

AVEO PHARMACEUTICALS INC

Form PRE 14A

April 06, 2015

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.**

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(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 2015 ANNUAL MEETING OF  
STOCKHOLDERS**

**To Be Held On May 28, 2015**

To our Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of AVEO Pharmaceuticals, Inc. will be held on Thursday, May 28, 2015 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 seven directors to serve for a one-year term expiring at the 2016 annual meeting of stockholders;
2. To approve an amendment to our restated certificate of incorporation to increase the number of authorized shares of our common stock from 100,000,000 shares to 200,000,000 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, 2015.

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 2, 2015, 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.

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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.

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,

/s/ Michael Bailey

Michael Bailey

President and Chief Executive Officer

Cambridge, Massachusetts

April [ ], 2015

**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 Officer 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, 2014, 2013 and 2012</u>	35
<u>Grants of Plan-Based Awards for the Year Ended December 31, 2014</u>	36
<u>Outstanding Equity Awards at December 31, 2014</u>	37
<u>Option Exercises</u>	39
<u>Employment Agreements and Severance Agreements</u>	39
<u>Potential Payments and Benefits Upon Termination and a Change in Control</u>	42
<u>Equity Compensation Plan Information</u>	44
<u>Compensation Committee Report</u>	44
<u>Compensation Committee Interlocks and Insider Participation</u>	44
<u>Director Compensation</u>	45
<u>PROPOSAL 2 APPROVAL OF AN AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION</u>	48
<u>PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	49
<u>PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	50
<u>OTHER MATTERS</u>	51
<u>STOCKHOLDER PROPOSALS</u>	51
<u>Appendix A - Certificate of Amendment to Restated Certificate of Incorporation</u>	A-1

**Table of Contents**

**AVEO PHARMACEUTICALS, INC.**

**650 EAST KENDALL STREET**

**CAMBRIDGE, MASSACHUSETTS 02142**

**PROXY STATEMENT**

**for the 2015 Annual Meeting of Stockholders**

**to be held on May 28, 2015**

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, May 28, 2015 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, the company 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 2015 Annual Meeting of Stockholders. 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. These proxy solicitation materials were first made available to all stockholders entitled to vote at the meeting on or about April [ ], 2015.

We are mailing to our stockholders a Notice of Internet Availability of proxy materials instead of a paper copy of this Proxy Statement, our 2014 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, or the SEC. 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 2014 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 May 28, 2015:**

**This proxy statement and our 2014 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, 2014 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 2015 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, May 28, 2015 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 seven directors to serve for a one-year term expiring at the 2016 annual meeting of stockholders;
  2. To approve an amendment to our restated certificate of incorporation to increase the number of authorized shares of our common stock from 100,000,000 shares to 200,000,000 shares;
  3. To approve a non-binding 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, 2015.

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 2, 2015, the record date for our annual meeting. There were \_\_\_\_\_ 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?**



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**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 May 27, 2015, 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

## Table of Contents

telephonic proxy before 11:59 p.m., Eastern Daylight Time, on May 27, 2015, 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.

- (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 May 27, 2015, 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 May 27, 2015.
- (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 May 27, 2015. 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. Banks, brokerage firms or

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## Table of Contents

other nominees can vote customers' unvoted shares on routine matters, but your bank, brokerage firm or other nominee will not be allowed to vote your shares with respect to certain non-routine items. If you do not return voting instructions to your bank, brokerage firm or other nominee to vote your shares, your bank, brokerage firm or other nominee may, on routine matters, either vote your shares or leave your shares unvoted.

**Your bank, brokerage firm or other nominee cannot vote your shares on any matter that is not considered routine. Proposal 1, election of directors and Proposal 3, a non-binding advisory vote on executive compensation, are not considered routine matters. If you do not instruct your bank, brokerage firm or other nominee how to vote with respect to these items, your bank, brokerage firm or other nominee 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 2, approval of an amendment to our restated certificate of incorporation and Proposal 4, ratification of the appointment of our independent registered public accounting firm, are considered routine matters, and your bank, brokerage firm or other nominee will be able to vote on those items 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 seven 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.



