equal to the fair market value of the underlying stock on the date of grant. However, when an option holder exercises the option, the excess of the fair market value of the shares subject to the option on the date of exercise over the exercise price of the option will be compensation income taxable to the option holder.

We will be entitled to a deduction equal to the amount of compensation income taxable to the option holder if we comply with applicable reporting requirements.

Upon disposition of the shares, any gain or loss is treated as capital gain or loss. If you were an employee at the time of the grant of the option, any income recognized upon exercise of a nonstatutory stock option generally will constitute wages for which tax withholding will be required.

Note that as a result of the American Jobs Creation Act of 2004, options amended in a certain manner or granted with an exercise price that was lower than the fair market value of the underlying shares at the time of grant may be taxable to you before you exercise your option. As of the date of this Offer, how such options will be taxed is unclear.

### **Incentive Stock Options**

Under current U.S. federal tax law, holders of incentive stock options are entitled to certain tax treatment in connection with the exercise of an incentive stock option or the disposition of the shares acquired upon exercise of an incentive stock option. None of the Eligible Option Grants qualify as incentive stock options under the Internal Revenue Code.

## **14. EXTENSION OF THE OFFER; TERMINATION; AMENDMENT.**

We may at any time, and from time to time, extend the period of time during which the Offer is open and delay accepting any Eligible Option Grants tendered for exchange by announcing the extension and giving oral or written notice of the extension to the option holders.

Prior to the Expiration Date, we may postpone accepting and canceling any Eligible Option Grants or terminate or amend the Offer if any of the conditions specified in Section 6 occurs. In order to postpone accepting or canceling, we must announce the postponement and give oral or written notice of the postponement to the option holders. Our right to delay accepting and canceling Eligible Option Grants may be limited by Rule 13e-4(f)(5) under the

Securities Exchange Act of 1934, which requires that we pay the consideration offered or return the surrendered options promptly after we terminate or withdraw the Offer.

As long as we comply with any applicable laws, we may amend the Offer in any way, including decreasing or increasing the consideration offered in the Offer to option holders or by decreasing or increasing the number of Eligible Option Grants to be exchanged or surrendered.

We may amend the Offer at any time by announcing an amendment. If we extend the length of time during which the Offer is open, notice of the amendment must be issued no later than 6:00 a.m., Pacific Time, on the next business day after the last previously scheduled or announced Expiration Date. Any announcement relating to the Offer will be sent promptly to option holders in a manner reasonably designed to inform option holders of the change.

If we materially change the terms of the Offer or the information about the Offer or if we waive a material condition of the Offer, we may extend the Offer to the extent required by Rules 13e-4(d)(2) and 13e-4(e)(3) under the Securities Exchange Act of 1934. Under these rules, the minimum period an Offer must remain open following material changes in the terms of the Offer or information about the Offer, other than a change in price or a change in percentage of securities sought, will depend on the facts and circumstances. We will publish a notice if we decide to take any of the following actions:

- increase or decrease what we will give you in exchange for your Eligible Option Grants; or
- increase or decrease the number of Eligible Option Grants to be exchanged.

If the Offer is scheduled to expire within ten business days from the date we notify you of such an increase or decrease, we intend to extend the Offer for a period of ten business days after the date the notice is published.

## **15. FEES AND EXPENSES.**

We will not pay any fees or commissions to any broker, dealer or other person asking holders of Eligible Option Grants to exchange such Eligible Option Grants pursuant to this Offer.

## **16. INFORMATION ABOUT US.**

### **General**

MannKind Corporation was incorporated in Delaware in 1991 and has operated as a development stage enterprise since that time. Our principal executive offices are located at 28903 North Avenue Paine, Valencia, California, 91355 and our telephone number is (661) 775- 5300. Our website is located at [www.mannkindcorp.com](http://www.mannkindcorp.com). The information on our website is not a part of this Offer.

We are a biopharmaceutical company focused on the discovery, development and commercialization of therapeutic products for diseases such as diabetes and cancer. Our lead investigational product candidate, the Technosphere Insulin System, is currently in Phase 3

clinical trials in the United States, Europe and Latin America to study its safety and efficacy in the treatment of diabetes. This dry powder therapy consists of our proprietary Technosphere particles onto which insulin molecules are loaded. These loaded particles are then aerosolized and inhaled into the deep lung using our proprietary MedTone inhaler. We believe that the performance characteristics, unique kinetics, convenience and ease of use of the Technosphere Insulin System may have the potential to change the way diabetes is treated. Currently, we are conducting clinical trials to evaluate the safety and efficacy of another Technosphere-based product for the treatment of diabetes and are developing additional formulations of active compounds loaded onto Technosphere particles. We are also developing therapies for the treatment of different types of cancer. Our other product candidates are at the research stage or in pre-clinical development.

## Financial

Set forth below is a selected summary of certain financial information about MannKind Corporation. This selected financial information is derived from our consolidated financial statements as filed with the SEC. The selected financial data should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008.

Statement of Operations Data (in thousands except per share data):	Three Months Ended March 31,		Year Ended December 31,	
	2008	2007	2007	2006
Revenue	\$ 20	\$ 10	\$ 10	\$ 100
Loss from operations	(\$74,065)	(\$77,328)	(\$307,357)	(\$233,697)
Net loss applicable to common stockholders	(\$71,421)	(\$73,141)	(\$293,190)	(\$230,548)
Basic and diluted net loss per share	(\$0.70)	(\$1.00)	(\$3.66)	(\$4.52)
Shares used to compute basic and diluted net loss per share	101,409	73,388	80,038	50,970

  

Balance Sheet Data (in thousands):	As of March 31,		As of December 31,	
	2008	2007	2007	2006
Cash, cash equivalents and marketable securities	\$ 269,079	\$ 365,577	\$ 368,285	\$ 436,479
Working capital	221,636	327,356	311,154	404,588
Total assets	465,402	482,567	543,443	539,737
Senior convertible notes	111,882	111,406	111,761	111,267
Deficit accumulated during the development stage	(1,152,460)	(860,990)	(1,081,039)	(787,849)
Total stockholders' equity	298,073	315,284	364,100	383,487

We had net losses for the three months ended March 31, 2008 and March 31, 2007 and for the years ended December 31, 2007 and December 31, 2006. Therefore, our earnings were insufficient to cover our fixed charges for such periods, and we are unable to calculate the ratios of earnings to fixed charges for such periods. For the three months ended March 31, 2008 and March 31, 2007, and the fiscal years ended December 31, 2007 and December 31, 2006, our earnings were insufficient to cover fixed charges by \$72.3 million, \$73.2 million, \$294.6 million, and \$230.7 million, respectively. Our fixed charges for the three months ended March 31, 2008 and March 31, 2007 and for the years ended December 31, 2007 and December 31, 2006 consisted of gross interest expense of \$1.2 million, \$1.2 million, \$4.8 million and \$1.8 million, respectively.



Our book value per share as of March 31, 2008 was \$2.94. Book value per share is the value of our total stockholders' equity divided by the number of our issued and outstanding common shares, net of shares held in treasury, which at March 31, 2008 amounted to 101,423,232 shares.

## 17. ADDITIONAL INFORMATION.

With respect to the Offer, we have filed a Tender Offer Statement on Schedule TO with the SEC. This Offer does not contain all of the information contained in the Schedule TO and the exhibits to the Schedule TO. We recommend that you review the Schedule TO, including its exhibits, before making a decision on whether to tender your options.

We also recommend that you review the following materials that we have filed with the SEC before making a decision on whether to exchange your options:

- (a) our Annual Report on Form 10-K for the fiscal year ended December 31, 2007;
- (b) our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008;
- (c) our Current Reports on Form 8-K filed with the SEC on February 26, 2008, April 11, 2008, April 16, 2008 and May 29, 2008;
- (d) our Definitive Proxy Statement for our fiscal 2008 Annual Meeting of Stockholders, filed with the SEC on April 22, 2008; and
- (e) the description of our common stock contained in our Registration Statement on Form 8-A filed with the SEC on July 23, 2004, including any amendments or reports filed for the purpose of updating such description.

The SEC file number for these filings is 000-50865. These filings, our other annual, quarterly and current reports, our proxy statements and our other SEC filings may be examined, and copies may be obtained, at the following SEC public reference rooms:

100 F Street, N.E.  
Washington, D.C. 20549

500 West Madison Street  
Suite 1400  
Chicago, Illinois 60661

You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330.

Our SEC filings are also available to the public on the SEC's Internet site at <http://www.sec.gov>.

Our common stock is quoted on the Nasdaq Global Market under the symbol "**MNKD**", and our SEC filings can be read at the following Nasdaq address:

Nasdaq Operations  
1735 K Street, N.W.  
Washington, D.C. 20006

We will also provide without charge to each Eligible Employee, upon his or her written or oral request, a copy of this Offer or any or all of the documents to which we have referred you, other than exhibits to those documents (unless the exhibits are specifically incorporated by reference into the documents). Requests should be directed to:

**MannKind Corporation**  
**28903 North Avenue Paine**  
**Valencia, California 91355**  
**Attn: General Counsel**

or by telephoning us at (661) 775-5300 between the hours of 9:00 a.m. and 5:00 p.m., Valencia, California, local time.

As you read the documents listed in this Section 17, you may find some inconsistencies in information from one document to another. Should you find inconsistencies between the documents, or between a document and this Offer, you should rely on the statements made in the most recent document.

The information about us contained in this Offer should be read together with the information contained in the documents to which we have referred you.

#### **18. MISCELLANEOUS.**

This Offer and our SEC reports referred to above include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. However, the safe harbors of Section 27A of the Securities Act and 21E of the Securities Exchange Act of 1934 do not apply to statements made in connection with this Offer. These forward-looking statements involve risks and uncertainties, including those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008. WE ENCOURAGE YOU TO REVIEW THE RISK FACTORS CONTAINED IN OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 AND IN OUR QUARTERLY REPORT ON FORM 10-Q FOR THE FISCAL QUARTER ENDED MARCH 31, 2008 BEFORE YOU DECIDE WHETHER TO PARTICIPATE IN THE OFFER.

If at any time we become aware of any jurisdiction where the making of this Offer violates the law, we will make a good faith effort to comply with the law. If we cannot comply with the law, the Offer will not be made to, nor will exchanges be accepted from or on behalf of, the option holders residing in that jurisdiction.

Our Board of Directors recognizes that the decision to accept or reject this Offer is an individual one that should be based on a variety of factors and you should consult your personal advisors if you have questions about your financial or tax situation. The information about this Offer from us is limited to this document, the attached Summary Term Sheet and Questions and Answers and the Tender Offer Statement on Schedule TO.

