

ARRAY BIOPHARMA INC.
GUIDELINES ON CORPORATE GOVERNANCE

January 2003

The following Guidelines on Corporate Governance have been adopted by the Board of Directors of Array BioPharma Inc. (the “Company”) as a guide for the exercise of the Board’s responsibilities. The Board has established a Corporate Governance Committee of the Board to implement and evaluate these Guidelines and to carry out other functions described below. The Corporate Governance Committee will review these Guidelines periodically and will submit any recommended revisions to the full Board for consideration and approval.¹

I. PRIMARY FUNCTION OF THE BOARD

The primary function of the Board of Directors of Array BioPharma Inc. is to help maximize long term value for the stockholders of the Company by 1) hiring, supervising and evaluating the Chief Executive Officer; 2) providing strategic guidance to the Chief Executive Officer and the Company’s management and, with their assistance, setting the strategic direction for the Company; and 3) reviewing the major actions of the Company and management.

II. MANAGEMENT REVIEW AND RESPONSIBILITY

1. Evaluation of Chief Executive Officer.

The Chief Executive Officer is responsible to the Board for the overall management and functioning of the Company. The Compensation Committee will evaluate the Chief Executive Officer at the end of each fiscal year of the Company against the performance goals established for such year and on other qualitative and quantitative criteria, including the following:

- success in running the business with the management team, and the performance of the business (including measurements such as increase in share value, earnings, revenue growth and the achievement of other performance objectives);
- development and implementation of initiatives to provide long-term economic benefit to the Company;
- accomplishment of strategic objectives; and
- development of management.

The Chairman of the Board (“*Chairman*”), or the lead Director if the Chief Executive Officer is the Chairman, will communicate the evaluation to the Chief Executive Officer.

2. Compensation of Chief Executive Officer.

The Compensation Committee shall be responsible for recommending to the independent Directors the cash and equity compensation of the Chief Executive Officer. The Compensation Committee will meet annually to develop appropriate performance goals for the Chief Executive Officer, and other members of senior management, for the next year for purposes of determining bonus compensation. The

¹ These Guidelines are in addition to, and are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Law, or the Amended and Restated Certificate of Incorporation of the Company.

Chief Executive Officer may be requested to participate in meetings of the Compensation Committee held to discuss performance goals for the other members of senior management. The independent Directors meeting in executive session shall consider the recommendation of the Compensation Committee and approve the cash and equity compensation of the Chief Executive Officer and the performance goals of senior management.

3. *Succession Planning.*

The Chief Executive Officer will prepare an annual report to the Board on planning for potential successors to the Chief Executive Officer and Chairman. There should also be available, on a continuing basis, the Chief Executive Officer's recommendation as to a successor in the event of an unexpected disability.

4. *Board Interaction with Institutional Investors and Other Stakeholders.*

The Board believes that it is senior management's responsibility to speak for the Company. Individual Directors may, from time to time, meet or otherwise communicate with outside constituencies that are involved with the Company. In those instances, however, it is expected that Directors will do so only with the knowledge of senior management and, absent unusual circumstances, only at the request of senior management.

III. BOARD COMPOSITION

1. *Size of the Board.*

The Board currently has nine members who are divided equally into three classes of Directors. The Board will from time to time fix by resolution the number of Directors between three and 15 pursuant to the Company's By-laws.

2. *Majority of the Members of the Board Must Be Independent Directors.*

A majority of the members of the Board must be independent Directors as defined by the rules of the Nasdaq National Market and applicable law. In addition, the members of the Audit Committee must satisfy the independence and expertise requirements of the Nasdaq National Market and applicable law.

The Corporate Governance Committee will review periodically all independent director and expertise standards with which the Company must comply to ensure compliance with these standards.

The Board believes that employee-Directors should be limited to the Chief Executive Officer, who should at all times be a member of the Board, and to those officers whose positions or potential make it appropriate for them to sit on the Board. There is no presumption that a person who replaces an employee-Director in their Company position will also become a Board member.

3. *Chairman and Chief Executive Officer.*

The Board shall select a Chairman. The Chief Executive Officer will always be a member of the Board and may, in the discretion of the Board, also serve as the Chairman of the Board.

If the Chief Executive Officer serves as Chairman, the Board will select one of the independent Directors to act as a lead Director to coordinate the other independent Directors and to chair the executive

sessions of independent Directors. If these offices are separated, the Chairman will act as the lead Director and the Chief Executive Officer will be responsible to the Board for the overall management and functioning of the Company.

IV. SELECTION OF BOARD MEMBERS

1. Selection of Directors.

The Corporate Governance Committee, with input from the Chief Executive Officer, is primarily responsible for identifying, screening and evaluating new candidates for Board membership, including officers of the Company that the Corporate Governance Committee deems qualified and appropriate for membership on the Board. The Corporate Governance Committee will also evaluate annually the performance and contribution of current Directors who will stand for reelection at the next annual meeting of stockholders. The Chair of the Corporate Governance Committee will present the Committee's recommendations for nominees for election or reelection to the full Board for approval. Upon approval by the Board, the Chairman, the Chief Executive Officer and the Chair of the Corporate Governance Committee will formally invite each candidate to join the Board, and will nominate, and recommend to the stockholders, the candidates for election to the Board in the proxy statement and at the next annual meeting of stockholders.

