



ARQULE
Corporate Code of Conduct

As CEO of ArQule, I am very proud of the reputation we have developed for honesty, integrity and fairness in our dealings with one another, our shareholders and our communities. This positive reputation is one of the Company's most valuable assets and preserving it is one of our most important responsibilities. I know that each of us will work to maintain the standards of honesty and integrity that have made ArQule a place where we can be proud to work.

Our Corporate Code of Conduct requires us to conduct our business in a manner consistent with our values and in accordance with applicable laws and regulations. Below, I have provided guidance on how to meet these objectives and described the procedure, should the need arise, to report possible violations of law or of this Code by persons within the Company.

I hope that these guidelines will help each of us live up to our responsibilities and choose correctly when we are faced with difficult decisions. I sincerely believe that the more we are aware of ethical issues in our work and the more we recognize how important our values are to ArQule's success, the brighter our future will be.

OVERVIEW

Each of us must observe the highest standards of conduct in our interaction with collaborators, shareholders, suppliers, regulators, fellow employees and the general public. The issues we confront in our jobs at ArQule are often complex. As good corporate citizens, we are expected to use sound judgment and common sense. If you have any uncertainty about applicable legal and regulatory matters or ethical business behavior, you should seek advice from the Vice President of Human Development, who has been designated as ArQule's Ethics Officer, or myself. In order to assist you, ArQule has developed written policies governing the conduct of business affairs of the Company. The following policies are intended to further the goals of this Corporate Code of Conduct and therefore are linked and incorporated by reference by this linkage:

[CONFLICT OF INTEREST POLICY](#)

[CORPORATE COMMUNICATIONS AND BUSINESS RECORD KEEPING POLICY](#)

[INSIDER TRADING POLICY](#)

[COMPLIANCE ENFORCEMENT POLICY](#)

In addition, this Corporate Code of Conduct contains links to other policies relevant to the topic being discussed which may be accessed by employees clicking on those links.

BUSINESS CONDUCT

In this document I have devoted space to some of the principal areas where our conduct is most visible. It is not possible, however, in this document or in the policies to which it refers to give examples of all issues or the circumstances in which they may arise so it is important that we have a set of core principles that we can apply in a variety of business situations.

Honesty

We should tell the truth in business communications. People and companies that tell the truth earn respect and trust from those with whom they interact in business.

Integrity

In our business dealings we should conform to high standards of ethical behavior and integrity. It is not enough to talk about these values. They must govern our actions.

Fairness

We must treat our fellow employees and our customers, collaborators, shareholders, suppliers and others with whom we have dealings in a fair and even handed way.

As we make business decisions, we must ask ourselves:

- Are my actions legal and ethical?
- Are my actions consistent with my duty of loyalty to the Company?
- What are the consequences of my actions to ArQule's shareholders and my fellow employees?
- Can I honestly defend my actions if called upon?
- Would I be comfortable if my actions were widely known?

COMPLIANCE WITH LAWS AND REGULATIONS

In addition to general standards of behavior, there are specific legal and regulatory requirements with which we must strictly comply.

Knowledge of Laws and Regulations

You should be familiar with the basic legal and regulatory requirements that apply to your duties on the job. To help you familiarize yourself with laws and regulations that apply to us and ArQule, we provide training and access to source material. In addition, we encourage you to ask questions of your supervisors and ArQule's Ethics Officer. One's actions are not excused by ignorance of the law. Inadvertent lawbreaking can have the same adverse consequences as intentional lawbreaking.

Environmental, Health And Safety

ArQule is committed to excellence in its environmental, health and safety (EH&S) performance. Again, this is a responsibility of all of us at ArQule.

The Company is subject to the requirements of EH&S laws and regulations at the federal, state and local levels. These include laws and regulations designed to protect employees, encourage judicious use of natural resources, minimize impacts to the environment, and manage the transportation, storage and disposal of hazardous materials and wastes.

ArQule expects all employees to comply with laws designed to protect health, safety and the environment, to obtain and fully observe all necessary permits and to be truthful in dealing with the regulatory agencies which enforce these laws.

