

## ARRAY BIOPHARMA INC.

### COMPENSATION COMMITTEE CHARTER

November 2010

#### PURPOSE

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors of Array BioPharma Inc. (the “Company”) is to assist the Board of Directors in establishing and implementing the compensation policies of the Company and monitoring compliance with such policies. The Company’s compensation policies are intended to attract, motivate and retain experienced and qualified executives with compensation that is fair in relation to comparable public companies and that recognizes individual merit and overall business results. The policies are also intended to support the attainment of the Company’s strategic objectives by tying the interests of executives with those of stockholders through operational and financial performance goals and equity-based compensation.

#### MEMBERSHIP

The Committee shall be comprised of not less than three members of the Board. Each Committee member shall be (i) a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended,<sup>1/</sup> and (ii) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended,<sup>2/</sup> and shall otherwise meet the independence requirements of The NASDAQ Stock Market. The members of the Committee shall be appointed by the Board of Directors upon the recommendation of the Corporate Governance Committee. The Committee members shall annually appoint a Chairman of the Committee.

#### MEETINGS; ATTENDANCE

The Committee shall meet at least once annually, or more frequently as the Committee deems appropriate. Members of the Committee should endeavor to be present, in person or by telephone, at all meetings; however, a majority of Committee members shall constitute a quorum. As necessary, the Chairperson may request members of management be present at meetings, however no member of management shall be present at the portion of the meeting during which his or her compensation or performance is deliberated.

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<sup>1/</sup> SEC Rule 16b-3 defines “non-employee director” as a person who (a) is not currently an officer of the company (or a parent or subsidiary of the company), (b) does not receive significant direct or indirect compensation from the company for any services performed other than services as a director, and (c) has no interest in any significant transactions or business relationships with the company.

<sup>2/</sup> IRC Section 162(m) defines an “outside director” as a director who is not a current or former employee of the corporation and if the director does not receive significant direct or indirect compensation in any capacity other than as a director.

## **MINUTES OF MEETINGS; CONSENT TO ACTION**

Minutes of each meeting shall be prepared and provided to Committee members and made available to Company Directors who are not members of the Committee. Any action required or permitted to be taken at a meeting of the members of the Committee may be taken without a meeting if a consent in writing setting forth the action is signed by all of the members of the Committee. Such consent shall have the same force and effect as a unanimous vote. The Committee will file all written consents with the minutes of the proceedings of the Committee.

## **KEY RESPONSIBILITIES**

**Executive Compensation.** The primary components of executive compensation are industry competitive salaries, bonuses of cash and/or equity based on annual performance goals established by the Committee and on individual merit, and grants of equity compensation when executives are hired and periodically thereafter to encourage retention. Compensation may also consist of deferred payments, benefits and perquisites, retention and/or termination/severance agreements and other similar compensation programs. In setting compensation, the Compensation Committee shall consider individual contributions, teamwork and performance level as well as the executive's total compensation package, including insurance and other benefits, and other factors the Committee considers relevant. The Chief Executive Officer may be asked to participate in meetings of the Committee held to discuss the compensation or performance goals of other members of senior management. However, the Chief Executive Officer may not be present during any voting or deliberations held by the Committee in setting his compensation. The Committee's responsibilities with respect to compensation of the executive officers and other key employees of the Company include the following:

1. Meet at least annually to review the total compensation package of the Chief Executive Officer and other members of senior management, and recommend for approval by the independent Directors of the Board the compensation for the Chief Executive Officer and other members of senior management and key employees for the upcoming year.
2. Meet at least annually to discuss the performance evaluation of the Chief Executive Officer based on achievement of performance objectives established in the prior year and individual merit. Based on this evaluation, recommend for approval by the independent Directors of the Board the annual cash and any bonus compensation for the Chief Executive Officer.
3. Meet at least annually with the Chief Executive Officer and, as applicable, other senior management to discuss the performance evaluation of senior management and other key employees based on achievement of performance objectives established in the prior year and individual merit. Based on these evaluations, determine the annual cash and any bonus compensation for senior management and other key employees, other than the Chief Executive Officer.

