

AVEO PHARMACEUTICALS INC  
Form DEF 14A  
April 30, 2014  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 14A**  
(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant                       Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**AVEO PHARMACEUTICALS, INC.**

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than The Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
  
  - (2) Aggregate number of securities to which transaction applies:
  
  
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  - (4) Proposed maximum aggregate value of transaction:
  
  
  - (5) Total fee paid:
- Fee paid previously with preliminary materials:
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  
  
  - (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

.. Preliminary Proxy Statement

**Table of Contents**

**650 East Kendall Street**

**CAMBRIDGE, MASSACHUSETTS 02142**

**NOTICE OF 2014 ANNUAL MEETING OF  
STOCKHOLDERS**

**To Be Held On June 19, 2014**

To our Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of AVEO Pharmaceuticals, Inc., which does business as AVEO Oncology, will be held on Thursday, June 19, 2014 at 10:00 a.m., Eastern Daylight Time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109. At the meeting, stockholders will consider and vote on the following matters:

1. To elect six directors to serve for a one-year term expiring at the 2015 annual meeting of stockholders;
2. To amend our Amended and Restated 2010 Stock Incentive Plan to increase the annual per participant share limit from 250,000 to 1,000,000 shares;
3. To approve an advisory vote on executive compensation; and
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Stockholders will also act on any other business that may properly come before the annual meeting or any adjournment thereof.

Stockholders of record at the close of business on April 22, 2014, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting or any adjournment thereof. Your vote is important regardless of the number of shares you own. If you are a stockholder of record, you may vote by submitting your proxy in one of these three ways:

**Vote Over the Internet**, by going to the website of our tabulator at [www.proxyvote.com](http://www.proxyvote.com) and following the instructions for Internet voting shown on the enclosed proxy card;

**Vote by Telephone**, by calling the toll-free number listed on the enclosed proxy card and following the recorded instructions; or

**Vote by Mail**, by completing and signing your enclosed proxy card and mailing it in the enclosed postage prepaid envelope. If you vote by Internet or telephone, you are not required to mail your proxy.

You may also vote in person by attending the annual meeting and delivering your completed proxy card in person or by completing a ballot at the meeting.

If your shares are held in street name, that is, held for your account by a bank, brokerage firm or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted.

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

We encourage all stockholders to attend the annual meeting in person. You may obtain directions to the location of the annual meeting on our website at [www.aveooncology.com](http://www.aveooncology.com). Stockholders who attend the meeting may vote their stock in person, even if they previously submitted their proxies. Whether or not you plan to attend the annual meeting in person, we hope you will take the time to vote your shares.

By Order of the Board of Directors,

Tuan Ha-Ngoc

President and Chief Executive Officer

Cambridge, Massachusetts

April 30, 2014

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>PROXY STATEMENT</u>	1
<u>IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>HOUSEHOLDING OF ANNUAL MEETING MATERIALS</u>	5
<u>OWNERSHIP OF OUR COMMON STOCK</u>	5
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	7
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	7
<u>CORPORATE GOVERNANCE</u>	10
<u>General</u>	10
<u>Board Determination of Independence</u>	10
<u>Role of the Board</u>	11
<u>The Board's Role in Risk Oversight</u>	12
<u>Board of Directors Meetings and Attendance</u>	12
<u>Director Attendance at Annual Meeting of Stockholders</u>	12
<u>Board Committees</u>	12
<u>Director Nomination Process</u>	14
<u>Communicating with the Independent Directors</u>	15
<u>Executive and Director Compensation Processes</u>	15
<u>Report of the Audit Committee</u>	16
<u>Principal Accountant Fees and Services</u>	16
<u>Audit Committee Pre-Approval Policies and Procedures</u>	17
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	17
<u>Policies and Procedures for Related Person Transactions</u>	17
<u>Related Person Transactions</u>	18
<u>EXECUTIVE AND DIRECTOR COMPENSATION</u>	18
<u>Compensation Discussion and Analysis</u>	18
<u>Summary Compensation Table for the years ended December 31, 2013, 2012 and 2011</u>	33
<u>Employment Agreements and Severance Agreements</u>	38
<u>Potential Payments and Benefits Upon Termination and a Change in Control</u>	40
<u>Equity Compensation Plan Information</u>	42
<u>Compensation Committee Report</u>	42
<u>Compensation Committee Interlocks and Insider Participation</u>	43
<u>Director Compensation</u>	43
<u>PROPOSAL 2 APPROVAL OF AMENDMENT NO.1 TO OUR 2010 AMENDED AND RESTATED STOCK INCENTIVE PLAN</u>	46
<u>PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	58
<u>PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	59
<u>OTHER MATTERS</u>	60
<u>STOCKHOLDER PROPOSALS</u>	60
<u>APPENDIX A</u>	
<u>APPENDIX B</u>	

**Table of Contents**

**AVEO PHARMACEUTICALS, INC.**

**650 EAST KENDALL STREET**

**CAMBRIDGE, MASSACHUSETTS 02142**

**PROXY STATEMENT**

**for the 2014 Annual Meeting of Stockholders**

**to be held on June 19, 2014**

This proxy statement and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the board of directors of AVEO Pharmaceuticals, Inc. for use at the Annual Meeting of Stockholders to be held on Thursday, June 19, 2014 at 10:00 a.m., Eastern Daylight Time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, and at any adjournment thereof. Except where the context otherwise requires, references to AVEO Pharmaceuticals, we, us, our and similar terms refer to AVEO Pharmaceuticals, Inc. and its consolidated subsidiaries.

All properly submitted proxies will be voted in accordance with the instructions contained in those proxies. If no instructions are specified, the proxies will be voted in accordance with the recommendation of our board of directors with respect to each of the matters set forth in the accompanying Notice of Meeting. You may revoke your proxy at any time before it is exercised at the meeting by voting a later dated proxy or by giving our Secretary written notice to that effect.

We are mailing to our stockholders a Notice of Internet Availability of proxy materials instead of a paper copy of this Proxy Statement, our 2013 Annual Report to Stockholders on Form 10-K, our Shareholder Letter and form of Proxy Card or Voting Instruction Card, as permitted by the rules of the Securities and Exchange Commission. The notice contains instructions on how to access those documents over the internet. The notice also contains instructions on how you may receive a paper copy of our proxy materials, including this Proxy Statement, our 2013 Annual Report to Stockholders on Form 10-K, our Shareholder Letter and a form of Proxy Card or Voting Instruction Card.

**Important Notice**

**Regarding the Availability of Proxy Materials for**

**the Annual Meeting of Stockholders to be Held on June 19, 2014:**

**This proxy statement and our 2013 Annual Report to Stockholders are**

**available for viewing, printing and downloading at**

**<http://www.proxyvote.com>**

**This proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2013 are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).**

**Table of Contents**

**IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Q. Why did I receive these proxy materials?**

- A. We are providing these proxy materials to you, as a stockholder of record of AVEO Pharmaceuticals, in connection with the solicitation by our board of directors of proxies to be voted at our 2014 annual meeting of stockholders to be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts, 02109 on Thursday, June 19, 2014 at 10:00 a.m., Eastern Daylight Time. As a stockholder of record of AVEO Pharmaceuticals, you are invited to attend our annual meeting and are entitled and requested to vote on the proposals described in this proxy statement.

**Q. What is the purpose of the annual meeting?**

- A. At the annual meeting, stockholders will consider and vote on the following matters:
1. To elect six directors to serve for a one-year term expiring at the 2015 annual meeting of stockholders;
  2. To amend our Amended and Restated 2010 Stock Incentive Plan;
  3. To approve an advisory vote on executive compensation; and
  4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Stockholders will also act on any other business that may properly come before the meeting, or any adjournment thereof.

**Q. Who can vote at the annual meeting?**

- A. To be entitled to vote, you must have been a stockholder of record at the close of business on April 22, 2014, the record date for our annual meeting. There were 52,266,461 shares of our common stock outstanding and entitled to vote at the annual meeting as of the record date.

**Q. How many votes do I have?**

- A. Each share of our common stock that you own as of the record date will entitle you to one vote on each matter considered at the annual meeting.

**Q. How do I vote?**



Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

- A. **If you are the record holder of your shares, meaning that you own your shares in your own name and not through a bank, brokerage firm or other nominee, you may vote:**
- (1) **Over the Internet:** Go to the website of our tabulator at [www.proxyvote.com](http://www.proxyvote.com). Use the vote control number printed on your enclosed proxy card to access your account and vote your shares. You must specify how you want your shares voted or your Internet vote cannot be completed and you will receive an error message. You must submit your Internet proxy before 11:59 p.m., Eastern Daylight Time, on June 18, 2014, the day before the annual meeting, for your Internet proxy to be valid and your vote to count. Your shares will be voted according to your instructions.
  - (2) **By Telephone:** Call 1-800-690-6903, toll free from the United States, Canada and Puerto Rico, and follow the recorded instructions. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. You must submit your telephonic proxy before 11:59 p.m., Eastern Daylight Time, on June 18, 2014, the day before the annual meeting, for your telephonic proxy to be valid and your vote to count. Your shares will be voted according to your instructions.

**Table of Contents**

(3) **By Mail:** Complete and sign your enclosed proxy card and mail it in the enclosed postage prepaid envelope to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Broadridge must receive the proxy card not later than June 18, 2014, the day before the annual meeting, for your mailed proxy to be valid and your vote to count. Your shares will be voted according to your instructions. If you return your proxy card but do not specify how you want your shares voted on any particular matter, they will be voted in accordance with the recommendations of our board of directors.

(4) **In Person at the Meeting:** If you attend the annual meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at the meeting.

**If your shares are held in street name,** meaning they are held for your account by a bank, brokerage firm or other nominee, you may vote:

(1) **Over the Internet or by Telephone:** You will receive instructions from your bank, brokerage firm or other nominee if they permit Internet or telephone voting. You should follow those instructions.

(2) **By Mail:** You will receive instructions from your bank, brokerage firm or other nominee explaining how you can vote your shares by mail. You should follow those instructions.

(3) **In Person at the Meeting:** You must bring an account statement or letter from your bank, brokerage firm or other nominee showing that you are the beneficial owner of the shares as of the record date in order to vote your shares at the meeting. To be able to vote your shares held in street name at the meeting, you will need to obtain a proxy card from the holder of record.

**Q. Can I change my vote?**

A. **If your shares are registered directly in your name,** you may revoke your proxy and change your vote at any time before the annual meeting. To do so, you must do one of the following:

(1) Vote over the Internet or by telephone as instructed above. Only your latest Internet or telephone vote is counted. You may not change your vote over the Internet or by telephone after 11:59 p.m., Eastern Daylight Time, on June 18, 2014.

(2) Sign a new proxy and submit it by mail to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 as instructed above. Broadridge must receive the proxy card no later than June 18, 2014. Only your latest dated proxy will be counted.

(3) Attend the annual meeting and vote in person as instructed above. Attending the annual meeting alone will not revoke your Internet vote, telephone vote or proxy submitted by mail, as the case may be.

(4) Give our corporate secretary written notice before or at the meeting that you want to revoke your proxy.

**If your shares are held in street name,** you may submit new voting instructions with a later date by contacting your bank, brokerage firm or other nominee. You may also vote in person at the annual meeting, which will have the effect of revoking any previously submitted voting instructions, if you obtain a proxy from the record holder of your shares as described in the answer to the question **How do I vote?** above.

**Q. Will my shares be voted if I do not return my proxy?**

A. **If your shares are registered directly in your name**, your shares will not be voted if you do not vote over the Internet, by telephone, by returning your proxy by mail or by ballot at the annual meeting.

**If your shares are held in street name**, your bank, brokerage firm or other nominee may under certain circumstances vote your shares if you do not return your voting instructions. Brokerage firms can vote customers' unvoted shares on routine matters, but your brokerage firm will not be allowed to vote your shares with respect to certain non-routine items. If you do not return voting instructions to your brokerage firm to vote your shares, your brokerage firm may, on routine matters, either vote your shares or leave your shares unvoted.

---

**Table of Contents**

**Your brokerage firm cannot vote your shares on any matter that is not considered routine. Proposal 1, election of directors, Proposal 2, amendment to our Amended and Restated 2010 Stock Incentive Plan and Proposal 3, a non-binding advisory vote on executive compensation, are not considered routine matters. If you do not instruct your broker how to vote with respect to these items, your broker may not vote with respect to these proposals and those votes will be counted as broker non-votes.** Broker non-votes are shares that are held in street name by a bank, brokerage firm or other nominee that indicates on its proxy that it does not have or did not exercise discretionary authority to vote on a particular matter. Proposal 4, ratification of the appointment of our independent registered public accounting firm, is considered a routine matter, and your bank, brokerage firm or other nominee will be able to vote on that item even if it does not receive instructions from you, so long as it holds your shares in its name. We encourage you to provide voting instructions to your bank, brokerage firm or other nominee. This ensures that your shares will be voted at the annual meeting according to your instructions. You should receive directions from your bank, brokerage firm or other nominee about how to submit your voting instructions to them.

**Q. How many shares must be represented to hold the annual meeting?**

A. A majority of our shares of common stock outstanding at the record date must be present in person or represented by proxy to hold the annual meeting. This is called a quorum. For purposes of determining whether a quorum exists, we count as present any shares that are voted over the Internet, by telephone, by completing and submitting a proxy by mail or that are represented in person at the meeting. Further, for purposes of establishing a quorum, we will count as present shares that a stockholder holds even if the stockholder votes to abstain or only votes on one of the proposals. In addition, we will count as present shares held in street name by banks, brokerage firms or other nominees who indicate on their proxies that they do not have authority to vote those shares on Proposals 1, 2 and 3. If a quorum is not present, we expect to adjourn the annual meeting until we obtain a quorum.

**Q. What vote is required to approve each matter and how are votes counted?**

**A. Proposal 1 Election of Directors**

The six nominees for director to receive the highest number of votes FOR election will be elected as directors. This is called a plurality. **Proposal 1 is not considered a routine matter.** Therefore, if your shares are held by your bank, brokerage firm or other nominee in street name and you do not provide voting instructions with respect to your shares, your bank, brokerage firm or other nominee cannot vote your shares on Proposal 1. Shares held in street name by banks, brokerage firms or other nominees who indicate on their proxies that they do not have authority to vote the shares on Proposal 1 will not be counted as votes FOR or WITHHELD from any nominee. As a result, such broker non-votes will have no effect on the voting on Proposal 1. You may:

vote FOR all nominees;

vote FOR a particular nominee or nominees and WITHHOLD your vote from the other nominees; or

WITHHOLD your vote from all nominees.

Votes that are withheld will not be included in the vote tally for the election of directors and will not affect the results of the vote.

**Proposal 2 Approval of Amendment to our Amended and Restated 2010 Stock Incentive Plan**

To approve Proposal 2, stockholders holding a majority of the votes cast on the matter must vote FOR the proposal. **Proposal 2 is not considered a routine matter.** Therefore, if your shares are held by your bank, brokerage firm or other nominee in street name and you do not provide voting instructions with respect to



---

**Table of Contents**

your shares, your bank, brokerage firm or other nominee cannot vote your shares on Proposal 2. Shares held in street name by banks, brokerage firms or other nominees who indicate on their proxies that they do not have authority to vote the shares on Proposal 2 will not be counted as votes FOR or AGAINST the proposal, and will also not be counted as votes cast or shares voting on the proposal. If you ABSTAIN from voting on Proposal 2, your shares will not be voted FOR or AGAINST the proposal and will also not be counted as votes cast or shares voting on the proposal. As a result, such broker non-votes and votes to ABSTAIN will have no effect on the outcome of Proposal 2.

**Proposal 3 Advisory Vote on Executive Compensation**

Our board of directors is holding a non-binding advisory vote regarding the compensation of our named executive officers, as described in the Executive and Director Compensation section of this proxy statement, including the executive compensation tables and accompanying narrative disclosures therein. To approve Proposal 3, stockholders holding a majority of the votes cast on the matter must vote FOR the proposal.

**Proposal 3 is not considered a routine matter.** Therefore, if your shares are held by your bank, brokerage firm or other nominee in street name and you do not provide voting instructions with respect to your shares, your bank, brokerage firm or other nominee cannot vote your shares on Proposal 3. Shares held in street name by banks, brokerage firms or other nominees who indicate on their proxies that they do not have authority to vote the shares on Proposal 3 will not be counted as votes FOR or AGAINST the proposal, and will also not be counted as votes cast or shares voting on the proposal. If you ABSTAIN from voting on Proposal 3, your shares will not be voted FOR or AGAINST the proposal and will also not be counted as votes cast or shares voting on the proposal. As a result, such broker non-votes and votes to ABSTAIN will have no effect on the outcome of Proposal 3.

The proposal is advisory and non-binding in nature but our compensation committee and board of directors will take into account the outcome of the vote when considering future executive compensation arrangements.

**Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm**

To approve Proposal 4, stockholders holding a majority of the votes cast on the matter must vote FOR the proposal. **Proposal 4 is considered a routine matter.** If your shares are held by your bank, brokerage firm or other nominee in street name and you do not provide voting instructions with respect to your shares, your bank, brokerage firm or other nominee may vote your unvoted shares on Proposal 4. If you ABSTAIN from voting on Proposal 4, your shares will not be voted FOR or AGAINST the proposal and will also not be counted as votes cast or shares voting on the proposal. As a result, voting to ABSTAIN will have no effect on the outcome of Proposal 4.

Although stockholder approval of our audit committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014 is not required, we believe that it is advisable to give stockholders an opportunity to ratify this appointment. If this proposal is not approved at the annual meeting, our audit committee will reconsider its appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014.

**Q. How does the board of directors recommend that I vote on the proposals?**

A. Our board of directors recommends that you vote:

**FOR** the election of each of the six nominees to serve on our board of directors, each for a one year term;

**FOR** the amendment to our Amended and Restated 2010 Stock Incentive Plan;

**FOR** the approval of the non-binding advisory vote on the compensation of our named executive officers; and

**FOR** the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014.

## **Table of Contents**

### **Q. Are there other matters to be voted on at the annual meeting?**

- A. We do not know of any matters that may come before the annual meeting. If any other matters are properly presented at the annual meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their judgment on the matter.

### **Q. Where can I find the voting results?**

- A. We will report the voting results in a Current Report on Form 8-K filed with the SEC within four business days following the end of our annual meeting.

### **Q. What are the costs of soliciting these proxies?**

- A. We will bear the cost of soliciting proxies. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies for an aggregate fee of \$25,000, plus reasonable out-of-pocket expenses. In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, e-mail, facsimile and in person without additional compensation. We may reimburse banks, brokerage firms or other nominees holding stock in their names, or in the names of their nominees, for their expenses in sending proxies and proxy material to beneficial owners.

## **HOUSEHOLDING OF ANNUAL MEETING MATERIALS**

Some banks, brokerage firms and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you upon written or oral request to AVEO Pharmaceuticals, Inc., 650 East Kendall Street, Cambridge, Massachusetts 02142, Attention: Investor Relations, telephone: (617) 299-5810. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, brokerage firm or other nominee record holder, or you may contact us at the above address and phone number.

## **OWNERSHIP OF OUR COMMON STOCK**

Unless otherwise provided below, the following table sets forth information regarding beneficial ownership of our common stock as of March 31, 2014 by:

each person, or group of affiliated persons, known to us to be the beneficial owner of 5% or more of the outstanding shares of our common stock;

each of our current directors and director nominees;

our principal executive officer, our principal financial officer and our other executive officers named in the Summary Compensation table below, whom collectively we refer to as our named executive officers; and

all of our directors and executive officers as a group.

The number of shares of common stock beneficially owned by each person or entity is determined in accordance with the applicable rules of the SEC and includes voting or investment power with respect to shares of our common stock. The information is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated, to our knowledge, all persons named in the table have sole voting and

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under community property laws. The inclusion herein of any shares as beneficially owned does not constitute an admission of beneficial ownership.



**Table of Contents**

The column entitled "Percentage of Shares Beneficially Owned" is based on a total of 52,261,905 shares of our common stock outstanding as of March 31, 2014. Except as otherwise set forth below, the address of each beneficial owner is c/o AVEO Pharmaceuticals, Inc., 650 East Kendall Street, Cambridge, Massachusetts 02142.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	+	Common Stock Underlying Options Exercisable Within 60 Days	=	Total Securities Beneficially Owned	Percentage of Shares Beneficially Owned
<b>Holders of more than 5% of our voting securities</b>						
Entities affiliated with BlackRock Inc. <sup>(1)</sup>	5,569,588		0		5,569,588	10.7%
Entities affiliated with Baupost Group, LLC. <sup>(2)</sup>	3,829,350		0		3,829,350	7.3%
Entities affiliated with Great Point Partners, LLC. <sup>(3)</sup>	3,000,000		0		3,000,000	5.7%
<b>Directors and Named Executive Officers</b>						
Kenneth M. Bate	3,750		68,958		72,708	*
Robert Epstein	0		30,000		30,000	*
Jeno Gyuris	93,815		201,253		295,068	*
Anthony B. Evnin <sup>(4)</sup>	1,163,162		58,958		1,222,120	2.3%
Tuan Ha-Ngoc	381,568		931,458		1,313,026	2.5%
Raju Kucherlapati <sup>(5)</sup>	195,415		53,543		248,958	*
Henri A. Termeer	126,919		53,958		180,877	*
Robert C. Young <sup>(6)</sup>	18,958		49,208		68,166	*
Michael Bailey	34,719		204,897		239,616	*
William Slichenmyer <sup>(7)</sup>	35,113		171,838		206,951	*
Elan Ezickson <sup>(8)</sup>	61,843		0		61,843	*
David B. Johnston <sup>(9)</sup>	46,837		0		46,837	*
All current executive officers and directors as a group (11 persons)	2,087,540	+	1,885,051	=	3,972,591	7.6%

\* Represents beneficial ownership of less than one percent of our outstanding common stock.

- (1) BlackRock Inc. ( "BlackRock" ), is the beneficial owner of 5,569,588 shares of common stock, and may be deemed to hold shared voting and investment power with respect to such shares. BlackRock's address is 40 East 52<sup>nd</sup> Street, New York, NY 10022. For information regarding BlackRock, we have relied on the Schedule 13G/A filed by BlackRock with the SEC on January 10, 2014.
- (2) The Baupost Group, LLC ( "Baupost" ) and each of SAK Corp., which is the manager of Baupost, and Seth A. Klarman, the sole director and sole officer of SAK Corp., may be deemed to hold shared voting and investment power with respect to such shares. Baupost's address is 10 St. James Avenue, Suite 1700, Boston, MA 02116. For information regarding Baupost, we have relied on the Schedule 13G/A filed by Baupost with the SEC on February 13, 2014.
- (3) Great Point Partners LLC ( "Great Point" ) is the beneficial owner of 3,000,000 shares of common stock and may be deemed to hold shared voting and investment power with respect to such shares. Great Point's address is 165 Mason Street, 3<sup>rd</sup> Floor, Greenwich, CT 06830. For information regarding Great Point, we have relied on the Schedule 13G/A filed by Great Point with the SEC on February 14, 2014.
- (4) Consists of (a) 206,452 shares of common stock held by Venrock Associates, or VA, (b) 917,569 shares of common stock held by Venrock Associates III, L.P., or VA III, (c) 22,938 shares of common stock held by Venrock Entrepreneurs Fund III, L.P., or VEF III, (d) 109 shares of common stock held by VEF Management III, LLC, or VEFM III (e) 58,958 shares of common stock issuable upon exercise of stock options that are exercisable within 60 days of March 31, 2014 and (f) 16,094 shares of common stock held directly by Dr. Evnin. Dr. Evnin is a General Partner of VA. Venrock Management III, LLC, or VM III, is the sole General Partner of VA III. VEFM III, is the sole General Partner of VEF III. Dr. Evnin is a Member of VM III and VEFM III. Dr. Evnin expressly disclaims beneficial ownership over all shares held by or on behalf of VA, VA III, VEF III, VM III, and VEFM III, except to the extent of his indirect pecuniary interest therein. VM III and VEFM III expressly disclaim beneficial ownership over all shares held by VA III and VEF III, except to the extent of their indirect pecuniary interest therein.

---

**Table of Contents**

- (5) Consists of (a) 115,501 shares of common stock held by Dr. Kucherlapati, (b) 15,010 shares of common stock held by Raju Kucherlapati Grantor Retained Annuity Trust No. 1 and (c) 64,904 shares of common stock held by Dr. Kucherlapati's son. Dr. Kucherlapati, a member of our board of directors, is the trustee of the trust described in this footnote and he exercises sole voting and investment power over the shares held of record by such trust.
- (6) Consists of (a) 17,958 shares of common stock held by Dr. Young and (b) 1,000 shares of common stock held by Dr. Young's wife.
- (7) As previously disclosed, Dr. Slichenmyer will be departing AVEO effective as of April 30, 2014.
- (8) Elan Ezickson departed the company in July 2013. For information regarding Mr. Ezickson, we have relied on a Form 4 filed by Mr. Ezickson on January 28, 2013.
- (9) David B. Johnston departed the company in December 2013. For information regarding Mr. Johnston, we have relied on a Form 4 filed by Mr. Johnston on October 4, 2013.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Executive officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of our records and written representations by the persons required to file these reports, we believe that, during the year ended December 31, 2013, our executive officers, directors and ten percent stockholders complied with all Section 16(a) filing requirements applicable to them except that each of Anthony Evnin, Henri Termeer, Kenneth Weg, and Robert Young filed a Form 4 late with respect to the grant by us on April 1, 2013 to each such director of unrestricted shares of our common stock representing payment of his quarterly board fees.