2. Board Membership Criteria.

The Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members and will periodically review and update the criteria as necessary. Each Director and Director candidate will be required to undergo at least one comprehensive background check prior to recommendation for nomination for election or reelection as a Director.

Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

- Personal characteristics:
 - highest personal and professional ethics, integrity and values;
 - an inquiring and independent mind, with a respect for the views of others;
 - ability to work well with others;
 - practical wisdom and mature judgment.
- Broad, policy-making level training and experience in business, government, academia or science to understand business problems and evaluate and formulate solutions.
- Expertise that is useful to the Company and complementary to the background and experience of other Board members.
- Willingness to devote the time necessary to carrying out the duties and responsibilities of Board membership and to be an active, objective and constructive participant at meetings of the Board and its Committees.
- Commitment to serve on the Board over a period of several years to develop knowledge about the Company's principal operations.

- Willingness to represent the best interests of all stockholders and objectively appraise management performance.

V. OPERATION OF THE BOARD; MEETINGS

1. Frequency of Board Meetings; Director Attendance.

The Board will have a minimum of four regularly scheduled meetings per year (February, May, August and November). Special meetings and other regularly scheduled meetings may be called as necessary by the Chairman or the Chief Executive Officer or as otherwise provided in the Company's By-laws. Directors are expected to attend all meetings of the Board and all Committees of which they are a member.

2. Selection of Agenda Items for Board Meetings.

The Chairman and the Chief Executive Officer will establish the agenda for each Board meeting. Directors are free to suggest additional matters to Board meeting agenda and to raise subjects that are not on the agenda for that particular meeting.

At least once a year, the Board will review of the Company's strategic objectives for the forthcoming year and the Company's business and financial performance for the prior year, including a review of the achievement of strategic objectives.

3. Meeting Materials Distributed in Advance.

In advance of each Board meeting, a proposed agenda will be distributed to each Director. In addition, management will strive to provide information and data in advance of the meeting important to the members' understanding of the matters to be considered. Directors will also routinely receive other information such as quarterly financial statements, earnings reports, press releases, and analyst reports, designed to keep them informed of the material aspects of the Company's business, performance and prospects.

4. Regular Attendance of Non-Directors at Board Meetings.

The Board believes the regular attendance at Board meetings of executive officers of the Company who are not Directors, including the Chief Financial Officer, executive vice presidents and managing directors of business units, is appropriate except where there is a specific reason for all or any of them to be excluded. The Chairman and the Chief Executive Officer may invite other managers to be in regular attendance at Board meetings and may include other officers and employees and the Company's outside counsel and auditors from time to time as appropriate.

5. Executive Sessions.

The Directors shall meet before or after each regularly scheduled Board meeting on an informal basis in executive sessions of independent Directors only, without the presence of the Chief Executive Officer and other Company personnel. If an executive session of the independent Directors is called to consider specific matters that have been delegated to one of the Committees of the Board, the chair of that Committee would chair the executive session. Formal deliberations or discussions of the Board concerning the business and affairs of the Company will be held only at formal Board meetings.

6. *Board Access to Senior Management and Advisors.*

Directors will have open access to the Company's management during reasonable business hours and to the Company's outside counsel and auditors. Committees may retain independent advisors, including separate counsel, as they deem necessary or advisable in carrying out their duties and responsibilities.

VI. COMMITTEES OF THE BOARD

1. *Number and Types of Committees.*

The Board as a whole will consider all major decisions, but may delegate to standing Board Committees a substantial portion of the analysis and work of the Board necessary for the Board to make fully informed decisions. A Director is expected to participate actively in the meetings of each Committee to which he or she is appointed. The membership of each Committee shall be chosen by the Board upon the recommendation of the Corporate Governance Committee, and each Committee shall select its own Chair.

The Board has established the following standing Committees: Audit, Compensation and Governance. The scope of each Committee's duties is set forth in the charter for each Committee or in the resolutions of the Board establishing each Committee. The charter of each Committee will be periodically reviewed by the Corporate Governance Committee and that Committee itself, and recommendations for any changes will be made to the full Board.

2. *Assignment and Rotation of Committee Members.*

The Corporate Governance Committee will annually recommend to the Board the membership of the various Committees and their Chairs, and the Board will approve all Committee assignments. In making its recommendations to the Board, the Corporate Governance Committee will consider the need for continuity, subject matter expertise, applicable SEC, IRS or Nasdaq requirements, tenure and the desires of individual Board members.

3. *Frequency and Length of Committee Meetings.*

Each Committee will meet as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The Chair of a Committee may call a special meeting at any time.