## Table of Contents

### **Proposal 2 Approval of an Amendment to our Restated Certificate of Incorporation**

To approve Proposal 2, stockholders holding a majority of the outstanding shares of the company's common stock entitled to vote must vote FOR the proposal. **Proposal 2 is 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 may vote your unvoted 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. Because this Proposal 2 requires an affirmative vote of the outstanding shares, broker non-votes and votes to ABSTAIN will have an effect on the outcome of Proposal 2, and effectively will be counted as votes AGAINST the proposal.

### **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.** 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 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, 2015 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, 2015.

### **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 seven nominees to serve on our board of directors, each for a one year term;

**Table of Contents**

**FOR** the approval of an amendment to our restated certificate of incorporation to increase the number of authorized shares of our common stock;

**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, 2015.

**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. 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, 2015 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.



**Table of Contents**

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 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.

The column entitled **Percentage of Shares Beneficially Owned** is based on a total of 55,007,649 shares of our common stock outstanding as of March 31, 2015. 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	=	Total Securities Beneficially Owned	Percentage of Shares Beneficially Owned
			Underlying Options Exercisable Within 60 Days			
<b>Holders of more than 5% of our voting securities</b>						
None.						
<b>Directors and Named Executive Officers</b>						
Kenneth M. Bate	3,750		80,416		84,166	*
Anthony B. Evnin <sup>(1)</sup>	1,185,949		70,416		1,256,365	2.3%
Tuan Ha-Ngoc	381,568		765,952		1,147,520	2.1%
Raju Kucherlapati <sup>(2)</sup>	195,415		65,001		260,416	*
Henri A. Termeer	126,919		65,416		192,335	*
Robert C. Young <sup>(3)</sup>	18,958		60,666		79,624	*
Michael Bailey	22,154		379,352		401,506	*
Jeno Gyuris <sup>(4)</sup>	140,346		275,282		415,628	*
Joseph Vittiglio <sup>(5)</sup>	20,958		162,769		183,727	*
All current executive officers and directors as a group (10 persons <sup>(6)</sup> )	2,096,017	+	1,925,270	=	4,021,287	7.3%

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

- (1) 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) 70,416 shares of common stock issuable upon exercise of stock options that are exercisable within 60 days of March 31, 2015 and (f) 38,881 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.
- (2) Consists of (a) 115,501 shares of common stock held by Dr. Kucherlapati, (b) 65,001 shares of common stock issuable upon exercise of stock options that are exercisable within 60 days of March 31, 2015, (c) 15,010 shares of common stock held by Raju Kucherlapati Grantor Retained Annuity Trust No. 1 and (d) 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.
- (3) Consists of (a) 17,958 shares of common stock held by Dr. Young, (b) 60,666 shares of common stock issuable upon exercise of stock options that are exercisable within 60 days of March 31, 2015, and (c) 1,000 shares of common stock held by Dr. Young's wife.
- (4) Dr. Gyuris departed AVEO effective as of January 15, 2015.
- (5) Mr. Vittiglio departed AVEO effective as of March 19, 2015.

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- (6) Includes shares held by Michael Needle, M.D., who joined the company in January 2015 as chief medical officer.

**Table of Contents**

**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, 2014, our executive officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them.

**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. Bailey, 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 2016 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.

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, 2015 appears above under the heading Ownership of Our Common Stock.