WE HAVE NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER OR NOT YOU SHOULD TENDER YOUR OPTIONS PURSUANT TO THE OFFER. WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DOCUMENT, THE ATTACHED SUMMARY TERM SHEET AND QUESTIONS AND ANSWERS AND THE TENDER OFFER STATEMENT ON SCHEDULE TO. IF ANYONE MAKES ANY RECOMMENDATION OR REPRESENTATION TO YOU OR GIVES YOU ANY INFORMATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, REPRESENTATION OR INFORMATION AS HAVING BEEN AUTHORIZED BY US.

**SCHEDULE A**  
**INFORMATION ABOUT OUR DIRECTORS AND**  
**EXECUTIVE OFFICERS**

Our directors and executive officers and their ages, positions and offices as of April 22, 2008, are set forth in the following table:

Name	Age	Positions and Offices Held
Alfred E. Mann	82	Chairman of the Board of Directors and Chief Executive Officer
Hakan S. Edstrom	58	President, Chief Operating Officer and Director
Barry E. Cohen	71	Director
Ronald Consiglio	64	Director
Michael Friedman, M.D.	64	Director
Kent Kresa	70	Director
David H. MacCallum	70	Director
Heather Hay Murren	41	Director
Henry L. Nordhoff	66	Director
Juergen A. Martens, Ph.D.	52	Corporate Vice President, Technical Operations and Chief Technical Officer
Diane M. Palumbo	54	Corporate Vice President, Human Resources
Matthew J. Pfeffer	50	Corporate Vice President, Chief Financial Officer
Dr. Peter C. Richardson	48	Corporate Vice President and Chief Scientific Officer
John R. Riesenberger	59	Corporate Vice President and Chief Commercialization Officer
David Thomson, Ph.D., J.D.	41	Corporate Vice President, General Counsel and Secretary

The business address of each director and executive officer is: **MannKind Corporation, 28903 North Avenue Paine, Valencia, California 91355** and the business telephone number of each director and executive officer is **(661) 775-5300**.

*Alfred E. Mann* has been one of our directors since April 1999, our Chairman of the Board since December 2001 and our Chief Executive Officer since October 2003. He founded and formerly served as Chairman and Chief Executive Officer of MiniMed, Inc., a publicly traded company focused on diabetes therapy and microinfusion drug delivery that was acquired by Medtronic, Inc. in August 2001. Mr. Mann also founded and, from 1972 through 1992, served as Chief Executive Officer of Pacesetter Systems, Inc. and its successor, Siemens Pacesetter, Inc., a manufacturer of cardiac pacemakers, now the Cardiac Rhythm Management Division of St. Jude Medical Corporation. Mr. Mann founded and since 1993, has served as Chairman and until January 2008 as Co-Chief Executive Officer of Advanced Bionics Corporation, a medical device manufacturer focused on neurostimulation to restore hearing to the deaf and to treat chronic pain and other neural deficits, that was acquired by Boston Scientific Corporation in June 2004. Mr. Mann has also founded and is non-executive Chairman of Second Sight, which is developing a visual prosthesis for the blind and Quallion, which produces batteries for medical products and for the military and aerospace industries. Mr. Mann is also non-executive Chairman of the Alfred Mann Foundation and Alfred Mann Institute at the University of Southern

California, and the Alfred Mann Foundation for Biomedical Engineering, which is establishing additional institutes at other research universities. Mr. Mann holds a bachelor's and master's degree in Physics from the University of California at Los Angeles, honorary doctorates from Johns Hopkins University, the University of Southern California, Western University and the Technion-Israel Institute of Technology and is a member of the National Academy of Engineering.

*Hakan S. Edstrom* has been our President and Chief Operating Officer since April 2001 and has served as one of our directors since December 2001. Mr. Edstrom was with Bausch & Lomb, Inc., a health care product company, from January 1998 to April 2001, advancing to the position of Senior Corporate Vice President and President of Bausch & Lomb, Inc. Americas Region. From 1981 to 1997, Mr. Edstrom was with Pharmacia Corporation, where he held various executive positions, including President and Chief Executive Officer of Pharmacia Ophthalmics Inc. Mr. Edstrom is currently a director of Q-Med AB, a biotechnology and medical device company. Mr. Edstrom was educated in Sweden and holds a master's degree in business administration from the Stockholm School of Economics.

*Abraham (Barry) E. Cohen* has been one of our directors since May 2007. Mr. Cohen served as Senior Vice President of Merck & Co. and from 1977 to 1988 as President of the Merck Sharp & Dohme International Division. Since his retirement in January 1992, Mr. Cohen has been active as an international business consultant. He is presently a director of Akzo Novel NV, Chugai Pharmaceutical Co. U.S.A., Teva Pharmaceutical Industries Ltd., Neurobiological Technologies, Inc. and Vasomedical, Inc.

*Ronald Consiglio* has been one of our directors since October 2003. Since 1999, Mr. Consiglio has been the managing director of Synergy Trading, a securities-trading partnership. From 1999 to 2001, Mr. Consiglio was Executive Vice President and Chief Financial Officer of Trading Edge, Inc., a national automated bond-trading firm. From January 1993 to 1998 Mr. Consiglio served as Chief Executive Officer of Angeles Mortgage Investment Trust, a publicly traded Real Estate Investment Trust. His prior experience includes serving as Senior Vice President and Chief Financial Officer of Cantor Fitzgerald & Co. and as a member of its board of directors. Mr. Consiglio is currently a member of the board of trustees for the Metropolitan West Funds, a series of mutual funds in the fixed income sector. Mr. Consiglio is a certified public accountant and holds a bachelor's degree in accounting from California State University at Northridge.

*Michael Friedman, M.D.* has been one of our directors since December 2003. Currently, Dr. Friedman is the President and Chief Executive Officer of the City of Hope National Medical Center. Previously, from September 2001 until April 2003, Dr. Friedman held the position of Senior Vice President of Research and Development, Medical and Public Policy, for Pharmacia Corporation and, from July 1999 until September 2001, was a senior vice president of Searle, a subsidiary of Monsanto Company. From 1995 until June 1999, Dr. Friedman served as Deputy Commissioner for Operations for the Food and Drug Administration, and was Acting Commissioner and Lead Deputy Commissioner from 1997 to 1998. Dr. Friedman received a bachelor of arts degree, magna cum laude, from Tulane University, New Orleans, Louisiana, and a doctorate in medicine from the University of Texas, Southwestern Medical School.

*Kent Kresa* has been one of our directors since June 2004. Mr. Kresa is Chairman Emeritus of Northrop Grumman Corporation, a defense company and from September 1990 until October 2003, he was its Chairman. He also served as Chief Executive Officer of Northrop Grumman Corporation from January 1990 until March 2003 and as its President from 1987 until September 2001. Mr. Kresa is also Chairman of the Board of Trustees of the California Institute of Technology (“Caltech”) and has been a member of the Caltech Board of Trustees since 1994. Mr. Kresa serves as non-executive Chairman of Avery Dennison Corporation, a company focused on pressure-sensitive technology and self-adhesive solutions; and on the boards of Eclipse Aviation Corporation, an aircraft designer and producer; Fluor Corporation, a provider of engineering, procurement, construction and maintenance services; General Motors Corporation, an automobile manufacturer; and several non-profit organizations and universities. He is also a senior advisor for The Carlyle Group, a private equity firm, and on the Advisory Board of Trust Company of the West, an asset management firm. As a graduate of M.I.T., he received a B.S. in 1959, an M.S. in 1961, and an E.A.A. in 1966, all in aeronautics and astronautics.

*David H. MacCallum* has been one of our directors since June 2004. Currently, Mr. MacCallum is the Managing Partner of Outer Islands Capital, a hedge fund specializing in health care investments. From June 1999 until November 2001, he was Global Head of Health Care investment banking for Salomon Smith Barney, part of Citigroup, a financial institution. Prior to joining Salomon Smith Barney, he was Executive Vice President and Head of the Health Care group at ING Barings Furman Selz LLC, an investment banking firm and subsidiary of ING Group, a Dutch financial institution, from April 1998 to June 1999. Prior to that, Mr. MacCallum formed the Life Sciences group at UBS Securities, an investment banking firm, where he was Managing Director and Global Head of Life Sciences from May 1994 to April 1998. Before joining UBS Securities, he built the health care practice at Hambrecht & Quist, an investment banking firm, where he was Head of Health Care and Co-Head of Investment Banking. Mr. MacCallum received an A. B. degree from Brown University and an M.B.A. degree from New York University. He is a Chartered Financial Analyst.

*Heather Hay Murren* has been one of our directors since May 2007. Ms. Murren is Chairman of the Board of Nevada Cancer Institute, a nonprofit organization, and the official cancer institute for the state of Nevada as established by the State Legislature in 2003. Since 2000, she has devoted herself to the establishment of what will be the first world-class cancer research and care facility in the state of Nevada. In April 2002, she retired as a managing director, Global Securities Research and Economics, from Merrill Lynch where she was Group Head for the Global Consumer Products Equity Research effort. She was chosen six consecutive years as a member of The Institutional Investor’s All-American Research Team. Ms. Murren is a graduate of the Johns Hopkins University and a Chartered Financial Analyst. She is a member of the Board of Trustees of the Johns Hopkins University and sits on the committees for audits and insurance, academic affairs, and trusteeship, nominations and by-laws. Ms. Murren also is a member of the Johns Hopkins University Zanvyl Krieger School of Arts and Sciences Advisory Council and founder of the Jochebed Scholarship. She also serves as chairman of the Council for a Better Nevada.

*Henry L. Nordhoff* has been one of our directors since March 2005. Mr. Nordhoff has served as Chief Executive Officer and President of Gen-Probe Incorporated, a clinical diagnostic and blood screening company, since July 1994 and Chairman of the Board of Gen-Probe since September 2002. Prior to joining Gen-Probe, he was President and Chief Executive Officer of TargeTech, Inc., a gene therapy company that was merged into Immune Response Corporation. Prior to that, Mr. Nordhoff was at Pfizer, Inc. in senior positions in Brussels, Seoul, Tokyo and New York. He received a B.A. in international relations and political economy from Johns Hopkins University and an M.B.A. from Columbia University.