**PROPOSAL 1 ELECTION OF DIRECTORS**

Our board is currently comprised of seven members, and our board has set the size of our board at seven pursuant to our certificate of incorporation and bylaws. The persons named in the accompanying proxy will vote to elect Messrs. Bate, Ha-Ngoc and Termeer and Drs. Evnin, Kucherlapati and Young as directors unless you indicate otherwise on your proxy. Each of the nominees is currently a member of our board of directors.

If they are elected, each of the nominees will hold office until our annual meeting of stockholders in 2015 and until his successor is duly elected and qualified. Each of the nominees has indicated his willingness to serve, if elected; however, if any nominee should be unable to serve, the shares of common stock represented by proxies may be voted for a substitute nominee designated by our board of directors.

One of our directors, Dr. Epstein, is not standing for re-election and will not be a member of our board after the annual meeting. Our board of directors, pursuant to our certificate of incorporation and bylaws, has set the size of the board at six members upon the departure of Mr. Epstein from the board.

Dr. Epstein, age 58, has served as a director since December 2012. Dr. Epstein is currently a strategic consultant to life sciences companies and serves as a director on the boards of Illumina, a life sciences company, and Proteus Digital Health, a healthcare technology company. From August 2010 to April 2012, Dr. Epstein served as president of the Medco-UBC Division and chief research and development officer of Medco Health Solutions, Inc., a managed healthcare company. In this role, Dr. Epstein was responsible for all of Medco's clinical research initiatives, including the Medco Research Consortium and United BioSource Corporation. Dr. Epstein served as senior vice president and chief medical officer from 1997 through 2010 at Medco and was appointed president of the Medco Research Institute in 2009. Before joining the private sector, Dr. Epstein was trained as an epidemiologist and held various positions in public health and academia. Dr. Epstein is a past

---

**Table of Contents**

elected president of the International Society of Pharmacoeconomics and Outcomes Research, and has served on the board of directors for the Drug Information Association. In 2008, Dr. Epstein was nominated and elected to the Federal CDC EGAPP (Evaluation of Genomic Applications in Practice & Prevention) Stakeholder Committee, and the AHRQ CERT (Centers for Education and Research on Therapeutics) Committee. Dr. Epstein holds a B.S. and an M.D. from the University of Michigan and an M.S. from the University of Maryland.

There are no family relationships between or among any of our officers or directors.

Below are the names, ages and certain other information of each of the nominees for director. Information with respect to the number of shares of common stock beneficially owned by each of these individuals, directly or indirectly, as of March 31, 2014 appears above under the heading Ownership of Our Common Stock.

**Kenneth M. Bate**, age 63, has served as a director since December 2007. He is currently an independent consultant. Previously, Mr. Bate was the president and chief executive officer of Archemix Corp., a privately held biopharmaceutical company, a position he held from April 2009 through December 2011. From 2006 to April 2009, he served in various positions at NitroMed, Inc., a public pharmaceutical company, most recently as President and Chief Executive Officer. From 2002 to 2005, Mr. Bate served as head of commercial operations and chief financial officer at Millennium Pharmaceuticals, Inc., a biopharmaceutical company. Prior to joining Millennium Pharmaceuticals, Mr. Bate co-founded JSB Partners, LLC, a banking and advisory services firm for biopharmaceutical and life sciences companies. From 1990 to 1996, Mr. Bate was employed with Biogen, Inc. (now Biogen Idec Inc.), a public biotechnology company, first as its chief financial officer and then as head of the commercial organization responsible for launching its multiple sclerosis business. Mr. Bate currently serves as chairman of the board of Cubist Pharmaceuticals, Inc., and on the board of BioMarin Pharmaceutical, Inc., each a public biopharmaceutical company. During the last five years, Mr. Bate has served as a director of TransMedics, Inc., a privately held medical device company. Mr. Bate recently joined the board of Catabasis Pharmaceuticals, Inc., a private biopharmaceutical company. He holds a B.A. in Chemistry from Williams College and an M.B.A. from The Wharton School of the University of Pennsylvania. We believe Mr. Bate's qualifications to serve on our board of directors include his operating, finance, commercial, transactional and senior management experience in the industry, such as his experience as chief executive officer of Archemix and NitroMed, as head of commercial operations and chief financial officer at Millennium Pharmaceuticals, and as chief financial officer and vice president of sales and marketing at Biogen, as well as his experience serving on the board of directors of other public companies in the life sciences industry, such as Cubist Pharmaceuticals and BioMarin Pharmaceutical.

**Anthony B. Evnin, Ph.D.**, age 73, has served as a director since March 2002. He has been a partner at Venrock, a venture capital firm, where he focuses largely on life sciences investments and, in particular, biotechnology investments, since 1975. Dr. Evnin currently serves on the boards of Acceleron Pharma, Inc. and Infinity Pharmaceuticals, Inc., both publicly traded biopharmaceutical companies. He also serves on the boards of Constellation Pharmaceuticals, Inc., and Juno Therapeutics, Inc., both privately held biopharmaceutical companies. During the last five years, Dr. Evnin served as a director of Altea Therapeutics Corporation, a privately held biopharmaceutical company, and Boston-Power, Inc., a privately held lithium-ion battery company, as well as the following publicly traded biopharmaceutical companies: Celladon Corporation, CymaBay Therapeutics, Inc., Icagen, Inc., Memory Pharmaceuticals Corp., Pharmos Corporation, and Sunesis Pharmaceuticals, Inc. Dr. Evnin's previous experience was as a manager of business development at Story Chemical Corporation and a research scientist at Union Carbide Corporation. Dr. Evnin is a trustee of The Rockefeller University and of The Jackson Laboratory, trustee emeritus of Princeton University, a member of the boards of overseers and managers of Memorial Sloan-Kettering Cancer Center, a director of the New York Genome Center, and a member of the board of Directors of the Albert and Mary Lasker Foundation. Dr. Evnin holds a Ph.D. in Chemistry from the Massachusetts Institute of Technology and an A.B. from Princeton University. We believe Dr. Evnin's qualifications to sit on our board of directors include his substantial experience as an investor in, and director of, early stage biopharmaceutical companies, including Infinity Pharmaceuticals, as well as his expertise in corporate strategy at a publicly traded biopharmaceutical company.

**Table of Contents**

**Tuan Ha-Ngoc**, age 62, has served as president and chief executive officer of our company and as a member of our board of directors since June 2002, and acting chief financial officer since December 2013. From 1999 to 2002, he was co-founder, president and chief executive officer of deNovis, Inc., an enterprise-scale software development company for the automation of healthcare administrative functions. From 1998 to 1999, Mr. Ha-Ngoc was corporate vice president of strategic development for Wyeth, following Wyeth's acquisition of Genetics Institute, where Mr. Ha-Ngoc served as executive vice president with responsibility for corporate development, commercial operations and European and Japanese operations. Mr. Ha-Ngoc serves on the boards of a number of academic and nonprofit organizations, including the Harvard School of Dental Medicine, the MIT Koch Institute of Integrative Cancer Research and the Biomedical Sciences Career Program. Mr. Ha-Ngoc served on the board of directors of ArQule, Inc., from 2002 until 2006, and Human Genome Sciences, Inc. (now part of GlaxoSmithKline) from 2006 until 2012. Mr. Ha-Ngoc holds an M.B.A. from INSEAD and an M.A. in pharmacy from the University of Paris, France. We believe that Mr. Ha-Ngoc's qualifications to serve on our board of directors include his position as our chief executive officer and his significant experience in the cancer research field and corporate strategy development, including his executive leadership roles at global pharmaceutical companies, and his experiences in commercializing potential drug candidates, including his commercialization experience in North America, Europe and Japan.

**Raju Kucherlapati, Ph.D.**, age 71, has served as a director since October 2001. Dr. Kucherlapati has been a professor of Medicine at Harvard Medical School since 2001 and served as scientific director of the Harvard Medical School-Partners HealthCare Center for Genetics and Genomics from 2001 to 2008. Dr. Kucherlapati was a founder of Cell Genesys, Inc., a biopharmaceutical company, Abgenix, Inc., a life sciences company, and Millennium Pharmaceuticals, and currently serves on the board of Enlight Biosciences LLC, a privately held drug discovery and development technologies company, Metamark Genetics, Inc., a privately-held biotechnology company, and Kew Group Inc., a privately held personalized oncology company. During the last five years, Dr. Kucherlapati has served as a member of the boards of directors of Millennium Pharmaceuticals and Abgenix. Dr. Kucherlapati holds a B.S. in Biology from P.R. College, Kakinada, India, a M.S. in Biology from Andhra University, Waltair, India and a Ph.D. from the University of Illinois at Urbana. We believe Dr. Kucherlapati is qualified to sit on our board of directors given his role as a scientific founder of our company's Human Response Platform. In addition, we believe Dr. Kucherlapati's qualifications to sit on our board of directors include his substantial experience in the development and growth of early stage biopharmaceutical companies such as Cell Genesys and Abgenix and at large global pharmaceutical companies such as Millennium Pharmaceuticals, as well as his service as a member of the boards of directors of publicly traded life sciences companies such as Millennium Pharmaceuticals and Abgenix.

**Henri A. Termeer**, age 68, has served as a director since April 2011 and is Chairman of our Board. Prior to June 2011, Mr. Termeer had served as president and a director of Genzyme Corporation, a leading global public biotechnology company, since October 1983, as chief executive officer since 1985 and as chairman of the board since May 1988. Mr. Termeer was co-chairman of the transition committee following the acquisition of Genzyme by Sanofi in April 2011 and resigned from Genzyme in June 2011 following the completion of the initial phase of the integration plan. In 2008, Mr. Termeer was appointed to Massachusetts Governor Deval Patrick's Council of Economic Advisors. Mr. Termeer is also chairman emeritus of the New England Healthcare Institute, a nonprofit, applied research health policy organization that he was instrumental in founding. Mr. Termeer served on the board of directors of the Pharmaceutical Research and Manufacturers of America from 1997 to 2011. Mr. Termeer is also a former chairman of the Federal Reserve Bank of Boston's board of directors, and a board member of ABIOMED Inc., a public medical device company, Verastem, Inc., a public biopharmaceutical company, Medical Simulation Corporation, a private healthcare industry consulting services provider, Moderna Therapeutics, a private biotechnology company, and Allergan, a public multi-specialty health care company. Mr. Termeer is a board member of Massachusetts Institute of Technology Corporation and serves on its executive committee. Mr. Termeer is a director of Massachusetts General Hospital, a board member of Partners HealthCare and a member of the board of fellows of Harvard Medical School. We believe that Mr. Termeer's senior executive experience in developing and managing Genzyme Corporation and his deep industry experience qualify him to serve as a member of our board of directors.

---

## **Table of Contents**

**Robert C. Young, M.D.**, age 74, has served as a director since July 2009. Dr. Young is president of RCY Medicine, a consulting service focused on cancer center productivity, health care quality and health policy, which he founded in July 2009. From 2007 to 2009 Dr. Young served as chancellor of Fox Chase Cancer Center and as president and chief executive officer from 1989 to 2007. Dr. Young is a past president of the American Society of Clinical Oncology (ASCO), the American Cancer Society and the International Gynecologic Cancer Society and past chairman of the board of scientific advisors of the National Cancer Institute and is past chairman of the Comprehensive Cancer Network. Dr. Young serves as chairman of the editorial board of Oncology Times. Dr. Young served on the board of directors of West Pharmaceutical Services, Inc., a public pharmaceutical technology company, from July 2002 to May 2012 and on the board of directors of Human Genome Sciences from November 2005 to July 2012. During the last five years, Dr. Young has served as a member of the scientific advisory boards of the Kansas Cancer Center, the Indiana Cancer Center and the Ohio State Cancer Center. Dr. Young holds a B.Sc. in zoology from The Ohio State University and an M.D. from Cornell University Medical College and is board certified in Internal Medicine, Hematology and Medical Oncology. We believe that Dr. Young's qualifications to serve on our board of directors include his substantial experience in cancer research as head of the Fox Chase Cancer Center and as chairman of the board of scientific advisors of the National Cancer Institute as well as his prior role with the National Cancer Policy Board at the Institute of Medicine, his service as a member of the board of directors at publicly traded life sciences companies West Pharmaceutical Services and Human Genome Sciences, as well as his accomplished background as a board certified physician.

*Our board of directors recommends a vote **FOR** the election of each of the director nominees.*

## **CORPORATE GOVERNANCE**

### **General**

We believe that good corporate governance is important to ensure that AVEO Pharmaceuticals is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted. We have adopted a code of business conduct and ethics, which applies to all of our officers, directors and employees, as well as charters for our audit committee, our compensation committee and our nominating and governance committee, and corporate governance guidelines. We have posted copies of our code of business conduct and ethics and corporate governance guidelines, as well as each of our committee charters, on the Corporate Governance page of the Investors section of our website, [www.aveooncology.com](http://www.aveooncology.com), which you can access free of charge. We intend to disclose on our website any amendments to, or waivers from, our code of business conduct and ethics that are required to be disclosed by law or NASDAQ listing standards.

### **Board Determination of Independence**

Rule 5605 of the NASDAQ Marketplace Rules requires a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. In addition, NASDAQ Marketplace Rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Exchange Act. Under Rule 5605(a)(2), a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries. In addition, in affirmatively determining the independence of any director who will serve on a company's compensation committee, Rule 10C-1 under the Exchange Act requires that a company's board of directors consider all factors specifically relevant to determining whether a director has a relationship to such company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by such company to the director; and (2) whether the director is affiliated with the company or any of its subsidiaries or affiliates.

---

## **Table of Contents**

In March 2014, our board of directors undertook a review of the composition of our board of directors and its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors determined that none of Mr. Bate, Dr. Epstein, Dr. Evnin, Dr. Kucherlapati, Mr. Termeer or Dr. Young, representing six of our seven directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under Rule 5605(a)(2) of the NASDAQ Marketplace Rules. Our board of directors also determined that Mr. Bate and Drs. Evnin and Young, who comprise our audit committee, Dr. Evnin, Mr. Bate and Mr. Termeer, who comprise our compensation committee, and Drs. Young and Kucherlapati, and Mr. Termeer, who comprise our nominating and governance committee, satisfy the independence standards for such committees established by the SEC and the NASDAQ Marketplace Rules, as applicable. In making such determination, the board of directors considered the relationships that each such non-employee director has with our company and other facts and circumstances the board of directors deemed relevant in determining independence, including the beneficial ownership of our capital stock by each non-employee director.

### **Role of the Board**

Our board of directors is responsible for establishing broad corporate policies and reviewing our overall performance. The primary responsibility of our board is to oversee the management of our company and, in doing so, serve the best interests of the company and our stockholders. Our board selects, evaluates and provides for the succession of executive officers and, pursuant to recommendations by our nominating and governance committee and subject to stockholder election, selects directors. It reviews and approves corporate objectives and strategies, and evaluates significant policies and proposed major commitments of corporate resources. Our board also participates in decisions that have a potential major economic impact on our company. Management keeps our directors informed of company activity through regular communication, including written reports and presentations at board of directors and committee meetings.

Our board of directors, upon the recommendation of our nominating and governance committee, has determined that the roles of chairman of the board and chief executive officer should be separated. Accordingly, our board has appointed Mr. Termeer, an independent director within the meaning of NASDAQ rules (see Board Determination of Independence above), as the chairman of the board of directors. Mr. Termeer's duties as chairman of the board include the following:

chairing meetings of the independent directors in executive session;

providing an oversight role with regard to the performance of other members of the board of directors;

facilitating communications between other members of our board and our chief executive officer;

preparing or approving the agenda for each board meeting;

determining the frequency and length of board meetings and recommending when special meetings of our board should be held; and

reviewing and, if appropriate, recommending action to be taken with respect to written communications from stockholders submitted to our board (see Communicating with the Independent Directors below).

Our board decided to separate the roles of chairman and chief executive officer because it believes that such leadership structure offers the following benefits:

increasing the independent oversight of AVEO Pharmaceuticals, and enhancing our board's objective evaluation of our chief executive officer;

enabling our chief executive officer to focus on company operations instead of board administration;

providing our chief executive officer with an experienced sounding board;

## **Table of Contents**

providing greater opportunities for communication between stockholders and our board;

enhancing the independent and objective assessment of risk by our board; and

providing an independent spokesman for our company.

### **The Board's Role in Risk Oversight**

We face a number of risks in our business, including risks related to: pre-clinical and clinical research and development; regulatory reviews, approvals and oversight; intellectual property filings, prosecution, maintenance and challenges; the establishment and maintenance of strategic alliances; competition; the ability to access additional funding for our business; shareholder litigation; as well as other risks. Our management is responsible for the day-to-day management of the risks that we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management.

Our board administers its risk oversight function directly and through its three committees. Our board chairman meets regularly with our chief executive officer and other executive officers to discuss strategy and risks facing the company. Members of our executive management team attend at least quarterly board meetings and are available to address any questions or concerns raised by the board on risk management and other related matters. Each quarter, the board of directors receives presentations from members of senior management on strategic matters involving our business. In addition, in accordance with its charter, the audit committee regularly discusses with management our risk exposures in the areas of financial reporting, internal controls and compliance with legal and financial regulatory requirements, their potential impact on our company and the steps we take to manage them. The compensation committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The nominating and governance committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance.

### **Board of Directors Meetings and Attendance**

Our board met nine times during 2013, either in person or by teleconference. During 2013, each of our directors attended at least 75% of the aggregate number of board meetings and meetings of the committees on which he then served.

### **Director Attendance at Annual Meeting of Stockholders**

Our corporate governance guidelines provide that directors are responsible for attending annual meetings. All of our directors attended the 2013 annual meeting of stockholders.

### **Board Committees**

Our board of directors has established standing audit, compensation and nominating and governance committees, each of which operates under a written charter that has been approved by our board. The members of each committee are appointed by our board, upon recommendation of our nominating and governance committee.

Our board has determined that all of the members of each of these three standing committees satisfy the independence standards for such committees established by the Securities and Exchange Commission and the NASDAQ Marketplace Rules.



## **Table of Contents**

### ***Audit Committee***

The members of our audit committee are Kenneth Bate, Robert Epstein and Anthony Evnin. Mr. Bate chairs the audit committee. Our board of directors has determined that Mr. Bate is an audit committee financial expert as defined in applicable SEC rules. Our board plans to timely reassess the composition of the compensation committee in light of the fact that Dr. Epstein is not standing for re-election as a director. Our audit committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of the independent registered public accounting firm;

overseeing the work of the independent registered public accounting firm, including through the receipt and consideration of reports from such firm;

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing our internal audit function;

discussing our risk management policies;

establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting-related complaints and concerns;

meeting independently with our internal auditing staff, independent registered public accounting firm and management;

reviewing and approving or ratifying any related person transactions; and

preparing the audit committee report required by SEC rules.

Our audit committee met six times during 2013.

### ***Compensation Committee***

The members of our compensation committee are Kenneth Bate, Anthony Evnin and Henri Termeer. Dr. Evnin chairs the compensation committee. Our compensation committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to our chief executive officer and our other executive officers' compensation;

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

reviewing and making recommendations to our board with respect to the compensation of our chief executive officer;

reviewing and approving, or making recommendations to our board with respect to, the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our cash and equity incentive plans;

reviewing and making recommendations to our board with respect to director compensation;

reviewing and discussing annually with management our Compensation Discussion and Analysis disclosure required by SEC rules; and

preparing the annual compensation committee report required by SEC rules.

The processes and procedures followed by our compensation committee in considering and determining executive compensation are described below under the heading Executive and Director Compensation Processes.

## **Table of Contents**

Our compensation committee met six times during 2013.

### ***Nominating and Governance Committee***

The members of our nominating and governance committee are Raju Kucherlapati, Henri Termeer and Robert Young. Dr. Young chairs the nominating and governance committee. Our nominating and governance committee's responsibilities include:

identifying individuals qualified to serve as members of our board;

recommending to our board the persons to be nominated for election as directors and to each of our board's committees;

reviewing and making recommendations to our board with respect to management succession planning;

developing and recommending to our board corporate governance principles;

developing and recommending to our board continuing educational programs regarding corporate governance and other pertinent topics; and

overseeing an annual evaluation of our board.

The processes and procedures followed by our nominating and governance committee in identifying and evaluating director candidates are described below under the heading *Director Nomination Process*.

Our nominating and governance committee met three times during 2013.

### ***Director Nomination Process***

Our nominating and governance committee is responsible for identifying individuals qualified to serve as directors, consistent with criteria approved by our board, and recommending the persons to be nominated for election as directors, except where we are legally required by contract, law or otherwise to provide third parties with the right to nominate.

The process followed by our nominating and governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and our board.

### ***Criteria and Diversity***

Our corporate governance guidelines specify that diversity on the board should be considered by the nominating and governance committee in the director identification and nomination process. In considering whether to recommend any particular candidate for inclusion in our board's slate of recommended director nominees, our nominating and governance committee will apply criteria that include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and ability to act in the interests of all stockholders. Our nominating and governance committee also considers issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. While our nominating and governance committee does not have a formal policy with respect to diversity, our board and nominating and governance committee believe that it is essential that the board members represent diverse viewpoints. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our board to promote our strategic objectives and fulfill its responsibilities to our stockholders.

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

The director biographies appearing above under Proposal 1 Election of Directors indicate each nominee's experience, qualifications, attributes and skills that led our board to conclude that each director should serve as a member of our board. Our board believes that each of the nominees has had substantial achievement in

## **Table of Contents**

his professional and personal pursuits, and possesses the background, talents and experience that our board desires and that will contribute to the best interests of our company and to long-term stockholder value.

### ***Stockholder Nominations***

Stockholders may recommend individuals to our nominating and governance committee for consideration as potential director candidates by submitting names of the proposed candidates, together with appropriate biographical information and background materials and, if the stockholder is not a stockholder of record, a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to the nominating and governance committee, c/o Joseph Vittiglio, Senior Vice President, General Counsel and Secretary, AVEO Pharmaceuticals, Inc., 650 East Kendall Street, Cambridge, Massachusetts 02142. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. Stockholders also have the right under our bylaws to nominate director candidates directly, without any action or recommendation on the part of the committee or the board, by following the procedures set forth below under the heading *Stockholder Proposals*.

### **Communicating with the Independent Directors**

Our board of directors will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The chairman of our board is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of our board considers to be important for the directors to know. In general, communications relating to governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs and personal grievances.

Stockholders who wish to send communications on any topic to our board should address such communications to the board of directors, c/o Joseph Vittiglio, Senior Vice President, General Counsel and Secretary, AVEO Pharmaceuticals, Inc., 650 East Kendall Street, Cambridge, Massachusetts 02142.

### **Executive and Director Compensation Processes**

Our compensation committee has implemented an annual performance review program for our executives, under which annual performance goals are determined and set forth in writing at the beginning of each calendar year for the company as a whole and for each of our executive officers. Annual corporate goals are proposed by management and approved by our board at the beginning of each calendar year for the upcoming year. These corporate goals target the achievement of specific research, regulatory, clinical, corporate development and financial milestones. Annual individual goals focus on contributions that facilitate the achievement of the corporate goals. Individual goals are proposed by our compensation committee and approved by our board of directors. Annual salary increases, annual bonuses, and annual stock option and restricted stock awards granted to our executives are tied to the achievement of these corporate and individual performance goals.

During the first calendar quarter of each year, we evaluate individual and corporate performance against the written goals for the recently completed year. This process leads to a recommendation by our chief executive officer for annual executive salary increases, annual stock option and restricted stock awards and bonuses, if any, which is then reviewed and approved by our compensation committee. Any awards under our annual cash incentive program to our chief executive officer are based solely on the achievement of our overall corporate goals.

Our compensation committee has delegated to our chief executive officer the authority to make stock option grants under our Amended and Restated 2010 Incentive Stock Plan to our employees (other than to the chief executive officer or any of our other officers or any individual our board of directors or compensation committee

**Table of Contents**

may specify from time to time), at exercise prices equal to the closing price of our common stock on the date of grant and subject to vesting provisions and other conditions specified by our compensation committee.

Our compensation committee has the authority to retain compensation consultants and other outside advisors to assist in the evaluation of executive officer compensation. During the year ended December 31, 2013, our compensation committee retained an independent compensation consultant, Radford, an Aon Hewitt company, to assist the compensation committee in developing our executive and director compensation program for 2013 as well as considering performance-based executive compensation awards for 2013. Radford also assisted in developing our overall executive and director compensation program for 2014.