**Michael P. Bailey**, age 49, was appointed President and Chief Executive Officer and a member of our Board of Directors effective January 6, 2015. Mr. Bailey joined our company in September 2010 as our Chief Commercial Officer and was named our Chief Business Officer in June 2013. Prior to joining our company, Mr. Bailey served as senior vice president, business development and chief commercial officer at Synta Pharmaceuticals, a biopharmaceutical company, from August 2008 to September 2010. From 1999 to 2008, Mr. Bailey worked at ImClone, a biopharmaceutical company. During his nine-year tenure at ImClone, he was responsible for commercial aspects of the planning and launch of ERBITUX<sup>®</sup> (cetuximab) across multiple oncology indications, as well as new product planning for the ImClone development portfolio, which included CYRAMZA<sup>®</sup> (ramucirumab) and necitumumab. In addition, Mr. Bailey was a key member of the strategic leadership committees for ImClone and its North American and worldwide partnerships and led their commercial organization, most recently as Senior Vice President of Commercial Operations. Prior to his role at ImClone, Mr. Bailey managed the cardiovascular development portfolio at Genentech, Inc., a biopharmaceutical company, from 1997 to 1999. Mr. Bailey started his career in the pharmaceutical industry as part of Smith-Kline Beecham's Executive Marketing Development Program, where he held a variety of commercial roles from 1992 to 1997, including sales, strategic planning, and product management. Mr. Bailey received a B.S. in psychology from St. Lawrence University and an M.B.A. in international marketing from the Mendoza College of Business at the University of Notre Dame. We believe Mr. Bailey's qualifications to serve on our board of directors include his former position with us as our chief commercial officer and chief business officer and his significant experience in research and development for cancer and corporate strategy development, including his executive leadership roles at global pharmaceutical companies.

**Kenneth M. Bate**, age 64, 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

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**Table of Contents**

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., 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 on the board of BioMarin Pharmaceutical, Inc., Genocera Biosciences, Inc. and Epizyme, Inc., each a public biopharmaceutical company and serves on the board of Catabasis Pharmaceuticals, Inc. and TransMedics Inc., each a privately held company. During the last five years, Mr. Bate has served as chairman of the board of Cubist Pharmaceuticals, Inc., a director of TransMedics, Inc., a privately held medical device 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 74, 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 Infinity Pharmaceuticals, Inc. and Juno Therapeutics, Inc., both publicly traded biopharmaceutical companies. He also serves on the boards of Constellation Pharmaceuticals, Inc., a privately held biopharmaceutical company. During the last five years, Dr. Evnin served as a director of Alteia 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: Acceleron Pharma, Inc., Celladon Corporation, CymaBay Therapeutics, Inc., Icagen, Inc., and 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.

**Tuan Ha-Ngoc**, age 63, has served as a member of our board of directors since June 2002 and was appointed chairman of the board in January 2015. He served as president and chief executive officer of our company from June 2002 until January 2015 and as acting chief financial officer of our company from December 2013 until January 2015. 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 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 former position with us 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.

**Table of Contents**

**Raju Kucherlapati, Ph.D.**, age 72, 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 69, has served as a director since April 2011 and is lead outside director of our Board, and as chairman until January 2015. 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 former 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, Allergan, a public multi-specialty health care company and ProQR Therapeutics, a Netherlands based biotech company focused on developments of drugs to treat genetic disorders. 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.

**Robert C. Young, M.D.**, age 75, 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

## **Table of Contents**

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.

In April 2015, 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. Evnin, Dr. Kucherlapati, Mr. Termeer or Dr. Young, representing five 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

## **Table of Contents**

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. In addition, the board has chosen a lead outside director as well as a chairman. In January 2015, Mr. Tuan Ha-Ngoc resigned as president and chief executive officer and was appointed as the chairman of our board of directors. Our board determined that certain duties of the chairman of the board should be considered by an independent director, and appointed Mr. Termeer, an independent director within the meaning of NASDAQ rules (see Board Determination of Independence above), to serve as our lead outside director of the board of directors. Mr. Termeer's duties as lead outside director include the following:

chairing meetings of the independent directors in executive session;

meet with any director who is not adequately performing his or her duties as a member of the Board or any committee;

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

consult with the chairman of the board and the chief executive officer on matters relating to corporate governance and board performance.

Mr. Ha-Ngoc's duties as chairman of the board include the following:

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 and elect a lead outside director because it believes that such leadership structure offers the following benefits:

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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. Each of our board chairman and lead outside director meet 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 ten times during 2014, either in person or by teleconference. During 2014, 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 current directors attended the 2014 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 SEC and the NASDAQ Marketplace Rules.

