

**COMPENSATION COMMITTEE CHARTER**  
**of the Compensation Committee**  
**of Somaxon Pharmaceuticals, Inc.**

This Compensation Committee Charter was adopted by the Board of Directors (the “*Board*”) of Somaxon Pharmaceuticals, Inc. (the “*Company*”) on November 29, 2005.

**I. Purpose**

The purpose of the Compensation Committee (the “*Committee*”) of the Board of the Company is (1) to discharge the Board’s responsibilities relating to compensation of the Company’s executives, including by designing (in consultation with management or the Board), approving, recommending to the Board for approval and evaluating the compensation plans, policies and programs of the Company and (2) to produce an annual report on executive compensation for inclusion in the Company’s proxy materials in accordance with applicable rules and regulations. The Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability and assure that employee interests are aligned with the interests of the Company’s stockholders.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law and consistent with this Charter, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

**II. Membership**

The Committee shall be composed of at least three directors as determined by the Board, none of whom shall be an employee of the Company and each of whom shall (1) satisfy the independence requirements of the Nasdaq Stock Market, (2) be a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the “1934 Act”), and (3) be an “outside director” under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “*Code*”).

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board on the recommendation of the Nominating/Corporate Governance Committee. Committee members may be removed from the Committee, with or without cause, by the Board.

**III. Meetings and Procedures**

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis at least two times per year and more frequently as the Committee deems necessary or desirable.

The Committee may, in its discretion, invite other directors of the Company, members of the Company's management, representatives of the independent auditor, the internal auditor, if any, any other financial personnel employed or retained by the Company, the internal and/or external legal counsel to the Company or any other person whose presence the Committee believes to be desirable and appropriate to attend and observe meetings of the Committee. Such persons shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may exclude from its meetings any person it deems appropriate, including, but not limited to, any non-management director that is not a member of the Committee.

The Committee shall have the sole authority, as it deems appropriate, to retain and/or replace, as needed, any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee in its sole discretion, for payment of compensation to any such persons retained by the Committee.

The Chair shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

#### **IV. Duties and Responsibilities**

1. The Committee shall, at least annually, review the compensation philosophy of the Company.
2. The Committee shall, at least annually, review and approve corporate goals and objectives relating to the compensation of the chief executive officer, evaluate the performance of the chief executive officer in light of those goals and objectives and determine and approve the compensation of the chief executive officer based on such evaluation. The Committee shall have sole authority to determine the chief executive officer's compensation.
3. The Committee shall, at least annually, review and approve all compensation for all executive officers, other officers (as such term is defined in Rule 16a-1, promulgated under the 1934 Act), vice presidents and all other employees of the Company or its subsidiaries with a base salary greater than or equal to \$200,000. The Committee shall also review and approve all officers' employment agreements and severance arrangements.
4. The Committee shall, at least annually, review and recommend to the board all compensation for any director (i.e., member of the Board) of the Company.
5. The Committee shall have the authority to periodically engage in a general review of base compensation levels for all other employees of the Company.
6. The Committee shall have the authority to periodically review and approve all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans (including 401(k), employee stock purchase plan and others), and with respect to each plan shall have the authority to:
  - (i) conduct general administration;

- (ii) set performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m);
- (iii) confirm that any and all performance targets used for any performance- based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plan(s);
- (iv) approve all amendments to, and terminations of, all compensation plans and any awards under such plans;
- (v) grant any awards, under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers or current employees with the potential to become the chief executive officer or an executive officer, including stock options and other equity rights (e.g., restricted stock, stock purchase rights);
- (vi) make recommendations to the Board with respect to awards for the Company’s directors under the Company’s equity incentive plan(s); and
- (vii) repurchase securities from terminated employees, other than ordinary course repurchases of shares issued upon the early exercise of stock options in connection with the termination of an employee’s employment.

The Committee’s authority to conduct plan reviews may include reviewing the plan’s administrative costs, reviewing current plan features relative to any proposed new features, and assessing the performance of the plan’s internal and external administrators if any duties have been delegated.

7. The Committee shall have the authority to establish and periodically review policies concerning perquisite benefits.

8. The Committee shall have the authority to periodically review the need for a Company policy regarding compensation paid to the Company’s executive officers in excess of limits deductible under Section 162(m) of the Code.

9. The Committee shall have the authority to determine the Company’s policy with respect to change of control or “parachute” payments.

10. The Committee shall have the authority to review and approve executive officer and director indemnification and insurance matters.

11. The Committee shall review and approve any employee loans; provided that no such review or approval shall be necessary in the case of ordinary course loans under the Company’s 401(k) or similar employee savings plans.

12. The Committee shall prepare and approve the Compensation Committee report to be included as part of the Company's annual proxy statement (the "***Proxy Statement Report***").

13. The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and report to the Board with respect to such evaluation, including any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.

14. The Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

## **V. Delegation of Duties**

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, except that it shall not delegate its responsibilities set forth in paragraphs 3, 4 and 6 of Section IV above or for any matters that involve executive compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code by virtue of being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the 1934 Act pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."

The Committee may delegate and grant authority to the chief executive officer and/or a committee of other executive officers to grant awards under the Company's equity incentive plan(s) to the Company's employees holding positions below the level of vice president.