*Juergen A. Martens, Ph.D.* has been our Corporate Vice President of Operations and Chief Technology Officer since September 2005. From 2000 to August 2005, he was employed by Nektar Therapeutics, Inc., most recently as Vice President of Pharmaceutical Technology Development. Previously, he held technical management positions at Aerojet Fine Chemicals from 1998 to 2000 and at FMC Corporation from 1996 to 1998. From 1987 to 1996, Dr. Martens held a variety of management positions with increased responsibility in R&D, plant management, and business process development at Lonza, in Switzerland and in the United States. Dr. Martens holds a BS in chemical engineering from the Technical College Mannheim/Germany, a BS/MS in chemistry and a doctorate in physical chemistry from the University of Marburg/Germany.

*Diane M. Palumbo* has been our Corporate Vice President of Human Resources since November 2004. From July 2003 to November 2004, she was President of her own human resources consulting company. From June 1991 to July 2003, Ms. Palumbo held various positions with Amgen, Inc., a California-based biopharmaceutical company, including Senior Director, Human Resources. In addition, Ms. Palumbo has held Human Resources positions with Unisys and Mitsui Bank Ltd. of Tokyo. She holds a master's degree in business administration from St. John's University, NY and a Bachelor of Science degree, magna cum laude, also from St. John's University, NY.

*Matthew J. Pfeffer*, has been our Corporate Vice President and Chief Financial Officer since April 2008. Mr. Pfeffer served as Chief Financial Officer and Senior Vice President of Finance and Administration of VaxGen, Inc., a biopharmaceutical company focused on human infectious diseases, from March 2006 until April 2008. Mr. Pfeffer served as Chief Financial Officer of Cell Genesys, Inc., a biotechnology company focused on cancer, from 1998 until May 2005.

*Dr. Peter C. Richardson* has been our Corporate Vice President and Chief Scientific Officer since October 2005. From 1991 to October 2005, he was employed by Novartis Pharmaceuticals Corporation, which is the U.S. affiliate of Novartis AG, a world leader in healthcare, most recently as Senior Vice President, Global Head of Development Alliances. From 2003 until 2005, he was Senior Vice President and Head of Development of Novartis Pharmaceuticals KK Japan. He earlier practiced as an endocrinologist. Dr. Richardson holds a B.Med.Sci (Hons.) and a B.M.BS (Hons.) from University of Nottingham Medical School; an MRCP (UK) from the Royal College of Physicians, UK; a Certificate in Pharmaceutical Medicine from Universities of Freiburg, Strasbourg and Basle; and a Diploma in

Pharmaceutical Medicine from the Royal College of Physicians Faculty of Pharmaceutical Medicine.

*John R. Riesenberger* has been our Corporate Vice President and Chief Commercialization Officer since January 2008. From 2001 to 2007, he was a Principal and the Executive Vice President of Shaw Science Partners, a pharmaceutical science branding agency. Prior to that position, Mr. Riesenberger was with Pharmacia & Upjohn and The Upjohn Company for a total of 28 years, including 15 years in the U.S. organization and 13 years in the international, global and corporate organizations in a diverse range of geographic and functional accountabilities. Before his retirement, he held the position of Vice-President, Business Intelligence, Global Business Management. He currently serves as an Executive-In-Residence at the Eli Broad Graduate School of Business, Michigan State University. Mr. Riesenberger holds a Bachelor of Science degree with a dual major in economics and business and a MBA degree from Hofstra University.

*David Thomson, Ph.D., J.D.* has been our Corporate Vice President, General Counsel and Corporate Secretary since January 2002. Prior to joining us, he practiced corporate/commercial and securities law at the Toronto law firm of Davies Ward Phillips & Vineberg LLP from May 1999 through December 2001, except for a period from May to December 2000, when he served as Vice President, Business Development for CTL ImmunoTherapies Corp. From March 1994 to August 1996, Dr. Thomson held a post-doctoral position at the Rockefeller University, where he conducted medical research in the Laboratory of Neurophysiology. Dr. Thomson obtained his bachelor's degree, master's degree and Ph.D. degree from Queens University and obtained his J.D. degree from the University of Toronto.



## **STOCK OPTION EXCHANGE QUESTIONS AND ANSWERS**

These Questions and Answers relate to our offer to exchange all outstanding options to purchase shares of our common stock issued to eligible employees under our 2004 Equity Incentive Plan (2004 Plan) and its predecessor, our 2001 Stock Awards Plan (2001 Plan), that have an exercise price equal to or greater than \$7.00 per share. These Questions and Answers are to be read in conjunction with the Offer to Exchange Outstanding Options to Purchase Common Stock of which they are a part.

### **Q1 What is the stock option exchange program?**

**A1** Our stock option exchange program (also referred to in these materials as the Offer) is a voluntary program permitting eligible employees to exchange stock options issued to our employees under our 2004 Plan or 2001 Plan that have an exercise price that is equal to or greater than \$7.00 per share (also referred to in these materials as Eligible Option Grants) for a reduced number of Restricted Stock Units to be granted under the 2004 Plan. The Restricted Stock Units are expected to be granted shortly after August 6, 2008, or a later date if we extend the Expiration Date of the Offer.

If you exchange an Eligible Option Grant that is or was subject to time-based vesting, no matter how many shares have already vested or remain to vest, you will receive Restricted Stock Units that will vest in three installments as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010 (also referred to in these materials as Time-Based RSUs). If you exchange an Eligible Option Grant that is or was subject to performance-based vesting, no matter how many shares have already vested or remain to vest, you will receive Restricted Stock Units which will vest in three installments as follows: 20% upon the acceptance by the U.S. Food and Drug Administration (FDA) of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin (also referred to in these materials as Performance-Based RSUs). All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to the Eligible Employee's continued employment with us.

The Offer will be open to all persons (also referred to in these materials as Eligible Employees) that as of the commencement of the Offer are employed by us, including our executive officers. However, members of our Board of Directors who are not employed by us will not be eligible to participate in the Offer.

Your participation in the Offer is voluntary; you may either keep your current Eligible Option Grants at their current exercise price or cancel those Eligible Option Grants in exchange for a reduced number of Restricted Stock Units.

### **Q2 Why is the Option Exchange Program being offered?**

**A2** In light of the decline in the price of our common stock during the last year, we recognize that many of our employees hold options with exercise prices significantly higher than the current market price of our common stock. We believe that these "out of the money"

options are no longer effective as performance and retention incentives, and that to enhance long-term stockholder value we need to maintain competitive employee compensation and incentive programs. An equity stake in our success is a critical component of these programs. We believe the Offer will provide us with an opportunity to restore for Eligible Employees the ability to participate economically in our future growth and success.

**Q3 Why can't I just be granted additional options?**

**A3** We strive to balance the need for a competitive compensation package for our employees with the interests of our stockholders. Because of the large number of stock options that are currently outstanding, a large grant of new options could potentially have a dilutive effect on our earnings per share. Additionally, one of the goals of the Offer is to reduce our significant stock option "overhang" consisting of options which we believe are not serving their intended purpose of incentivizing employees.

**Q4 What options may I exchange as part of this program?**

**A4** As described more fully below, we are offering to exchange certain stock options held by Eligible Employees that are currently outstanding under our 2004 Plan or our 2001 Plan.

Any option held by an Eligible Employee with an exercise price equal to or greater than \$7.00 per share that is outstanding on the Expiration Date of the Offer, which is currently expected to be August 6, 2008, or a later date if we extend the Offer, will be eligible for exchange. If you attempt to exchange an option having an exercise price *less* than \$7.00 per share, that option will not be an Eligible Option Grant and any election you may have made to exchange that option will not be accepted by us.

Eligible Option Grants that are, or were, subject to time-based vesting will be exchangeable for Time-Based RSUs. Eligible Option Grants that are, or were, subject to performance-based vesting will be exchangeable for Performance-Based RSUs.

**Q5 May I tender options that I have already exercised?**

**A5** The Offer only permits the exchange of options, and does not apply in any way to shares purchased, whether upon the exercise of options or otherwise (including purchases via the open market and our Employee Stock Purchase Plan), whether or not you have vested in those shares. If you have exercised an Eligible Option Grant in its entirety, that option is no longer outstanding and is therefore not subject to the Offer. If you have exercised an Eligible Option Grant in part, the remaining unexercised portion of that option is outstanding and may be tendered for exchange pursuant to the Offer. Eligible Option Grants for which you have both properly submitted an exercise notice and tendered the exercise price prior to the date the Offer expires will be considered exercised to that extent, whether or not you have received confirmation of exercise for the shares purchased.

**Q6 Are purchase rights granted under our Employee Stock Purchase Plan eligible for exchange under the Option Exchange Program?**

**A6** No. Neither purchase rights granted under our Employee Stock Purchase Plan nor shares of our common stock acquired under our Employee Stock Purchase Plan are eligible for exchange in the Offer.

**Q7 How many Restricted Stock Units will I receive for the options that I exchange?**

**A7** We have implemented an exchange ratio of one Restricted Stock Unit for every two shares of our common stock underlying each Eligible Option Grant surrendered pursuant to this Offer. We will not issue any Restricted Stock Units covering a fractional share in exchange for Eligible Option Grants. In calculating the number of Time-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to time-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Time-Based RSUs issuable upon exchange. Similarly, in calculating the number of Performance-Based RSUs issuable to you in the exchange, we will combine the aggregate number of shares subject to all of the Eligible Option Grants subject to performance-based vesting that you surrender, and we will round any fractional share up to the next whole share to determine the number of Performance-Based RSUs issuable upon exchange.

**Q8 Why isn't the exchange ratio simply one-for-one and how was the exchange ratio calculated?**

**A8** Our stock option exchange program is designed to balance our interests and those of our employees and stockholders. In general, the exchange ratio selected for this Offer was intended to result in the issuance of Restricted Stock Units having a fair value approximately equivalent to the fair value of the Eligible Option Grants surrendered in the exchange, as calculated using the Black-Scholes valuation model (a model for calculating the value of derivative securities).

**Q9 If the price of our common stock were to increase after the date on which my Eligible Option Grants are cancelled, is it possible that those cancelled Eligible Option Grants would have ultimately been more economically valuable than the Restricted Stock Units I received in exchange for them?**

**A9** Yes. If the price of our common stock increases after the date on which your Eligible Option Grants are cancelled, those cancelled Eligible Option Grants might prove to have been worth more than the Restricted Stock Units that you receive in exchange for them. For example, if you exchange Eligible Option Grants covering 1,000 shares with an exercise price of \$7.00 per share, you would receive a grant of 500 Restricted Stock Units (after applying the exchange ratio of two Eligible Option Grant shares for every one Restricted Stock Unit). Assume, for illustrative purposes only, that two years after the Restricted Stock Unit grant date the fair market value of our common stock had increased to \$15.00 per share and all 500 of your Restricted Stock Units had vested. Under this example, if you had kept your exchanged Eligible Option Grants, exercised them, and sold

the underlying shares at \$15.00 per share, you would have realized a pre-tax gain of \$8,000, but if you exchanged your options and sold the shares subject to the Restricted Stock Units for \$15.00 per share, you would only realize a pre-tax gain of \$7,500.