#### *Audit Committee*

The members of our audit committee are Kenneth Bate, Anthony Evnin and Robert Young. Dr. Robert Epstein served on the Audit Committee until his departure from our board on June 19, 2014, at which time

## **Table of Contents**

Dr. Young was elected to the audit committee. 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 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 2014.

## ***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;

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

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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.

Our compensation committee met three times during 2014.

## **Table of Contents**

### ***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 two times during 2014.

### **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.

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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

## **Table of Contents**

serve as a member of our board. Our board believes that each of the nominees has had substantial achievement in 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 Michael Bailey, 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 Michael Bailey, Secretary, AVEO Pharmaceuticals, Inc., 650 East Kendall Street, Cambridge, Massachusetts 02142.

### **Executive Officer 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.

**Table of Contents**

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 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, 2014, 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 2014, which included considering retention cash awards for certain executives and key employees. Radford also assisted in developing our overall executive and director compensation program for 2015.

**Report of the Audit Committee**

Our audit committee has reviewed our audited financial statements for the year ended December 31, 2014 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, 2014.

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

Kenneth Bate, Chair

Anthony Evnin

Robert Young

**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	2014	2013
Audit Fees <sup>(1)</sup>	\$ 511,631	\$ 484,300
Tax Fees <sup>(2)</sup>	32,370	105,580
All Other Fees <sup>(3)</sup>		1,995
Total Fees	\$ 544,001	\$ 591,875

- (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.





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## **Table of Contents**

(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.

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 corporate 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;



## **Table of Contents**

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

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.

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, 2014, 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***

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

We are a biopharmaceutical company committed to developing targeted therapies through biomarker-driven insights to provide substantial improvements in patient outcomes where significant unmet medical needs exist. Our proprietary platform has delivered unique insights into cancer and related disease. Our business strategy is to

## Table of Contents

develop our pipeline drug candidates 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 life science industry is often characterized by long product lifecycles and complex development challenges.

During 2014, we continued to focus our efforts on further developing our four lead programs while exploring partnership opportunities to fund the further development of these programs, including our lead program for tivozanib. In January 2015, because our lead programs reached a clinical stage of development, the board elected to implement a restructuring, eliminating the research function of the company and related general administrative positions, to buttress stockholder value. In light of these events, our compensation committee and the board of directors saw a need to ensure that the compensation of the executive officers both reflected our performance in 2014 and a need to provide incentives for and retain key executive officers and employees. Accordingly, the board decided to implement a retention program to aid in retaining certain executives and key employees integral in the execution of our 2015 corporate strategy, which includes furthering the development of certain programs through partnerships, including our lead program for tivozanib.

Our chief executive officer's compensation is tied to the performance of the company, which is an underlying philosophy of our executive compensation program. 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. Notably, Mr. Ha-Ngoc, our former chief executive officer, did not receive any portion of his annual incentive cash award for 2014. Moreover, 58% of Mr. Ha-Ngoc's compensation for 2014 consisted of equity, in the form of stock options and performance shares, which was not realizable in 2014. In addition, none of Mr. Ha-Ngoc's equity awards that vested in 2014 had exercise prices below our common stock price.

Similarly, the realizable pay for our other named executive officers also declined as our stock price declined in 2014. 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. All of these awards were initially granted at a stock price that is higher than our current stock price, and therefore, the value of these awards is currently significantly lower than the value 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. As part of the January 2015 restructuring, the board appointed Mr. Bailey as chief executive officer and president and hired a new chief medical officer. The compensation committee considered the January 2015 restructuring, the need to retain key executives and our low stock price when making compensation decisions for 2015. 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 with cash 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 2014 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.

## **Table of Contents**

**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. During 2014, our named executive officers held long-term equity awards in the form 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 2014.

**We aim to attract and retain exceptional executives 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 2014.

### ***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 Ended December 31, 2014, 2013 and 2012, 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 2014 were:

Michael Bailey, our current president and chief executive officer;

Tuan Ha-Ngoc, our former president and chief executive officer and acting chief financial officer through January 6, 2015;

Joseph Vittiglio, our former general counsel;

Jeno Gyuris, our former chief scientific officer; and

William Slichenmyer, our former chief medical officer.