For additional information, see [EH&S POLICY](#)

Conflicts Of Interest

ArQule recognizes that employees may take part in legitimate financial, business and other activities outside their jobs. However, those activities must be lawful and not harm ArQule's interests. Any actual or potential personal or private business interests that might adversely influence our judgment must be handled honestly, ethically and in accordance with our procedures. We are expected to avoid situations even where they may be only an appearance of a conflict of interest. If you are unsure whether a conflict exists, or how to resolve a conflict, you should consult ArQule's Ethics Officer.

We must not misuse or discredit ArQule's resources, good name or reputation. The effectiveness of this Policy depends in large part on the cooperation of each of us in disclosing any situation that may be contrary to the intent of this Corporate Code of Conduct and the ethical standards that it expresses.

For additional information, see [CONFLICT OF INTEREST POLICY](#)

Trading Stock & Securities

Federal law and ArQule policy prohibit employees, directly or indirectly through their families or others, from purchasing or selling Company securities while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information.

Material, non-public information is any information which could reasonably be expected to affect the price of a stock. If you are considering buying or selling stock because of inside information you possess, you should assume that such information is material. It is also important you keep in mind that if any trade you make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, you should always carefully consider how your trade would look from this perspective. It is imperative that you read the full text of our Insider Trading Policy. If you are

unsure whether a potential trade could run afoul of these rules, you should seek advice from ArQule's Head of Finance.

For additional information, see [INSIDER TRADING POLICY](#)

Political Activity And Contributions

It is Company policy that no corporate funds may be used to make political contributions of any kind to any candidate or political party. This prohibition covers not only direct contributions but also indirect assistance or support of candidates or political parties through the purchase of tickets to fund-raising events, and the furnishing of any other goods, services or equipment to political parties or committees. However, the policy does not prohibit the formation of a Political Action Committee sponsored by the Company to the extent that federal and state law permits it. Political contributions or activities by individuals on their own behalf are, of course, permissible. Bear in mind that you will not be reimbursed directly or indirectly by the Company for any political contribution or for the cost of attending any political event.

For additional information, see [POLITICAL ACTIVITY POLICY](#)

Employment Matters

ArQule is committed to fair employment practices, including prohibition of unlawful harassment, including sexual harassment, and all forms of illegal discrimination. ArQule has separate policies and procedures for dealing with these matters, as to which all employees are advised.

Protecting ArQule Assets

As ArQule employees, each of us has a direct role in helping to maintain the Company's financial integrity. We must safeguard Company property, whether it is a piece of equipment, an electronic file, intellectual property or confidential information about an upcoming transaction. In addition, our financial integrity requires keeping accurate records of our business activities.

Among ArQule's most valuable assets is its intellectual property – patents, trade secrets, trademarks, copyrights and other proprietary information. It is ArQule's policy to establish, protect, maintain and defend its rights in all commercially significant intellectual property. You must take all reasonable measures to safeguard these assets.

In addition to protecting ArQule's intellectual property rights, we must respect the valid intellectual property rights of others. Unauthorized use of the intellectual property rights of others may expose ArQule and individual employees to civil lawsuits and damages and, in some cases fines and criminal penalties.

For additional information, see [IP POLICIES AND PROCEDURES](#)

Gifts and Business Courtesies

The purpose of business entertainment (including meals) and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with suppliers, customers or others. ArQule employees should never offer, give, provide or accept a gift that is in the form of cash, is inconsistent with customary business practices, is excessive in value, could be construed as a bribe or payoff or violates any laws or regulations.

Gifts, gratuities, or courtesies of modest value that are part of ordinary business practice, such as an occasional meal, are usually acceptable. Useful tests for determining a gift's inappropriateness are: if the gift would create embarrassment or obligation for the giver or receiver, and if the action would not stand up to public scrutiny. In receiving gifts, employees must ask themselves whether one purpose of a gift is intended to influence, or appear to influence, business decisions and would thereby compromise their ability to act in the best interests of ArQule. The same tests of integrity should be applied to gifts an ArQule employee is considering offering to a customer or other person. We must avoid not only actual impropriety, but also the appearance of impropriety.