**Report of the Audit Committee**

Our audit committee has reviewed our audited financial statements for the year ended December 31, 2013 and discussed them with our management and our independent registered public accounting firm, Ernst & Young LLP.

Our audit committee has also received from, and discussed with, Ernst & Young LLP various communications that Ernst & Young LLP is required to provide to our audit committee, including the matters required to be discussed by generally accepted auditing standards (including Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*).

In addition, Ernst & Young LLP provided our audit committee with the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the company's independent registered public accounting firm their independence.

Based on the review and discussions referred to above, our audit committee recommended to our board of directors that our financial statements audited by Ernst & Young LLP be included in our Annual Report on Form 10-K for the year ended December 31, 2013.

By the audit committee of the board of directors of AVEO Pharmaceuticals, Inc.

Kenneth Bate, Chair

Robert Epstein

Anthony Evnin

**Principal Accountant Fees and Services**

The following table summarizes the fees of Ernst & Young LLP, our independent registered public accounting firm, billed to us for each of the last two years.

Fee Category	2013	2012
Audit Fees <sup>(1)</sup>	\$ 484,300	\$ 652,772
Tax Fees <sup>(2)</sup>	105,580	72,010
All Other Fees <sup>(3)</sup>	1,995	1,995
Total Fees	\$ 591,875	\$ 726,777

(1) Audit Fees consist of fees for the integrated audit of our annual financial statements, the review of the interim financial statements included in our quarterly reports on Form 10-Q, and other professional services provided in connection with regulatory filings or engagements.

(2) Tax Fees consist of fees for tax advice and tax services primarily related to: (i) miscellaneous federal and state tax consulting, (ii) international tax consulting and (iii) tax compliance with domestic and foreign tax returns.

(3) All Other Fees represent payment for access to the Ernst & Young LLP on-line accounting research database.



## **Table of Contents**

All such accountant services and fees were pre-approved by our audit committee in accordance with the Audit Committee Pre-Approval Policies and Procedures described below.

### **Audit Committee Pre-Approval Policies and Procedures**

Our audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our audit committee.

From time to time, our audit committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next twelve months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

### **Policies and Procedures for Related Person Transactions**

Our board of directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$120,000 and one of our executive officers, directors, director nominees or 5% stockholders (or their respective immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our senior vice president, general counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the audit committee of our board of directors. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of our business;

whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unaffiliated third party;

the purpose of, and the potential benefits to us of, the transaction; and



## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is in or is not inconsistent with our best interests. The audit committee may impose any conditions on the related person transaction that it deems appropriate.

## **Table of Contents**

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our board of directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual consolidated gross revenues of the entity receiving payment under the transaction; or

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee in the manner specified in its charter.

## **Related Person Transactions**

Since January 1, 2013, we have not engaged in any transaction which may constitute a related person transaction.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

Our approach to executive compensation is guided by the following principles:

holding our executive officers accountable for results over the long term and maintaining integrity in all of the business dealings of our executive officers;

rewarding our executive officers for consistently strong execution; and

establishing a clear connection between rewards and performance.

These principles underlie our compensation program and, indeed, our entire culture. We seek to achieve financial strength by, among other things, linking compensation to performance goals, by using equity as a key component of compensation, and by continually reviewing and monitoring our compensation program.

### ***Executive Summary***

We are a biopharmaceutical company committed to discovering and developing targeted therapies designed to provide substantial impact in the lives of people with cancer by addressing unmet medical needs. Our business strategy is to discover unique drugs and develop these drugs to key clinical value inflection points so that we can license our drugs to partners and generate revenue. This process takes multiple years for each drug so we need to ensure our executive officers and employees continue to execute on a long-term strategy. The key to our long-term success is to keep advancing our drugs towards commercialization. The life science industry is often characterized by long product lifecycles and complex development challenges.

In the beginning of 2013, we continued our focus on the advancement of the tivozanib program, our lead product candidate at that time. Accordingly, our compensation committee made numerous compensation decisions designed to incentivize our executive officers for the successful commercial launch of the tivozanib program. In June 2013, we received a Complete Response letter from the U.S Food and Drug

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Administration, or FDA, informing us that the FDA will not approve the New Drug Application, or NDA, for our investigational agent tivozanib for the treatment of patients with advanced renal cell carcinoma, or RCC. As a result of this decision, we were not able to successfully launch the tivozanib program, and we quickly implemented a restructuring and related reduction in headcount to buttress stockholder value. During this period, our stock lost almost two-thirds of its value and did not regain such lost value for the remainder of 2013.

**Table of Contents**

Despite our inability to move our tivozanib program forward in 2013, we were able to successfully complete other corporate goals, including the advancement our antibody pipeline and ending the year with a cash balance of approximately \$118.5 million.

In light of these events, our compensation committee and independent members of the board saw a need to ensure that the compensation of the executive officers both reflected our performance in 2013 and a need to provide incentives for and retain key executive officers in order to design and implement a strategy to rebuild and create stockholder value.

Notably, Mr. Ha-Ngoc, our chief executive officer, did not receive any portion of his annual incentive cash award nor any merit-based increase in his salary for 2014. Moreover, 64% of Mr. Ha-Ngoc's compensation for 2013 also consisted of equity, in the form of stock options and performance shares, which was not realizable in 2013. The table below sets forth the realizable value of Mr. Ha-Ngoc's equity compensation, and demonstrates the portion of his compensation that is tied to our overall performance.

Our executive compensation generally tracks total stockholder return and our chief executive officer's realizable compensation has generally decreased when our stock price has decreased. Our chief executive officer's compensation is tied to the performance of the company, which is an underlying philosophy of our executive compensation program. The following graphs show the relationship of our chief executive officer's compensation (\$ in thousands) compared to the total stockholder return on \$100 invested on December 31, 2010 through December 31, 2013.

**Target Compensation Compared to Realizable Value as of December 31, 2013**

**(\$000) Considered Against Stock Price**

## Table of Contents

Similarly, the realizable pay for our other named executive officers also declined as our stock price declined in 2013. As discussed further in this Compensation Discussion and Analysis, our named executive officers receive a significant portion of their compensation in the form of time-based options and performance or milestone-based restricted stock awards. As the table below entitled "Grants of Plan-Based Awards for the Year Ended December 31, 2013" indicates, all of these awards were initially granted at a stock price that is higher than the current stock price, and therefore, the value of these awards is currently significantly lower than it was at the time of the grant for our named executive officers.

In order to move AVEO forward, the compensation committee recognized the critical need to attract and retain exceptional talent. The compensation committee also considered our low stock price, the completion of two restructurings in eight months and low employee morale. Throughout 2013 and in making compensation decisions for 2014, the compensation committee took steps to retain our key employees in ways that were both meaningful to the employees, as well as aligned with the interests of our stockholders, including providing the executive officers (other than our chief executive officer) with cash retention awards and retention equity awards, as further described below.

### *Our Compensation Program Emphasizes Performance*

We believe that the compensation of our named executive officers for 2013 was well-aligned with our executive compensation objectives and with our performance for the following reasons:

**We provide cash bonuses that are 100% dependent upon the company's and individual's performance goals.** The cash bonus portion of our named executive officer's compensation is not guaranteed and is totally at risk. We ensure that the performance goals underlying the cash bonuses are aggressive, aligned with stockholder's interest and result driven. Therefore, if AVEO or an individual does not perform at a level of excellence, the cash bonus can be, and has been on occasion, zero.

**We deliver a significant portion of our named executive officer target total direct compensation in the form of long-term incentive equity awards.** Over the past several years, a portion of the total target value of the three primary elements of named executive officer compensation—base salaries, annual cash incentive awards and equity awards—was delivered in the form of long-term equity awards. The amounts disclosed in the executive compensation tables in this proxy statement generally reflect the grant-date fair value of stock option awards, but the actual economic value of stock option awards depends directly on the performance of our stock price over the period during which the awards vest and the period during which stock options may be exercised. Therefore, if stockholder value decreases over time, so does the value of the stock compensation. Our executive officers will only realize value when our stock price, and consequently stockholder value, increases.

**A significant portion of our named executive officer equity compensation is in the form of performance-based restricted stock awards, which aligns with our philosophy of pay-for-performance.** Failure to attain stated corporate goals and defined strategic objectives will result in loss of long-term equity compensation and, moreover, a low stock price will result in a materially lower value than the target value of the equity award. In 2013, 38% of the long-term equity awards granted to our named executive officers were shares of restricted stock with vesting based on strategic performance objectives. In accordance with our pay-for-performance philosophy, a significant portion of these performance shares did not vest and were not realizable due to our performance in 2013.

**We aim to attract and retain an exceptional management team in an extremely competitive market.** In making its recommendation and decisions, the compensation committee reviewed market and peer data, which includes competitive information relating to the mix and levels of compensation for executives in the life science industry. The compensation committee also considers the need to retain key executives and reward those executives who continued to perform at a high level through 2013.

### *Overview of our Executive Compensation*

The following section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers who are named in the Summary Compensation Table for the Years



**Table of Contents**

Ended December 31, 2013, 2012 and 2011 , which we refer to as our named executive officers , and the most important factors relevant to an analysis of these policies and decisions.

Under applicable SEC rules, our named executive officers for 2013 were:

Tuan Ha-Ngoc, our president and chief executive officer and acting chief financial officer;

David Johnston, our former chief financial officer;

William Slichenmyer, our chief medical officer through April 30, 2014;

Elan Ezickson, our former executive vice president, chief operating officer;

Michael Bailey, our chief commercial officer; and

Jeno Gyuris, our chief scientific officer.

In this Compensation Discussion and Analysis and the discussion that follows, we include information with respect to David Johnston, our former chief financial officer, who ceased to serve as an officer in December 2013, and Elan Ezickson, our former executive vice president, chief operating officer, who ceased to serve as an officer in July 2013. Information concerning compensation paid to Messrs. Johnston and Ezickson is included in accordance with the requirements of the SEC s proxy disclosure rules. In addition, as previously announced, Dr. Slichenmyer will be leaving his position as chief medical officer effective as of April 30, 2014.

Our compensation committee is responsible for establishing and administering our policies governing the compensation for our named executive officers, including salaries, cash incentives and equity incentive compensation. Our compensation committee consists of three non-employee independent directors of our board, all of whom have extensive experience in our industry. Our compensation committee considers the recommendations of our chief executive officer when determining the appropriate mix of compensation for each of our executive officers, including our named executive officers. Our chief executive officer, however, does not provide input on his own compensation. Although our compensation committee is empowered to approve the salaries, cash incentives and equity incentive compensation of certain of our named executive officers, (i) the independent members of our board of directors (within the meaning of Rule 5605 of the NASDAQ Marketplace Rules) approve the salary, cash incentive and equity incentive compensation of our chief executive officer, based on the recommendation of the compensation committee, and (ii) the compensation committee typically requests that the independent members of our board of directors approve the salaries, cash incentives and equity incentive compensation of all of our other named executive officers based on the compensation committee s recommendation.

We believe that the compensation of our named executive officers should be designed to focus executive behavior on the achievement of near-term corporate goals as well as long-term business objectives and strategies. We place significant emphasis on pay-for-performance compensation programs, which reward our executives when we achieve certain specific research, regulatory, clinical, corporate development and financial milestones thereby creating stockholder value. We use a combination of base salary, annual cash incentive compensation programs, a long-term equity incentive compensation program and a broad based benefits program to create a competitive compensation package for our executive management team.

***Objectives of our Executive Compensation Program***

Our compensation committee has designed our overall executive compensation program to achieve the following objectives:

attract and retain talented and experienced executives;

motivate and reward executives whose knowledge, skills and performance are critical to our success;

provide a competitive compensation package that aligns the interests of our named executive officers and stockholders by including a significant variable component which is weighted heavily toward performance-based rewards;



## **Table of Contents**

ensure fairness among the executive management team by recognizing the contributions each executive makes to our success; and

foster a shared commitment among executives by aligning their individual goals with our corporate goals and the creation of stockholder value.

### ***Basis for Compensation Policies and Decisions***

We use a mix of short-term compensation, consisting of base salaries and cash incentive awards, and long-term compensation, consisting of equity incentive compensation, to provide a total compensation structure that is designed to achieve our objectives.

In arriving at the amount and types of initial compensation for each of our named executive officers, we consider the following factors:

the individual's particular background and circumstances, including prior relevant work experience and compensation paid prior to joining us and the uniqueness of the individual's skills within the industry;

the individual's role with us and the compensation paid to similar persons in the companies represented in the compensation data that we review (as further discussed below);

the demand for people with the individual's specific expertise and experience at the time of hire;

performance goals and other expectations for the individual's position;

comparison to other executives within our company having similar levels of expertise and experience; and

recommendations from our independent compensation consultant.

We reassess annually the compensation of our named executive officers and determine whether any adjustments should be made. In determining whether to adjust the compensation of any of our named executive officers, we generally take into account the following factors:

the executive compensation practices of a selected peer group of publicly traded companies;

formal market data regarding base salary, cash incentives and equity compensation from a leading life science compensation survey of national biopharmaceutical and biotechnology companies;

the roles and responsibilities of our executives, including any increases or decreases in responsibilities; and

the contributions and performance of each named executive officer.

In making certain compensation decisions during 2013 and for 2014, the compensation committee also considered the decision by the FDA to not approve our New Drug Application for our investigational agent tivozanib for the treatment of patients with advanced RCC and the related restructuring we undertook as a result.

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Our compensation committee retained an independent compensation consultant, Radford, an Aon Hewitt company, or Radford, in 2013 to assist the compensation committee in developing our overall executive and director compensation programs for 2013 and 2014.

To assist in determining executive compensation in 2013, Radford and the compensation committee reviewed a peer group, which we refer to as the 2013 peer group, of publicly traded companies in the life sciences industry at a stage of development, market capitalization and size comparable to ours, which companies the compensation committee believed were generally comparable to our company and against which the compensation committee believed we competed for executive talent. The compensation committee, in consultation with members of the Radford team, included the following companies in the 2013 peer group:

Acorda Therapeutics, Inc.

Dynavax Technologies Corporation

Isis Pharmaceuticals, Inc.

Affymax, Inc.

Exelsis, Inc.

Momenta Pharmaceuticals, Inc.

Alnylam Pharmaceuticals, Inc.

Halozyme Therapeutics

Nektar Therapeutics

AMAG Pharmaceuticals, Inc.

ImmunoGen, Inc.

Optimer Pharmaceuticals, Inc.

ArQule, Inc.

Immunomedics, Inc.

Savient Pharmaceuticals, Inc.

Auxilium Pharmaceuticals, Inc.

InterMune, Inc.

Spectrum Pharmaceuticals, Inc.

AVANIR Pharmaceuticals, Inc.

Ironwood Pharmaceuticals, Inc.

**Table of Contents**

To assist in determining executive compensation in 2014, Radford and the compensation committee reviewed a peer group, which we refer to as the 2014 peer group, of publicly traded companies in the life sciences industry at a stage of development, market capitalization and size comparable to ours, which companies the compensation committee believes are generally comparable to our company and against which the compensation committee believes we compete for executive talent. Due to AVEO's changed profile from 2012 to 2013, including a lower market value and significantly reduced headcount, Radford only retained two historical peer companies and added 17 new comparator companies. The 2014 peer group consists of nine companies conducting phase 2 trials, nine companies conducting phase 3 trials and one company conducting phase 1 trials. The compensation committee, in consultation with members of the Radford team, included the following companies in the 2014 peer group:

Achillion Pharmaceuticals, Inc.	Geron Corporation	Sunesis Pharmaceuticals, Inc.
Anthera Pharmaceuticals, Inc.	Infinity Pharmaceuticals, Inc.	Synta Pharmaceuticals Corp.
ArQule Inc.	KaloBios Pharmaceuticals, Inc.	Targacept, Inc.
Coronado Biosciences, Inc.	Merrimack Pharmaceuticals, Inc.	Threshold Pharmaceuticals, Inc.
Curis, Inc.	Peregrine Pharmaceuticals, Inc.	ZIOPHARM Oncology, Inc.
Cytokinetics, Inc.	Progenics Pharmaceuticals, Inc.	
Dynavax Technologies Corporation	Rigel Pharmaceuticals, Inc.	

In addition to the publicly available information with respect to our 2013 and 2014 peer group companies, Radford gathered competitive market data from the 2013 Radford Global Life Sciences Survey of public biopharmaceutical companies with less than 250 employees and a market value of less than \$1 billion, which we refer to as the 2013 Radford Global Life Sciences Survey, for our analysis of executive compensation in 2014 and the 2012 Radford Global Life Sciences Survey of public biotechnology and pharmaceutical companies that had between 100 and 700 employees, which we refer to as the 2012 Radford Global Life Sciences Survey, for our analysis of executive compensation in 2013. To arrive at competitive market data, Radford blended broad life sciences survey data from these reports with data from our 2013 peer group and 2014 peer group, respectively. Market data was gathered at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles for all pay elements (base salary, short-term incentive and long-term incentive compensation) and was also gathered at the 60<sup>th</sup> percentile for long-term incentive compensation with respect to executive compensation in 2013. Our compensation committee deemed the survey to be reasonable for our purposes because it indicated the ranges of compensation paid by the companies with which we compete for executive talent.

In determining executive compensation for 2014, our compensation committee also considered the stockholder support that our say-on-pay proposal received at our 2013 annual meeting of stockholders in which 99% of votes cast were cast in favor of a non-binding advisory vote on our named executive officer compensation. Based in part on the results of this vote, our compensation committee has concluded that our executive compensation program is effectively designed in light of our objectives and continues to be aligned with the interests of our stockholders and therefore determined not to make significant changes to the structure of our executive compensation program. In light of the decision by the FDA to not approve our New Drug Application for our investigational agent tivozanib for the treatment of patients with advanced RCC, and the related restructuring we undertook as a result, the compensation committee and board have taken certain steps, as described further herein, to attract, motivate and retain key executives and employees. These steps were considered prudent and necessary in order to preserve our best options going forward.

***The Chief Executive Officer's Role in the Compensation Process***

The compensation committee uses, in addition to its own judgment and experience, and the resources and tools described above, the recommendations of our chief executive officer as to the performance of each executive and as to the amount and type of compensation for such executive. Our chief executive officer does not participate in the determination of his own compensation.

***Risk Considerations in our Compensation Program***

Our compensation committee has discussed the concept of risk as it relates to our executive compensation program and our compensation committee does not believe our executive compensation program encourages excessive or inappropriate risk taking. As described more fully below in Executive Compensation Components, we structure our pay to consist of both fixed and variable compensation to motivate our executives to produce superior short- and long-term results that are in our best interests and the best interests of our stockholders and that have the greatest

**Table of Contents**

potential to increase stockholder value. We have reviewed our compensation policies and programs with our compensation and audit committees and have concluded that any risks arising from our compensation policies and programs are not reasonably likely to have a material adverse effect on our company or business.

***Executive Compensation Components***

Our executive compensation program is primarily comprised of:

base salary;

annual cash incentive compensation;

cash retention awards; and

equity compensation.

Our compensation committee has not adopted a formal policy for allocating between long-term and short-term compensation, between cash and non-cash compensation or among the different forms of non-cash compensation. Instead, the compensation committee, after reviewing information provided by our compensation consultant, determines what it believes to be the appropriate and competitive level and mix of the various compensation components.

We generally strive to provide our named executive officers with a balance of short-term and long-term incentives to encourage consistently strong performance. While we believe that the annual incentive cash component of our compensation package encourages our executives to focus on our near-term performance, generally performance over a one-year period, we rely upon equity-based awards to encourage our executives to focus on our longer-term performance. In addition, we provide our executives with benefits that are available to all of our salaried employees, including medical, dental, group life and accidental death, dismemberment and long- and short-term disability insurance, and matching contributions in our 401(k) plan.

*Base Salary.* Base salary is used to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our named executive officers. Generally, we believe that executive base salaries should be targeted near the median of the range of salaries for executives in similar positions at comparable companies. When establishing base salaries for 2013 and 2014, the independent members of our board of directors, upon the recommendation of our compensation committee, considered the overall economic environment, the degree to which the company achieved its business goals and objectives, the need to attract, motivate and retain key executives, and each individual's performance. In addition, with respect to our named executive officers, other than Mr. Ha-Ngoc, our compensation committee considered the recommendations of Mr. Ha-Ngoc in determining appropriate base salary levels.

In January 2013, upon the recommendation of the compensation committee, the independent members of our board of directors decided to increase the base salary of each of our named executive officers for 2013 as set forth in the table below. Our compensation committee made its recommendation based on its analysis, with input from our consultant, Radford, of executive officer pay for the 2013 peer group companies described above and the 2012 Radford Global Life Sciences Survey.

Name	2013 Annual Base Salary (\$)	Percentage Increase in Base Salary From 2012 Base Salary (%)
------	------------------------------------	-----------------------------------------------------------------------------------

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Tuan Ha-Ngoc	\$ 567,875	3.25% <sup>(1)</sup>
David Johnston	\$ 350,893	3.25% <sup>(1)</sup>
William Slichenmyer	\$ 389,853	3.25% <sup>(1)</sup>
Elan Ezickson	\$ 389,159	3.25% <sup>(1)</sup>
Michael Bailey	\$ 351,079	6.25% <sup>(2)</sup>
Jeno Gyuris	\$ 334,463	3.25% <sup>(1)</sup>

- (1) Equal to the corporate-wide merit increase for all eligible employees.
- (2) In addition to a corporate-wide merit increase of 3.25%, this increase includes an adjustment of 3% to align Mr. Bailey's salary with the median of the range of salaries for executives in similar positions at comparable companies in the 2013 peer group.

**Table of Contents**

In January 2014, upon the recommendation of the compensation committee, the independent members of our board of directors decided to increase the base salary of each of our named executive officers for 2014, other than our chief executive officer, as set forth in the table below to maintain their competitive position within the 2014 peer group and to reflect market compensation practices. Our compensation committee made its recommendation based on its analysis, with input from Radford, of executive officer pay for the 2014 peer group companies described above and the 2013 Radford Global Life Sciences Survey. Mr. Ha-Ngoc did not receive a merit increase for the year 2014.

Name	2014 Annual Base Salary (\$)	Percentage Increase in Base Salary From 2013 Base Salary (%)
Tuan Ha-Ngoc	\$ 567,875	0.00% <sup>(1)</sup>
William Slichenmyer	\$ 401,549	3.00% <sup>(2)</sup>
Michael Bailey	\$ 361,611	3.00% <sup>(2)</sup>
Jeno Gyuris	\$ 344,497	3.00% <sup>(2)</sup>

(1) Mr. Ha-Ngoc did not receive a merit increase for the year 2014.

(2) Equal to the corporate-wide merit increase for all eligible employees.

We believe that the base salaries established for our named executive officers for 2013 and 2014 are aligned with our executive compensation objectives stated above and are competitive with those of similarly-situated companies.

**Annual Cash Incentive Program.** We have designed our annual cash incentive program to reward our named executive officers upon the achievement of specified annual corporate and individual goals which are approved in advance by our compensation committee and board of directors. Our cash incentive program emphasizes pay-for-performance and is intended to closely align executive compensation with achievement of specified operating results as the cash incentive amount is calculated on the basis of the percentage of corporate goals achieved. The compensation committee communicates the cash incentive award criteria to the named executive officers at the beginning of each fiscal year. The performance goals established by the compensation committee are based on the business strategy of the company and the objective of building stockholder value. There are three steps for determining whether, and the extent to which, an annual cash incentive award is payable to a named executive officer. First, at the beginning of the fiscal year, the compensation committee determines the target annual cash incentive award for the named executive officer based on a percentage of the officer's annual base salary for that year. Second, at the beginning of the fiscal year, the compensation committee establishes the specific performance goals that must be met in order for the officer to receive the award and the related weighting of each goal. Third, shortly after the end of the fiscal year, the compensation committee determines the extent to which these performance goals were met and the amount of the award. The independent members of the board of directors consider, and if they deem appropriate, approve, the recommendation of the compensation committee with respect to each of these steps.

**2013 Cash Incentive Program**

For 2013, the corporate goals, which accounted for 80% of the cash incentive for each of our named executive officers (other than our chief executive officer), the weighting of each goal, and the compensation committee's quantitative assessment of the degree to which each goal was actually achieved, were as follows:

2013 Corporate Goals	Target Score (%)	Actual Score (%)
<b>Advancement of tivozanib program</b> , including approval of the New Drug Application in advanced renal cell cancer by the Food and Drug Administration, submission of the marketing application to the European Medicines Agency, successful commercial launch in the U.S., and progress in three ongoing phase 2 clinical trials	65%	0% <sup>(1)</sup>
	10%	10% <sup>(2)</sup>

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

**Advancement of the antibody pipeline**, including progress in a phase 1 clinical study for AV-203 and nomination of a development candidate in one antibody program

<b>Achievement of certain year-end cash balances</b>	25%	25% <sup>(3)</sup>
<b>Total</b>	100%	35%

**Table of Contents**

- (1) As our NDA for tivozanib for the treatment of advanced RCC was not approved by the FDA during 2013, tivozanib was not launched during this period, and therefore the compensation committee assessed a 0% score.
- (2) We completed a dose escalation study and initiated enrollment in neuragulin-1 expansion cohorts of AV-203 and nominated a GDF-15 development candidate.
- (3) The compensation committee determined that we met this corporate goal due to the fact that we ended 2013 with a cash balance of approximately \$118.5 million, as compared to a goal of \$115 million, which was partially the result of a corporate restructuring, including proactive financial management of headcount reduction and other cost containment initiatives.