In this Compensation Discussion and Analysis and the discussion that follows, pursuant to SEC rules we include information with respect to Mr. Ha-Ngoc, who left his position as chief executive officer as of January 6, 2015, Dr. Slichenmyer who left his position as chief medical officer effective as of April 30, 2014, Dr. Gyuris who left his position as chief scientific officer effective as of January 15, 2015 and Mr. Vittiglio who left his position as general counsel effective as of March 19, 2015.

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,



## **Table of Contents**

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 members of our board of directors 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 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 officers.

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

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

attempt to 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;

ensure fairness among executive officers 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;

**Table of Contents**

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 2014 and for 2015, the compensation committee also considered our recent restructurings, the need to retain key executives and our low stock price.

Our compensation committee retained an independent compensation consultant, Radford, an Aon Hewitt company, or Radford, in 2014 to assist the compensation committee in developing our overall executive and director compensation programs for 2014 and 2015.

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 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 2014 peer group:

Achillion Pharmaceuticals, Inc.  
Anthera Pharmaceuticals, Inc.  
ArQule Inc.  
Coronado Biosciences, Inc.  
Curis, Inc.  
Cytokinetics, Inc.  
Dynavax Technologies Corporation

Geron Corporation  
Infinity Pharmaceuticals, Inc.  
KaloBios Pharmaceuticals, Inc.  
Merrimack Pharmaceuticals, Inc.  
Peregrine Pharmaceuticals, Inc.  
Progenics Pharmaceuticals, Inc.  
Rigel Pharmaceuticals, Inc.

Sunesis Pharmaceuticals, Inc.  
Synta Pharmaceuticals Corp.  
Targacept, Inc.  
Threshold Pharmaceuticals, Inc.  
ZIOPHARM Oncology, Inc.

**Table of Contents**

To assist in determining executive compensation in 2015, Radford and the compensation committee reviewed a peer group, which we refer to as the 2015 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 2013 to 2014, including a lower market value, reduced headcount and stage of its development assets, Radford removed eight companies with market capitalizations in excess of \$400 million and added four companies whose parameters aligned more closely with the selection criteria for the peer group. The intention of the selection criteria was to focus on the biopharmaceutical industry, find companies in comparable stages of development, employee size and market capitalization and allow sufficient room for growth. The compensation committee, in consultation with the Radford team, included in the following companies in the 2015 peer group:

Agenus Inc.	KaloBios Pharmaceuticals, Inc.	Sunesis Pharmaceuticals, Inc.
Athera Pharmaceuticals, Inc.	OncoGenex Pharmaceuticals, Inc.	Synta Pharmaceuticals Corp.
ArQule Inc.	Peregrine Pharmaceuticals, Inc.	Targacept, Inc.
Curis, Inc.	Progenics Pharmaceuticals, Inc.	Threshold Pharmaceuticals, Inc.
Cytokinetics, Inc.	Rexahn Pharmaceuticals, Inc.	ZIOPHARM Oncology Inc.
Dynavax Technologies Corporation	Rigel Pharmaceuticals, Inc.	
Geron Corporation	SIGA Technologies, Inc.	

In addition to the publicly available information with respect to our 2014 and 2015 peer group companies, Radford gathered competitive market data from the 2014 Radford Global Life Sciences Survey of public biopharmaceutical companies with less than 200 employees, which we refer to as the 2014 Radford Global Life Sciences Survey, for our analysis of executive compensation in 2015.

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. Notably, Mr. Tuan Ha-Ngoc did not receive any portion of his cash incentive award for 2014, which was based on the company's performance in 2014, demonstrating that a significant portion of the chief executive officer's compensation is at risk and tied to the performance of the company. In addition, a significant portion of the executive officer's equity awards were not realizable in 2014 as a result of the company's low stock price.

Going forward, in light of the board's decision to implement a restructuring in January 2015, which eliminated the research function of the company and related general administrative positions, our compensation committee also saw a need to provide proper incentives for the remaining executive officers and key employees when making compensation decisions for 2015.