For any particular option, the price of our Common Stock at which the exchange would be a “break-even” proposition is equal to double the exercise price of the Eligible Option Grant. For example, since the option exercise price in the example above was \$7.00, the “break-even price” of our common stock for that option would be \$7.00 multiplied by two, or \$14.00. If the fair market value of our common stock at the time of sale were to exceed the “break-even price” (such as \$14.00 in the above example), you would be better off economically to have kept the exchanged Eligible Option Grants. However, if the fair market value of our common stock at the time of sale were less than the “break-even price,” you would be better off economically to have exchanged the Eligible Option Grants for Restricted Stock Units.

Note that this discussion of the “break-even multiple” and “break-even price” does not take into account vesting. Your Eligible Option Grants may be fully vested, whereas the Restricted Stock Units granted pursuant to the Offer will be subject to vesting restrictions. You should take into account both the “break-even multiple” (and your judgment regarding the future value of our common stock) and the fact that the Restricted Stock Units are subject to future vesting when deciding whether to participate in the Offer.

**Q10 When will I receive my Restricted Stock Units?**

**A10** If you participate in the Offer, you will be granted your Restricted Stock Units shortly after August 6, 2008, or a later date if we extend the Offer (also referred to in these materials as the Expiration Date).

**Q11 How will my Restricted Stock Units vest?**

**A11** Restricted Stock Units issued in the exchange will be completely unvested at the time they are granted and will become vested either (i) with respect to Time-Based RSUs, due to the passage of time or (ii) with respect to Performance-Based RSUs, pursuant to the achievement of certain milestones by MannKind Corporation. All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to your continued employment by us. Surrendered Eligible Option Grants that are, or were, subject to time-based vesting will be exchanged for the applicable number of Time-Based RSUs. Likewise, surrendered Eligible Option Grants that are, or were, subject to performance-based vesting will be exchanged for the applicable number of Performance-Based RSUs. All Eligible Option Grants surrendered in the exchange that provide for acceleration of vesting in connection with certain change-in-control transactions will be exchanged for Restricted Stock Units with similar provisions regarding acceleration of vesting in connection with certain change-in-control transactions.

Time-Based RSUs will vest in three installments as follows: 50% on August 1, 2009, 25% on February 1, 2010 and 25% on August 1, 2010, regardless of the extent to which the corresponding Eligible Option Grants were vested upon surrender. Performance-Based

RSUs will vest in three installments as follows: 20% upon the acceptance by the FDA of a filing of a New Drug Application for Technosphere Insulin, 30% upon approval from the FDA to market Technosphere Insulin and 50% upon the first commercial sale of Technosphere Insulin. A participant in the Offer will forfeit any Restricted Stock Units received that remain unvested at the time his or her employment with us terminates for any reason.

IF YOU EXCHANGE ELIGIBLE OPTION GRANTS FOR RESTRICTED STOCK UNITS AND YOUR EMPLOYMENT WITH US TERMINATES FOR ANY REASON BEFORE ALL OF YOUR RESTRICTED STOCK UNITS HAVE VESTED, THEN YOU WILL FORFEIT ANY RESTRICTED STOCK UNITS RECEIVED THAT REMAIN UNVESTED AT THE TIME YOUR EMPLOYMENT WITH US TERMINATES.

**Q12 What are the other terms and conditions of my Restricted Stock Units?**

**A12** Each Time-Based RSU represents a right to receive one share of our common stock on a fixed settlement date, upon which such Restricted Stock Unit vests. Each Performance-Based RSU represents a right to receive one share of our common stock upon achievement by MannKind Corporation of a certain milestone, upon which such Restricted Stock Unit vests. All vesting of Restricted Stock Units issued pursuant to the Offer will be subject to the Eligible Employee's continued employment by us. All Eligible Option Grants surrendered in the exchange that provide for acceleration of vesting in connection with certain change-in-control transactions will be exchanged for Restricted Stock Units with similar provisions regarding acceleration of vesting in connection with certain change-in-control transactions.

An Eligible Employee is not required to pay any monetary consideration to receive shares of our common stock upon settlement of his or her Restricted Stock Units. However, Eligible Employees generally will recognize taxable income upon settlement of the Restricted Stock Units that is subject to income and employment tax or social security contribution withholding. We may elect to satisfy our tax withholding obligations by deducting from the shares of common stock that would otherwise be issued in settlement of Restricted Stock Units a number of whole shares having a fair market value that does not exceed the applicable minimum statutory withholding requirements. Alternatively, we may require you to satisfy the applicable tax withholding requirements through payroll withholding, by withholding proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement, or otherwise. All other terms and conditions of the Restricted Stock Units issued in the exchange will be substantially the same as those that apply generally to restricted stock units granted under the 2004 Plan. For additional information regarding the terms of the Restricted Stock Units to be issued in the exchange, please refer to the 2004 Plan prospectus located at [www.ubs.com/onesource/mnkd](http://www.ubs.com/onesource/mnkd).

**Q13 Are there conditions to the Offer?**

**A13** Yes. The Offer is subject to a number of conditions, including the conditions described in Section 6 of the Offer which you should read carefully. However, the Offer is not

conditioned on a minimum number of option holders accepting the Offer or a minimum number of Eligible Option Grants being exchanged.

**Q14 Are there any eligibility requirements I must satisfy in order to receive the Restricted Stock Units?**

**A14** In order to receive Restricted Stock Units, you must be employed by us (including employees on a leave of absence) on the Commencement Date and you must remain continuously employed by us through the Expiration Date and the date Restricted Stock Units are granted.

PARTICIPATION IN THE OFFER DOES NOT CONFER UPON YOU THE RIGHT TO REMAIN EMPLOYED BY US. YOUR EMPLOYMENT IS “AT WILL” AND MAY BE TERMINATED BY US OR BY YOU AT ANY TIME, INCLUDING PRIOR TO THE EXPIRATION DATE OR THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, FOR ANY REASON, WITH OR WITHOUT CAUSE.

IF YOUR EMPLOYMENT WITH US TERMINATES AFTER YOU TENDER YOUR OPTIONS BUT PRIOR TO THE EXPIRATION DATE, YOU ARE NOT ELIGIBLE TO PARTICIPATE IN THE OFFER. IF YOUR EMPLOYMENT WITH US TERMINATES FOLLOWING THE EXPIRATION DATE AND PRIOR TO THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, YOU WILL NOT RECEIVE ANY RESTRICTED STOCK UNITS OR ANY OTHER CONSIDERATION IN EXCHANGE FOR YOUR ELIGIBLE OPTION GRANTS THAT HAVE BEEN EXCHANGED AND YOUR EXCHANGED ELIGIBLE OPTION GRANTS WILL NOT BE REINSTATED. IF THE OPTIONS THAT YOU TENDERED FOR EXCHANGE HAVE AN EXERCISE PRICE THAT IS LESS THAN \$7.00 PER SHARE, THEY ARE NOT ELIGIBLE TO BE EXCHANGED.

**Q15 Are employees who tender their Eligible Option Grants and are on a leave of absence on the date the Restricted Stock Units are granted eligible to participate?**

**A15** If you tender your Eligible Option Grants and they are cancelled in the exchange and, on the date Restricted Stock Units are granted, you are on a leave of absence protected by statute, then you will be entitled to receive the applicable number of Restricted Stock Units on the date Restricted Stock Units are granted. If, however, on the date Restricted Stock Units are granted you are on a leave that is **not** protected by statute, then the Restricted Stock Units will be issued on the date, if any, that you return to regular employment with us.

**Q16 Are the terms and conditions of the Offer the same for everyone?**

**A16** Yes. The terms and conditions are the same for everyone who is eligible to participate in the Offer, which includes all of our employees. However, members of our board of directors who are not employed by us are not eligible to participate in the Offer.

**Q17 How should I decide whether or not to participate?**

**A17** We understand that this will be a challenging decision for everyone. The Offer does carry considerable risk, and there are no guarantees regarding our future stock performance. As a result, the decision to participate must be your personal decision, and it will depend largely on your assumptions about the future overall economic environment, the performance of The Nasdaq Global Market, our own stock price, our business and your desire and ability to remain an employee of MannKind Corporation until the Expiration Date and the date the Restricted Stock Units become vested (also see Question & Answer 9). We cannot advise you on the decision to participate in the Offer, and we have not authorized anyone to make any recommendation on our behalf as to your choices.

**Q18 How does the Offer work?**

**A18** On or before the Expiration Date (which we currently expect to be August 6, 2008), you may decide to exchange any of your Eligible Option Grants for a reduced number of Restricted Stock Units. The number of Restricted Stock Units you are entitled to receive upon exchange of your Eligible Option Grants will be determined by application of the exchange ratio (see Question & Answer 7).

**Q19 What if my Eligible Option Grants are not currently vested? Can I exchange them?**

**A19** Yes. Your Eligible Option Grants do not need to be vested in order for you to exchange them in response to the Offer.

**Q20 If I elect to exchange my Eligible Option Grants, do I have to exchange all of my Eligible Option Grants or can I just exchange some of them?**

**A20** If you have more than one Eligible Option Grant, then you may exchange any or all of them. However, you cannot exchange part of any particular Eligible Option Grant and keep the balance; you must exchange all unexercised shares that are subject to each particular Eligible Option Grant that you tender in response to this Offer.

**Q21 Can I exchange the remaining portion of an Eligible Option Grant that I have partially exercised?**

**A21** Yes. If you have exercised an Eligible Option Grant in part, the remaining unexercised portion of that option is outstanding and may be tendered for exchange pursuant to the Offer. Options for which you have properly submitted an exercise notice prior to the date the Offer expires will be considered exercised to that extent, whether or not you have received confirmation of exercise for the shares purchased.