For 2013, the individual goals for each of our named executive officers (other than our chief executive officer) accounted for 20% of their performance incentive. The cash incentive payment for our chief executive officer is based solely on the achievement of our overall corporate goals described above. The individual goals for our other named executive officers are primarily related to the corporate goals for which they are most responsible and, to a lesser extent, individual development goals or department specific goals, subject to discretionary adjustments that our compensation committee deems appropriate. Our chief executive officer makes recommendations to the compensation committee as to the degree to which those named executive officers have satisfied their individual goals.

For 2013, Mr. Johnston's individual goals related to managing our financial resources, providing efficient infrastructure, including technology and facilities, and managing effective investor relations.

For 2013, Dr. Slichenmyer's individual goals related to leading our clinical and regulatory efforts to advance regulatory approval of tivozanib in advanced RCC, and our clinical efforts to advance the development of tivozanib in additional indications and the AV-203 clinical program.

For 2013, Mr. Ezickson's individual goals related to management of our medical affairs function, managing our strategic alliances, overseeing activities related to the supply chain for all of our development programs, alliance and program management, and business development initiatives.

For 2013, Mr. Bailey's individual goals related to leading our commercialization activities, managing the commercial leadership team, building a sales organization, and overseeing the effective execution of the launch of tivozanib, if approved.

For 2013, Mr. Gyuris' individual goals related to leading our scientific efforts, including understanding GDF-15 induced cancer cachexia, investigating GDF-15 in non-cancer associated cachexia and nominating a GDF-15 development candidate, understanding certain aspects of tivozanib treatment and providing support for the clinical programs.

Our compensation committee has the authority to make discretionary adjustments to our annual cash incentive program, including the ability to make additional awards based on our named executive officers' performance and to modify the corporate and individual performance targets and the level of awards that our named executive officers receive in conjunction with their performance against the targets. In January 2013, the compensation committee established a target cash incentive payment for each of our named executive officers based on a percentage of their 2013 annual base salary. In determining these target cash incentive payments, the compensation committee used, in addition to its own judgment and experience, the recommendations of our chief executive officer based on market data from the 2012 Radford Global Life Sciences Survey and information on executive cash incentive targets from companies in the 2013 peer group.



**Table of Contents**

The following table sets forth each named executive officer's target incentive payment for 2013 established by the compensation committee in January 2013, the cash incentive award actually paid and the cash incentive award paid as a percentage of the target award.

Name	2013 Target Annual Cash Incentive Award (\$)	Cash Incentive Award Paid for 2013 (\$)	Cash Incentive Award as a Percentage of Target Cash Incentive Award (%)
Tuan Ha-Ngoc	\$ 369,119	\$ 0	0%
David Johnston <sup>(1)</sup>	\$ 140,357	\$ 0	0%
William Slichenmyer	\$ 155,941	\$ 43,664	28%
Elan Ezickson <sup>(2)</sup>	\$ 155,664	\$ 90,804	100%
Michael Bailey	\$ 140,432	\$ 39,321	28%
Jeno Gyuris	\$ 133,785	\$ 37,460	28%

(1) David Johnston departed the Company in December 2013 and as a result, did not receive his 2013 cash incentive award.

(2) Elan Ezickson departed the Company in July 2013. Pursuant to his Severance and Change in Control Agreement (described below), he received a lump-sum payment of his annual cash incentive award pro-rated through the date of his termination.

In light of our performance in 2013, the board did not award a cash incentive bonus to Mr. Ha-Ngoc, our chief executive officer. The other executive officers received a cash incentive bonus equal to 28% of their potential cash incentive award for 2013, which was calculated based on the achievement of 35% of our corporate goals (which represented 80% of the total cash incentive bonus) and the fact that no credit was provided for the achievement of an executive officer's individual goals.

*2014 Cash Incentive Program*

In February 2014, the compensation committee established a target incentive payment for each of our named executive officers based on a percentage of their 2014 annual base salary as set forth below. These target incentive payments are based on the executive cash incentive practices of the 2013 Radford Global Life Sciences Survey. To arrive at competitive market data, Radford blended this broad life sciences survey data with peer survey data from the 2014 peer group set at levels that approximated the 50<sup>th</sup> percentile of target executive cash incentive compensation at those companies.

Name	2014 Annual Base Salary (\$)	Target Percentage of 2014 Annual Base Salary (%)	2014 Target Annual Cash Incentive Award (\$)
Tuan Ha-Ngoc	\$ 567,875	65%	\$ 369,119
William Slichenmyer <sup>(1)</sup>	\$ 401,549	40%	\$ 160,620
Michael Bailey	\$ 361,611	40%	\$ 144,644
Jeno Gyuris	\$ 344,497	40%	\$ 137,799

(1) Dr. Slichenmyer will be leaving the company effective April 30, 2014. Accordingly, the compensation committee did not establish his individual goals for 2014.

**Table of Contents**

In March 2014, the independent members of the board of directors, upon the recommendation of our compensation committee, established the following corporate goals under the 2014 annual cash incentive award program for the year ending December 31, 2014, as set forth below:

	Percentage of Portion of Annual Cash Incentive Award Attributable to Corporate Goals
<b>2014 Corporate Goals</b>	
<b>Advancement of the program goals outlined in the Company's 2014 Strategic Plan</b> , including the development of the AV-380 program (the manufacturing of good manufacturing practices, pre-IND meeting with the U.S. Food and Drug Administration, completing partnership and publication); the development of the ficlatuzumab program (completing a partnership to initiate clinical study by year end); the development of the AV-203 program (an amendment of the Biogen Idec agreement and the completion of a partnership); and the cost-efficient wind-down of the tivozanib program	60%
<b>Identification of external product opportunities for further acceleration of value creation</b>	25%
<b>Achievement of financial goals, including certain year-end cash balances</b>	15%
Total	100%

The corporate goals account for 80% of the annual cash incentive awards payable to our named executive officers (other than our chief executive officer). In addition to the overall corporate goals described above, the performance of each named executive officer is measured against the achievement of certain individual goals. The cash incentive payment for our chief executive officer is based solely on the achievement of our overall corporate goals described above. For 2014, the individual goals for each of our named executive officers (other than chief executive officer), which account for 20% of such executive officer's annual cash incentive award, are as follows:

For 2014, Mr. Bailey's individual goals relate to leading our business development activities in completing the partnerships identified in the corporate goals and overseeing activities relating to the supply chain for all of our development programs, and alliance and program management.

For 2014, Mr. Gyuris' individual goals relate to leading our research organization in delivering all activities related to the advancement of all of our development programs and providing scientific insights to all of our development programs.

*Cash Retention Awards.* In June 2013, after our restructuring and reduction in employee headcount, our compensation committee reviewed our ability and need to retain our key executive officers. Our compensation committee considered the low employee morale after the FDA's decision to not approve our NDA for tivozanib for the treatment of advanced RCC, and the strong demand for talented and experienced employees in the Cambridge biotech market. In light of these and other factors, our compensation committee decided to grant cash retention awards to our named executive officers, other than our chief executive officer, Tuan Ha-Ngoc, as set forth below:

Name	Cash Incentive Award Granted in the 2013 Retention Grant\$( <sup>(1)</sup> )	Percentage of 2013 Annual Salary (%)
David Johnston	\$ 70,179 <sup>(2)</sup>	20%
William Slichenmyer	\$ 77,971 <sup>(3)</sup>	20%
Michael Bailey	\$ 72,322	20%
Jeno Gyuris	\$ 68,899	20%

(1) These cash payment are to be made on October 1, 2014, if the applicable named executive officer is still employed by us on such date.

(2) Mr. Johnston will not receive his cash incentive award as he is no longer employed by us.

- (3) Pursuant to his letter agreement (described below), Mr. Slichenmyer will receive a pro-rated amount of his cash incentive award in connection with his departure on April 30, 2014.

---

**Table of Contents**

In January 2014, our independent directors, upon the recommendation of our compensation committee, approved the grant of two cash retention awards as a further retention incentive to each of our named executive officers, other than the chief executive officer, including Dr. Slichenmyer and Messrs. Bailey and Gyuris. Each cash retention award is equal to twenty percent (20%) of the applicable named executive officer's base pay in effect on the applicable cash payment date. Provided that the named executive officer continues to be employed by us on such date and otherwise subject to the terms of the executive officer's Severance Agreement with us, as amended, and certain letter agreements with each named executive officer (as described below), the payments will be made on each of June 1, 2014 and June 1, 2015.

The compensation committee did not grant any cash retention awards to our chief executive officer, Tuan Ha-Ngoc, in 2013 or 2014.

*Equity Compensation.* In addition to the cash retention awards described above, we use stock options and restricted stock to attract, retain, motivate and reward our named executive officers. Through our equity-based grants, we seek to align the interests of our named executive officers with our stockholders, reward and motivate both near-term and long-term executive performance and provide an incentive for retention. Our decisions regarding the amount and type of equity incentive compensation, the allocation of equity and relative weighting of these awards within total executive compensation have been based on market practices of similarly-situated companies.

We grant equity incentive awards to our employees, including our named executive officers, upon the commencement of their employment and, generally, on an annual basis, as part of our overall compensation program. Historically, all grants of awards to our named executive officers have been made by our board of directors at regularly scheduled meetings during the year upon the recommendation of our compensation committee. The exercise or purchase price of each award is equal to the fair market value of the award on the date of grant, which is the date of the board meeting approving such grant. The following factors are considered in determining the amount of equity incentive awards, if any, to be granted to our named executive officers:

the number of shares subject to, and exercise prices (when applicable) of, outstanding awards, both exercisable, or vested, and unexercisable, or unvested, held by our executives;

the vesting schedule of the unvested awards held by our executives; and

the amount and percentage of total equity on a diluted basis held by our executives.

All historical stock option grants prior to our initial public offering were made at exercise prices that our board of directors determined to equal the fair market value of our shares of common stock on the respective grant dates.

*2013 Equity Compensation Awards*

In January 2013, as part of the annual individual performance evaluations of our named executive officers, the independent members of our board of directors, upon the recommendation of our compensation committee, granted to our named executive officers the options to purchase shares of our common stock set forth in the table below. The independent members of our board of directors also granted our named executive officers an additional award of performance-based restricted common stock, as set forth below. The stock option awards to our named executive officers were granted with a term of 10 years (subject to continued employment with our company) and an exercise price of \$7.72 per share, which was the closing price of our common stock on the date of grant. Our compensation committee made its recommendation based on its analysis, with input from our consultant, Radford, of the executive

officer equity compensation practices in the 2012 Radford Global Life Sciences Survey and executive officer equity

**Table of Contents**

compensation for the 2013 peer group companies and recommended awards that approximated the 50th percentile of executive equity incentive compensation at those companies.

Name	Number of Shares of Common Stock Underlying Time-Based Options Granted in 2013 <sup>(1)</sup>	Number of Shares of Milestone-Based Restricted Stock Granted in 2013 <sup>(2)</sup>	Total Number of Shares of Common Stock Underlying Awards Granted in 2013	Total Number of Vested Shares Underlying Milestone Based Restricted Stock Awards <sup>(2)</sup>
Tuan Ha-Ngoc	82,500	82,500	165,000	0
David Johnston	32,500	32,500	65,000	0
William Slichenmyer	32,500	37,500	70,000	0
Elan Ezickson	37,500	37,500	75,000	0
Michael Bailey	32,500	42,500	75,000	0
Jeno Gyuris	32,500	32,500	65,000	0

- (1) These options vest and become exercisable over a period of four years in equal monthly installments.
- (2) Of the stock granted in January 2013, 50% of the total amount of shares underlying such award would vest upon the date our compensation committee determined that, following approval of tivozanib by the FDA, if approved, either (1) a pre-determined number of patients were prescribed tivozanib on or before December 31, 2013, or (2) a pre-determined number of patients were prescribed tivozanib prior to the first anniversary of the approval of tivozanib by the FDA; and as to the remaining 50% of the total amount of the shares underlying such award upon the date our compensation committee determined that, following approval of tivozanib by the FDA, a pre-determined number of patients were prescribed tivozanib prior to the first anniversary of the approval of tivozanib by the FDA; provided that, the remaining 50% of the shares may not vest prior to the first anniversary of the date of grant. Due to the FDA's decision to not approve our NDA for tivozanib for the treatment of advanced RCC, these shares did not vest and all shares underlying these awards were forfeited to us.

In June 2013, after our restructuring and related reduction in employee headcount, our ability to retain, motivate and incentivize our employees and in particular, our key employees, was of particular concern for our board of directors and compensation committee. Our compensation committee, upon consideration (i) that the recent restructuring was the second reduction in force in eight months; (ii) of our low stock price; (iii) of the long term nature of potential future value inflection points for our common stock and (iv) the strong demand for talented and experienced employees in the Cambridge biotech market, our compensation committee determined that an employee retention strategy was prudent and necessary to enable us to design and implement a strategy to rebuild and create stockholder value. As a result, our compensation committee decided to grant to our executive officers, including our named executive officers (but excluding our chief executive officer) and certain other employees time-based option grants and performance-based restricted stock grants, as follows:

Name	Number of Shares of Common Stock Underlying Time-Based Options Granted in June 2013	Number of Shares of Performance-Based Restricted Stock Granted in June 2013 <sup>(1)</sup>	Number of Shares of Restricted Stock Eligible for Vesting in 2014	Number of Restricted Shares Forfeited in 2014
Tuan Ha-Ngoc	0	0	0	0
David Johnston	120,000	40,000	16,000	3,200
William Slichenmyer	120,000	40,000	16,000	3,200
Elan Ezickson	0	0		
Michael Bailey	120,000	40,000	16,000	3,200
Jeno Gyuris	120,000	40,000	16,000	3,200

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

- (1) The shares underlying the restricted stock awards are subject to the achievement of certain strategic performance criteria and continued employment, as follows: 40% of the total shares underlying the restricted stock will vest no later March 15, 2014, referred to as the 2013 Performance Restricted Stock

**Table of Contents**

Tranche upon the determination by the compensation committee of the degree to which the performance goals were met and 60% of the total shares underlying the restricted stock will vest no later than March 15, 2015, referred to as the 2014 Performance Restricted Stock Tranche, upon the determination by the compensation committee of the degree to which we achieve our corporate goals under the annual cash incentive program established for the 2014 fiscal year.

The following goals were established for the 2013 Performance Restricted Stock Tranche granted in June 2013:

	Target Score (%)	Actual Score (%)
<b>Performance Goals for 2013 Performance Restricted Stock Tranche</b>		
Advancement of AV-203, including completing dose-escalation and initiating enrollment in NRG1+ expansion cohorts of First-in-Human study	5%	5%
Advancement of Ficlatusumab, including filing investigational new drug application amendment for newly manufactured material and evaluating a proof of concept study	10%	10%
Advancement of Tivozanib, including enrolling patients in phase 2 study of tivozanib in patients with triple-negative breast cancer, filing an investigational device exemption with respect to the Hypoxia gene and the winding down clinical studies related to RCC	25%	10%
Advancement of AV-380, including nominating a GDF-15 development candidate and initiating a Cell Line Development	20%	20%
Achievement of certain year-end cash balances	35%	35%
Sub-letting unnecessary facility space	5%	0%
<b>Total</b>	<b>100%</b>	<b>80%</b>

As a result of our performance, the compensation committee determined that 80% of the goals for the 2013 Performance Restricted Stock Tranche were achieved. Consequently, 80% of the shares of common stock underlying 40% of the restricted stock awards granted in June 2013 have vested, while the remaining 20% of the shares of common stock underlying 40% of the restricted stock awards have been forfeited to the company.

The goals for the 2014 Performance Restricted Stock Tranche are the same as the corporate goals for 2014 as set forth under the annual incentive cash program above.

*2014 Equity Compensation Awards*

In January 2014, as part of the annual individual performance evaluations of our named executive officers, the independent members of our board of directors, upon the recommendation of our compensation committee, granted to our named executive officers the options to purchase shares of our common stock set forth in the table below. The stock option awards to our named executive officers were granted with a term of 10 years (subject to continued employment with our company) and an exercise price of \$1.77 per share, which was the closing price of our common stock on the date of grant. The options vest in equal monthly installments over four years. Our compensation committee made its recommendation based on its analysis, with input from our consultant, Radford, of the executive officer equity compensation practices in the 2013 Radford Global Life Sciences Survey and executive officer equity compensation for the 2014 peer group companies and recommended awards that approximated the 50<sup>th</sup> percentile of executive equity incentive compensation at those companies.

Name	Number of Shares of Common Stock Underlying Time-Based Options Granted in 2014 <sup>(1)</sup>	Total Number of Shares of Common Stock Underlying Awards Granted in 2014
Tuan Ha-Ngoc	100,000	100,000
William Slichenmyer	75,000	75,000

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Michael Bailey	75,000	75,000
Jeno Gyuris	75,000	75,000

- (1) These options vest and become exercisable over a period of four years in equal monthly installments.



---

## **Table of Contents**

Vesting of options and restricted stock granted to our named executive officers fully accelerates if such officer is terminated without cause within 18 months following a change in control of us. Vesting and exercise rights, if applicable, cease shortly after termination of employment except in the case of death or disability. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalent payments.

Our insider trading policy, which applies to all of our employees and directors, prohibits (i) pledging of our securities, including purchasing our securities on margin, margin accounts and pledges as collateral for a loan and (ii) hedging of our securities, including shorts sales of our securities and purchases or sales of puts, calls and other derivative securities. We do not have any equity ownership guidelines for our executive officers.

*Other Benefits.* We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Named executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, group life and accidental death and dismemberment insurance and our 401(k) plan, in each case on the same basis as other employees. Under our 401(k) plan, we match 50% on every dollar contributed by an employee up to a maximum of 5% of the employee's salary. The match vests at 25% per year over four years. Consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our named executive officers. Our compensation committee may, in its discretion, revise, amend or add to the benefits and perquisites made available to our named executive officers if it deems it advisable to do so.

### ***Severance and Change in Control Benefits***

Our named executive officers are entitled to receive severance benefits in connection with a termination of their employment not in connection with a change in control. Please refer to *Employment Agreements and Severance Arrangements* for a more detailed discussion of these benefits. Additionally, pursuant to our Key Employee Change in Control Severance Benefit Plan, certain of our key employees, including our named executive officers, are entitled to severance payments if we terminate their employment without cause or if they leave their employment with us for good reason within 18 months of a change in control of us. Further, if we terminate a named executive officer's employment without cause or such named executive officer leaves his employment with us for good reason within 18 months of a change in control of us, all options held by such named executive officer will become immediately exercisable in full and all restricted stock held by such named executive officer will vest in full. We have provided more detailed information about these benefits, along with estimates of their value under various circumstances, under *Potential Payments and Benefits Upon Termination and a Change in Control* below.

We believe providing these benefits help us compete for executive talent. After reviewing the practices of comparable companies, we believe that our severance and change in control benefits are generally in line with severance packages offered to executives by such companies.

Our practice in the case of change in control benefits has been to structure these as *double trigger* benefits. This means that the change in control does not itself trigger benefits; rather, benefits are paid only if the employment of the executive is terminated during a specified period after the change in control. We believe a *double trigger* benefit maximizes stockholder value because it prevents an unintended windfall to executives in the event of a friendly change in control, while still providing executives with appropriate incentives to cooperate in negotiating any change in control in which they believe they may lose their jobs but which may be beneficial to stockholders.

### ***Tax and Accounting Considerations***

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction for compensation in excess of \$1.0 million paid to our chief executive officer and our three other officers (other than our chief financial officer) whose compensation is required to be reported to our stockholders pursuant to the Exchange Act by reason of being among the three other most highly paid executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements

**Table of Contents**

are met. We have a history of operating losses and expect to continue to incur operating losses for the foreseeable future. These net operating loss carryforwards would have the effect of offsetting certain future taxable gains, and as such, we generally do not consider the tax implications of our executive compensation programs to be meaningful to our operating or financial results. Accordingly, the compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

We account for equity compensation paid to our employees in accordance with Accounting Standards Codification, or ASC, 718, which requires us to measure and recognize compensation expense in our financial statements for all share-based payments based upon an estimate of their fair value over the service period of the award. We record cash compensation as an expense at the time the obligation is incurred.

**Summary Compensation Table for the Years Ended December 31, 2013, 2012 and 2011**

The following table sets forth information for the years ended December 31, 2013, 2012 and 2011 regarding compensation awarded to, earned by or paid to our chief executive officer, our chief financial officer, and our three other most highly compensated executive officers during 2013, 2012 and 2011.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Tuan Ha-Ngoc, Chief Executive Officer	2013	\$ 567,875		\$ 636,900	\$ 376,456		\$ 12,044	\$ 1,593,275
	2012	\$ 550,000		\$ 724,900	\$ 737,827	\$ 339,625	\$ 12,131	\$ 2,364,483
	2011	\$ 490,000	\$ 50,000 <sup>(4)</sup>	\$ 354,000	\$ 741,608	\$ 382,200	\$ 9,737	\$ 2,027,545
David Johnston, Former Chief Financial Officer	2013	\$ 350,893		\$ 280,180	\$ 343,133		\$ 9,854	\$ 984,060
	2012	\$ 339,848		\$ 259,646	\$ 264,355	\$ 129,142	\$ 9,358	\$ 1,002,349
	2011	\$ 326,777	\$ 20,000 <sup>(5)</sup>	\$ 84,960	\$ 152,684	\$ 167,310	\$ 9,201	\$ 760,932
William Slichenmyer, Chief Medical Officer	2013	\$ 389,853		\$ 318,780	\$ 343,133	\$ 43,664	\$ 10,112	\$ 1,105,542
	2012	\$ 377,582		\$ 247,784	\$ 251,729	\$ 148,012	\$ 9,722	\$ 1,034,829
	2011	\$ 363,060	\$ 20,000 <sup>(6)</sup>	\$ 84,960	\$ 152,684	\$ 185,887	\$ 7,977	\$ 814,568
Elan Ezickson, Former Executive Vice President, Chief Operating Officer	2013	\$ 389,159		\$ 289,500	\$ 179,145	\$ 90,804	\$ 7,627	\$ 956,235
	2012	\$ 376,909		\$ 271,508	\$ 276,981	\$ 144,733	\$ 7,370	\$ 1,077,501
	2011	\$ 343,182	\$ 20,000 <sup>(7)</sup>	\$ 84,960	\$ 152,684	\$ 175,709	\$ 7,264	\$ 783,799
Michael Bailey, Chief Commercial Officer	2013	\$ 351,079		\$ 357,380	\$ 343,133	\$ 39,321	\$ 7,668	\$ 1,098,581
	2012	\$ 330,427		\$ 239,876	\$ 244,627	\$ 126,884	\$ 7,220	\$ 949,034

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

	2011	\$ 319,253	\$ 56,640	\$ 43,624	\$ 118,762	\$ 21,762	\$ 560,041
Jeno Gyuris	2013	\$ 334,463	\$ 280,180	\$ 343,133	\$ 37,460	\$ 8,203	\$ 1,003,439
Chief Scientific Officer	2012	\$ 323,935	\$ 214,834	\$ 218,586	\$ 124,391	\$ 7,758	\$ 889,504
	2011	\$ 298,488	\$ 56,640	\$ 130,872	\$ 111,038	\$ 7,626	\$ 604,664

- (1) The assumptions we used in valuing equity awards are described in Note 12, *Stock-Based Compensation*, to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. With respect to options other than performance-based options, amounts reported reflect the aggregate grant date fair value as calculated in accordance with ASC 718 for the indicated year in connection with options we granted in the indicated year, adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting. Forty percent of performance-based restricted stock awards granted in June 2013 were deemed at the time of issuance to be probable of being earned and as such the grant date fair value of such awards was determined to be equal to the fair market value of the underlying shares on the date of grant. No value has been attributed to the remaining sixty percent of the awards granted in June 2013, as we have not, as of December 31, 2013, determined that the performance conditions are probable of being achieved. Performance-based restricted stock awards granted in January 2013 were deemed at the time of issuance to be probable of being earned and as such the grant date fair value of such awards was determined to be equal to the fair market value of the underlying shares on the date of grant.