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

The compensation committee has historically used, 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. Mr. Ha-Ngoc, our former chief executive officer, did not participate in the determination of his own compensation and the remuneration paid to him as a result of the January 2015 restructuring. In addition, Mr. Bailey, our current chief executive officer, did not participate in the determination of his compensation for 2015.

***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

## **Table of Contents**

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 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 2014 and 2015, 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 the base salaries of our named executive officers in 2014 and 2015, other than Mr. Ha-Ngoc, our compensation committee considered the recommendations of Mr. Ha-Ngoc in determining appropriate base salary levels.

**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 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 2014 peer group companies described above and 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.

Name	2014 Annual Base Salary (\$)	Percentage Increase in Base Salary From 2013 Base Salary (%)
Michael Bailey	\$ 361,611	3.00% <sup>(1)</sup>
Tuan Ha-Ngoc	\$ 567,875	0.00% <sup>(2)</sup>
Joseph Vittiglio	\$ 319,947	10.30% <sup>(3)</sup>
Jeno Gyuris	\$ 344,497	3.00% <sup>(1)</sup>
William Slichenmyer	\$ 401,549	3.00% <sup>(1)</sup>

- (1) Equal to the corporate-wide merit increase for all eligible employees.
- (2) Mr. Ha-Ngoc, who ceased serving as our president and chief executive officer in January 2015, did not receive a merit increase for the year 2014.
- (3) In addition to a corporate-wide merit increase of 3.0%, this increase includes an adjustment of 7.3% to align Mr. Vittiglio's salary with the median of the range of salaries for executives in similar positions at comparable companies in the 2014 peer group.

In January 2015, upon the recommendation of the compensation committee, our board of directors decided to increase the base salary for Mr. Bailey and Mr. Vittiglio as set forth in the table below to maintain their competitive position within the 2015 peer group and reflect market compensation practices. Our compensation committee made its recommendation based on its analysis, with input from Radford, of executive officer pay for the 2015 peer group companies described above and the 2014 Radford Global Life Sciences Survey.

On January 6, 2015, Mr. Bailey was appointed as our president and chief executive officer, promoted from the position of chief business officer of the company. In connection with this appointment, the board of directors, upon recommendation of the compensation committee, with input from Radford, decided to increase Mr. Bailey's salary to \$425,000 per year, a 17.5% increase in base salary. This decision was made in light of Mr. Bailey's promotion to president and chief executive officer and his new responsibilities in his new role. The compensation committee considered the recommendations by Radford regarding market data for chief executive officers from the 2014 Radford Global Life Sciences survey of public biopharmaceutical companies with less than 50 employees and a market value less than \$200 million, and assessed current compensation against base salary, target short-incentives, target total cash compensation, long-term incentives and target total direct compensation. Mr. Bailey's current equity holdings in the company, including the fact that 60% of his equity awards were unvested, all of his outstanding options had exercises prices higher than our current stock price and the value of his restricted stock grant were also considered in evaluating his entire compensation package.

**Table of Contents**

Mr. Ha-Ngoc resigned as president and chief executive officer effective as of January 6, 2015 and did not receive a merit increase for the year 2015. Dr. Gyuris' employment was terminated effective as of January 15, 2015 and he did not receive a merit increase for the year 2015. Mr. Vittiglio received a merit increase equal to the corporate-wide merit increase for all eligible employees.

Name	2015 Annual Base Salary (\$)	Percentage Increase in Base Salary From 2014 Base Salary (%)
Michael Bailey	\$ 425,000	17.53%
Tuan Ha-Ngoc	\$ 567,875	0.00%
Joseph Vittiglio	\$ 329,545	3.00%
Jeno Gyuris	\$ 344,497	0.00%

We believe that the base salaries established for our named executive officers for 2014 and 2015 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.