**Q22 Will I be required to give up all of my rights under the cancelled options?**

**A22** Yes. Once we have accepted your exchanged options, your exchanged Eligible Option Grants will be cancelled and you will no longer have any rights thereunder. We intend to cancel all exchanged Eligible Option Grants on the same U.S. business day as the

Expiration Date. We currently expect that the Expiration Date will be August 6, 2008. (See Section 6)

**Q23 Will the terms and conditions of my Restricted Stock Units be the same as my exchanged options?**

**A23** Restricted Stock Units are a different type of award than stock options, and so the terms and conditions of your Restricted Stock Units will necessarily be different from your stock options. Your Restricted Stock Units will be granted under our 2004 Plan and will be subject to a Restricted Stock Unit agreement between you and MannKind Corporation. **If you exchange Eligible Option Grants for Time-Based RSUs and your employment with us or one of our subsidiaries terminates for any reason before the second anniversary of the date the Restricted Stock Units are granted, then you will forfeit any Restricted Stock Units received that remain unvested at the time your employment with us terminates. If you exchange Eligible Option Grants for Performance-Based RSUs and your employment with us terminates for any reason before one or more of the performance milestones is achieved, then you will forfeit any Restricted Stock Units received that remain unvested at the time your employment with us or one of our subsidiaries terminates.** (See Questions & Answers 11 and 12)

**Q24 Will I have to pay taxes if I participate in the Offer?**

**A24** If you participate in the Offer and are a citizen or resident of the United States, you generally will not be required under current U.S. law to recognize income for U.S. federal income tax purposes at the time of the exchange. On the date Restricted Stock Units are granted, you generally will not be required under current law to recognize income for U.S. federal income tax purposes. However, you generally will have taxable income when your Restricted Stock Units vest, at which time we will also generally have a tax withholding obligation. We may withhold a sufficient number of otherwise distributable shares of common stock when Restricted Stock Units vest to satisfy our tax withholding obligation. Alternatively, we may require you to satisfy the applicable tax withholding requirements through payroll withholding, by withholding proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement, or otherwise. You may also have taxable income when you sell the shares issued upon settlement of the Restricted Stock Unit. (See Section 13)

If you are a tax resident of a country other than the United States, the tax consequences of participating in the Offer, as well as for your Restricted Stock Units, may be different.

**For all employees, we strongly recommend that you consult with your own tax advisor to determine the personal tax consequences to you of participation in the Offer. If you are a tax resident of or subject to the tax laws in more than one country, you should be aware that there might be additional tax and social insurance consequences in more than one country that may apply to you.**



**Q25 What are the tax implications for not participating in the Offer? (This question applies only to employees in the United States)**

**A25** We do not believe that the Offer will change any of the terms of your Eligible Option Grants if you do not accept the Offer.

**Q26 What if my employment is terminated prior to the Expiration Date?**

**A26** If you elect to exchange Eligible Option Grants, your election will be irrevocable after 5:00 P.M. Pacific Time on the Expiration Date, which is currently expected to be August 6, 2008. Therefore, if your employment with us terminates, whether voluntarily, involuntarily or for any other reason (including death), prior to the Expiration Date, you will not receive any Restricted Stock Units. If your employment with us is terminated as part of any announced reduction in force, you will fall in this category. THEREFORE, IF YOU ARE NOT EMPLOYED BY US ON THE EXPIRATION DATE, YOU WILL NOT RECEIVE ANY RESTRICTED STOCK UNITS.

YOUR EMPLOYMENT IS “AT WILL” AND MAY BE TERMINATED BY US OR BY YOU AT ANY TIME, INCLUDING PRIOR TO THE EXPIRATION DATE OR THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, FOR ANY REASON, WITH OR WITHOUT CAUSE.

**Q27 What if my employment is terminated after the date that my Eligible Option Grants are cancelled and before the date the Restricted Stock Units are granted?**

**A27** If your employment with us is terminated, whether voluntarily, involuntarily or for any other reason (including death) after the Expiration Date and prior to the date the Restricted Stock Units are granted, you will forfeit the Eligible Option Grants that were cancelled, and you will not receive any Restricted Stock Units. If your employment with us is terminated as part of any announced reduction in force, you will fall in this category.

THIS OFFER DOES NOT CHANGE THE “AT-WILL” NATURE OF YOUR EMPLOYMENT, AND YOUR EMPLOYMENT MAY BE TERMINATED BY US OR BY YOU AT ANY TIME, INCLUDING PRIOR TO THE EXPIRATION DATE OR THE DATE THE RESTRICTED STOCK UNITS ARE GRANTED, FOR ANY REASON, WITH OR WITHOUT CAUSE.

**Q28 How long will this Offer remain open?**

**A28** Presently, the Offer is scheduled to remain open until 5:00 p.m., Pacific Time, on the Expiration Date, which is currently expected to be August 6, 2008. We currently have no plans to extend the Offer beyond August 6, 2008. However, if we do extend the Offer, you will be notified of the extension. If we extend the Offer, we will announce the extension no later than 6:00 a.m., Pacific Time, on the next business day following the scheduled or announced Expiration Date.

**Q29 What do I need to do to exchange my Eligible Option Grants?**

**A29** To exchange your Eligible Option Grants, you must complete and submit the Election Form found at <http://forefront/hr/benefits1.1/optionexchange> to Stock Administration via hand delivery, interoffice mail or facsimile to (661) 775-5332 before 5:00 p.m., Pacific Time, on the Expiration Date, which is expected to be August 6, 2008. If you are an employee on a leave of absence as of the Commencement Date, Stock Administration will mail to you an Election Form and Notice of Withdrawal. Delivery will be deemed made only when actually received by us. No late deliveries will be accepted. We may reject any Eligible Option Grant if we determine the Election Form is not properly completed or to the extent that we determine it would be unlawful to accept the Eligible Option Grants.

**Q30 What is the deadline to elect to participate in the Offer?**

**A30** You must deliver your Election Form to Stock Administration via hand delivery, interoffice mail or facsimile to (661) 775-5332 by 5:00 p.m., Pacific Time, on the Expiration Date, which is expected to be August 6, 2008. Although we do not currently intend to do so, we may, in our discretion, extend the Offer at any time. If we extend the Offer, we will announce the extension no later than 6:00 a.m., Pacific Time, on the next business day following the scheduled or announced Expiration Date.

**Q31 Can I change my election? How often?**

**A31** Yes. You can change your election at any time by either delivering a Notice of Withdrawal or revising and re-delivering your Election Form, each to Stock Administration via hand delivery, interoffice mail or facsimile to (661) 775-5332, prior to the deadline. There is no limit to the number of times you can change your election prior to the deadline. However, the last Notice of Withdrawal or Election Form you deliver prior to the deadline will determine your decision to elect.

**Q32 What will happen if I don't turn in my form by the deadline?**

**A32** If you miss this deadline, you cannot participate in the Offer. Delivery will be deemed made only when actually received by us. No late deliveries will be accepted.

**Q33 Will I receive a confirmation of my election?**

**A33** Yes. After you deliver an Election Form, Stock Administration will send you an email confirmation indicating we have received your Election Form and stating where you can find information regarding the number of Restricted Stock Units that you are eligible to receive pursuant to the Offer. Similarly, after you deliver a Notice of Withdrawal, Stock Administration will send you an email confirmation indicating we have received your Notice of Withdrawal. You should print these email confirmations and keep them with your records.

**Q34 What if I don't accept this Offer?**

**A34** This Offer is completely voluntary. You do not have to participate, and there are no penalties for electing not to participate in the Offer.

**Q35 Where do I go if I have additional questions about this Offer?**

**A35** Please direct your questions to Stock Administration, (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com). We will review these questions periodically throughout the exchange period and to the extent we deem it appropriate, we will add the appropriate information to the Questions & Answers section of the website established for this Offer, which is located at <http://forefront/hr/benefits1.1/optionexchange>.

## EMAIL FROM HAKAN EDSTROM TO ALL EMPLOYEES

Subject: Option Exchange Program

Over the next few days we will roll out our stock option exchange program, affording employees an opportunity to exchange certain stock options for restricted stock units. While this announcement pertains only to employees eligible to participate, we wanted all employees to be aware of the program.

Our goal in offering this program is to re-incentivize employees who hold stock options with exercise prices at or above \$7.00 per share by allowing them to receive a reduced number of restricted stock units in exchange for these options. This program will apply only to stock options granted under either our 2004 Equity Incentive Plan or our 2001 Stock Awards Plan. The follow up material you will be receiving contains program details, including a description of the vesting rules that will apply to the restricted stock units to be issued in exchange for stock options. This program is one of a series of measures undertaken by the Company to ensure our compensation programs are market-competitive and support our objective of making MannKind Corporation a company for which people strive to work.

The decision of whether or not to participate in the program is a personal one to be made based on each person's own unique circumstances. Please make sure to study carefully the program materials you receive. They should provide all the information you need to make an informed decision.

Hakan

## EMAIL FROM STOCK ADMINISTRATION TO ELIGIBLE OPTION HOLDERS

Subject: Option Exchange Program — Details

Dear MannKind Optionholder:

By now you should have received an email from Hakan announcing our stock option exchange program. I would like to provide you with additional information relating to the program.

The program is a voluntary program permitting eligible employees to exchange eligible stock options with an exercise price equal to or greater than \$7.00 per share for a reduced number of restricted stock units at an exchange ratio of one restricted stock unit for each two shares of common stock underlying surrendered stock options. Only stock options granted under either our 2004 Equity Incentive Plan or our 2001 Stock Awards Plan will be eligible for exchange in the program.

All restricted stock units issued in exchange for stock options in the program will be subject to vesting, even those issued in exchange for fully vested stock options. A stock option subject to time-based vesting, no matter how many shares have already vested or remain to vest, will be exchanged for restricted stock units that will vest as follows:

- 50% on August 1, 2009,
- 25% on February 1, 2010, and
- 25% on August 1, 2010.

A stock option subject to performance-based vesting, no matter how many shares have already vested or remain to vest, will be exchanged for restricted stock units that will vest in three installments as follows:

- 20% upon the FDA's acceptance of a filing of a new drug application for Technosphere Insulin,
- 30% upon approval from the FDA to market Technosphere Insulin, and
- 50% upon the first commercial sale of Technosphere Insulin.

Please refer to the materials referenced below for more details on the program.

If you decide to participate in the program, you will need to complete and deliver an election form (item #1 below) by **August 6, 2008 at 5:00 p.m. Pacific Daylight Time** to MannKind Stock Administration located at 28903 North Avenue Paine, Valencia, CA 91355, or fax the election form to Stock Administration at (661) 775-5332. Please visit the MannKind intranet web site located at <http://forefront/hr/benefits1.1/optionexchange> to obtain a copy of the election form or any of the following documents:

- Election Form (instructions on how to complete form included).
- Notice of Withdrawal (instructions on how to complete form included).
- Stock Option Exchange Program Questions and Answers.

- Offer to Exchange Options to Purchase Common Stock.