**Table of Contents**

- Performance-based restricted stock awards granted in February 2012 were deemed at the time of issuance to be probable of being earned and as such the grant date fair value of such awards was determined to be equal to the fair market value of the underlying shares on the date of grant. Performance-based options granted in February 2011 were deemed at the time of issuance to be probable of being earned and as such they were valued at 100% of the Black-Scholes value at the time of issuance. In October 2013, the compensation committee determined that the conditions underlying each of these awards would not be met and the shares were forfeited to the company.
- (2) Our compensation committee determined to pay Tuan Ha-Ngoc, David Johnston, William Slichenmyer, Elan Ezickson (pro-rated through the day of his departure from the Company), Michael Bailey, and Jenó Gyuris annual cash incentive plan awards equal to 0%, 0%, 28%, 100%, 28%, and 28% of such executive officer's target award, respectively, for performance in 2013. The bonus earned on the basis of actual performance relative to target cash incentive award metrics has been reported in this column as non-equity incentive plan compensation. Our compensation committee determined to pay Tuan Ha-Ngoc, David Johnston, William Slichenmyer, Elan Ezickson, Michael Bailey, and Jenó Gyuris annual cash incentive plan awards equal to 95%, 95%, 98%, 96%, 96%, and 96% of such executive officer's target award, respectively, for performance in 2012. Our compensation committee determined to pay Tuan Ha-Ngoc, David Johnston, William Slichenmyer, Elan Ezickson, Michael Bailey, and Jenó Gyuris annual cash incentive plan awards equal to 130%, 128%, 128%, 124%, and 124% of such executive officer's target award, respectively, for performance in 2011.
- (3) Amounts represent the value of perquisites and other personal benefits, which are further detailed below:

Name and Principal Position	Year	Matched 401(k) Contribution (\$)	Group Life Insurance (\$)	Relocation Costs (\$)	Total (\$)
Tuan Ha-Ngoc, Chief Executive Officer	2013	\$ 6,500	\$ 5,544		\$ 12,044
	2012	\$ 6,125	\$ 6,006		\$ 12,131
	2011	\$ 6,125	\$ 3,612		\$ 9,737
David Johnston, Former Chief Financial Officer	2013	\$ 6,500	\$ 3,354		\$ 9,854
	2012	\$ 6,125	\$ 3,233		\$ 9,358
	2011	\$ 6,125	\$ 3,076		\$ 9,201
William Slichenmyer, Chief Medical Officer	2013	\$ 6,500	\$ 3,612		\$ 10,112
	2012	\$ 6,125	\$ 3,597		\$ 9,722
	2011	\$ 6,125	\$ 1,852		\$ 7,977
Elan Ezickson, Former Executive Vice President, Chief Operating Officer	2013	\$ 6,500	\$ 1,127		\$ 7,627
	2012	\$ 6,125	\$ 1,245		\$ 7,370
	2011	\$ 6,125	\$ 1,139		\$ 7,264
Michael Bailey, Chief Commercial Officer	2013	\$6,500	\$1,168		\$ 7,668
	2012	\$6,125	\$1,095		\$ 7,220
	2011	\$ 665	\$1,057	\$ 20,040	\$ 21,762
Jenó Gyuris, Chief Scientific Officer	2013	\$6,500	\$1,703		\$ 8,203
	2012	\$6,125	\$1,633		\$ 7,758
	2011	\$6,125	\$1,501		\$ 7,626

(4)

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Bonus amount for Mr. Ha-Ngoc of \$50,000 was awarded by our board of directors in January 2012 for a one-time recognition bonus based on Mr. Ha-Ngoc's overall leadership and guidance in connection with our strategic, operational and organizational development over 2011, the successful consummation of a follow-on public offering in June 2011, the receipt of successful data from our phase 3 clinical trial of tivozanib and the consummation of the partnership with Astellas.

- (5) Bonus amount for Mr. Johnston of \$20,000 was awarded by our board of directors in January 2012 for a one-time recognition bonus based on Mr. Johnston's leadership in the successful consummation of our follow-on public offering in June 2011.
- (6) Bonus amount for Dr. Slichenmyer of \$20,000 was awarded by our board of directors in January 2012 for a one-time recognition bonus based on Dr. Slichenmyer's leadership in overseeing our phase 3 clinical trial of tivozanib which reported successful top-line data at the end of 2011.
- (7) Bonus amount for Mr. Ezickson of \$20,000 was awarded by our board of directors in January 2012 for Mr. Ezickson's leadership in consummating our partnership with Astellas.

**Table of Contents****Grants of Plan-Based Awards for the Year Ended December 31, 2013**

The following table sets forth information for the year ended December 31, 2013 regarding grants of plan-based awards made during 2013 to our named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target (\$) <sup>(1)</sup>	Estimated Future Payouts Under Equity Incentive Plan Awards (#) <sup>(2)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(3)</sup>	Exercise or Base Price of Stock and Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(4)</sup>
Tuan Ha-Ngoc		\$ 369,119				
	1/24/13			82,500	\$ 7.72	\$ 376,456 <sup>(5)</sup>
	1/24/13		82,500		\$ 7.72	\$ 636,900 <sup>(6)</sup>
David Johnston		\$ 140,357				
	1/24/13			32,500	\$ 7.72	\$ 148,301 <sup>(5)</sup>
	6/26/13			120,000	\$ 2.51	\$ 194,832 <sup>(5)</sup>
	1/24/13		32,500		\$ 7.72	\$ 250,900 <sup>(6)</sup>
	6/26/13		40,000		\$ 2.51	\$ 29,280 <sup>(6)</sup>
William Slichenmyer		\$ 155,941				
		\$ 77,971 <sup>(7)</sup>				
	1/24/13			32,500	\$ 7.72	\$ 148,301 <sup>(5)</sup>
	6/26/13			120,000	\$ 2.51	\$ 194,832 <sup>(5)</sup>
	1/24/13		37,500		\$ 7.72	\$ 289,500 <sup>(6)</sup>
	6/26/13		40,000		\$ 2.51	\$ 29,280 <sup>(6)</sup>
Elan Ezickson		\$ 155,664				
Michael Bailey		\$ 140,432				
		\$ 70,322 <sup>(7)</sup>				
	1/24/13			32,500	\$ 7.72	\$ 148,301 <sup>(5)</sup>
	6/26/13			120,000	\$ 2.51	\$ 194,832 <sup>(5)</sup>
	1/24/13		42,500		\$ 7.72	\$ 328,100 <sup>(6)</sup>
	6/26/13		40,000		\$ 2.51	\$ 29,280 <sup>(6)</sup>
Jeno Gyuris		\$ 133,785				
		\$ 68,899 <sup>(7)</sup>				
	1/24/13			32,500	\$ 7.72	\$ 148,301 <sup>(5)</sup>
	6/26/13			120,000	\$ 2.51	\$ 194,832 <sup>(5)</sup>
	1/24/13		32,500		\$ 7.72	\$ 250,900 <sup>(6)</sup>
	6/26/13		40,000		\$ 2.51	\$ 29,280 <sup>(6)</sup>

(1) Represents the target payout levels under the annual cash incentive program. Target payouts for Tuan Ha-Ngoc, David Johnston, William Slichenmyer, Elan Ezickson, Michael Bailey, and Jeno Gyuris represented 65%, 40%, 40%, 40%, 40%, and 40% of base salary in 2013, respectively. The actual payout with respect to each named executive officer is shown above in the Summary Compensation Table for the Years Ended December 31, 2013, 2012 and 2011 in the column titled Non-Equity Incentive Plan Compensation. The annual cash incentive program did not have threshold payout levels, as the determination of the level of achievement of corporate and individual goals was subjective and subject to the discretion of our board of directors. Payouts under the annual cash incentive program were not subject to any maximum limit. Additional information regarding the design of the annual cash incentive program, including a description of the corporate goals and individual performance applicable to 2013 awards, is described above in Executive Compensation Components.

(2)

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

Represents target payout of shares of performance-based or performance-based restricted stock. The shares of performance-based restricted stock granted in January 2013 were eligible to be earned in full based on achievement of a milestone event, accordingly no threshold or maximum amounts were payable in respect of such stock. In October 2013, the compensation committee determined that the conditions underlying the

**Table of Contents**

- performance-based restricted granted stock in January 2013 would not be met and the shares were forfeited to the company. The shares of performance-based restricted stock granted in June 2013 were eligible to be earned based upon the employee's level of achievement with regard to certain performance objectives set by the compensation committee of the board of directors. For the vesting schedules of these awards, please see footnote 2 of the Outstanding Equity Awards at December 31, 2013 table below. These awards are subject to acceleration upon termination of employment as further described in the Employment Agreements and Severance Arrangements and Potential Payments and Benefits Upon Termination and a Change in Control sections below.
- (3) For the vesting schedules of these awards, please see footnote 2 of the Outstanding Equity Awards at December 31, 2013 table below. These awards are subject to acceleration upon termination of employment as further described in the Employment Agreements and Severance Arrangements and Potential Payments and Benefits Upon Termination and a Change in Control sections below.
  - (4) For a discussion of our methodology for determining the fair value of our common stock, see Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.
  - (5) Valuation of these options is based on the aggregate dollar amount of share-based compensation recognized for financial statement reporting purposes computed in accordance with ASC 718 over the term of these options, excluding the impact of estimated forfeitures related to service-based vesting conditions. The assumptions used by us with respect to the valuation of stock and option awards are set forth in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.
  - (6) Performance-based restricted stock awards granted in January 2013 were deemed at the time of issuance to be probable of being earned and as such the grant date fair value of such awards was determined to be equal to the fair market value of the underlying shares on the date of grant. Forty percent of performance-based restricted stock awards granted in June 2013 were deemed at the time of issuance to be probable of being earned and as such the grant date fair value of such awards was determined to be equal to the fair market value of the underlying shares on the date of grant. No value has been attributed to the remaining sixty percent of the awards granted in June 2013, as we have not, as of December 31, 2013, determined that the performance conditions are probable of being achieved.
  - (7) Bonus amount for select executives granted on June 26, 2013 by our compensation committee. These payments are to be made on October 1, 2014 and only if the individual remains employed by us at such time.

**Outstanding Equity Awards at December 31, 2013**

The following table sets forth information regarding outstanding equity awards held as of December 31, 2013 by our named executive officers.

Name	Option Awards <sup>(1)</sup>				Stock Awards <sup>(1)</sup>	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Tuan Ha-Ngoc	18,906	63,594	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	44,802	48,698	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	61,979	23,021	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	61,250		\$ 12.24	2/2/2020		
	39,166	833	\$ 12.24 <sup>(5)</sup>	2/2/2020		
	57,499		\$ 8.48	4/1/2019		
	62,499		\$ 6.44	1/31/2018		
	238,749		\$ 5.20	5/9/2017		
	59,500		\$ 2.00	2/9/2016		
	250,000		\$ 1.32	2/1/2015		



**Table of Contents**

Name	Option Awards <sup>(1)</sup>				Stock Awards <sup>(1)</sup>	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David Johnston <sup>(8)</sup>	7,447		\$ 7.72 <sup>(6)</sup>	1/24/2023		
	16,052		\$ 13.18 <sup>(2)</sup>	1/31/2022		
	12,760		\$ 14.16 <sup>(4)</sup>	2/15/2021		
	12,500		\$ 12.24	2/2/2020		
	14,687		\$ 12.24 <sup>(5)</sup>	2/2/2020		
	12,499		\$ 8.48	4/1/2019		
	150,000		\$ 5.60	10/31/2017		
William Slichenmyer		120,000	\$ 2.51 <sup>(7)</sup>	6/26/2023	40,000 <sup>(3)</sup>	\$ 73,200
	7,447	25,053	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	15,285	16,615	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	12,760	4,740	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	12,500		\$ 12.24	2/2/2020		
	108,500		\$ 9.64	10/8/2019		
Elan Ezickson						
Michael Bailey		120,000	\$ 2.51 <sup>(7)</sup>	6/26/2023	40,000 <sup>(3)</sup>	\$ 73,200
	7,447	25,053	\$ 7.72 <sup>(6)</sup>	1/24/2023		\$
	14,854	16,146	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	3,645	1,355	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	146,250	33,750	\$ 14.26	10/5/2020		
Jeno Gyuris		120,000	\$ 2.51 <sup>(7)</sup>	6/26/2023	40,000 <sup>(3)</sup>	\$ 73,200
	7,447	25,053	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	13,272	14,428	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	10,937	4,063	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	24,687	312	\$ 12.24	2/2/2020		
	12,499		\$ 8.48	4/1/2019		
	30,000		\$ 6.44	1/31/2018		
	50,000		\$ 5.20	5/9/2017		
	37,450		\$ 2.00	2/9/2016		

- (1) All equity awards held by our named executive officers are subject to vesting acceleration upon termination of employment, as further described in the Employment Agreements and Severance Arrangements and Potential Payments and Benefits Upon Termination and a Change in Control sections above.
- (2) These options vest in equal monthly installments through January 1, 2016.
- (3) These restricted stock awards vest as to 40% of the shares upon the date our compensation committee determines, if such determination is made (no later than March 15, 2014), that we achieve our corporate goals for 2013 and as to 60% of the shares upon the date the compensation committee determines (no later than March 15, 2015), if such determination is made, that we achieve our corporate goals for 2014.
- (4) These options vest in equal monthly installments through January 1, 2015.
- (5) These options vest in equal monthly installments through January 1, 2014.
- (6) These options vest in equal monthly installments through January 1, 2017.
- (7) These options vest in equal monthly installments through June 1, 2017.
- (8) Mr. Johnston departed the company in December 2013, and as a result, all of his option awards forfeited back to the company 90 days after such departure.



---

## **Table of Contents**

### ***Option Exercises***

Our named executive officers did not exercise any stock options during the year ended December 31, 2013:

### **Employment Agreements and Severance Arrangements**

*Tuan Ha-Ngoc Employment Agreement.* We entered into an employment agreement with Tuan Ha-Ngoc, our president and chief executive officer, in December 2008. Mr. Ha-Ngoc's annual base salary is currently \$567,875. Mr. Ha-Ngoc's base salary is reviewed annually by our board of directors. Pursuant to the agreement, Mr. Ha-Ngoc has the opportunity to earn an annual cash incentive award for each calendar year he is employed by us of up to 35% (which may be increased from time to time at the discretion of our board of directors) of his base salary based on the achievement of criteria agreed to by Mr. Ha-Ngoc and the board of directors, each year. Our board of directors has currently set Mr. Ha-Ngoc's annual cash incentive award target at 65% of his base salary. If all of the criteria for the achievement of any annual cash incentive award are exceeded in any calendar year, our board, in its sole discretion, may award an amount that exceeds the 65% target. The amount and components of any cash incentive award are determined in the sole discretion of the board, or its designee, and are based solely on company-wide performance. Mr. Ha-Ngoc also received a sign-on bonus of \$120,000 in connection with the commencement of his employment with us in 2002.

Upon appointment as our president and chief executive officer, and as provided in the employment agreement, Mr. Ha-Ngoc was granted 200,000 shares of restricted stock at a purchase price of \$0.48 per share, which have vested in full. Upon appointment, Mr. Ha-Ngoc was also granted a stock option to purchase 50,000 shares of our common stock at an exercise price of \$0.48 per share, which options are fully vested and were exercised on February 17, 2012. Mr. Ha-Ngoc is also eligible to receive on an annual basis, and has received, additional grants of stock options, as determined in the sole discretion of our board of directors or our compensation committee, as the case may be. To date, Mr. Ha-Ngoc has received options to purchase an aggregate of 1,170,996 shares of common stock, and 362,500 shares of common stock subject to restricted stock awards.

*Severance and Change in Control Agreements with Named Executive Officers.* We have entered into individual severance and change in control agreements with each of our named executive officers. All benefits payable pursuant to a severance and change in control agreement are to be paid or furnished to the named executive officer by us and are contingent upon the named executive officer executing a release of claims in our favor in a form satisfactory to us. In addition, each of our named executive officers is subject to non-competition and non-solicitation covenants as part of their individual agreements, subject to certain exceptions.

Pursuant to the terms of our severance and change in control agreement with Mr. Ha-Ngoc, he is entitled, in the event that his employment is terminated without cause, due to a disability or for good reason to the following:

to continue to receive compensation after termination of his employment with us at a rate equal to his then-current base salary for the lesser of 18 months or until such time as he finds comparable employment;

to receive a lump sum payment of his annual cash incentive award target pro-rated through the date of his termination; and

to continue his health insurance for the lesser of 18 months or until such time as he receives such benefits from a new employer.

Pursuant to the terms of our severance and change in control agreement with William Slichenmyer, Michael Bailey and Jenő Gyuris, each such named executive officer is entitled, in the event that his employment is terminated without cause, due to a disability or for good reason to the following:

to continue to receive compensation after termination of his respective employment with us at a rate equal to his then-current base salary for the lesser of 12 months or until such time as he finds comparable employment;

**Table of Contents**

to receive a lump sum payment of his annual cash incentive award target pro-rated through the date of his termination; and

to continue his health insurance for the lesser of 12 months or until such time as he receives such benefits from a new employer. As defined in each named executive officer's severance and change in control agreement, "cause" means any of the following, as determined by our board of directors:

the conviction of or plea of not guilty or nolo contendere to a felony or a crime involving dishonesty or any felony;

willful misconduct resulting in material harm to our company;

commission of an act of fraud, embezzlement, theft or dishonesty against the company resulting in material harm to our company;

repeated and continuing failure to follow the proper and lawful directions of our chief executive officer (other than with respect to Mr. Ha-Ngoc) or our board of directors after a written demand is delivered that specifically identifies the manner in which our chief executive officer or our board of directors believes that he has failed to follow such instructions;

current alcohol or prescription drug abuse affecting work performance, or current illegal use of drugs regardless of the effect on work performance;

material violation of our code of conduct that causes harm to our company; or

material breach of any term of his severance and change in control agreement, or any other applicable confidentiality and/or non-competition agreements with us.

However, in the case of Mr. Ha-Ngoc, a termination for "cause" can only be made (i) upon the determination of at least 67% of the non-interested members of our board of directors and (ii) if Mr. Ha-Ngoc is given at least 30 days to cure any violation.

As defined in each named executive officer's severance and change in control agreement, termination for "good reason" means the executive officer's voluntary termination of employment due to any of the following occurring without his written consent:

the requirement that such employee perform his duties outside a radius of 50 miles from our corporate headquarters in Cambridge, MA;

any material diminution in such employee's duties, responsibilities or authority;

a reduction in his base salary (unless such reduction is effected in connection with a general and proportionate reduction of compensation for all employees of his pay level); or

## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

the material breach by us of any term or condition of his severance and change in control agreement or another applicable employment agreement.

The right to terminate employment for good reason requires that an executive give us written notice of termination and an opportunity to cure the condition giving rise to good reason within 30 days of receiving such notice. The delivery of the notice and the date of termination must occur within 90 and 180 days, respectively, of the condition giving rise to good reason.

If an executive's employment is terminated within 18 months following a change in control of us, the individual severance and change in control agreements provide that all severance payments be made pursuant to our key employee change in control severance benefits plan.

*Letter Agreements.* In February 2014, we entered into letter agreements with each Dr. Slichenmyer and Messrs. Bailey and Gyuris regarding their respective cash retention bonus awards granted in 2014 and their

**Table of Contents**

existing severance agreements. The purpose of the letter agreements is to provide incentives to each named executive officer to remain dedicated to our success. Each letter agreement provides that if the named executive officer's employment with us is terminated by us without cause, due to a disability or by the named executive officer for good reason prior to the payment date of the cash retention award, the named executive officer shall receive a pro-rated amount of his 2014 mid-year retention bonus, 2014 year-end retention bonus and 2015 retention bonus. For more information regarding these cash retention awards, see *Executive Compensation Components Annual Cash Incentive Program* above.

*Key Employee Change in Control Severance Benefits Plan.* In addition to individual severance and change in control agreements, our named executive officers and other key employees participate in our Key Employee Change in Control Severance Benefits Plan. No payments are made pursuant to individual severance and change in control agreements if payments are made under this plan. All benefits payable under the plan are to be paid or furnished to the participant by us and are contingent upon the participant executing a release of claims in our favor in a form satisfactory to us. Pursuant to the terms of the plan, if we terminate a named executive officer's employment without cause or if they leave their employment with us for good reason within 18 months following a change in control of us, such named executive officer is entitled to the following benefits:

continued receipt of compensation after termination at a rate equal to such executive's then-current base salary for 12 months (18 months in the case of Mr. Ha-Ngoc);

payment of a sum equal to (i) such individual's pro rata target cash incentive award plus (ii) an amount equal to one times his target bonus (1.5 times his target bonus, in the case of Mr. Ha-Ngoc); and

continued health insurance for 12 months (18 months in the case of Mr. Ha-Ngoc).

Further, pursuant to the terms of our Key Employee Change in Control Severance Benefits Plan, if we terminate a named executive officer's employment without cause or such named executive officer leaves his employment with us for good reason within 18 months of a change in control of us, all options held by such named executive officer will become immediately exercisable in full and all restricted stock held by such named executive officer will become vested in full.

**Potential Payments and Benefits Upon Termination and a Change in Control**

Our named executive officers are entitled to certain benefits in the event their employment is terminated without cause, due to a disability or for good reason, as described above. The following table describes the potential payments and benefits to each of our named executive officers following a termination of employment without cause, due to a disability or for good reason, as the same were payable on December 31, 2013. Actual amounts payable to each executive listed below upon termination can only be determined definitively at the time of each executive's actual departure. In addition to the amounts shown in the table below, each executive would receive payments for amounts of base salary and vacation time accrued through the date of termination and payment for any reimbursable business expenses incurred. For information relating to compensation earned by each of our named executive officers, see our *Summary Compensation Table For the Years Ended December 31, 2013, 2012 and 2011* above.

Name and Principal Position	Benefit Type	Termination	Termination
		Without Cause, Due to a Disability or For Good Reason (\$)	without Cause or For Good Reason Within 18 Months of a Change in Control (\$)
Tuan Ha-Ngoc, Chief Executive Officer	Base Salary	\$ 851,813 <sup>(1)</sup>	\$ 851,813 <sup>(5)</sup>
	Cash Incentive Award	\$ 369,119 <sup>(2)</sup>	\$ 922,797 <sup>(6)</sup>
	Healthcare Benefits	\$ 30,649 <sup>(3)</sup>	\$ 30,649 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>	\$	\$

Total

\$ 1,251,581

\$ 1,805,259

**Table of Contents**

Name and Principal Position	Benefit Type	Termination Without Cause, Due to a Disability or For Good Reason (\$)	Termination without Cause or For Good Reason Within 18 Months of a Change in Control (\$)
David Johnston <sup>(8)</sup> , Former Chief Financial Officer	Base Salary	\$	\$
	Cash Incentive Award	\$	\$
	Healthcare Benefits	\$	\$
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		
	Total	\$	\$
William Slichenmyer <sup>(9)</sup> , Chief Medical Officer	Base Salary	\$ 389,853 <sup>(1)</sup>	\$ 389,853 <sup>(5)</sup>
	Cash Incentive Award	\$ 155,941 <sup>(2)</sup>	\$ 311,882 <sup>(6)</sup>
	Healthcare Benefits	\$ 23,395 <sup>(3)</sup>	\$ 23,395 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 73,200
	Total	\$ 569,189	\$ 798,330
Elan Ezickson <sup>(10)</sup> , Former Chief Operating Officer	Base Salary	\$	\$
	Cash Incentive Award	\$	\$
	Healthcare Benefits	\$	\$
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		
	Total	\$	\$
Michael Bailey, Chief Commercial Officer	Base Salary	\$ 351,079 <sup>(1)</sup>	\$ 351,079 <sup>(5)</sup>
	Cash Incentive Award	\$ 140,432 <sup>(2)</sup>	\$ 280,863 <sup>(6)</sup>
	Healthcare Benefits	\$ 20,432 <sup>(3)</sup>	\$ 20,432 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 73,200
	Total	\$ 511,943	\$ 725,574
Jeno Gyuris, Chief Scientific Officer	Base Salary	\$ 334,463 <sup>(1)</sup>	\$ 334,463 <sup>(5)</sup>
	Cash Incentive Award	\$ 133,785 <sup>(2)</sup>	\$ 267,570 <sup>(6)</sup>
	Healthcare Benefits	\$ 23,395 <sup>(3)</sup>	\$ 23,395 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 73,200
	Total	\$ 491,643	\$ 698,628

- (1) Represents the named executive officer's base salary payable over 12 months, or in the case of Mr. Ha-Ngoc, 18 months. Severance is equal to payment of the executive's base salary until the earlier of (i) 12 months (in the case of Mr. Ha-Ngoc, 18 months) following the date of termination and (ii) the date on which the executive commences full-time employment or a full-time consulting relationship with



## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

- substantially equivalent compensation.
- (2) Represents the named executive officer's severance bonus payable within 30 days of the date of termination. Severance bonus is equal to payment of the executive's target annual incentive plan bonus pro-rated through the date of termination.
  - (3) Represents the cost of continued COBRA benefits for the named executive officer and any qualified beneficiary. COBRA benefits are payable until the earlier of (i) 12 months (in the case of Mr. Ha-Ngoc, 18 months) (or as long as such eligibility for the executive and each qualified beneficiary continues) from the

**Table of Contents**

- date such benefits would otherwise end under the applicable plan terms and (ii) the date the executive becomes eligible for group health coverage through another employer. This value is based upon the type of insurance coverage we carried for each named executive officer as of December 31, 2013 and is valued at the premiums in effect on December 31, 2013.
- (4) This amount is equal to (a)(i) the number of options that would vest as a direct result of the employment termination subsequent to a change in control multiplied by (ii) the excess of \$1.83, which represents the fair market value of our common stock as of December 31, 2013, over the exercise price of the options, plus (b)(i) the number of shares of restricted stock that would vest as a direct result of the employment termination subsequent to a change in control multiplied by (ii) \$1.83.
- (5) Represents the named executive officer's base salary payable over 12 months (in the case of Mr. Ha-Ngoc, 18 months) following the date of termination.
- (6) Represents the named executive officer's severance bonus payable over 12 months (in the case of Mr. Ha-Ngoc, 18 months) following the date of termination. Severance bonus is in addition to the named executive officer's target annual incentive plan bonus pro-rated through the date of termination.
- (7) Represents the cost of continued COBRA benefits for the named executive officer and any qualified beneficiary for 12 months (in the case of Mr. Ha-Ngoc, 18 months) following the date of termination.
- (8) Mr. Johnston left the company voluntarily in December 2013 and did not receive any payments pursuant to his Severance and Change of Control Agreement.
- (9) Upon Mr. Slichenmyer's departure from the company on April 30, 2014, he will receive payments pursuant to his Severance and Change in Control Agreement.
- (10) Mr. Ezickson departed the Company in June 2013 and received certain payments pursuant to his Severance and Change in Control Agreement as follows: \$162,150 representing payment for his base salary through December 31, 2013; \$90,804 representing a lump sum payment of his annual cash incentive award pro-rated through the date of termination; and \$6,189 representing health insurance payments. Mr. Ezickson is eligible to continue to receive payments for his salary and health insurance through the earlier of July 31, 2014 or until such time he finds comparable employment and health benefits from a new employer.

