

ARQULE, INC.

CHARTER OF THE COMPENSATION, NOMINATING AND  
GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

November 2002

Revised: January 2004 and May 2005

Purpose

The purpose of this Committee is to provide advice and direction to the Board of Directors concerning the Company's compensation philosophy and policies, in general, and, in particular, compensation of directors and officers of the Company. It will advise the Board of Directors regarding succession planning for the Chief Executive Officer and nominations for additional or replacement directors. It will also periodically assess, or insure that the Board assesses, the Board as a body as well as individual members of the Board.

Responsibilities

The Committee is responsible for reviewing and recommending an overall executive compensation strategy and a specific executive compensation plan. The objectives of the strategy and plan are to attract and retain the best possible executive talent, to motivate the Company's executives to achieve the goals inherent in its business strategy, to link executive and stockholder interests through equity-based plans and, to provide a compensation package that recognizes individual contributions as well as corporate, scientific, technical and financial performance.

The Committee will recommend on the appropriate mix of elements of executive compensation including base salary, performance-based bonuses and stock options while taking into account the full compensation package afforded to the individual, including insurance and other employee benefits. The Committee will also make recommendations concerning the appropriate linkage of executive compensation to individual and corporate performance and financial returns to stockholders.

The Committee is also responsible for reviewing and making recommendations concerning an appropriate compensation structure for the Company's employees, including cash, benefits and equity compensation.

In addition, the Committee is responsible for governance and nomination matters including but not limited to (a) developing a succession plan for the Chief Executive Officer, (b) the annual performance appraisal of the Chief Executive Officer, Chief Financial Officer, and any other member of senior management selected for such appraisal by the Committee, (c) the annual performance appraisal of the Board and its members, and (d) the identification and process of selection of new members of the Board of Directors, as such need arises, including the evaluation of candidates recommended by stockholders in accordance with the Company's By-laws.

In order to facilitate fulfillment of its responsibilities, the Committee is authorized, at the Company's expense, to retain independent legal counsel and compensation consultants and experts for this purpose. The Company shall provide the Committee with appropriate funding to pay such experts and advisors retained by the Committee.

### Membership

The Committee shall be comprised of not fewer than two members of the Company's Board of Directors, each of whom shall meet the independence and any other relevant requirements of the Nasdaq National Stock Market, the Securities Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission. The Chairman of the Board will nominate new members to the Committee from time to time, for ratification by the entire Board of Directors.

The Vice President of Human Development of the Company will provide support to the Committee as needed and as requested. The Committee will work with the Vice President of Human Development to develop proposals for consideration of the Board of Directors.

### Operations

The Committee will determine the regularity and venue of its meetings. The Chairman of the Board of Directors will nominate the chairperson of the Committee, for ratification by the entire Board. The Committee's chairperson will determine the method by which decisions will be made by the Committee and under what circumstances (e.g., consensus, supermajority, majority).

### Communications and Output

Resolutions of the Committee will be captured in minutes which will be filed with the records of the meetings of the Committees of the Board of Directors.

*This Charter was adopted by the Board of Directors on January 16, 2003 and revised on January 15, 2004 and May 11, 2005.*