To view a list of all of your outstanding stock options, you must access your online stock plan account at [www.ubs.com/onesource/mnkd](http://www.ubs.com/onesource/mnkd). In addition, you will receive one or more e-mails in the next day or so that are intended to help you identify the eligible option grants that you hold. Although you will receive a separate e-mail for each eligible option grant, you can indicate your election decisions on a single election form.

If you decide to participate in the program, you must complete and submit the election form in accordance with its terms by **5:00 p.m. Pacific Daylight Time on Wednesday, August 6, 2008** unless we extend the program. We will not accept late submissions, and therefore urge you to respond early to avoid any last minute problems.

Stock Administration will provide you with an email confirmation of receipt of your election form within three business days after receipt by us.

Stock Administration will be conducting a series of meetings throughout the company to explain the program and address your questions. The dates, times and locations of these meetings will be announced soon. We encourage you to attend these meetings!

Please feel free to contact Stock Administration at (661) 775-5595 or by email at [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com) for further assistance.

## EMAIL FROM STOCK ADMINISTRATION RE ELIGIBLE OPTION GRANT

Subject: Eligible Option Grant

Dear [Name]:

Your grant number [Grant\_ID], an option to purchase [Number] shares of MannKind common stock at a price of [Price], is eligible for exchange in MannKind's Stock Option Exchange Program. This Eligible Option Grant is subject to [time/performance]-based vesting.

If you are electing to exchange any of your Eligible Option Grants under the Stock Option Exchange Program, the deadline to deliver your Election Form to Stock Administration is **August 6, 2008 at 5:00 p.m. Pacific Daylight Time**.

A copy of the Election Form along with instructions for completing and delivering the form can be found at <http://forefront/hr/benefits1.1/optionexchange> or by contacting Stock Administration. We cannot accept late submissions, and therefore we urge you to respond early to avoid any last minute problems.

If you are not electing to tender any of your outstanding Eligible Option Grants for exchange, then no action is required on your part.

If you have questions regarding the Stock Option Exchange Program, contact Stock Administration at (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com).







## INSTRUCTIONS TO THE ELECTION FORM

**1. Delivery of Election Form.** A properly completed and executed original of this Election Form (or a facsimile of it) must be delivered to MannKind Stock Administration at 28903 North Avenue Paine, Valencia, CA 91355, via hand delivery, interoffice mail or facsimile to (661) 775-5332, on or before 5:00 p.m. Pacific Daylight Time on August 6, 2008 (the Expiration Date).

**The method by which you deliver any required documents is at your option and risk, and the delivery will be deemed made only when actually received by the Company. You should allow sufficient time to ensure timely delivery.**

**2. Withdrawal.** You may withdraw this Election Form at any time before the Expiration Date. If the Company extends the Offer beyond that time, you may withdraw at any time until the extended Expiration Date. To withdraw you must deliver a signed and dated Notice of Withdrawal to MannKind Investor Relations in accordance with the instructions to the Notice of Withdrawal. You may not rescind your election to withdraw and any attempt to do so will thereafter be deemed not properly made for purposes of the Offer; you may, however, complete and deliver a new Election Form following the procedures described in these Instructions in order to elect to participate in the Offer. Upon the receipt of such a new, properly filled out, signed and dated Election Form, any previously delivered Election Form or Notice of Withdrawal from the Offer will be disregarded and will be considered replaced in full by the new Election Form.

**3. Change of Election.** As noted in the Offer to Exchange, you may select individual Eligible Option Grants to be exchanged for a reduced number of Restricted Stock Units. You do not have to exchange all of your Eligible Option Grants, but for each Eligible Option Grant you do choose to exchange, you must exchange the entire outstanding, unexercised portion. You may change your mind about which Eligible Option Grants you would like to exchange at any time before the Expiration Date. If the Company extends the Offer beyond that time, you may change your election regarding particular Eligible Option Grants you elected to exchange at any time until the extended Expiration Date. To change your election regarding any particular Eligible Option Grants you previously elected to exchange while continuing to elect to participate in the Offer, you must deliver a signed and dated new Election Form, with the required information, following the procedures described in these Instructions. You must indicate on the new Election Form that it replaces a previously submitted Election Form in the check box provided on the form. Upon the receipt of such a new, properly filled out, signed and dated Election Form, any previously submitted Election Form will be disregarded and will be considered replaced in full by the new Election Form. The Company will not accept any alternative, conditional or contingent exchanges. Although it is our intent to send you a confirmation of receipt of this Election Form, by signing this Election Form (or a facsimile of it), you waive any right to receive any notice of the receipt of the election to exchange your options, except as provided in the Offer to Exchange. Any confirmation of receipt sent to you will merely be a notification that we have received your Election Form and does **not** mean that your Eligible Option Grants have been cancelled. Your Eligible Option Grants that are accepted for exchange will not be cancelled until the Expiration Date.

**4. Inadequate Space.** If the space provided in this Election Form is inadequate, the information requested by the table on this Election Form regarding the options to be tendered should be provided on a separate schedule attached to this Election Form. You must print your name on, and sign, any attached schedules. Any attached schedules should be delivered with this Election Form, and will thereby be considered part of this Election Form.

**5. Exchange of Eligible Options.** If you intend to exchange Eligible Option Grants through the Offer, you must complete the table on this Election Form by providing the option grant number, option grant date, exercise price, and the total number of option shares outstanding for each Eligible Option Grant that you intend to cancel and exchange for a reduced number of Restricted Stock Units. The information needed to complete this table is available by accessing your online stock plan account at [www.ubs.com/onesource/mnkd](http://www.ubs.com/onesource/mnkd).

The Company will not accept partial exchanges of individual Eligible Option Grants. Accordingly, you may exchange all or none of the shares outstanding pursuant to each Eligible Option Grant. The ratio of shares subject to Eligible Option Grants cancelled to Restricted Stock Units issued will be 2-to-1, subject to rounding as set forth in the Offer.

**6. Other Information on This Election Form.** In addition to signing this Election Form, you must print your name and indicate the date and time at which you signed. You must also include your email address and your government identification number, such as your employee identification or social security number, as appropriate.

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**7. Requests for Assistance or Additional Copies.** Any questions or requests for assistance, as well as requests for additional copies of the Offer to Exchange or this Election Form should be directed to Stock Administration at MannKind Corporation, 28903 North Avenue Paine, Valencia, CA 91355, telephone number (661) 775-5595, email [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com).

## EMAIL CONFIRMING RECEIPT OF ELECTION FORM

This email confirms our receipt of your Election Form, which sets forth your election to exchange one or more of your Eligible Option Grants in the MannKind Corporation Stock Option Exchange Program. This email does not serve as a formal acceptance by MannKind Corporation of the Eligible Option Grants designated on your Election Form for exchange. The procedure for acceptance of Eligible Option Grants for exchange is described in the Offer to Exchange previously made available to you.

Your election to exchange your Eligible Option Grants may be withdrawn or changed at any time prior to **5:00 p.m. Pacific Daylight Time on August 6, 2008**, the Expiration Date of the Offer to Exchange, or if MannKind Corporation extends the Offer to Exchange, before 5:00 p.m. Pacific Daylight Time on the extended Expiration Date. Withdrawals must be submitted to Stock Administration according to the instructions set forth in the Notice of Withdrawal. Changes to your election must be submitted to Stock Administration by completing a new Election Form in accordance with its instructions. Both forms are available at <http://forefront/hr/benefits1.1/optionexchange>.

You may email questions about the Offer to Exchange to [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com) or call (661) 775-5595.

**MANNKIND CORPORATION  
OFFER TO EXCHANGE CERTAIN OUTSTANDING OPTIONS  
TO PURCHASE COMMON STOCK  
NOTICE OF WITHDRAWAL FORM**

To MannKind Stock Administration:

I previously signed, dated and returned an Election Form in which I elected to accept MannKind Corporation's Offer to Exchange Outstanding Options to Purchase Common Stock dated July 9, 2008 (the "Offer"). Defined terms not explicitly defined herein shall have the same definitions as in the Offer.

I now wish to change my previous election and reject MannKind Corporation's offer to exchange my Eligible Option Grants for Restricted Stock Units. I understand that by signing this Notice and delivering it to Stock Administration, I will be withdrawing my previous acceptance of the offer to exchange options, and rejecting the offer to exchange options *in its entirety*.

I understand that in order to reject the offer to exchange options, I must sign, date and deliver this Notice to Stock Administration, as provided in the attached instructions, before **5:00 p.m. Pacific Daylight Time on August 6, 2008**, or if MannKind Corporation extends the Offer, before 5:00 p.m. Pacific Daylight Time on the extended Expiration Date.

By rejecting the offer to exchange options, I understand that I will not receive any Restricted Stock Units, and I will keep my Eligible Option Grants. These options will continue to be governed by the equity incentive plan under which they were granted and the existing option agreements between MannKind Corporation and me.

I understand that I may change this election, and once again accept the Offer, by delivering a new Election Form to Stock Administration in accordance with its instructions prior to **5:00 p.m. Pacific Daylight Time on August 6, 2008**, or if MannKind Corporation extends the Offer, before 5:00 p.m. Pacific Daylight Time on the extended Expiration Date.

I have completed and signed the following exactly as my name appears on my original Election Form.

I **do not** accept the offer to exchange options.

\_\_\_\_\_  
Optionee Signature

\_\_\_\_\_  
Employee ID or Social Security Number

\_\_\_\_\_  
Optionee Name (Please print)

\_\_\_\_\_  
Date and Time

**RETURN THIS NOTICE OF WITHDRAWAL TO MANNKIND STOCK ADMINISTRATION NO LATER THAN 5:00 PM PACIFIC DAYLIGHT TIME ON AUGUST 6, 2008, OR IF MANNKIND EXTENDS THE OFFER, BEFORE 5:00 P.M. PACIFIC DAYLIGHT TIME ON THE EXTENDED EXPIRATION DATE VIA HAND DELIVERY, INTEROFFICE MAIL OR FACSIMILE TO (661) 775-5332.**

**MANNKIND STOCK ADMINISTRATION WILL SEND YOU AN EMAIL CONFIRMATION WITHIN THREE BUSINESS DAYS OF RECEIPT.**

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## INSTRUCTIONS TO THE NOTICE OF WITHDRAWAL

### **1. Delivery of Notice of Withdrawal.**

A properly completed and executed Notice of Withdrawal must be delivered to MannKind Stock Administration at 28903 North Avenue Paine, Valencia, CA 91355, via hand delivery, interoffice mail or facsimile at (661) 775-5332, on or before **5:00 p.m. Pacific Daylight Time on August 6, 2008**, or if MannKind extends the Offer, before 5:00 p.m. Pacific Daylight Time on the extended expiration date (the Expiration Date).

