

**ARQULE, INC.**  
**CHARTER**  
**OF**  
**THE COMPENSATION, NOMINATING AND GOVERNANCE COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**January 22, 2014**

This Charter was adopted by the Board of Directors of ArQule, Inc. All of the provisions of this Charter became effective upon adoption. The Compensation, Nominating and Governance Committee shall review and reassess this Charter as necessary, but no less frequently than annually, and recommend any necessary changes to the Board.

I. Purposes

The purposes of the Compensation, Nominating and Governance Committee (the “Committee”) of the Board of Directors of ArQule, Inc. (the “Board”) are:

(i) To advise the Board concerning the Company’s compensation philosophy and policies, in general, and, in particular, to determine, or recommend to the Board for determination, the compensation of the Company’s Chief Executive Officer and all other executive officers and directors;

(ii) To advise the Board regarding succession planning for the Company’s Chief Executive Officer; to identify individuals qualified to become members of the Board; to recommend to the Board candidates to fill vacancies on the Board; and to recommend to the Board the directors to be appointed to its committees;

(iii) To assess, or insure that the Board assesses, the performance of individual members of the Board and the Board as a body; and

(iv) To oversee the Company’s efforts to meet its corporate governance and legal and regulatory obligations and identify, review and resolve issues relating to such matters.

II. Specific Responsibilities

The following shall be the recurring responsibilities and functions of the Committee. The responsibilities and functions are set forth as a guide and, consistent with this Charter and the Company’s By-laws, may be varied from time to time by the Committee or the Board as appropriate under the circumstances.

## *Executive Compensation*

The Committee shall recommend 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 shall recommend the appropriate mix of elements of executive compensation including base salary, performance-based bonuses and equity compensation while taking into account the full compensation package afforded to the individual, including insurance and other employee benefits. The Committee shall also make recommendations concerning the appropriate linkage of executive compensation to individual and corporate performance and financial returns to stockholders. In making recommendations to the Board regarding the compensation of executive officers, the Committee shall consider the results of the most recent Say on Pay Vote. The Chief Executive Officer may not be present during voting or deliberations on his or her compensation.

The Committee shall review and discuss with management the annual Compensation Discussion & Analysis ("CD&A") section of the Company's disclosures to the Securities and Exchange Commission (the "SEC"), as prepared by management, and based on such review, shall recommend to the Board whether the CD&A should be included in the Company's filings with the SEC. The Committee shall also review and approve an annual report on the Committee's review of the CD&A for inclusion in the Company's proxy statement.

The Committee shall review and make recommendations concerning an appropriate compensation structure for the Company's employees other than its executive officers, including cash and equity compensation and employee benefits.

The Committee shall also review and recommend to the Board the frequency on which stockholders of the Company shall be given the opportunity to vote to approve the Company's executive compensation policies and practices, which recommendation shall be put to a non-binding vote of the stockholders as frequently as determined by the Board of Directors or as required by applicable laws and regulations.

To the extent authorized by the Board, the Committee shall fix and determine awards to employees of stock, stock options or other rights pursuant to any of the Company's employee stock option or equity-based plans now or from time to time hereafter in effect and exercise such other power and authority as may be permitted or required under such plans.

The Committee shall periodically review and make recommendations to the Board with respect to the compensation of directors, including board and committee retainers, meeting fees, equity-based compensation, and such other forms of compensation as the Committee may consider appropriate.

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in NASDAQ rules. The Committee may retain, or receive advice from, any compensation advisor they prefer, including ones that are not independent, after considering the specified factors. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice. The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

#### *Nominations and Succession*

The Committee shall be responsible for nomination matters including but not limited to: (i) developing a succession plan for the Chief Executive Officer; (ii) 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; (iii) the annual performance appraisal of the Board and its members; and (iv) the identification and process of selection of new members of the Board, as such need arises, including the evaluation of candidates recommended by stockholders in accordance with the Company's By-laws.

## *Governance Oversight*

The Committee shall: (i) oversee the Company's compliance with the legal and ethical standards of its corporate governance and legal and regulatory compliance program (the "Program") and with the governance and compliance procedures established pursuant to the Program and the Company's Compliance Enforcement Policy; and (ii) ensure the proper functioning of the Program.

The Committee shall be responsible for: (i) oversight of the orientation and education of directors with respect to the Company's business and financial matters, corporate governance and other appropriate subjects; (ii) periodic review and assessment of the Corporate Code of Conduct and the Company's corporate governance principles to determine whether they are being adhered to and are appropriate for the Company and in compliance with applicable laws, regulations and listing requirements of The NASDAQ Stock Market, Inc., and recommendation to the Board of any changes in such code or principles; and (iii) consideration of any requests for determination of whether there is a conflict of interest under the Conflict of Interest Policy or for waivers thereunder or under the Corporate Code of Conduct.

The Committee will review and discuss with management any risks created by the Company's compensation policies and practices and determine the adequacy of the Company's risk assessment and risk management policies and procedures to deal with such risks and evaluate whether the risks presented by the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

The Committee shall confer generally with the Corporate Ethics Officer and other senior officers of the Company about matters relating to the Program, including all matters that, under the Program, the Corporate Ethics Officer is required to report to the Committee and the Board.

According to the requirements and procedures of the Program and the Compliance Enforcement Policy, the Committee shall ensure that reports of misconduct or suspected misconduct are investigated to the extent appropriate and, if reasonably possible, resolved by the Corporate Ethics Officer.

In order to facilitate its oversight role, the Committee is granted the power to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain and determine funding for, at the Company's expense, independent legal counsel or other experts for this purpose. The Company shall provide the Committee with appropriate funding to perform its duties, including payment of any experts or advisors retained by the Committee.

### III. Membership

The Committee shall be appointed by the Board and comprised of not fewer than two members of the Board, each of whom shall meet the independence and any other relevant requirements of The NASDAQ Stock Market, Inc., the Securities Exchange Act of 1934, the rules and regulations of the Securities and Exchange Commission, and applicable provisions of the Internal Revenue Code, subject to such available exceptions as the Board may approve.

The Vice President of Human Development of the Company and the Corporate Ethics Officer will provide support to the Committee as needed and as requested.

#### IV. Meetings

The Committee shall hold such meetings from time to time as may be called by its Chairman, the Chairman of the Board, or any two members of the Committee. The Committee may request any officer or employee of the Company, the Company's outside counsel, its independent auditors or other experts to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

#### V. Limitation of Committee's Role

The Committee's role is one of oversight. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to determine that the Company's compensation-related disclosures are complete and accurate and are in accordance with applicable rules and regulations. These are the responsibilities of management. In performing his or her duties and responsibilities, each member of the Committee is entitled to rely in good faith upon the records of the Company and upon information, opinions, reports or statements presented by any of the Company's officers or employees, or other committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

#### VI. Proceedings

The Committee shall conduct its meetings in accordance with this Charter, the procedures of the Board set forth in the By-laws for the Board's meetings and such other procedures as the Committee may adopt. Votes of the Committee will be captured in minutes which will be filed with the records of the meetings of the Committees of the Board. The Committee shall make reports of its deliberations and conclusions to the Board, as may be requested from time to time.

The Committee shall conduct an annual evaluation of the Committee's performance as compared to the requirements of this Charter.

This Charter was adopted by the Board of Directors on January 16, 2003 and revised on January 15, 2004, May 11, 2005, January 19, 2006, March 14, 2011 and January 22, 2014.