4. Administer, review and approve any performance bonus plans applicable to the Chief Executive Officer and other members of senior management, including the terms of awards made thereunder.
5. Meet at least annually to develop appropriate performance goals and target percentage bonus amounts applicable to the Chief Executive Officer and other members of senior management for the next fiscal year for purposes of determining performance based bonus compensation. The Chair of the Compensation Committee will present the performance goals and target percentage bonus amounts to the independent Directors for approval.
6. Meet at least annually to review and discuss the performance of the Company against performance goals established by the Committee under any performance bonus plans. Approve the award of any performance bonuses to be paid pursuant to the terms of such plans for senior management and other key employees, other than the Chief Executive Officer, and recommend the award of any performance bonus to be paid to the Chief Executive Officer for approval by the independent Directors of the Board.
7. Review market data of comparable publicly traded companies to assess the Company's competitive position for all components of compensation for the Chief Executive Officer and senior management.
8. Approve any employment agreements, and amendments to or waivers of any such employment agreements, between the Company and the Chief Executive Officer or any other executive officer.
9. Prepare and discuss with the Company's management the Compensation Discussion and Analysis (the "CD&A") to be included in the Company's annual meeting proxy statement and recommending to the Board that the CD&A be included in the annual meeting proxy statement.
10. Prepare the "Report of the Compensation Committee" to be included in the Company's annual meeting proxy statement, as required by the rules of the Securities and Exchange Commission.
11. Meet regularly to identify any risks created by the Company's compensation policies and practices, determine whether any mitigating steps or controls designed to limit the risks of its compensation arrangements are appropriate, 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.
12. The Chief Executive Officer may participate in meetings of the Committee held to discuss the compensation for employees and other members of senior management.

**Equity Plans.** With respect to the administration of any stock option and restricted stock plan, employee stock purchase plan, profit-sharing plan, deferred compensation plan or other, similar plan of the Company (a "Plan"), the Committee shall:

1. Have and is hereby delegated the full power and authority to administer any Plan, including, without limitation, the power to select persons to whom grants thereunder are made, the power to determine the terms and type of any such grant under any discretionary-grant plan (including the number of shares subject to such grant), the power to establish vesting schedules and the type and amounts of consideration, if any, paid to the Company for any award issuable or paid under any Plan and the power to otherwise administer any Plan.

2. Recommend to the Board of Directors the adoption of amendments to any Plans or modifying or canceling any existing grants under such Plans.

3. Periodically review the sufficiency of the shares available for grant under the Company's equity Plans based on the Company's goals for hiring, bonus and retention grants, and assess the Company's competitive position with respect to levels of equity compensation, vesting schedules and other terms with comparable public companies.

**Director Compensation.** The Committee shall annually review and recommend for approval by the full Board the retainer and meeting fees for non-employee members of the Board and committees of the Board and the terms and awards of stock compensation for members of the Board under the Company's Stock Option and Incentive Plan, or similar equity incentive plan adopted by the Company and approved by the stockholders.

**Consultants and Advisors.** The Committee has the power and authority to retain consultants, experts or advisors of its selection to advise it with respect to the Company's salary and incentive compensation and benefits programs. 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, for payment of compensation to any consultants, experts, advisors or counsel retained by the Committee, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. It shall have the sole authority to approve the consultants' fees and other retention terms.

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

In addition, the Committee shall perform such other functions as necessary and appropriate under law, the rules of the Nasdaq Stock Market, the Company's certificate of incorporation or bylaws and the resolutions and other directives of the Board of Directors.

It is acknowledged that all of the above listed tasks may not be relevant to all of the matters that the Committee may consider and act upon from time to time, and the members of the Committee in their judgment may determine the relevance thereof and the attention such items shall receive in any particular context.

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