***The method by which you deliver any required documents is at your option and risk, and the delivery will be deemed made only when actually received by the Company. You should allow sufficient time to ensure timely delivery.***

Although by submitting a Notice of Withdrawal of your election, you have withdrawn your election to exchange your Eligible Option Grants, you may change your mind and re-accept the Offer at any time prior to 5:00 p.m. Pacific Daylight Time on the Expiration Date. If the Company extends the Expiration Date, you may elect to accept the Offer at any time until 5:00 p.m. Pacific Daylight Time on the new Expiration Date. To change your election, you must deliver a new signed and dated Election Form in accordance with its instructions to the Company before the Expiration Date. Your options will not be properly exchanged for purposes of the Offer unless you again elect to accept the Offer before the Expiration Date by delivery of the new Election Form following the procedures described in the Instructions to the Election Form.

**If you do not wish to withdraw your election IN ITS ENTIRETY, you should not fill out this Notice of Withdrawal. If you wish to change your election with respect only to particular Eligible Option Grants, then you should complete and deliver a new Election Form instead.** As noted in the Offer, you may select Eligible Option Grants to be exchanged for a reduced number of Restricted Stock Units. You do not have to exchange all your Eligible Option Grants, but for each individual Eligible Option Grant you do choose to exchange, you must cancel the entire outstanding, unexercised portion. You may change your mind about which Eligible Option Grants you would like to exchange at any time before 5:00 p.m. Pacific Daylight Time on the Expiration Date. If the Company extends the Offer beyond that time, you may change your election regarding particular Eligible Option Grants you elected to exchange at any time until 5:00 p.m. Pacific Daylight Time on the new Expiration Date. To change your election regarding any particular Eligible Option Grants you previously elected to exchange while continuing to elect to participate in the Offer, you must deliver a signed and dated new Election Form, with the required information, following the procedures described in its Instructions. You must indicate on the new Election Form that it replaces a previously submitted Election Form in the check box provided on the form. Upon the receipt of such a new, properly filled out, signed and dated Election Form, any previously submitted Election Form will be disregarded and will be considered replaced in full by the new Election Form.

**2. Other Information on This Notice of Withdrawal.** In addition to signing this Notice of Withdrawal, you must print your name and indicate the date and time at which you signed. You must also include your employee identification number or your social security number, as appropriate.

**3. Requests for Assistance or Additional Copies.** Any questions or requests for assistance, as well as requests for additional copies of the Offer to Exchange or this Notice of Withdrawal, should be directed to Stock Administration at MannKind Corporation, 28903 North Avenue Paine, Valencia, CA 91355, telephone number (661) 775-5595, or stockadmin@mannkindcorp.com.

## EMAIL CONFIRMING RECEIPT OF NOTICE OF WITHDRAWAL FORM

This email confirms our receipt of your Notice of Withdrawal rejecting MannKind Corporation's Offer to Exchange Outstanding Options to Purchase Common Stock dated July 9, 2008 (the "Offer") and nullifying your previously submitted Election Form. **Please note that the Notice of Withdrawal completely withdraws you from participation in the Offer and cannot be used to make changes to your previously submitted Election Form. If you would like to change your election with respect to particular options only, you should submit a new Election Form instead.**

In addition, you may change your mind and re-accept the Offer by completing and delivering a new Election Form at any time prior to **5:00 p.m. Pacific Daylight Time on August 6, 2008**, or if MannKind Corporation extends the Offer, before 5 p.m. Pacific Daylight Time on the extended Expiration Date. Election Forms can be found at <http://forefront/hr/benefits1.1/optionexchange> and must be delivered to Stock Administration according to their instructions.

You may email questions about the Offer to [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com) or call (661) 775-5595.

EMAIL REMINDER RE OFFER DEADLINE

To All MannKind Optionholders Eligible to Participate in the Offer to Exchange:

REMINDER — If you are electing to exchange any of your Eligible Option Grants under the Stock Option Exchange Program, the deadline to deliver your Election Form to Stock Administration is **August 6, 2008 at 5:00 p.m. Pacific Daylight Time**.

A copy of the Election Form along with instructions for completing and delivering the form can be found at <http://forefront/hr/benefits1.1/optionexchange> or by contacting Stock Administration. We cannot accept late submissions, and therefore we urge you to respond early to avoid any last minute problems.

If you are not electing to tender any of your outstanding Eligible Option Grants for exchange, then no action is required on your part.

If you have questions regarding the Stock Option Exchange Program, contact Stock Administration at (661) 775-5595 or [stockadmin@mannkindcorp.com](mailto:stockadmin@mannkindcorp.com).



**MANNKIND CORPORATION  
2001 STOCK AWARDS PLAN**

**STOCK OPTION AWARD**

This Stock Option Award (“Award”) is made as of the Date of Grant indicated below by MannKind Corporation, a Delaware corporation (the “Company”), for the benefit of the person named below as Grantee.

WHEREAS, Grantee is a director, employee or consultant of the Company and/or one or more of its affiliates; and

WHEREAS, pursuant to the Company’s 2001 Stock Awards Plan (the “Plan”), the Board of Directors of the Company (the “Board”) or the Committee thereof appointed by the Board to administer the Plan (the “Committee”) has approved the grant to Grantee of an option to purchase shares of the Common Stock, par value \$.01 per share, of the Company (the “Common Stock”), on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants set forth herein, the Company hereby agrees, and by accepting this Award the Grantee agrees, as follows:

1. Grant of Option; Certain Terms and Conditions. The Company hereby grants to Grantee, as of the Date of Grant indicated below, an option to purchase all or any portion of the number of shares of Common Stock indicated below (the “Option Shares”) as to which the Option has become exercisable at the Exercise Price per share indicated below, which option shall expire at 5:00 o’clock p.m., Los Angeles time, on the Expiration Date indicated below and shall be subject to all of the terms and conditions set forth in this Award (the “Option”). Subject to the provisions of Section 14, on each anniversary of the Vesting Determination Date, the Option shall become exercisable to purchase that number of Option Shares (rounded to the nearest whole share) equal to the total number of Option Shares multiplied by the Annual Vesting Rate indicated below.

Grantee:	[_____]
Date of Grant:	[_____]
Vesting Determination Date	[_____]
Number of shares purchasable:	[_____]
Exercise Price per share:	\$_[_____]
Expiration Date:	[_____]
Annual Vesting Rate:	[_____]%

The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code.

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## 2. Termination of Option.

### (a) Termination of Employment or Arrangement.

(i) Retirement. If Grantee shall cease to be a director, employee or consultant of the Company or any of its affiliates (as defined in the Plan) (whichever such status Grantee held on the Date or Grant), as determined by the Board or the Committee (such event shall be referred to herein as the "Termination" of Grantee's "Employment") by reason of Grantee's retirement in accordance with the Company's or any applicable employer's then-current retirement policy ("Retirement"), then (A) the Option shall terminate on the earlier of the Expiration Date or the date of such Retirement as to the number of Option Shares for which it has not then become exercisable and (B) the Option shall terminate as to the number of Option Shares for which it has then become exercisable upon the earlier of the Expiration Date or 30 days after the date of such Retirement. If Grantee is both an employee and a director or consultant, "Termination of Grantee's Employment" shall refer to termination of his or her status as an employee. The date of Grantee's Retirement shall be the date Grantee ceases to provide services to the Company regardless of whether Grantee continues on the Company's payroll for some time thereafter; provided, however, that the Board or the Committee may extend said 30 day period for a period not to exceed three months commencing from the date of Retirement but not in any event beyond the Expiration Date. In no event, however, shall any such adjustment be made as to the Option Shares as to which the Option is intended to be treated as an Incentive Stock Option, if any, to the extent the adjustment would result in the Option being treated as other than an Incentive Stock Option as to those shares.

(ii) Death or Permanent Disability. If Grantee's Employment is Terminated by reason of the death or Permanent Disability (as hereinafter defined) of Grantee, then (A) the Option shall terminate on the earlier of the Expiration Date or the date of such Termination as to the number of Option Shares for which it has not then become exercisable and (B) the Option shall terminate as to the number of Option Shares for which it has then become exercisable upon the earlier of the Expiration Date or the first anniversary of the date of such Termination of Employment. "Permanent Disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Grantee shall not be deemed to have a Permanent Disability until proof of the existence thereof shall have been furnished to the Board in such form and manner, and at such times, as the Board may require. Any determination by the Board that Grantee does or does not have a Permanent Disability shall be final and binding upon the Company and Grantee.

(iii) Other Termination. If Grantee's Employment is Terminated for no reason, or for any reason other than Retirement, death or Permanent Disability, then (A) the Option shall terminate on the earlier of the date of the Expiration Date or the date of such Termination as to the number of Option Shares for which it has not then become exercisable and (B) the Option shall terminate as to the number of Option Shares for which it has then become exercisable upon the earlier of the Expiration Date or 30 days after the date of such Termination of Employment, which Termination date shall be the date Grantee ceases to provide services to the Company regardless of whether Grantee continues on the Company's payroll for some time thereafter.

(b) Death Following Certain Terminations of Employment. Notwithstanding anything to the contrary in this Award, if Grantee shall die at any time after the Termination of his or her Employment and prior to the earlier of the Expiration Date or the date the Option would terminate as to Option Shares for which it is then exercisable pursuant to clauses (a)(i) or (iii) above, then,

notwithstanding clauses (a)(i) or (iii) above, to the extent that the Option was exercisable on the date of such death the Option shall terminate on the earlier of the Expiration Date or the first anniversary of the date of such death.

(c) Other Events Causing Termination of Option. Notwithstanding anything to the contrary in this Award, the Option shall terminate upon the consummation of any of the following events:

(i) the dissolution or liquidation of the Company; or

(ii) a reorganization, merger or consolidation of the Company as a result of which the outstanding securities of the class then subject to the Option are exchanged for or converted into cash, property and/or securities not issued by the Company unless provision is made in writing in connection with any such transaction for the assumption of the Option or the substitution for the Option of a new option covering the securities of a successor entity, or a parent or subsidiary thereof, or of the Company, with appropriate adjustments as to the number and kind of shares and prices; or

(iii) a sale of substantially all of the property and assets of the Company.

