



Compensation Committee Charter

PURPOSE:

The purpose of the Compensation Committee of the Board of Directors (the "Board") of Trubion Pharmaceuticals, Inc. (the "Company") shall be to discharge the Board's responsibilities relating to compensation of the Company's executives, and to administer the Company's equity incentive plans. The Committee has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company.

The Compensation Committee is also responsible for producing an annual report on executive compensation and related matters for inclusion in the Company's Proxy Statement.

COMMITTEE MEMBERSHIP AND ORGANIZATION:

The Compensation Committee will be appointed by, and will serve at the discretion of, the Board. The Compensation Committee shall consist of at least three members of the Board. As and when required, the members of the Compensation Committee shall meet the (i) independence requirements of the listing standards of NASDAQ as defined under applicable NASDAQ rules, (ii) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, and (iii) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

COMMITTEE RESPONSIBILITIES AND AUTHORITY:

- Annually, the Compensation Committee shall review and approve (a) the annual base salary, (b) the annual incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements, and change in control agreements or provisions, and (e) any other benefits, compensation, or arrangements for the CEO and other executive officers of the Company. In doing so, the Compensation Committee shall review the performance of the CEO and other executive officers of the Company, in light of goals and objectives established for such performance, and shall evaluate the relationship of compensation to corporate performance.
- The Compensation Committee shall provide guidance and advice to the CEO with respect to compensation plans and policies, including incentive compensation plans, applicable to executive employees.
- The Compensation Committee shall review and recommend for approval by the Board as appropriate, the terms and conditions of employment of executive officers of the Company on their initial hire or promotion.
- The Compensation Committee has the authority to determine the amount and form of compensation paid to the Company's officers, employees, consultants and advisors and to review the performance of such persons in order to determine appropriate compensation, as well as to establish the Company's general compensation policies and practices and administer plans and arrangements established pursuant to such policies and practices. The Compensation Committee has authority to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate such persons and to implement such policies and practices in a manner consistent with its determinations. It is expected that the Compensation Committee may delegate its authority on those matters with regard to non-officer employees and consultants of the Company to officers and other appropriate Company supervisory personnel.

- The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used by the Company to assist in the evaluation of CEO or executive officer compensation.
- The Compensation Committee shall act as Administrator (as defined therein) of the Company's stock incentive plans. In its administration of the plans, the Compensation Committee may (i) grant stock incentive awards to individuals eligible for such grants (other than the members of this Committee), (ii) amend and interpret the awards and agreements issued pursuant to the plans, (iii) interpret the plans and (iv) delegate to the CEO the power to grant stock incentive awards to employees within limits prescribed by the Compensation Committee and applicable law. The Compensation Committee shall also make recommendations to the Board with respect to amendments to Company stock incentive plans and changes in the number of shares reserved for issuance thereunder.
- The Compensation Committee shall review and discuss with management the Company's proposed disclosure under "Compensation Discussion and Analysis" required by Regulation S-K under the Securities Exchange Act and recommend to the Board whether such Compensation Discussion and Analysis should be included in the Company's proxy statement and Annual Report on Form 10-K.
- The Compensation Committee will prepare a Compensation Committee Report in accordance with the rules and regulations of the SEC for inclusion in the Company's proxy statement.
- The Compensation Committee shall provide minutes of Compensation Committee meetings to the Board and report to the Board on any significant matters arising from the Compensation Committee's work.
- The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Compensation Committee shall annually review its own performance.

MEETINGS:

It is anticipated that the Compensation Committee will meet four times each year. The Compensation Committee may establish its own schedule, which it will provide to the Board in advance.

MINUTES:

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

REPORTS:

In addition to preparing the report in the Company's proxy statement in accordance with the rules and regulations of the SEC, the Compensation Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with the Compensation Committee's Charter.

COMPENSATION:

Members of the Compensation Committee shall receive such fees, if any, for their service as Compensation Committee members as may be determined by the Board in its sole discretion. Such fees may include retainers or per meeting fees. Fees may be paid in such form of consideration as is determined by the Board.

AUTHORITY

By adopting this Charter, the Board delegates to the Compensation Committee full authority in its discretion to:

- Perform each of the responsibilities of the Compensation Committee described above;
- Appoint a chair of the Compensation Committee, unless a chair is designated by the Board;
- Engage and terminate consultants, independent counsel and other advisors as the Compensation Committee determines necessary to carry out its responsibilities, and approve other fees and other terms of retention of any such search firms, independent counsel and other advisors; and
- Cause the officers of the Company to provide such funding as the Compensation Committee shall determine to be appropriate for payment of compensation to any search firm or other advisors engaged by the Compensation Committee.

DELEGATION OF AUTHORITY:

The Compensation Committee may delegate such of its authority and responsibilities as the Compensation Committee deems proper to members of the Compensation Committee or a subcommittee, consistent with applicable law.