**Table of Contents***2014 Cash Incentive Program*

For 2014, 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:

	Target Score (%)	Actual Score (%)
<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, ficlatuzumab and AV-203 programs, (including the completion of strategic partnership(s) for one or more of such programs), and the cost-efficient wind-down of the Tivozanib program	60%	35% <sup>(1)</sup>
<b>Identification of external product opportunities for further acceleration of value creation</b>	25%	0% <sup>(2)</sup>
<b>Achievement of financial goals, including specified year-end cash balance</b>	15%	10% <sup>(3)</sup>
<b>Total</b>	100%	45%

- (1) The company partnered ficlatuzumab with Biodesix in May 2014 and continued to wind-down tivozanib, but did not advance AV-380 nor ficlatuzumab, and therefore the compensation committee assessed a 35% score.
- (2) Due to the company's inability to identify an external product opportunity, the compensation committee determined that this goal was not achieved.
- (3) As a result of achieving the company's projected year-end cash balance of \$52.3 million, the compensation committee determined that two-thirds of this goal was achieved.

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

For 2014, Mr. Vittiglio's individual goals related to leading the legal function in addressing all corporate matters and overseeing activities related to the company's quality assurance function.

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

For 2014, Dr. Slichenmyer's individual goals were not established in light of his departure from the company effective April 30, 2014.

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 2014, the

**Table of Contents**

compensation committee established a target cash incentive payment for each of our named executive officers based on a percentage of their 2014 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 2013 Radford Global Life Sciences Survey and information on executive cash incentive targets from companies in the 2014 peer group.

The following table sets forth each named executive officer's target incentive payment for 2014 established by the compensation committee in January 2014, the cash incentive award actually paid and the cash incentive award paid as a percentage of the target award.

<b>Name</b>	<b>2014 Target Annual Cash Incentive Award (\$)</b>	<b>Cash Incentive Award Paid for 2014 (\$)</b>	<b>Cash Incentive Award as a Percentage of Target Cash Incentive Award (%)</b>
Michael Bailey	\$ 144,644	\$ 81,001	56%
Tuan Ha-Ngoc	\$ 369,119	\$ 0	0%
Joseph Vittiglio	\$ 127,979	\$ 71,668	56%
Jeno Gyuris	\$ 137,799	\$ 137,799	100%
William Slichenmyer	\$ 160,620	\$ 52,806	33%

Messrs. Bailey and Vittiglio each received a cash incentive bonus equal to 56% of their potential cash incentive award for 2014, which was calculated based on the achievement of 45% of our corporate goals (which represented 80% of the total cash incentive bonus) and achievement of 100% of their respective personal goals (which represented for 20% of the total cash incentive bonus.)

In recognition of, among other things, his efforts on furthering the company's AV-380 program, our board, upon the recommendation of our compensation committee, decided to pay Dr. Gyuris, an award equal to 100% of his target cash incentive award for 2014, of which 56% was paid upon his departure and the remaining 44% was paid in three equal monthly installments commencing after his departure from the company.

In light of our performance in 2014, the board, upon recommendation of our compensation committee, did not award a cash incentive bonus to Mr. Ha-Ngoc, our former president and chief executive officer.

In accordance with his Severance and Change of Control Agreement, Dr. Slichenmyer was entitled to receive 100% of his annual cash incentive award pro-rated through the date of his termination. Dr. Slichenmyer left the company on April 30, 2014, and therefore received 33% of his target cash incentive award of \$160,620.



**Table of Contents***2015 Cash Incentive Program*

In March 2015, the compensation committee established a target incentive payment for each of our named executive officers based on a percentage of their 2015 annual base salary as set forth below. These target incentive payments are based on the executive cash incentive practices of the 2014 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 <sup>(1)</sup>	2015 Annual Base Salary (\$)	Target Percentage of 2015 Annual Base Salary (%)	2015 Target Annual Cash Incentive Award (\$)
Michael Bailey	\$ 425,000	50%	\$ 212,500
Joseph Vittiglio <sup>(2)</sup>	\$ 329,545	40%	\$ 131,818

(1) Dr. Gyuris departed the company effective January 15, 2015 and Dr. Slichenmyer departed the company effective April 30, 2014. Accordingly, the compensation committee did not establish their respective target annual cash incentive awards for 2015.