### 3. Adjustments; Acceleration Upon a Change in Control.

(a) Adjustments. In the event that the outstanding securities of the class then subject to the Option are increased, decreased or exchanged for or converted into a different number or kind of shares or securities of the Company as a result of a reorganization, merger, consolidation, recapitalization, combination, reclassification, stock dividend, stock split, reverse stock split or the like, then, unless such event shall cause the Option to terminate pursuant to Section 2(c) hereof or the terms of such transaction shall provide otherwise, the Board or the Committee may make appropriate and proportionate adjustments in the number and type of shares or other securities of the Company that may thereafter be acquired upon the exercise of the Option; provided, however, that any such adjustments in the Option shall be made without changing the aggregate Exercise Price of the then unexercised portion of the Option.

(b) Acceleration Upon a Change in Control. Notwithstanding any contrary waiting period or installment period in this Award, the Option shall become exercisable in full for the aggregate number of Option Shares covered hereby, or shall vest unconditionally, in the event of (i) the acquisition by any single entity or group of at least fifty percent (50%) of the outstanding voting securities of the Company or (ii) a sale of all or substantially all of the assets of the Company to another person or entity other than an affiliate of the Company, or a reorganization, merger, business combination or consolidation of the Company as a result of which at least fifty percent (50%) of the voting securities of the Company or its successor are held, directly or indirectly, by persons or entities who did not hold at least fifty percent (50%) of the voting securities of the Company immediately prior to such transaction. For purposes of (i) above, "group" shall have the meaning set forth in Rule 13d-5 of the Securities and Exchange Commission under the Exchange Act, and shall include as to each person, entity or group, each "affiliate" of that person, entity or group, as that term is defined in Rule 12b-2 of the Securities and Exchange Commission under the Exchange Act. The terms "person," "entity" and "group" as used in (i) above shall not include the Company or any of its subsidiaries, any employee benefit plan of the Company or any of its subsidiaries, any entity holding voting securities of the Company for or pursuant to the terms of any such plan or any person, entity or group succeeding to the ownership of all or any portion of the shares presently owned beneficially by Alfred E. Mann who is his lawfully appointed executor, administrator, guardian or custodian, his spouse or any of his issue, any trust, partnership, corporation or entity in which any of the foregoing have (individually or in the aggregate) more than fifty percent (50%) of the beneficial interest or any charitable foundation established by Mr. Mann or any of the foregoing persons or entities. Securities will be deemed to constitute fifty percent (50%) of the voting securities of

the Company or its successor if the holders thereof collectively have the power to elect at least fifty percent (50%) of the directors or, if the successor is not a corporation, fifty percent (50%) of the other analogous controlling persons. In order to permit the Grantee to receive the same consideration as a result of such event as would the holder of the outstanding shares of Common Stock of the Company, the Grantee will have the right to give notice of the exercise of the Option in advance of the occurrence of the events described in (i) or (ii) above effective upon the occurrence of such event, and any such exercise shall be deemed effective upon the occurrence of the event and prior to any termination of the Award as a result of the event.

4. Exercise. The Option shall be exercisable during Grantee's lifetime only by Grantee or by his or her guardian or legal representative, and after Grantee's death only by the person or entity entitled to do so under Grantee's last will and testament or applicable intestate law. The Option may not be exercised with respect to any fractional share; cash shall be paid in lieu of fractional shares. The Option may only be exercised by the delivery to the Company of a written notice of such exercise, which notice shall be in a form reasonably satisfactory to the Company and shall specify the number of Option Shares to be purchased (the "Purchased Shares") and the aggregate Exercise Price for such shares (the "Exercise Notice"). By delivering the Exercise Notice, the Grantee shall be deemed to have agreed to pay or cause to be paid, and shall so pay or cause to be paid, in full such aggregate Exercise Price within five (5) business days of receipt by the Company of the Exercise Notice. Such payment shall be in cash or by wire transfer or check payable to the Company; provided, however, that payment of such aggregate Exercise Price may instead be made, in whole or in part, by the delivery to the Company concurrently with the Exercise Notice of a certificate or certificates representing shares of Common Stock of the Company duly endorsed or accompanied by duly executed stock powers, which delivery effectively transfers to the Company good and valid title to such shares, free and clear of any pledge, commitment, lien, claim or other encumbrance (such shares to be valued on the basis of the aggregate Fair Market Value thereof on the date of such exercise), provided that the Company is not then prohibited from purchasing or acquiring such shares of capital stock of the Company by law or any judgment, decree, order or agreement to which it is subject or by which it is bound.

As promptly as practicable following the receipt of an Exercise Notice hereunder, the Company shall issue a stock certificate registered in the name of the Grantee or his or her designee, representing the number of Purchased Shares issued to the Grantee upon exercise of the Option.

5. Payment of Withholding Taxes. If the Company becomes obligated to withhold an amount on account of any tax imposed as a result of the exercise of the Option, including, without limitation, any federal, state, local or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax, then, by exercising the Option Grantee shall be deemed to have agreed to pay or cause to be paid, and shall pay or cause to be paid, such amount required to be withheld in cash or by wire transfer or check, concurrently with paying the cash portion of the Exercise Price. If the Grantee sells or otherwise transfers Option Shares before the expiration of one year after the date of exercise of the Option or two years after the date of grant of the Option, the Grantee will notify the Company in writing of the sale or transfer and provide to the Company information as to the price at which the Option Shares were sold and such other information as the Company may reasonably request.

6. Notices. All notices and other communications required or permitted to be given pursuant to this Award shall be in writing and shall be deemed given if delivered personally or five days after mailing by certified or registered mail, postage prepaid, return receipt requested, to the Company at 12744 San Fernando Road, Sylmar, CA 91342, Attention: Corporate Secretary, or to Grantee at the residence address of Grantee set forth in the records of the Company, or at such other addresses as they may designate by written notice in the manner aforesaid.

7. Stock Exchange Requirements; Applicable Laws. Notwithstanding anything to the contrary in this Award, no shares of stock purchased upon exercise of the Option, and no certificate representing all or any part of such shares, shall be issued or delivered if (a) such shares have not been admitted to listing upon official notice of issuance on each stock exchange upon which shares of that class are then listed, (b) such shares have not been listed on any automated quotation system (including the Nasdaq National Market and the Nasdaq Small Cap Market) on which shares of that class are quoted or (c) in the opinion of counsel to the Company, such issuance or delivery may cause the Company to be in violation of or to incur liability under any federal, state or other securities law, or any requirement of any stock exchange listing agreement to which the Company is a party, or any other requirement of law or of any administrative or regulatory body having jurisdiction over the Company.

8. Nontransferability. Neither the Option nor any interest therein may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner other than by will or the laws of descent and distribution. By accepting the Option, the Grantee, for himself or herself and his or her transferees by will of the laws of descent and distribution, acknowledges that the shares subject to the Option have not been registered under the Securities Act of 1933 and, when issued, will constitute "restricted securities" within the meaning of Rule 144 of the Securities Exchange Commission under said Act. Optionee further acknowledges his or her understanding that, as a result, such shares may not be sold by him or her except in compliance with the registration requirements of said Act or an exemption therefrom. The Company may, or may instruct its transfer agent to, restrict further transfer of the shares in its records except upon receipt of satisfactory evidence that said restrictions on transfer of the shares have been satisfied. Upon each exercise of any portion of the Option, any certificate evidencing the shares purchased shall bear an appropriate legend on the face thereof evidencing such restrictions, and the Company may require the person entitled to exercise the Option to furnish evidence satisfactory to the Company, including a written and signed representation, to the effect that the shares are being acquired subject to said restrictions.

9. Plan. The Option is granted pursuant to the Plan, as in effect on the Date of Grant, and is subject to all the terms and conditions of the Plan, as the same may be amended from time to time; provided, however, that no such amendment shall deprive Grantee, without his or her consent, of the Option or of any of Grantee's rights under this Award. The interpretation and construction by the Board or the Committee of the Plan, this Award, the Option and such rules and regulations as may be adopted by the Board or the Committee for the purpose of administering the Plan shall be final and binding upon Grantee. Until the Option shall expire, terminate or be exercised in full, the Company shall, upon written request therefor, send a copy of the Plan, in its then-current form, to Grantee or any other person or entity then entitled to exercise the Option.

10. Stockholder Rights. No person or entity shall be entitled to vote, receive dividends or be deemed for any purpose the holder of any shares until the Option shall have been duly exercised to purchase such Option Shares in accordance with the provisions of this Award.

11. Employment Rights. No provision of this Award or of the Option granted hereunder shall (a) confer upon Grantee any right to continue in the employ of, or in its current arrangement with, the Company or any of its affiliates, (b) affect the right of the Company and each of its affiliates to terminate the employment of Grantee, or such arrangement, with or without cause, or (c) confer upon Grantee any right to participate in any employee welfare or benefit plan or other program of the Company or any of its affiliates other than the Plan. **Grantee, if he or she is an employee of the Company or any of its affiliates, hereby acknowledges and agrees that the Company and each of its affiliates may terminate the employment of Grantee at any time and for any reason, or for no reason, unless Grantee and the Company or such subsidiary are parties to a written employment agreement that expressly provides otherwise.**

12. Governing Law. This Award and the Option granted hereunder shall be governed by and construed and enforced in accordance with the substantive laws of the State of California (excluding the provisions of such law relating to choice of law).

13. Fair Market Value. The "Fair Market Value" of a share of Common Stock or of a share of another class of capital stock of the Company on any day shall be equal to the last sale price, regular way, of such a share on the business day preceding such day or, in case no such sale takes place on such day and there were sales within a reasonable period before the date for which the Fair Market Value is to be determined, the mean between the lowest and highest sale prices, regular way, on the nearest date before the date as of which the Fair Market Value is to be determined, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which such shares are listed or admitted to trading or, if the shares trade in the Nasdaq National Market, then in that Market, or, if such shares are not listed or admitted to trading on any national securities exchange or the Nasdaq National Market, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use. If none of the foregoing provisions for determining Fair Market Value are applicable, the Fair Market Value will be determined by the Board or the Committee taking into account the prices at which the shares of other comparable companies, if any, are being traded (subject to appropriate adjustment for the dissimilarities between the companies being compared), the earnings history, book value and prospects of the Company and other factors deemed relevant by the Board or Committee.

14. Failure to Obtain Stockholder Approval. No Option Shares may be issued under this Award until the Plan has been approved by a majority vote of the holders of the outstanding shares of Common Stock of the Company at a meeting duly held or by written consent in accordance with the laws of the State of Delaware. This Award shall be deemed rescinded if such stockholder approval is not obtained within 12 months after the date upon which the Plan was approved by the Board of Directors of the Company.

IN WITNESS WHEREOF, the Company has duly executed this Award as of the Date of Grant.

**MANKIND CORPORATION**

By: \_\_\_\_\_  
Name: [ \_\_\_\_\_ ]  
Title: [ \_\_\_\_\_ ]