**Equity Compensation Plan Information**

The following table sets forth information concerning our equity compensation plans as of December 31, 2013.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(1)
Equity compensation plans approved by security holders	4,296,694	7.36	5,819,023
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>4,296,694</b>	<b>7.36</b>	<b>5,819,023</b>

- (1) Includes 456,046 shares of common stock issuable under our 2010 Employee Stock Purchase Plan, all of which are issuable in connection with the current offering period which ends on June 30, 2014.

**Compensation Committee Report**

Our compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based upon such review and discussions, our compensation committee recommended to our board that such section be included in this proxy statement.

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

By the compensation committee of the board of directors of AVEO Pharmaceuticals, Inc.,

Anthony B. Evnin, Chair

Kenneth M. Bate

Henri A. Termeer

**Table of Contents****Compensation Committee Interlocks and Insider Participation**

Our compensation committee was comprised of Anthony Evnin, Kenneth Bate and Henri Termeer during 2013. No member of our compensation committee is or has been a current or former officer or employee of our company. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity that had one or more executive officers serving as a director or member of our compensation committee during the year ended December 31, 2013. For a description of transactions between us and members of the compensation committee and entities affiliated with such members, please see Certain Relationships and Related Person Transactions.

**Director Compensation**

Mr. Ha-Ngoc, our president and chief executive officer, has not received any compensation in connection with his service as a director. The compensation that we pay to our president and chief executive officer is discussed under Compensation Discussion and Analysis above.

The following table sets forth information for the year ended December 31, 2013 regarding the compensation awarded to, earned by or paid to our non-employee directors. Mr. Weg resigned from the board effective August 1, 2013.

Name	Fees Earned or Paid In Cash or Stock(\$)	Option Awards (\$) <sup>(1)(2)</sup>	All Other Compensation (\$)	Total (\$)
Kenneth Bate <sup>(3)</sup>	\$ 61,370	\$ 20,194		\$ 81,569
Robert Epstein <sup>(3)</sup>	\$ 43,870			\$ 43,875
Anthony Evnin <sup>(3)</sup>	\$ 57,370	\$ 20,194		\$ 77,569
Raju Kucherlapati <sup>(3)</sup>	\$ 44,370	\$ 20,194		\$ 64,569
Henri Termeer <sup>(3)</sup>	\$ 69,370	\$ 20,194		\$ 89,564
Kenneth Weg <sup>(3)</sup>	\$ 28,000	\$ 20,194		\$ 48,199
Robert Young <sup>(3)</sup>	\$ 46,370	\$ 20,194		\$ 66,569

- (1) The assumptions we used in valuing options are described in Note 11, Stock-Based Compensation, to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. This column reflects the aggregate grant date fair value as calculated in accordance with ASC 718 for the indicated year in connection with options we granted in the indicated year, adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting.
- (2) Options were granted at fair market value on May 29, 2013 at an exercise price of \$2.59 per share. Options vest over one year in twelve equal monthly installments.
- (3) The following table reflects the aggregate number of stock awards and the aggregate number of option awards outstanding for our directors as of December 31, 2013.

Name	Option Awards
Kenneth Bate <sup>(i)</sup>	70,000
Robert Epstein <sup>(ii)</sup>	30,000
Anthony Evnin <sup>(iii)</sup>	60,000
Raju Kucherlapati <sup>(iv)</sup>	54,585
Henri Termeer <sup>(v)</sup>	55,000
Robert Young <sup>(vi)</sup>	50,250

- (i) Consists of (A) an option to purchase 10,000 shares of our common stock at an exercise price of \$6.36 per share, (B) an option to purchase 10,000 shares of our common stock at an exercise price of \$8.72 per share, (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$7.44 per share, (D) an option to purchase 12,500 shares of our common stock at an exercise price of



**Table of Contents**

\$18.87 per share, (E) an option to purchase 12,500 shares of our common stock at an exercise price of \$12.78 per share, and (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share.

- (ii) Consists of an option to purchase 30,000 shares of our common stock at an exercise price of \$7.05 per share.
- (iii) Consists of (A) an option to purchase 10,000 shares of our common stock at an exercise price of \$8.72 per share, (B) an option to purchase 12,500 shares of our common stock at an exercise price of \$7.44 per share, (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$18.87 per share, (D) an option to purchase 12,500 shares of our common stock at an exercise price of \$12.78 per share, and (E) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59.
- (iv) Consists of (A) an option to purchase 1,252 shares of our common stock at an exercise price of \$6.88 per share, (B) an option to purchase 3,333 shares of our common stock at an exercise price of \$8.72 per share, (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$7.44 per share, (D) an option to purchase 12,500 shares of our common stock at an exercise price of \$18.87 per share, (E) an option to purchase 12,500 shares of our common stock at an exercise price of \$12.78 per share, and (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share.
- (v) Consists of (A) an option to purchase 30,000 shares of our common stock at an exercise price of \$13.65 per share, (B) an option to purchase 12,500 shares of our common stock at an exercise price of \$12.78 per share, and (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share.
- (vi) Consists of (A) an option to purchase 6,750 shares of our common stock at an exercise price of \$8.72 per share, (B) an option to purchase 6,000 shares of our common stock at an exercise price of \$7.44 per share, (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$18.87 per share, (D) an option to purchase 12,500 shares of our common stock at an exercise price of \$12.78 per share, and (E) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59.

Under the director compensation policy in effect for 2012 and through March 2013, our non-employee directors were compensated as follows:

Upon the initial election to our board of directors, each non-employee director received an option to purchase 30,000 shares of common stock exercisable for a price per share equal to the then fair market value of our common stock. Upon the date each director is re-elected at our annual stockholders meeting, such director will receive an option to purchase 12,500 shares of our common stock exercisable for a price per share equal to the then fair market value of our common stock. These options expire ten years from the date of grant, subject to the director's continued service on our board, and vest in twelve equal monthly installments commencing the 1st day of the month following the date of grant. In the event a director resigns from the board, the vesting of any options granted for service on the board ceases as of such date, and such director has a period of up to three months from the date of resignation to exercise any option granted as compensation for service on the board of directors, to the extent vested on the date of resignation.

Our non-employee directors were paid for their service on our board as follows:

annual retainer fee for the chairman of the board of \$50,000;

annual retainer fee of \$30,000 (other than chairperson);

in-person attendance fee for board meetings of \$1,750 per meeting;

annual retainer fee for members of the audit committee (other than chairperson) of \$6,000;

annual retainer fee for audit committee chairperson of \$15,000;

annual retainer fee for members of the compensation committee (other than chairperson) of \$5,000;

Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

annual retainer fee for compensation committee chairperson of \$10,000;

annual retainer fee for members of the nominating and governance committee (other than chairperson) of \$3,000; and

annual retainer fee for nominating and governance committee chairperson of \$5,000.

## Table of Contents

In March 2013, as part of its annual review of executive and director compensation, our board of directors, upon recommendation from our compensation committee, amended our director compensation policy, effective as of March 31, 2013, to better align compensation of our directors with industry trends which include paying each director an annual retainer based on his role(s) on the board and no longer paying individual meeting attendance fees. The amendments to the director compensation policy also included extending vesting for initial option grants to newly elected directors so that the awards vest over a three-year period. Accordingly, the director compensation policy effective as of March 31, 2013 provides as follows:

Upon the initial election to our board of directors, each non-employee director will receive an option to purchase 30,000 shares of common stock exercisable for a price per share equal to the then fair market value of our common stock. These options expire ten years from the date of grant, subject to the director's continued service on our board, and vest in 36 equal monthly installments commencing with the first day of the month following the date of grant.

Upon the date each director is re-elected at our annual stockholders meeting, such director will receive an option to purchase 12,500 shares of our common stock exercisable for a price per share equal to the then fair market value of our common stock. These options expire ten years from the date of grant, subject to the director's continued service on our board, and vest in twelve equal monthly installments commencing on the first day of the month following the date of grant.

In the event a director resigns from the board, the vesting of any options granted for service on the board ceases as of such date, and such director has a period of up to three months from the date of resignation to exercise any option granted as compensation for service on the board of directors, to the extent vested on the date of resignation.

Our non-employee directors will be paid for their service on our board as follows:

annual retainer fee for the chairman of the board of \$60,500;

annual retainer fee of \$40,500 (other than chairperson);

annual retainer fee for members of the audit committee (other than chairperson) of \$6,000;

annual retainer fee for audit committee chairperson of \$15,000;

annual retainer fee for members of the compensation committee (other than chairperson) of \$5,000;

annual retainer fee for compensation committee chairperson of \$10,000;

annual retainer fee for members of the nominating and governance committee (other than chairperson) of \$3,000; and

annual retainer fee for nominating and governance committee chairperson of \$5,000.

Each annual fee will be payable in arrears in four equal quarterly installments on the last day of each quarter, provided that the amount of such payment will be pro-rated for any portion of the quarter that the director was not serving on our board. In accordance with a policy established



## Edgar Filing: AVEO PHARMACEUTICALS INC - Form DEF 14A

by the board effective for payments received in 2014, each director may elect to receive up to 50% of any such quarterly installment of board fees in the form of unrestricted shares of our common stock issued pursuant to our Amended and Restated 2010 Stock Incentive Plan. The number of shares of common stock to be issued is determined by dividing the percentage of the board fees elected to be received in shares of common stock by the fair market value of one share of common stock on the first business day of the quarter following the quarter in which the fees were earned. Each non-employee director will also be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the board of directors and any committee on which he or she serves.

***Consulting Agreement with Dr. Raju Kucherlapati.*** We entered into a consulting agreement with Dr. Kucherlapati dated as of January 1, 2010, pursuant to which Dr. Kucherlapati is to provide scientific and business advice as well as attend meetings of our scientific advisory board. Dr. Kucherlapati did not earn any compensation for consulting services provided under this agreement in 2013. The agreement expired by its terms as of December 31, 2013.

---

**Table of Contents**

**PROPOSAL 2 AMENDMENT TO AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

On March 27, 2014, our board of directors approved, subject to stockholder approval, an amendment to our 2010 Amended and Restated Stock Incentive Plan, which we refer to our 2010 Incentive Plan. Our stockholders are being asked to approve the Amendment No. 1 to the 2010 Incentive Plan, which we refer to as the Amendment. If approved, the Amendment would increase the annual per participant limit with respect to which awards may be granted to any one participant under the 2010 Incentive Plan from 250,000 shares to 1,000,000 shares per fiscal year. We are not making, nor are we seeking, stockholder approval of, any other amendments to the 2010 Incentive Plan.

Our board believes that this increase in the per participant limit for awards is necessary in order to attract and retain an exceptional management team and to allow us to offer a competitive compensation package within our industry. Furthermore, this increase in the per participant limit will provide us with more discretion to grant awards that are not subject to the \$1,000,000 deduction limit of Section 162(m) of the Code, or Section 162(m), and accordingly, approval of the Amendment will further ensure that we may, if we choose to do so, create incentive compensation opportunities that are fully deductible under Section 162(m). As of March 31, 2014, there were 4,494,531 shares of common stock available for grant under our 2010 Incentive Plan.

**Introduction**

Our 2010 Incentive Plan was originally adopted by our board of directors on February 2, 2010 and approved by our stockholders on February 11, 2010, and amended and restated by our board of directors on March 26, 2013 and approved by our stockholders on May 29, 2013. The 2010 Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other stock-based and cash-based awards. At the time our 2010 Incentive Plan was approved by our stockholders, the number of shares of our common stock that was reserved for issuance under the 2010 Incentive Plan was the 7,875,000 shares of common stock plus the number of shares under our 2002 Stock Incentive Plan which expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by us at their original issuance price pursuant to a contractual repurchase right, up to a maximum of 625,000 shares.

The 2010 Incentive Plan provides that awards may be granted to any one participant under the 2010 Incentive Plan for no more than 250,000 shares per fiscal year. This per participant limit is intended to permit performance-based equity awards under the Plan to be exempt from deduction limitations under Section 162(m). In 2013, we awarded our named executive officers approximately 63% of their incentive compensation in shares of our common stock (in the form of options, restricted stock and performance shares), and we expect to continue to do so. Therefore, to achieve the appropriate economic value of future awards, the number of shares subject to the award will likely exceed the existing per-participant limit, especially in light of the low value of our common stock. In addition, we are currently seeking to attract new and retain our existing executive officers, including a new chief financial officer, and we believe that any attractive candidate will require a compensation package that includes awards in excess of the existing limit. To address these issues, our board has approved, and is asking our stockholders to approve, the increase in the 2010 Incentive Plan's individual limit for equity awards from 250,000 shares to 1,000,000 shares per year under Section 4(b) of our 2010 Incentive Plan. This increased per participant limit will only become effective if our stockholders approve this Proposal 2 and accordingly, would only apply to grants of awards under the 2010 Incentive Plan made on or after June 19, 2014.

Section 162(m) generally disallows a tax deduction to public companies for compensation over \$1 million paid to its chief executive officer or its three other most highly compensated executive officers (other than its chief financial officer). Certain compensation, including qualified performance-based compensation, is not subject to the deduction limitation if certain requirements are met. In particular, income recognized upon the exercise of a stock option is not subject to the deduction limitation, if, among other things, the option was issued under a plan approved by the stockholders and such plan provides a limit on the number of shares that may be issued under the plan to any participant. Even if the stockholders do vote to approve the Amendment to amend our 2010 Incentive Plan to increase the per-participant limit, awards granted thereunder will only be treated as qualified performance-based compensation under Section 162(m) if the grant of such awards complies with all other requirements of Section 162(m). There can be no assurance that compensation attributable to awards granted under the 2010 Incentive Plan will be treated as qualified performance-based compensation under Section 162(m).

---

**Table of Contents**

As of March 31, 2014, options to purchase 2,807,754 shares of common stock were outstanding under the 2010 Incentive Plan, 58,931 options to acquire common stock under the 2010 Incentive Plan had been exercised and 1,480,434 shares of restricted stock had been awarded under the 2010 Incentive Plan. As a result, 4,494,531 shares were available for future grant under the 2010 Incentive Plan as of March 31, 2014. In addition to the 2010 Incentive Plan, as of March 31, 2014, 1,355,466 shares of common stock remain available for issuance pursuant to outstanding options under our 2002 Incentive Plan, although we cannot grant additional options or other awards under our 2002 Incentive Plan.

We believe that our future success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel. Stock-based equity incentives are an important component of our compensation philosophy, and are intended to provide equity ownership opportunities and performance-based incentives to better align the recipient's interests with those of our stockholders. In light of our need to attract and retain executives by offering competitive equity compensation awards, we believe that we need to increase the number of shares we can grant to one person per year. Accordingly, our board of directors adopted the Amendment and is seeking approval by stockholders. The 2010 Incentive Plan will remain in full force and effect even if the stockholders do not approve the Amendment.

***Our board of directors believes that the approval of Amendment No. 1 to our Amended and Restated 2010 Stock Incentive Plan is in the best interests of our company and our stockholders and recommends a vote FOR the approval of this proposal.***

**Description of the 2010 Incentive Plan, as amended by Amendment No. 1**

The following is a brief description of the 2010 Incentive Plan, as amended by the Amendment. A copy of Amendment No. 1 to the 2010 Incentive Plan is attached as *Appendix A* to this proxy statement. The full text of the 2010 Incentive Plan is attached as *Appendix B* to this proxy statement.

***Number of Shares Available for Awards***

The number of shares of our common stock available for issuance under the 2010 Incentive Plan is the sum of (i) 7,875,000 shares of common stock plus (ii) the number of shares of our common stock subject to awards granted under the 2002 Incentive Plan which expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by us at their original issuance price pursuant to a contractual repurchase right, up to a maximum of 625,000 shares (subject, in the case of incentive stock options, to any limitations of the Code). These numbers are subject to adjustment in the event of changes in capitalization and other similar events.

Under the fungible share counting provision, any award that is not a full-value award will be counted against the number of shares available for issuance under the 2010 Incentive Plan as one share for each share of common stock subject to such award, and any award that is a full-value award will be counted as 1.5 shares for each one share of common stock subject to such full-value award, subject to adjustment in the event of changes in capitalization and other similar events. A full-value award is any restricted stock award, restricted stock unit award, or other stock-based award with a per share price or per unit purchase price lower than 100% of the fair market value (as defined under the 2010 Incentive Plan) of our common stock on the date of grant.

All shares of common stock covered by stock appreciation rights will be counted against the number of shares available for grant of awards under the 2010 Incentive Plan. However, stock appreciation rights that may be settled only in cash will not be so counted, and if we grant a stock appreciation right in tandem with an option for the same number of shares of our common stock and provide that only one such award may be exercised, which we refer to as a tandem SAR, only the shares covered by the option, and not the shares covered by the tandem SAR, will be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the 2010 Incentive Plan.

---

## **Table of Contents**

Shares covered by awards under the 2010 Incentive Plan that expire or are terminated, surrendered, or cancelled without having been fully exercised or are forfeited in whole or in part (including as the result of shares subject to such award being repurchased by us at the original issuance price pursuant to a contractual repurchase right) or that result in any shares not being issued (including as a result of a stock appreciation right that was settleable either in cash or in stock actually being settled in cash) will again be available for the grant of awards under the 2010 Incentive Plan (subject, in the case of incentive stock options, to any limitations under the Code). To the extent a share that was subject to an award that was counted as 1.5 shares under the fungible share counting provision is returned to the 2010 Incentive Plan, 1.5 shares will again be available for the grant of awards under the 2010 Incentive Plan. In the case of the exercise of a stock appreciation right, the number of shares counted against the shares available under the 2010 Incentive Plan will be the full number of shares subject to the stock appreciation right multiplied by the percentage of the stock appreciation right actually exercised, regardless of the number of shares actually used to settle the stock appreciation right upon exercise, and the shares covered by a tandem SAR will not again become available for grant upon the expiration or termination of the tandem SAR.

Shares of common stock that are delivered (either by actual delivery, attestation, or net exercise) to us by a participant to purchase shares of common stock upon exercise of an award or to satisfy tax withholding obligations (including shares retained from the award creating the tax obligation) will not be added back to the number of shares available for the future grant of awards under the 2010 Incentive Plan. Shares of common stock that are repurchased by us on the open market using the proceeds from the exercise of an award will not increase the number of shares available for the future grant of awards under the 2010 Incentive Plan.

The maximum number of shares of common stock with respect to which awards may be granted under the 2010 Incentive Plan to any participant is 1,000,000 per fiscal year, subject to adjustment in the event of changes in capitalization and other similar events. For these purposes, each share of common stock subject to an award is counted as one share of common stock (including each share of common stock subject to a full-value award), and the combination of an option in tandem with a SAR will be treated as a single award.

### ***Types of Awards***

The 2010 Incentive Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based and cash-based awards, which we refer to collectively as Awards.

Certain of the Awards described below are subject to minimum vesting requirements, as specified below under **Minimum Vesting Requirements**.

***Incentive Stock Options and Nonqualified Stock Options.*** Optionees receive the right to purchase a specified number of shares of our common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options may not be granted at an exercise price that is less than the fair market value of our common stock on the date of grant, provided that if our board approves the grant of an option with an exercise price to be determined on a future date, the exercise price will be not less than 100% of the fair market value of our common stock on such future date. Options may not be granted for a term in excess of ten years. The 2010 Incentive Plan permits the following forms of payment of the exercise price of options: (i) payment by cash, by check or in connection with a cashless exercise through a broker, (ii) subject to certain conditions and to the extent provided in the applicable option agreement or approved by our board, by delivery of shares of common stock to us, (iii) to the extent provided in an applicable nonqualified stock option agreement or approved by our board, by delivery of a notice of net exercise, (iv) to the extent provided in the applicable option agreement or approved by our board, by any other lawful means, or (v) by any combination of these forms of payment.

***Director Options.*** Our non-employee directors receive an automatic grant of nonqualified stock options to purchase 30,000 shares of common stock upon commencement of service on our board of directors (which we

---

**Table of Contents**

refer to as the initial grant ) and an automatic grant of nonqualified stock options to purchase an additional 12,500 shares of common stock on the date of each annual meeting (which we refer to as the annual grant ), provided that in the case of annual grants, such director must (i) be serving as a director immediately prior to and immediately following our annual meeting and (ii) have served on our board of directors for at least six months. Initial grants and annual grants will (i) have an exercise price equal to the fair market value of our common stock on the date of grant, (ii) expire on the earlier of 10 years from the date of grant or three months following cessation of service on our board and (iii) contain such other terms and conditions as our board determines. The 2010 Incentive Plan provides that initial grants shall vest in thirty-six equal monthly installments commencing on the first day of the month following the date of grant and annual grants shall vest in twelve equal monthly installments commencing on the first day of the month following the date of grant (or, in the case of annual grants, if earlier, on the date that is one business day prior to our next annual meeting), provided, in either case, that the individual is still serving on our board on each vesting date. No additional vesting will take place after the non-employee director ceases to serve as a director. Our board of directors may provide for accelerated vesting in the case of death, disability, a Change in Control Event (as defined below), attainment of mandatory retirement age, or retirement following at least 10 years of board service. Our board of directors has the discretion to provide for different vesting provisions and conditions than those set forth above, to increase or decrease the number of shares subject to initial grants and annual grants, and to issue stock appreciation rights, restricted stock awards or other stock-based awards in lieu of some or all of such options. Any such discretionary awards to non-employee directors, however, may only be granted and administered by a committee, all the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Marketplace Rules. See Executive and Director Compensation Director Compensation above for further information regarding our director compensation policy.

*Stock Appreciation Rights.* A stock appreciation right, or SAR, is an award entitling the holder, upon exercise, to receive an amount of our common stock determined in whole or in part by reference to appreciation, from and after the date of grant, in the fair market value of a share of our common stock over the measurement price of the SAR. The measurement price will not be less than 100% of the fair market value of our common stock on the date the SAR is granted; provided that if our board approves the grant of a SAR effective as of a future date, the measurement price will be not be less than 100% of the fair market value of our common stock on such future date. SARs may not be granted with a term in excess of 10 years. SARs may be granted independently or in tandem with an option. When SARs are expressly granted in tandem with options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related option is exercisable (except to the extent designated by our board in connection with a Reorganization Event or Change in Control Event, each as defined below), (ii) the SAR will terminate and no longer be exercisable upon termination or exercise of the related option (except to the extent designated by our board in connection with a Reorganization Event or Change in Control Event), except that a SAR granted with respect to less than the full number of shares covered by an option will not be reduced until the number of shares as to which the related option has been exercised or has terminated exceeds the number of shares not covered by the SAR, (iii) the option will terminate and no longer be exercisable upon exercise of the related SAR, and (iv) the SAR will be transferable only with the related option.

*Restricted Stock Awards.* Restricted stock awards entitle recipients to acquire shares of our common stock, subject to our right to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) in the event that the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established for such award. Unless otherwise provided in the applicable restricted stock award agreement, any dividends (whether paid in cash, stock or property) declared and paid with respect to shares of restricted stock will be paid to the participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares.