Grants, Medical Education and Scientific Consulting Relationships

ArQule may have opportunities to further medical practice and knowledge of our drugs and/or products by providing seminar sponsorship, research grants, speaker honoraria, training events, and scientific advisory participation or consulting. Payments and reimbursements for such activities are being increasingly scrutinized. They should be made only in accordance with applicable laws, rules, regulations, and medical/industry association guidelines, and must be fully disclosed in writing to and reviewed and approved in writing by me, or my designee, in advance of the commitment.

Payments to Others

ArQule employees may not give either directly or indirectly any bribes, kickbacks or other similar considerations to any person or organization to attract or induce business. All decisions regarding the purchasing of materials, supplies and services must be made on the basis of competitive price, quality and performance and in a way that preserves ArQule's integrity. Fees, commissions or other amounts paid to outside consultants, agents or other third parties must be fully disclosed in writing to, and reviewed and approved in writing by me, or my designee, in advance and must be legal, proper and reasonable in relation to customary commercial practice.

Payments to Government Officials

In addition, the U.S. government has a number of laws and regulations regarding business gratuities that may be accepted by U.S. government personnel. Because government officials are obligated to follow specific codes of conduct and laws, special care must be taken in government procurement. Some key requirements for doing business with government entities are:

- Not offering or accepting kickbacks, bribes, gifts, gratuities or anything else of value with the intent of obtaining favorable treatment from the recipient. A gratuity or

courtesy that is customary in the business sector (such as meals) may be perceived as a bribe by a government official.

- Hiring present and former government personnel and consultants only in compliance with applicable laws and regulations.

The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules.

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. All employees, regardless of which country they are based in, are strictly prohibited from making any payments to government officials, foreign political parties or candidates for political office or to any person who will facilitate any type of payment to such foreign official of any country. This does not apply to any fees charged by government or non-government bodies as required by law for the provision of a required service.

FDA and Related Matters

It is ArQule's policy to promote its drugs and products in a lawful and truthful manner. Some aspects of ArQule's promotion and marketing are or in the future may be subject to regulation. For example, in the United States, corporations may not promote drugs or medical products or indications that are not cleared or approved by the federal Food and Drug Administration. Unlawful promotion of medical products may also involve violations of securities laws and the federal False Claims Act, as well as bar the sale of products to government customers.

Officers and employees must report any adverse event or any other patient safety concern that may be related to an ArQule drug or product by contacting ArQule's Head of Regulatory Affairs. Reportable items include information that an officer or employee receives first-hand or that he or she receives from another source, whether oral or in writing, or from a health professional, consumer, or other party.

Violations of the United States Federal Food, Drug and Cosmetic Act can be subject to either civil or criminal sanctions. The Act has been interpreted by the courts to be a strict liability criminal statute. In other words, an officer or employee of ArQule can be found to have violated the Act even though there is no proof of an actual intent to violate the law. The failure of any employee of ArQule with the responsibility or authority either to prevent a violation or to correct promptly the violation upon discovery can expose ArQule and the individual to criminal liability.

For additional information, see [SERIOUS ADVERSE EVENTS IN CLINICAL TRIALS](#)

Medical Information and Confidentiality

ArQule is committed to following all applicable laws and regulations regarding confidentiality of medical information for employees and patients. Officers and employees with responsibility for or access to confidential employee or patient medical information must ensure that all records are safeguarded and that communications regarding such information are carefully controlled. Officers and employees with access to confidential patient information related to human clinical trials or drug or medication usage must ensure that such information is kept confidential in accordance with Company policies.

In some instances, HIPAA (Health Insurance Portability and Accountability Act) obligations may apply to company practices, such as our self-insured health plan(s). If you have questions as to when or whether HIPAA or some other confidentiality law, regulation or duty applies, contact the Ethics Officer.

