

## **COMPENSATION COMMITTEE CHARTER OF BIONOVO, INC.**

### **Purpose of Committee**

The purpose of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Bionovo, Inc. (the "Company") is to compensation issues of the Company's executives and to produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC").

### **Committee Membership**

Except as permitted by AMEX Company Guide Section 805 and/or Nasdaq rule 4350(c)(3), the Committee shall consist solely of "independent directors," *i.e.* those directors who neither are officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of the Nasdaq Stock Market, Inc.

Members shall be appointed by the Board based on recommendation by the Company's Nominations Committee, and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

### **Committee Structure and Operations**

The Board shall designate one member of the Committee as its chairperson. The Committee shall meet in person or telephonically at least twice a year and perhaps more frequently, in conjunction with regularly scheduled meetings of the Board at regularly scheduled times and places determined by the Committee chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson.

The Committee may, to the extent consistent with the maintenance of the confidentiality of compensation discussions, invite the Company's Chief Executive Officer ("CEO") to participate in meetings of the Committee, but if present during any deliberations of the Committee, the CEO may not vote. The CEO may not be present during any discussions and deliberations of the Committee regarding the CEO's compensation.

### **Committee Duties and Responsibilities**

The following are the duties and responsibilities of the Committee:

1. In consultation with senior management, to establish the Company's general compensation philosophy, and to oversee the development and implementation of compensation programs.
2. To review and approve corporate goals and objectives relevant to the compensation of the CEO, to evaluate the performance of the CEO in light of those goals and objectives, and have the sole authority to determine the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee shall consider, among other factors, the Company's revenue and net earnings

performance and relative stockholder return, the value of similar incentive awards to CEO's at comparable companies, the awards given to the CEO in past years and under similar circumstance.

3. To review and approve the compensation of all other "officers" of the Company (as defined in Section 16 of the Securities Exchange Act of 1934, as amended and Rule 16a-1 promulgated thereunder (the "Section 16 Officers")).
4. To make recommendations to the Board with respect to the Company's incentive compensation plans and equity-based plans, to oversee the activities of the individuals and committees responsible for administering these plans, and to discharge any responsibilities imposed on the Committee by any of these plans.
5. In consultation with management, to oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
6. To review and approve any severance or similar termination payments proposed to be made to any current or former Section 16 Officer.
7. To prepare and issue the evaluations and reports required under "Committee Reports" below.
8. To perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

### **Delegation to Subcommittee**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee consisting of one or more members. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are (a) "Non-Employee Directors" for the purpose of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and (b) "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

### **Committee Reports**

The Committee shall produce the following reports and provide them to the Board.

1. An annual report of the Compensation Committee on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
2. An annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this

charter. The performance evaluation should also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner, as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

3. A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.

### **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. With respect to compensation consultants retained to assist in the evaluation of director, CEO or executive officer compensation, this authority shall be vested solely in the Committee.