*Restricted Stock Unit Awards.* Restricted stock unit awards entitle the recipient to receive shares of our common stock, or cash equal to the fair market value of such shares, to be delivered at the time such award vests pursuant to the terms and conditions established by our board. Our board may, in its discretion, provide that

**Table of Contents**

settlement of a restricted stock unit will be deferred, on a mandatory basis or at the election of the participant in a manner that complies with Section 409A of the Code. A participant has no voting rights with respect to any restricted stock units. Our board may, in its sole discretion, provide that a grant of restricted stock units may provide the participant with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of our common stock; however, any such dividend equivalents will be subject to the same restrictions on transfer and forfeitability as the restricted stock units with respect to which such dividend equivalents are awarded.

*Other Stock-Based Awards.* Under the 2010 Incentive Plan, our board has the right to grant other awards of shares of our common stock, and other awards that are valued in whole or in part by reference to, or are otherwise based on, shares of our common stock or other property, which we refer to as other stock-based awards, including, without limitation, awards entitling recipients to receive shares of our common stock to be delivered in the future. Other stock-based awards will also be available as a form of payment in settlement of other Awards granted under the 2010 Incentive Plan or as payment in lieu of compensation to which a participant is otherwise entitled. Other stock-based awards may be paid in shares of our common stock or in cash, as our board may determine. Any dividend equivalents awarded in respect of other stock-based awards will be subject to the same restrictions on transfer and forfeitability as the other stock-based award with respect to which such dividend equivalents are awarded.

*Cash-Based Awards.* Our board may also grant awards denominated in cash rather than shares of common stock, which we refer to as cash-based awards, including performance awards, as described in further detail below. Any dividend equivalents awarded in respect of cash-based awards will be subject to the same restrictions on transfer and forfeitability as the cash-based award with respect to which such dividend equivalents are awarded.

*Performance Awards.* Restricted stock awards, restricted stock unit awards, other stock-based awards or cash-based awards under the 2010 Incentive Plan may be made subject to the achievement of performance goals. We refer to such awards as performance awards. Performance awards can also provide for cash payments of up to \$1,000,000 per fiscal year per individual. Performance awards intended to qualify as performance-based compensation under Section 162(m) will be made only by a committee (or subcommittee) of our board comprised solely of two or more directors eligible to serve on a committee making awards qualifying as performance-based compensation under Section 162(m). For any award intended to qualify as performance-based compensation, the committee will specify that the degree of granting, vesting and/or payout will be subject to the achievement of one or more objective performance measures established by the committee, which will be based on the relative or absolute attainment of any combination of the following:

the entry into an arrangement or agreement with a third party for the development, commercialization, marketing or distribution of products, services or technologies, or for conducting a research program to discover and develop a product, service or technology, and/or the achievement of milestones under such arrangement or agreement, including events that trigger an obligation or payment right;

achievement of domestic and international regulatory milestones, including the submission of filings required to advance products, services and technologies in clinical development and the achievement of approvals by regulatory authorities relating to the commercialization of products, services and technologies;

the achievement of discovery, preclinical and clinical stage scientific objectives, discoveries or inventions for products, services and technologies under research and development;

the entry into or completion of a phase of clinical development for any product, service or technology, such as the entry into or completion of phase 1, 2 and/or 3 clinical trials;

the consummation of debt or equity financing transactions, or acquisitions of business, technologies and assets;

new product or service releases;



**Table of Contents**

the achievement of qualitative or quantitative performance measures set forth in operating plans approved by our board from time to time;

specified levels of product sales; net income; earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization; operating profit before or after discontinued operations and/or taxes; sales; sales growth; earnings growth; cash flow or cash position; gross margins; stock price; market share; or return on sales, assets, equity or investment;

improvement of financial ratings;

achievement of balance sheet or income statement objectives;

total stockholder return; and/or

other comparable measures of financial and operational performance.

Such goals may reflect, as applicable, absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measures of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The committee may specify that such performance measures will be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs.

Such performance measures may vary by participant and may be different for different awards, may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by the committee, and will be set by the committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m). The committee may adjust downwards, but not upwards, the cash or number of shares payable pursuant to such a performance award, and the committee may not waive the achievement of applicable performance measures except in the case of death or disability of the participant or a Change in Control Event (as defined below).

Awards that are not intended to qualify as performance-based compensation under Section 162(m) may be based on these or other performance measures as our board may determine.

We believe that disclosure of any further details concerning the performance measures for any particular year may be confidential commercial or business information, the disclosure of which could adversely affect us.

Any dividend equivalents awarded with respect to performance awards will be subject to the same restrictions on transfer and forfeitability as the performance awards with respect to which such dividend equivalents are awarded.

***Minimum Vesting Requirements***

The 2010 Incentive Plan provides that no option that vests solely based on the passage of time that is granted to an employee in connection with his or her commencement of employment will vest earlier than the first anniversary of its date of grant or the date of commencement of employment, whichever is earlier. However, our board, either at the time the option is granted or at any time thereafter, may allow an option to accelerate and become vested, in whole or in part, prior to the first anniversary of its date of grant, in the event of the death or disability of the participant; the termination of the participant's employment by or service to us under specified circumstances; or a merger, consolidation, sale, reorganization, recapitalization, or change in control of us.

Awards of restricted stock, restricted stock unit awards, other stock-based awards and cash-based awards that vest solely based on the passage of time will be zero percent vested prior to the first anniversary of the date of grant (or, in the case of awards to non-employee directors, if earlier, the date of the first annual meeting held





## **Table of Contents**

after the date of grant), no more than one-third vested prior to the second anniversary of the date of grant (or, in the case of awards to non-employee directors, if earlier, the date of the second annual meeting held after the date of grant), and no more than two-thirds vested prior to the third anniversary of the date of grant (or, in the case of awards to non-employee directors, if earlier, the date of the third annual meeting held after the date of grant). Awards of restricted stock, restricted stock unit awards, other stock-based awards and cash-based awards that do not vest solely based on the passage of time (excluding performance awards) will not vest prior to the first anniversary of the date of grant (or, in the case of awards to non-employee directors, if earlier, the date of the first annual meeting held after the date of grant). The minimum vesting requirements in the two foregoing sentences will not apply to awards of restricted stock, restricted stock unit awards, other stock-based awards and cash-based awards granted, in the aggregate, for up to 10% of the maximum number of authorized shares for which Awards may be made under the 2010 Incentive Plan. Except as otherwise provided in the case of performance awards, our board may, either at the time an award of restricted stock, a restricted stock unit award, other stock-based award or cash-based award is made, or at any time thereafter, waive its right to repurchase shares of common stock (or waive the forfeiture thereof) or remove or modify the restrictions applicable to such award, in whole or in part, in the event of the death or disability of the participant; the termination of the participant's employment by or service to us under specified circumstances; or a merger, consolidation, sale, reorganization, recapitalization, or change in control of us.

No more than 50% of the aggregate number of shares of our common stock underlying performance awards that are made during any calendar year under the 2010 Incentive Plan will vest prior to the first anniversary of the date of grant.

### ***Transferability of Awards***

Except as our board may otherwise determine or provide in an Award, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, Awards are exercisable only by the participant.

### ***Eligibility to Receive Awards***

All of our employees, officers, and directors, as well as our consultants and advisors, are eligible to receive Awards under the 2010 Incentive Plan. However, incentive stock options may only be granted to our employees, employees of our present or future parent or subsidiary corporations, and employees of any other entities the employees of which are eligible to receive incentive stock options under the Code.

### ***Plan Benefits***

As of March 31, 2014, approximately 75 persons were eligible to receive Awards under our 2010 Incentive Plan, including our six executive officers and six non-employee directors. The granting of Awards under the 2010 Incentive Plan is discretionary, and we cannot now determine the number or type of Awards to be granted in the future to any particular person or group.

**Table of Contents**

The following table sets forth, as of March 31, 2014, the stock option and restricted stock grants made under the 2010 Incentive Plan since its adoption to the individuals indicated below:

	Option Awards	Restricted Stock Awards	Grant Date Fair Value of Option Awards
<b>Named executive officers</b>			
Tuan Ha-Ngoc	361,000	162,500	\$ 1,973,431
William Slichenmyer	276,900	102,300	\$ 835,701
Michael Bailey	443,500	104,700	\$ 2,324,815
Jeno Gyuris	270,200	92,800	\$ 780,746
<b>All current directors who are not executive officers as a group</b>			
	285,000		\$ 1,686,182
<b>Each nominee for election as a director</b>			
Kenneth Bate	50,000		\$ 301,574
Anthony Evnin	50,000		\$ 301,574
Raju Kucherlapati	50,000		\$ 301,574
Henri Termeer	55,000		\$ 358,753
Robert Young	50,000		\$ 301,574
<b>Each person who received 5% of such awards</b>			
Tuan Ha-Ngoc	361,000	162,500	\$ 1,973,431
Michael Bailey	443,500	104,700	\$ 2,324,815
<b>All employees, including all current officers who are not executive officers, as a group</b>			
	4,735,758	1,109,330	\$ 26,619,430

On March 31, 2014, the last reported sale price of our common stock at the close of business on The NASDAQ Global Market was \$1.50.

**Administration**

The 2010 Incentive Plan will be administered by our board. Our board has the authority to grant Awards and to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2010 Incentive Plan that it deems advisable and to construe and interpret the provisions of the 2010 Incentive Plan and any Award agreements entered into under the 2010 Incentive Plan. Our board may correct any defect, supply any omission or reconcile any inconsistency in the 2010 Incentive Plan or any Award in the manner and to the extent it deems expedient and will be the sole and final judge of such expediency. All decisions by our board will be made in the board's sole discretion and will be final and binding on all persons having or claiming any interest in the 2010 Incentive Plan or in any Award.

Pursuant to the terms of the 2010 Incentive Plan, our board may delegate any or all of its powers under the 2010 Incentive Plan to one or more committees or subcommittees of the board. Our board has authorized our compensation committee to administer certain aspects of the 2010 Incentive Plan, including the granting of Awards to executive officers, and has authorized a committee of the board, consisting of Mr. Ha-Ngoc, to grant options to non-executive employees, subject to limitations set by the compensation committee.

In addition, to the extent permitted by applicable law, our board may delegate to one or more of our officers the power to grant options or other Awards that constitute rights under Delaware law (subject to any limitations under the 2010 Incentive Plan) to our employees or officers, or to the employees or officers of any of our present

---

**Table of Contents**

or future subsidiary corporations, and to exercise such other powers under the 2010 Incentive Plan as our board may determine. Our board will fix the terms of any Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the officers may grant. No officer will be authorized to grant Awards to any executive officer (as defined by Rule 3b-7 under the Exchange Act) or to any officer (as defined by Rule 16a-1 under the Exchange Act). Our board may not delegate authority to officers to grant restricted stock unless Delaware law then permits such delegation.

Subject to any applicable limitations contained in the 2010 Incentive Plan (including with respect to performance awards), our compensation committee generally selects the recipients of Awards and determines the following with respect to such Awards (provided that, at times, our compensation committee recommends to our board certain aspects of an Award or Awards for the board's approval):

the number of shares of our common stock covered by options and the dates upon which the options become exercisable;

the exercise price of options (which may not be less than 100% of the fair market value of our common stock on the date of grant);

the duration of options (which may not exceed 10 years);

the duration and terms of any cash-based awards; and

the number of shares of our common stock subject to any SAR, restricted stock award, restricted stock unit award or other stock-based award and the terms and conditions of such awards, including conditions for repurchase, issue price, measurement price, repurchase price and vesting.

Each Award under the 2010 Incentive Plan may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and our board need not treat participants uniformly. Our board will determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a participant, and the extent to which, and the period during which, the participant (or the participant's legal representative, conservator, guardian or designated beneficiary) may exercise rights under the Award.

In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of our common stock, other than an ordinary cash dividend, the Company is required to make equitable adjustments (or make substituted awards, as applicable), in the manner determined by our board, to (i) the number and class of securities available under the 2010 Incentive Plan, (ii) the share counting rules and sublimits set forth in the 2010 Incentive Plan, (iii) the number and class of securities and exercise price per share of each outstanding option and each option issuable to our non-employee directors under the 2010 Incentive Plan, (iv) the share- and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding award of restricted stock or restricted stock unit award, and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding other stock-based award.

The 2010 Incentive Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (a) any merger or consolidation of us with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of our common stock for cash, securities or other property pursuant to a share exchange or other transaction or (c) our liquidation or dissolution.

Upon the occurrence of a Reorganization Event, or our execution of any agreement with respect to a Reorganization Event, our board shall provide that all outstanding options be assumed, or that equivalent options be substituted, by the acquiring or succeeding corporation (or an affiliate thereof). If the Reorganization Event also constitutes a Change in Control Event (as defined below), except to the extent specifically provided to the



## **Table of Contents**

contrary in the applicable option agreement or any other agreement between the participant and us, any assumed or substituted options held by our employees shall become immediately exercisable in full if, on or prior to the first anniversary of the date of the consummation of the Reorganization Event, the participant's employment with us or the acquiring or succeeding corporation is terminated without cause (as defined in the 2010 Incentive Plan). If the acquiring or succeeding corporation (or an affiliate thereof) in a Reorganization Event does not agree to assume or substitute for outstanding options, or in the event of our liquidation or dissolution, our board of directors will provide that all unexercised options will become exercisable in full as of a specified time prior to the Reorganization Event and will terminate immediately prior to the consummation of the Reorganization Event, except to the extent exercised by the participant before the consummation of the Reorganization Event. If, under the terms of the Reorganization Event, holders of our common stock receive a cash payment for each share of common stock surrendered pursuant to the Reorganization Event (the Acquisition Price), our board may instead provide that all outstanding options will terminate upon consummation of the Reorganization Event and that each participant will receive a cash payment equal to the amount by which the Acquisition Price multiplied by the number of shares of common stock subject to such outstanding options exceeds the aggregate exercise price of such options and any applicable tax withholdings.

Upon the occurrence of a Reorganization Event that is not a Change in Control Event (as defined below), our repurchase and other rights with respect to outstanding awards of restricted stock and restricted stock unit awards will inure to the benefit of our successor and will apply to the cash, securities or other property into which our common stock is converted into or exchanged for pursuant to the Reorganization Event in the same manner and to the same extent as they applied to our common stock subject to such restricted stock and restricted stock unit awards.

The 2010 Incentive Plan also contains provisions addressing the consequences of any Change in Control Event, which is generally defined as (a) the acquisition of beneficial ownership of our capital stock if, after such acquisition, the acquirer owns 50% or more of the then-outstanding shares of our common stock or 50% or more of the combined voting power of our then-outstanding securities entitled to vote generally in the election of our directors, subject to certain limitations, (b) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange or a sale or other disposition of all or substantially all of our assets, subject to certain limitations, (c) such time as our continuing directors (as defined under the 2010 Incentive Plan) cease to constitute a majority of our board (or, if applicable, the board of directors of our successor corporation) or (d) our liquidation or dissolution.

Upon the occurrence of a Change in Control Event that does not also constitute a Reorganization Event, except to the extent specifically provided to the contrary in the applicable option agreement or any other agreement between a participant and us, each option held by our employees will be immediately exercisable in full if, on or prior to the first anniversary of the date of the consummation of the Change in Control Event, the participant's employment with us or the acquiring or succeeding corporation is terminated without cause (as defined in the 2010 Incentive Plan).

Upon the occurrence of a Change In Control Event (regardless of whether it is also a Reorganization Event), except to the extent specifically provided to the contrary in the Award agreement or any other agreement between a participant and us, each award of restricted stock and each restricted stock unit award held by our employees will immediately become free from all conditions or restrictions if, on or prior to the first anniversary of the date of the consummation of the Change in Control Event, the participant's employment with us or the acquiring or succeeding corporation is terminated without cause.

Our board may specify in an Award at the time of grant the effect of a Reorganization Event or Change in Control Event on any SAR or other stock-based award.

Subject to the minimum vesting requirements described above, our board may at any time provide that any Award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

## **Table of Contents**

### ***Substitute Awards***

In connection with our merger or consolidation with another entity or our acquisition of property or stock of another entity, our board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as our board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the 2010 Incentive Plan. Substitute Awards will not count against the 2010 Incentive Plan's overall share limit or any sublimit in the 2010 Incentive Plan, except as may be required by the Code.

### ***Limitations on Repricing***

Unless our stockholders approve such action (except as provided under the 2010 Incentive Plan in connection with a change in capitalization or similar event, Reorganization Event, or Change in Control Event), the 2010 Incentive Plan provides that we may not:

amend any outstanding stock option or SAR granted under the 2010 Incentive Plan to provide an exercise or measurement price per share that is lower than the then-current exercise or measurement price per share of such outstanding award;

cancel any outstanding option or SAR (whether or not granted under the 2010 Incentive Plan) and grant in substitution therefor new Awards under the 2010 Incentive Plan (other than as substitute Awards as described above) covering the same or a different number of shares of our common stock and having an exercise or measurement price per share lower than the then-current exercise or measurement price per share of the cancelled award;

cancel in exchange for a cash payment any outstanding option or SAR with an exercise or measurement price per share above the then-current fair market value of our common stock; or

take any other action that constitutes a repricing within the meaning of the rules of the NASDAQ Stock Market.

### ***Provisions for Foreign Participants***

Our board may modify Awards granted under the 2010 Incentive Plan to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the 2010 Incentive Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

### ***Amendment or Termination***

No Award may be granted under the 2010 Incentive Plan after February 11, 2020, but Awards previously granted may extend beyond that date. Our board of directors may amend, suspend or terminate the 2010 Incentive Plan or any portion thereof at any time, except that (i) to the extent required by Section 162(m), no Award granted to a participant that is intended to comply with Section 162(m) after the date of such amendment will become exercisable, realizable or vested, as applicable, unless and until such amendment has been approved by our stockholders if required by Section 162(m), and (ii) no amendment that would require stockholder approval under the rules of the NASDAQ Stock Market may be made effective unless and until such amendment has been approved by our stockholders. If at any time the approval of our stockholders is required as to any other modification or amendment under Section 422 of the Code with respect to incentive stock options, our board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the 2010 Incentive Plan will apply to, and be binding on the holders of, all Awards outstanding under the 2010 Incentive Plan at the time the amendment is adopted, provided that our board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of participants under the 2010 Incentive Plan. No Award will be made that is conditioned upon stockholder approval of any amendment to the 2010 Incentive Plan.

## **Table of Contents**

Our board may also amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an incentive stock option to a nonqualified stock option, subject in each case to the limitations set forth in the 2010 Incentive Plan with respect to repricings, minimum vesting, performance awards, and actions requiring stockholder approval. Such actions will require the approval of the participant, unless our board determines that the action, taking into account any related action, does not materially and adversely affect such participant's rights under the 2010 Incentive Plan or the change is permitted under the 2010 Incentive Plan in connection with a change in capitalization or similar event, Reorganization Event or Change in Control Event.

### **Federal Income Tax Consequences**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to Awards granted under the 2010 Incentive Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all Awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below.

#### ***Incentive Stock Options***

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by our company or its corporate parent or 50% or more-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under Nonqualified Stock Options. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

#### ***Nonqualified Stock Options***

A participant will not have income upon the grant of a nonqualified stock option. A participant will have compensation income upon the exercise of a nonqualified stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

#### ***Stock Appreciation Rights***

A participant will not have income upon the grant of a SAR. A participant generally will recognize compensation income upon the exercise of an SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.



---

**Table of Contents**

***Restricted Stock Awards***

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

***Restricted Stock Units***

A participant will not have income upon the grant of a restricted stock unit award. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit award. When the restricted stock unit award vests, the participant will have income on the vesting date in an amount equal to the fair market value of the stock on such date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

***Other Stock-Based Awards***

The tax consequences associated with any other stock-based award granted under the 2010 Incentive Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock.

***Tax Consequences to AVEO Pharmaceuticals***

There will be no tax consequences to AVEO with respect to Awards made under the 2010 Incentive Plan, except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

**PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

We are providing our stockholders the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules. This proposal, which is commonly referred to as say-on-pay, is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which added Section 14A to the Exchange Act. Our board of directors has determined, in accordance with the shareholders' recommendation at our 2011 annual meeting of stockholders, to hold such advisory votes to approve the compensation of our named executive officers every year.

Our executive compensation programs are designed to attract, motivate, and retain our executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of our near-term and longer-term financial and strategic goals and for driving corporate financial performance and stability. The programs contain elements of cash and equity-based compensation and are designed to align the interests of our executives with those of our stockholders.

The Executive and Director Compensation section of this proxy statement beginning on page 18, including Compensation Discussion and Analysis, describes in detail our executive compensation programs and the decisions made by our compensation committee and our board of directors with respect to the year ended December 31, 2013.

## Table of Contents

As discussed in these disclosures, we believe that our compensation program provides a competitive overall compensation that is designed to attract and retain top performers. To achieve this goal, our compensation program is structured to:

provide total compensation and compensation elements that are competitive with those companies that are competing for available employees;

hold our executive officers accountable for results over the long term and maintain integrity in all of the business dealings of our executive officers;

align the interest of our executives with our stockholders;

reward exceptional performance by individual employees;

provide a mix of compensation that offers (i) a meaningful base compensation, with a potential to earn additional amounts based on achievement of defined corporate goals, which are generally expected to be achieved within 12 months, and (ii) the opportunity to share in the long-term growth of our company through equity compensation; and

establish a clear connection between rewards and performance.

Our board believes this link between compensation and the achievement of our near- and long-term business goals has helped drive our performance over time. At the same time, we believe our program does not encourage excessive risk-taking by management.

Our board is asking stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by casting a non-binding advisory vote **FOR** the following resolution:

RESOLVED, that the compensation paid to our named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not overrule any decision by us or our board of directors (or any committee thereof), will not create or imply any change to our fiduciary duties or the fiduciary duties of our board of directors (or any committee thereof), and will not create or imply any additional fiduciary duties for us or our board (or any committee thereof). However, our compensation committee and board of directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

*Our board of directors recommends that stockholders vote to approve*

*the compensation of our named executive officers by voting **FOR** Proposal No. 3.*

### **PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT**

#### **REGISTERED PUBLIC ACCOUNTING FIRM**

Our board has appointed the firm of Ernst & Young LLP, an independent registered public accounting firm, as independent auditors for the year ending December 31, 2014. Although stockholder approval of our board's appointment of Ernst & Young LLP is not required by law, our board believes that it is advisable to give stockholders an opportunity to ratify this appointment. If this proposal is not approved at the annual meeting, our board will reconsider its appointment of Ernst & Young LLP. Representatives of Ernst & Young LLP are expected to be present at the annual meeting and will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate

questions from our stockholders.

*Our board of directors recommends a vote **FOR** the ratification of the appointment of*

*Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014.*

**Table of Contents**

**OTHER MATTERS**

Our board of directors does not know of any other matters which may come before the meeting. However, if any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy card to vote, or otherwise act, in accordance with their judgment on those matters.

**STOCKHOLDER PROPOSALS**

In order to be included in proxy material for the 2015 annual meeting of stockholders, stockholders' proposals must be received by us at our principal executive offices, 650 East Kendall Street, Cambridge, Massachusetts 02142 no later than December 31, 2014. We suggest that proponents submit their proposals by certified mail, return receipt requested, addressed to our Secretary.

In addition, our bylaws require that we be given advance notice of stockholder nominations for election to our board of directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders, other than matters included in our proxy statement. The required notice must be in writing and received by our corporate secretary at our principal offices not later than March 21, 2015 (90 days prior to the first anniversary of our 2014 annual meeting of stockholders) and not before February 19, 2015 (120 days prior to the first anniversary of our 2014 annual meeting of stockholders). However, if the 2015 annual meeting of stockholders is advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the 2014 annual meeting of stockholders, notice must be received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (1) the 90th day prior to such annual meeting and (2) the 10th day following the date on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever occurs first. Our bylaws also specify requirements relating to the content of the notice which stockholders must provide, including a stockholder nomination for election to our board of directors, to be properly presented at the 2015 annual meeting of stockholders.

**OUR BOARD OF DIRECTORS ENCOURAGES STOCKHOLDERS TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND IN PERSON, YOU ARE URGED TO VOTE BY PROXY OVER THE INTERNET, BY TELEPHONE OR BY MAIL AS DESCRIBED IN THE ENCLOSED PROXY CARD. A PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE ANNUAL MEETING AND YOUR COOPERATION WILL BE APPRECIATED. STOCKHOLDERS OF RECORD WHO ATTEND THE ANNUAL MEETING MAY VOTE THEIR SHARES PERSONALLY EVEN THOUGH THEY HAVE SUBMITTED A PROXY PREVIOUSLY.**

**Table of Contents**

*Appendix A*

**AMENDMENT NO. 1**  
**TO**  
**AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**  
**FOR**  
**AVEO PHARMACEUTICALS, INC.**

The Amended and Restated 2010 Stock Incentive Plan (the *Plan*) of AVEO Pharmaceuticals, Inc. is hereby amended as follows:

Section 4(b) of the Plan is deleted in its entirety and the following is substituted in its place:

Section 162(m) Per-Participant Limit. Subject to adjustment under Section 10, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per fiscal year. For purposes of the foregoing limit, (i) the combination of an Option (as hereinafter defined) in tandem with an SAR shall be treated as a single Award and (ii) each share of Common Stock subject to an Award shall be counted as one share of Common Stock (including each share of Common Stock subject to a Full-Value Award). The per-Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( *Section 162(m)* ).