For additional information, see [HIPAA PRIVACY COMPLIANCE PROGRAM AND PROCEDURES](#) and [CLINICAL PARTICIPANT HEALTH INFORMATION POLICY](#).

REPORTING VIOLATIONS OF COMPANY POLICIES

Reporting

The Company has established a system for reporting violations of applicable laws, regulations or Company policies, as well as any other suspected misconduct by any employee or representative of the Company.

For additional information, see section on Corporate Ethics Officer, on the next page, and/or [COMPLIANCE ENFORCEMENT POLICY](#).

Promise Of Non-Retaliation

ArQule will not permit any form of retaliation against any person who, in good faith, reports known or suspected violations of applicable laws, regulations or Company policies; however, coming forward will not absolve an employee from the consequences of misconduct. In addition, failure to bring violations of which one is aware to the attention of management is a violation of Company policy and could result in disciplinary action, including possible termination of employment.

Investigation Of Complaints

Every inquiry and complaint an employee makes under this Corporate Code of Conduct will be taken seriously. Each will be investigated to the extent appropriate. The employee may be provided general information about its resolution, depending on the circumstances.

DISCIPLINARY STANDARD

Any violation of your obligations under this Corporate Code of Conduct can subject you to serious disciplinary measures, including possible termination of your employment with ArQule.

Disciplinary action will also apply to supervisors or managers who are aware that employees they supervise engaged or are considering engaging in conduct prohibited by this Code and our Company policies, and do nothing to prevent it or otherwise fail to take appropriate corrective action. Supervisors and managers may also be subject to disciplinary action for their failure to effectively monitor the actions of their subordinates.

In addition, violations of legal and regulatory requirements may carry their own civil and criminal penalties, including fines and imprisonment.

WAIVERS OF THE CODE

Any waivers of this Code for executive officers and directors may be made only by the Board of Directors or an appropriate committee of the Board to whom the Board has delegated this responsibility, and must be promptly disclosed to stockholders in accordance with applicable Securities and Exchange Commission and Nasdaq rules and regulations.

CORPORATE ETHICS OFFICER

The Vice President of Human Development is our Corporate Ethics Officer. The Corporate Ethics Officer is responsible for administering the implementation and execution of this Corporate Code of Conduct, including:

- overseeing the implementation of this Code and related policies, practices and procedures;
- overseeing administration of and compliance with this Code, including enforcement and ensuring that appropriate disciplinary measures are consistently applied, as necessary;
- conducting investigations into reported violations of this Code;
- coordinating appropriate responses to misconduct and taking action to prevent a recurrence of any misconduct;
- coordinating any necessary training programs on topics covered by this Code; and
- answering questions and providing guidance to employees and directors regarding this Code.

If you have any questions or concerns about this Code or our Company policies or wish to make a complaint under this Code, you may contact the Corporate Ethics Officer in person by telephone at 781-994-0395, by email at compliance@arqule.com, or anonymously by calling 781-933-3710.

Yours truly,

Paolo Pucci

Chief Executive Officer

This Corporate Code of Conduct and the various policies to which it refers do not constitute an employment contract for any employee of ArQule and, except as explicitly provided, do not vary or modify the terms of employment of any ArQule employee, including the “terminable at will” nature of the employment relationship.

This version of the Corporate Code of Conduct was adopted by the Board of Directors of ArQule, Inc. on November 11, 2005.

CERTIFICATION

I certify that:

1. I have read and understand the Company's Corporate Code of Conduct, Conflict of Interest Policy and Policy Regarding Trading in ArQule Securities. I understand that the Ethics Officer is available to answer any questions I have regarding the Code of Conduct or Conflict of Interest Policy and the Head of Finance or Corporate Counsel is available to answer any questions concerning the Policy Regarding Trading in ArQule Securities.

2. Since the effective date of the Code, or such shorter period of time that I have been an employee of the Company, I have complied with the Code.

3. I will continue to comply with the Code for as long as I am subject to it.

Signature: _____

Date: _____

Print name: _____

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