4. *Committee Agendas; Reports to the Board.*

Management will work with the Chair of each Committee to prepare draft agenda and related background information for each Committee meeting. Each Committee member is free to suggest items for inclusion on the agenda and to raise at any Committee meeting subjects not on the agenda for that meeting. Each Committee Chair will provide a report to the Board of Committee meetings and will furnish a copy of each Committee's minutes to the Board.

VII. DIRECTOR RESPONSIBILITIES AND TENURE

1. *Director Orientation.*

The Corporate Governance Committee is responsible for developing and implementing an orientation program for new Directors that includes comprehensive information about the Company's business and

operations, general information about the Board and its Committees, including a summary of Director compensation and benefits, and a review of Director duties and responsibilities.

2. *Director Tenure.*

The members of each class of Directors are elected for a three-year term. There is no limit on the number of terms for which a Director may be elected.

3. *Service of Former Employees on the Board; Change in Position.*

Employee Directors will retire from the Board when their employment with the Company ends unless the Board approves continued service. Independent Directors will offer their resignation upon a change of position, including retirement from the position, upon which their original nomination was based. The Board does not believe, however, that a Director in this circumstance should necessarily be required to leave the Board. Rather, the Board believes the Corporate Governance Committee should have the opportunity to assess each situation and make a recommendation to the Board as to whether it should accept the resignation.

4. *Conflicts of Interest.*

If an actual or potential conflict of interest develops because of a change in the business operations of the Company or a subsidiary, or in a Director's circumstances (for example, significant and ongoing competition between the Company and a business with which the Director is affiliated), the Director should report the matter immediately to the Chairman for evaluation. A significant conflict must be resolved or the Director should resign.

The Audit Committee shall review and approve all related party transactions involving the Company that would be reportable by the Company under the proxy rules of the Securities Exchange Act of 1934. If a Director has a personal interest in a matter before the Board, the Director must disclose the interest to the full Board and the matter must be submitted to the Audit Committee for review and approval. If a majority of the Audit Committee has a personal interest in a matter, the matter must be submitted to the stockholders for approval.

It is the responsibility of each Director to advise the Corporate Secretary and the Chairman of any affiliation with public or privately held commercial enterprises that may create a potential conflict or interest, potential embarrassment to the Company or possible inconsistency with Company policies or values.

5. *Conflicts of Interest Unique to Officer-Directors.*

On certain matters of corporate governance, such as Officer-Director compensation, the removal of the Chief Executive Officer, the assessment of the performance of the Chief Executive Officer and other matters pertaining to the senior management of the Company, the Board's decisions shall be made solely by the independent Directors or by a committee of the Board delegated with the authority to make such decisions and comprised solely of independent Directors.

6. *Limitations on Other Directorships.*

Each Director is expected to be available for a significant time commitment. Directors should ensure that their involvement on other boards of directors does not interfere with their ability to carry out their responsibilities as a member of the Board and any Board Committees on which they serve.

7. *Code of Conduct.*

The Corporate Governance Committee shall adopt and annually review a Code of Conduct addressing honest and ethical conduct, including handling conflicts of interest of officers and Directors, full, fair, accurate, timely and understandable disclosure in periodic reports, and compliance with applicable laws, rules and regulations. The Code of Conduct shall be made publicly available. Any waivers of the Code of Conduct must be made by a majority of the independent Directors and waivers granted to Directors or officers must be disclosed publicly.

VIII. EVALUATION OF BOARD AND COMMITTEES

1. *Board Review and Assessment.*

At least annually, the Corporate Governance Committee will assess the effectiveness and contribution of the Board and its Committees as a whole and suggest areas for improvement. The Committee's report may be discussed with the full Board at the same time as it makes recommendations of nominees to the Board for inclusion in the proxy statement for the next annual stockholders meeting.

2. *Director Compensation Review*

Director compensation, including compensation for Committee membership and chairmanship, shall be determined by the Board. It is the responsibility of the Compensation Committee to recommend Director compensation, and changes to compensation, with full discussion and concurrence by the Board. Senior management will report periodically to the Compensation Committee on the status of the Company's Director compensation practices in relation to other companies of comparable size and the Company's competitors. The Board believes that a meaningful portion of a Director's compensation should be in the form of options to purchase the Company's common stock to further align the economic interests of Directors and stockholders.

3. *Director Continuing Education*

The Board shall adopt and implement a program to ensure compliance by Directors with any continuing education standards mandated by applicable law or the rules of the Nasdaq Stock Market.

IX. STOCKHOLDER APPROVAL

The Board shall submit to the Company's stockholders for approval any stock option or purchase plans or arrangements in which the Company's officers and Directors participate, and for any material modifications of such plans or arrangements, other than inducement grants to new executive officers approved by the Compensation Committee and tax-qualified, non-discriminatory plans not requiring stockholder approval under applicable law or the rules of the Nasdaq Stock Market.

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