Except as set forth, the remainder of the Plan remains in full force and effect.

Adopted by the Board of Directors on March 27, 2014

**Table of Contents**

*Appendix B*

**AVEO PHARMACEUTICALS, INC.**

**AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

**1. Purpose**

The purpose of this Amended and Restated 2010 Stock Incentive Plan (the Plan) of AVEO Pharmaceuticals, Inc., a Delaware corporation (the Company), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term Company shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the Code) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the Board).

**2. Eligibility**

All of the Company's employees, officers and directors, as well as consultants and advisors to the Company (as such terms are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933 as amended (the Securities Act), or any successor form) are eligible to be granted Awards under the Plan. Each person who receives an Award under the Plan is deemed a Participant. Award means Options (as defined in Section 5), SARs (as defined in Section 7), Restricted Stock (as defined in Section 8), Restricted Stock Units (as defined in Section 8) and Other Stock-Based Awards (as defined in Section 9) and Cash Based Awards (as defined in Section 9).

**3. Administration and Delegation**

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a Committee). All references in the Plan to the Board shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Options and other Awards that constitute rights under Delaware law (subject to

any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of such Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to such Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any executive officer of the Company (as defined by

B-1

---

**Table of Contents**

Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the Exchange Act )) or to any officer of the Company (as defined by Rule 16a-1 under the Exchange Act). The Board may not delegate authority under this Section 3(c) to grant Restricted Stock unless Delaware law then permits such delegation.

4. Stock Available for Awards

(a) Number of Shares; Share Counting.

(1) Number of Shares. Subject to adjustment under Section 10, Awards may be made under the Plan for up to the number of shares of common stock, \$.001 par value per share, of the Company (the Common Stock ) as is equal to the sum of:

(A) 7,875,000 shares of Common Stock; plus

(B) such additional number of shares of Common Stock (up to 625,000 shares) as is equal to the number of shares of Common Stock subject to awards granted under the Company's 2002 Stock Incentive Plan (the Existing Plan ) which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company on or after the date of the Company's initial public offering at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options (as hereinafter defined) to any limitations of the Code).

(2) Fungible Share Pool. Subject to adjustment under Section 10, any Award that is not a Full-Value Award shall be counted against the share limits specified in Sections 4(a)(1) as one share for each share of Common Stock subject to such Award and any Award that is a Full-Value Award shall be counted against the share limits specified in Sections 4(a)(1) as 1.5 shares for each one share of Common Stock subject to such Full-Value Award. Full-Value Award means any Award of Restricted Stock, Restricted Stock Unit Award or Other Stock-Based Award with a per share price or per unit purchase price lower than 100% of Fair Market Value (as defined below) on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with one share. To the extent that a share that was subject to an Award that counts as 1.5 shares is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with 1.5 shares.

(3) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan:

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan; *provided, however*, that (i) SARs that may be settled only in cash shall not be so counted and (ii) if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a **Tandem SAR** ), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the Plan;

(B) if any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the



shares available under the Plan shall be the full number of shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR;

B-2

---

**Table of Contents**

(C) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(D) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Section 162(m) Per-Participant Limit. Subject to adjustment under Section 10, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 250,000 per fiscal year. For purposes of the foregoing limit, (i) the combination of an Option (as hereinafter defined) in tandem with an SAR shall be treated as a single Award and (ii) each share of Common Stock subject to an Award shall be counted as one share of Common Stock (including each share of Common Stock subject to a Full-Value Award). The per-Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( Section 162(m) ).

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an Option ) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option that is not intended to be an Incentive Stock Option shall be designated a Nonqualified Stock Option .

(b) Incentive Stock Options. An Option that the Board intends to be an incentive stock option as defined in Section 422 of the Code (an Incentive Stock Option ) shall only be granted to employees of AVEO Pharmaceuticals, Inc., any of AVEO Pharmaceuticals, Inc.'s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or for any action taken by the Board, or if the Company converts an Incentive Stock Option to a Nonqualified Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify the exercise price in the applicable Option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined below) on the date the Option is granted; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable Option agreement, provided that no Option shall be granted with a term in excess of 10 years.

B-3

**Table of Contents**

(e) Exercise of Options. Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be in electronic form) approved by the Company together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable Option agreement or approved by the Board, in its sole discretion, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their Fair Market Value (determined in the manner set forth below), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Nonqualified Stock Option agreement or approved by the Board in its sole discretion, by delivery of a notice of net exercise to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise.

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) Fair Market Value. Fair Market Value of a share of Common Stock for purposes of the Plan will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of grant; or

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) on the date of grant; or

(3) if the Common Stock is not publicly traded, the Board will determine the Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Code Section 409A, except as the Board or Committee may expressly determine otherwise.

B-4

---

## Table of Contents

For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of closing sale price or bid and asked prices if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.

The Board has sole discretion to determine the Fair Market Value for purposes of this Plan, and all Awards are conditioned on the participants' agreement that the Administrator's determination is conclusive and binding even though others might make a different determination.

(h) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option, (2) cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option, (3) cancel in exchange for a cash payment any outstanding Option with an exercise price per share above the then-current Fair Market Value, other than pursuant to Section 10, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of the NASDAQ Stock Market ( *NASDAQ* ).

(i) Minimum Vesting. No Option that vests solely based on the passage of time that is granted to an employee in conjunction with his or her commencement of employment shall vest earlier than the first anniversary of its date of grant or the date of commencement of employment, whichever is earlier. Notwithstanding the foregoing, the Board, either at the time the Option is granted or at any time thereafter, may allow an Option to accelerate and become vested, in whole or in part, prior to the first anniversary of its date of grant, in the event of the death or disability of the Participant; the termination of the Participant's employment by or service to the Company under specified circumstances; or a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company.

## 6. Director Options

(a) Initial Grant. Upon the commencement of service on the Board by any individual who is not then an employee of the Company or any subsidiary of the Company, the Company shall automatically be granted a Nonqualified Stock Option to purchase 30,000 shares of Common Stock (subject to adjustment under Section 10).

(b) Annual Grant. On the date of each annual meeting of stockholders of the Company, each member of the Board of Directors of the Company who is both serving as a director of the Company immediately prior to and immediately following such annual meeting and who is not then an employee of the Company or any of its subsidiaries, shall automatically be granted a Nonqualified Stock Option to purchase 12,500 shares of Common Stock (subject to adjustment under Section 10); provided, however, that a director shall not be eligible to receive an Option grant under this Section 6(b) until such director has served on the Board for at least six months.

(c) Terms of Director Options. Options granted under this Section 6 shall (i) have an exercise price equal to 100% of the Fair Market Value of the Common Stock on the date the Option is granted, (ii) (A) with respect to the initial grant described in Section 6(a), vest in thirty-six (36) equal monthly installments commencing on the first day of the month following the date of grant provided that the individual is serving on the Board on such date and (B) with respect to the annual grant described in Section 6(b), vest in twelve equal monthly installments commencing on the first day of

the month following the date of grant provided that the individual is serving on the Board on such date or, if earlier, on the date that is one business day prior to date of the Company's next

B-5

**Table of Contents**

annual meeting); provided in each case that no additional vesting shall take place after the Participant ceases to serve as a director and further provided in each case that the Board may provide for accelerated vesting in the case of death, disability, a Change in Control Event (as defined below), attainment of mandatory retirement age or retirement following at least 10 years of Board service, (iii) expire on the earlier of 10 years from the date of grant or three months following cessation of service on the Board and (iv) contain such other terms and conditions as the Board shall determine.

(d) **Board Discretion.** The Board retains the specific authority to provide for different vesting provisions and conditions than those set forth in Section 6(c), to increase or decrease from time to time the number of shares subject to Options granted under this Section 6 and to issue SARs, Restricted Stock Awards, or Other Stock-Based Awards in lieu of some or all of the Options otherwise issuable under this Section 6. Any such discretionary Awards to non-employee directors may be granted and administered only by a Committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Marketplace Rules.

**7. Stock Appreciation Rights**

(a) **General.** The Board may grant Awards consisting of stock appreciation rights ( SARs ) entitling the holder, upon exercise, to receive an amount of Common Stock determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the measurement price established pursuant to Section 7(c). The date as of which such appreciation is determined shall be the exercise date.

(b) **Grants.** SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) **Tandem Awards.** When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event or a Change in Control Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event or a Change in Control Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) **Independent SARs.** A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) **Measurement Price.** The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR effective as of a future date, the measurement price shall be not be less than 100% of the Fair Market Value on such future date.

(d) **Duration of SARs.** Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; provided that no SAR will be granted with a term in excess of 10 years.



(e) Exercise of SARs. SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be in electronic form) approved by the Company, together with any other documents required by the Board.

B-6

**Table of Contents**

(f) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR, (2) cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise or measurement price per share lower than the then-current measurement price per share of the cancelled SAR, (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share above the then-current Fair Market Value, other than pursuant to Section 10, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of NASDAQ.

8. Restricted Stock; Restricted Stock Units.

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ( Restricted Stock ), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. The Board may also grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ( Restricted Stock Units ) (Restricted Stock and Restricted Stock Units are each referred to herein as a Restricted Stock Award ).

(b) Terms and Conditions for All Restricted Stock Awards. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any. Restricted Stock Awards that vest solely based on the passage of time shall be zero percent vested prior to the first anniversary of the date of grant (or, in the case of Awards to non-employee directors, if earlier, the date of the first annual meeting held after the date of grant), no more than one-third vested prior to the second anniversary of the date of grant (or, in the case of Awards to non-employee directors, if earlier, the date of the second annual meeting held after the date of grant), and no more than two-thirds vested prior to the third anniversary of the date of grant (or, in the case of Awards to non-employee directors, if earlier, the date of the third annual meeting held after the date of grant). Restricted Stock Awards that do not vest solely based on the passage of time (excluding Performance Awards granted pursuant to Section 11(i)) shall not vest prior to the first anniversary of the date of grant (or, in the case of Awards to non-employee directors, if earlier, the date of the first annual meeting held after the date of grant). The two foregoing sentences shall not apply to Restricted Stock Awards and Other Stock-Based Awards and Cash-Based Awards granted, in the aggregate, for up to 10% of the maximum number of authorized shares set forth in Section 4(a)(1). Notwithstanding any other provision of the Plan (other than Section 11(i), if applicable), the Board may, either at the time a Restricted Stock Award is made or at any time thereafter, waive its right to repurchase shares of Common Stock (or waive the forfeiture thereof) or remove or modify the restrictions applicable to the Restricted Stock Award, in whole or in part, in the event of the death or disability of the Participant; the termination of the Participant's employment by or service to the Company under specified circumstances; or a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided in the applicable Award agreement, any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock ( Accrued Dividends ) shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares. Each payment of Accrued Dividends will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third

month following the lapsing of the restrictions on transferability and the forfeitability provisions applicable to the underlying shares of Restricted Stock.

B-7

---

**Table of Contents**

(2) **Stock Certificates**. The Company may require that any stock certificates issued in respect of shares of Restricted Stock as well as any dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the Designated Beneficiary). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

(d) **Additional Provisions Relating to Restricted Stock Units**.

(1) **Settlement**. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant in a manner that complies with Code Section 409A.

(2) **Voting Rights**. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) **Dividend Equivalents**. To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ( Dividend Equivalents ). Dividend Equivalents will be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which such Dividend Equivalents are awarded.

9. **Other Stock-Based and Cash-Based Awards**

(a) **General**. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ( Other Stock-Based Awards ), including without limitation Awards entitling recipients to receive shares of Common Stock to be delivered in the future. Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. The Company may also grant Performance Awards or other Awards denominated in cash rather than shares of Common Stock ( Cash-Based Awards ).

(b) **Terms and Conditions**. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award or Cash-Based Award, including any purchase price applicable thereto. Other Stock-Based Awards or Cash-Based Awards that vest solely based on the passage of time shall be zero percent vested prior to the first anniversary of the date of grant (or, in the case of Other Stock-Based Awards or Cash-Based Awards to non-employee directors, if earlier, the date of the first annual meeting held after the date of grant), no more than one-third vested prior to the second anniversary of the date of grant (or, in the case of Other Stock-Based Awards or Cash-Based Awards to non-employee directors, if earlier, the date of the second annual meeting held after the date of grant), and no more than two-thirds vested prior to the third anniversary of the date of grant (or, in the case of Other Stock-Based Awards or Cash-Based Awards to non-employee directors, if earlier, the date of the third annual meeting held after the date of grant). Other Stock-Based Awards or Cash-Based Awards that do not vest solely based on the passage of time (excluding Performance Awards granted pursuant to Section 11(i)) shall not vest prior to the first

anniversary of the date of grant (or, in the case of Other Stock-Based Awards or Cash-Based Awards to non-employee directors, if earlier, the date of the first annual meeting held after the date of grant). The two foregoing sentences shall not apply to Restricted Stock Awards and Other Stock-Based Awards or Cash-Based Awards granted, in the aggregate, for up to 10% of the maximum

B-8

---

**Table of Contents**

number of authorized shares set forth in Section 4(a)(1). Notwithstanding any other provision of the Plan (other than Section 11(i), if applicable), the Board may, either at the time an Other Stock-Based Award or Cash-Based Award is made or at any time thereafter, waive its right to repurchase shares of Common Stock (or waive the forfeiture thereof), as applicable, or remove or modify the restrictions applicable to the Other Stock-Based Awards or Cash-Based Awards, in whole or in part, in the event of the death or disability of the Participant; the termination of the Participant's employment by or service to the Company under specified circumstances; or a merger, consolidation, sale, reorganization, recapitalization, or change in control of the Company. Dividend Equivalents will be subject to the same restrictions on transfer and forfeitability as the Other Stock-Based Awards or Cash-Based Awards with respect to which such Dividend Equivalents are awarded.

**10. Adjustments for Changes in Common Stock and Certain Other Events**

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the share counting rules and sublimit set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option and each Option issuable under Section 6, (iv) the share- and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award, and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

**(b) Reorganization and Change in Control Events****(1) Definitions**

(a) A Reorganization Event shall mean:

(i) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled;

(ii) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction; or

(iii) any liquidation or dissolution of the Company.

(b) A Change in Control Event shall mean:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the Exchange Act )) (a Person ) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the Outstanding Company Common Stock ) or (y) the combined voting power

B-9

**Table of Contents**

of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the

Outstanding Company Voting Securities ); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control Event: (A) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (C) any acquisition by any corporation pursuant to a Business Combination (as defined below) which complies with clauses (x) and (y) of subsection (iii) of this definition; or

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a Business Combination ), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the Acquiring Corporation ) in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person (excluding any employee benefit plan (or related trust) maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(iii) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term Continuing Director means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of this Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (y) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(iv) the liquidation or dissolution of the Company.

(c) Cause shall mean conduct involving one or more of the following: (i) the conviction of the employee of, or, plea of guilty or nolo contendere to, any crime involving dishonesty or any felony; (ii) the willful misconduct by the employee resulting in material harm to the Company; (iii) fraud, embezzlement, theft or dishonesty by the employee against the Company resulting in material harm to the Company; (iv) the repeated and continuing failure of the employee to follow the proper and lawful directions of the Company's Chief Executive Officer or the Board after a written demand is delivered to the employee that specifically identifies the manner in which the Chief Executive



Officer or the Board believes that the Employee has failed to follow such

B-10

---

**Table of Contents**

instructions; (v) the employee's current alcohol or prescription drug abuse affecting work performance, or current illegal use of drugs regardless of the effect on work performance; (vi) material violation of the Company's code of conduct by the employee that causes harm to the Company; or (vii) violation of any applicable written proprietary information, confidentiality, non-competition and/or non-solicitation agreements with the Company.

**(2) Effect on Options**

(a) **Reorganization Event.** Upon the occurrence of a Reorganization Event (regardless of whether such event also constitutes a Change in Control Event), or the execution by the Company of any agreement with respect to a Reorganization Event (regardless of whether such event will result in a Change in Control Event), the Board shall provide that all outstanding Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof); provided that if such Reorganization Event also constitutes a Change in Control Event, except to the extent specifically provided to the contrary in the instrument evidencing any Option or any other agreement between a Participant and the Company such assumed or substituted options that are held by employees of the Company shall become immediately exercisable in full if, on or prior to the first anniversary of the date of the consummation of the Reorganization Event, the Participant's employment with the Company or the acquiring or succeeding corporation is terminated without Cause by the Company or the acquiring or succeeding corporation. For purposes hereof, an Option shall be considered to be assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

Notwithstanding the foregoing, if the acquiring or succeeding corporation (or an affiliate thereof) does not agree to assume, or substitute for, such Options, or in the event of a liquidation or dissolution of the Company, the Board shall, upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified time prior to the Reorganization Event and will terminate immediately prior to the consummation of such Reorganization Event, except to the extent exercised by the Participants before the consummation of such Reorganization Event; provided, however, that in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share of Common Stock surrendered pursuant to such Reorganization Event (the Acquisition Price), then the Board may instead provide that all outstanding Options shall terminate upon consummation of such Reorganization Event and that each Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Common Stock subject to such outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options and any applicable tax withholdings.

(b) **Change in Control Event that is not a Reorganization Event.** Upon the occurrence of a Change in Control Event that does not also constitute a Reorganization Event, except to the extent specifically provided to the contrary in the instrument evidencing any Option or any other agreement between a Participant and the Company, each such Option that is held by an employee of the Company shall be immediately exercisable in full if, on or prior to the first anniversary of the date of the consummation of the Change in Control Event, the Participant's employment with the

Company or the acquiring or succeeding corporation is terminated without Cause by the Company or the acquiring or succeeding corporation.

B-11

**Table of Contents**

(3) Effect on Restricted Stock Awards

(a) Reorganization Event that is not a Change in Control Event. Upon the occurrence of a Reorganization Event that is not a Change in Control Event, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award.

(b) Change in Control Event. Upon the occurrence of a Change in Control Event (regardless of whether such event also constitutes a Reorganization Event), except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, each such Restricted Stock Award held by employees of the Company shall immediately become free from all conditions or restrictions if, on or prior to the first anniversary of the date of the consummation of the Change in Control Event, the Participant's employment with the Company or the acquiring or succeeding corporation is terminated without Cause by the Company or the acquiring or succeeding corporation.

(4) Effect on Stock Appreciation Rights and Other Stock Unit Awards

The Board may specify in an Award at the time of the grant the effect of a Reorganization Event and Change in Control Event on any SAR and Other Stock Unit Award.

11. General Provisions Applicable to Awards

(a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the

Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise vesting, or release from forfeiture of an Award or, if the Company so requires, at the same time as payment of the exercise or purchase price unless the

B-12

**Table of Contents**

Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment. Except as provided in Sections 5(h) and 7(f) with respect to repricings, Section 5(i), 8(b) or 9(b) with respect to the vesting of Awards, Section 11(i) with respect to Performance Awards and Section 12(d) with respect to actions requiring stockholder approval, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonqualified Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 10 hereof.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. Except as provided in Sections 5(i), 8(b) and 9(b) with respect to vesting of Awards, the Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

(i) Performance Awards.

(1) Grants. Restricted Stock Awards, Other Stock-Based Awards or Cash Based Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 11(i) ( Performance Awards ), subject to the limit in Section 4(b) on shares covered by such grants or, as applicable, the limit on cash payments in Section 11(i)(2). Subject to Section 11(i)(4), no more than an aggregate of 50% of the shares of Common Stock underlying Performance Awards that are made during any calendar year of the Plan shall vest prior to the first anniversary of the date of grant.

(2) Cash Payments. Performance Awards can also provide for cash payments of up to \$1,000,000 per fiscal year per individual.

(3) Committee. Grants of Performance Awards to any Covered Employee intended to qualify as performance-based compensation under Section 162(m) ( Performance-Based Compensation ) shall be made only by a Committee (or subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as performance-based compensation under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be deemed to be references to such Committee

or subcommittee. Covered Employee shall mean any person who is, or whom the Committee, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

B-13

---

**Table of Contents**

(4) **Performance Measures.** For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of any combination of the following: (i) the entry into an arrangement or agreement with a third party for the development, commercialization, marketing or distribution of products, services or technologies, or for conducting a research program to discover and develop a product, service or technology, and/or the achievement of milestones under such arrangement or agreement, including events that trigger an obligation or payment right; (ii) achievement of domestic and international regulatory milestones, including the submission of filings required to advance products, services and technologies in clinical development and the achievement of approvals by regulatory authorities relating to the commercialization of products, services and technologies; (iii) the achievement of discovery, preclinical and clinical stage scientific objectives, discoveries or inventions for products, services and technologies under research and development; (iv) the entry into or completion of a phase of clinical development for any product, service or technology, such as the entry into or completion of phase 1, 2 and/or 3 clinical trials; (v) the consummation of debt or equity financing transactions, or acquisitions of business, technologies and assets; (vi) new product or service releases; (vii) the achievement of qualitative or quantitative performance measures set forth in operating plans approved by the Board from time to time; (viii) specified levels of product sales, net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment; (ix) improvement of financial ratings; (x) achievement of balance sheet or income statement objectives; (xi) total stockholder return and/or (xii) other comparable measures of financial and operational performance. Such goals may reflect, as applicable, absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (i) may vary by Participant and may be different for different Awards; (ii) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (iii) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(5) **Adjustments.** Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of Shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a Change in Control Event.

(6) **Other.** The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation. Dividend Equivalents will be subject to the same restrictions on transfer and forfeitability as the Performance Awards with respect to which such Dividend Equivalents are awarded.

**12. Miscellaneous**



(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

B-14

**Table of Contents**

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the Effective Date). No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until such amendment shall have been approved by the Company's stockholders if required by Section 162(m) (including the vote required under Section 162(m)); and (ii) no amendment that would require stockholder approval under the rules of the NASDAQ Stock Market may be made effective unless and until such amendment shall have been approved by the Company's stockholders. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 12(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) Provisions for Foreign Participants. The Board may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

(f) Compliance with Code Section 409A. Except as provided in individual Award agreements initially or by amendment, if and to the extent any portion of any payment, compensation or other benefit provided to a Participant in connection with his or her employment termination is determined to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code and the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, as determined by the Company in accordance with its procedures, by which determination the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of separation from service (as determined under Code Section 409A (the New Payment Date)), except as Code Section 409A may then permit.

The Company makes no representation or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A of the Code, but do not satisfy the conditions of that section.

(g) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, other employee, or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, other employee, or agent of the Company. The Company will

indemnify and hold harmless each director, officer, other employee, or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will

B-15

**Table of Contents**

be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning this Plan unless arising out of such person's own fraud or bad faith.

(h) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

Adopted by the Board of Directors on February 2, 2010, with Amendments Adopted by the Board of Directors on February 15, 2011 and April 12, 2011.

Adopted by the Board of Directors on February 11, 2010, with Amendments Adopted by the stockholders on June 1, 2011.

Adopted by the Board of Directors on March 26, 2013 with Amendment and Restatement adopted by the stockholders on May 29, 2013.

B-16

Table of Contents

***AVEO PHARMACEUTICALS INC.***  
***650 EAST KENDALL STREET***  
***CAMBRIDGE, MA 02142***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on June 18, 2014. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on June 18, 2014. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

<b>The Board of Directors recommends you vote FOR the following:</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
1. Election of Directors	..	..	..	

**Nominees**

01 Kenneth M. Bate Kucherlapati	02 Anthony B. Evnin 05 Henri A. Termeer	03 Tuan Ha-Ngoc	04 Raju
06 Robert C. Young			

**The Board of Directors recommends you vote FOR proposals 2, 3 and 4.**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. To approve Amendment No. 1 to the Amended and Restated 2010 Stock Incentive Plan	..	..	..
3. To approve an advisory vote on executive compensation	..	..	..
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014	..	..	..

**NOTE:** In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

**Yes No**

Please indicate if you plan to attend this meeting	..	..
----------------------------------------------------	----	----

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

**Signature [PLEASE SIGN WITHIN  
BOX]**

**Date**

**Signature (Joint Owners)**

**Date**

0000212953\_1 R1.0.0.51160

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Form 10-K, Shareholder Letter is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**AVEO PHARMACEUTICALS, INC.**

**Annual Meeting of Stockholders**

**June 19, 2014 10:00 AM EDT**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Tuan Ha-Ngoc, Joseph D. Vittiglio and Noreen A. Martin or any of them, as proxies, each with the power to appoint their substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of AVEO PHARMACEUTICALS, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 10:00 AM, Eastern Daylight Time on June 19, 2014, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, and any adjournment or postponement thereof. For directions to our Annual Meeting of Stockholders, please visit our website at [www.aveooncology.com](http://www.aveooncology.com).

**Unless submitting a proxy for these shares over the internet or by telephone, please mark, sign, date and return this proxy card promptly in the enclosed reply envelope.**

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the recommendations of our Board of Directors. If no direction is made to withhold authority to vote for an individual nominee (or all nominees), this proxy will be voted in favor of each nominee for which no such direction is made.**

**Continued and to be signed on reverse side**



0000212953\_2 R1.0.0.51160