(2) Mr. Vittiglio departed the company effective March 19, 2015.

In March 2015, our board of directors, upon the recommendation of our compensation committee, established the following corporate goals under the 2015 annual cash incentive award program for the year ending December 31, 2015, as set forth below:

Corporate Goals	Percentage of Annual Cash Incentive Award Attributable to Corporate Goals
<b>Achievement of certain partnership and financial goals</b> , including securing a partnership for tivozanib or AV-380 and completing a financing in order to extend cash runway	50%
<b>Tivozanib</b>	25%
Advance the Marketing Authorization Application filing in the EU	
Finalize registration and development and associated financing plan	
<b>Ficlatuzumab</b>	15%
Meet patient enrollment goals for the FOCAL study	
<b>General and Administrative</b>	10%
Evaluate and secure new facilities	
Complete January 2015 restructuring	
<b>Total</b>	<b>100%</b>

The corporate goals will account for 80% of the annual cash incentive opportunity for our executive officers (other than our chief executive officer). In addition to the overall corporate goals described above, the performance of each executive officer will be measured against the

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achievement of certain individual goals. The cash incentive payment for our chief executive officer will be based solely on the achievement of our overall corporate goals described above. For 2015, the individual goals for each of our named executive officers (other than chief executive officer), will account for 20% of such executive officer's annual cash incentive opportunity. Mr. Vittiglio departed the company effective March 19, 2015, Dr. Gyuris departed the company effective January 15, 2015 and Dr. Slichenmyer departed the company effective April 30, 2014. Accordingly, the compensation committee did not establish individual goals for Mr. Vittiglio, or Drs. Gyuris or Slichenmyer for 2015.

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**Table of Contents**

*Cash Retention Awards.*

In June 2013, the independent directors of our board, upon the recommendation of our compensation committee, approved the grant of cash retention awards as a retention incentive to each of our named executive officers, other than the chief executive officer, including Dr. Slichenmyer and Messrs. Bailey, Gyuris and Vittiglio. Each cash retention award is equal to 20% of the applicable named executive officer's target bonus in effect on the date of grant. Dr. Slichenmyer received a pro-rated amount of this cash incentive award in connection with his departure on April 30, 2014. Messrs. Bailey, Vittiglio and Gyuris received their respective payment under the June 2013 retention award in October 2014.

In January 2014, our independent directors, upon the recommendation of our compensation committee, approved the grant of cash retention awards as a retention incentive to each of our named executive officers, other than the chief executive officer, including Dr. Slichenmyer and Messrs. Bailey, Gyuris and Vittiglio. Each cash retention award is equal to 20% of the applicable named executive officer's base pay in effect on the applicable cash payment date. Dr. Slichenmyer received a pro-rated amount of his cash incentive award in connection with his departure on April 30, 2014. Messrs. Bailey, Vittiglio and Gyuris received the first two cash retention award payments in June 2014 and in October 2014. 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 third payment will be made during June 2015. In connection with his departure in January 2015, Dr. Gyuris received a pro-rated amount of the third cash retention payment due in June 2015. In connection with his departure in March 2015, Mr. Vittiglio did not receive any portion of the third payment due in June 2015. In addition, in May, 2014, in light of the desire to retain Mr. Vittiglio as an executive officer of the company, the compensation committee approved the grant of an additional cash retention award to Mr. Vittiglio of \$125,000, of which fifty percent was paid in August 2014 and the other fifty percent was paid in March 2015.

Considering the need to retain certain core employees remaining after the reduction in head count in January 2015, our board of directors, upon the recommendation of the compensation committee, approved the payment of an incentive bonus to Mr. Vittiglio in the aggregate amount of \$160,000, whereby fifty percent would be due upon the earlier of (y) the closing of a corporate partnership or financing and (z) July 31, 2015 and the other fifty percent would be due on October 1, 2015 provided that a corporate partnership or financing transaction had closed, so long as Mr. Vittiglio remained employed with the company on such dates. As a result of Mr. Vittiglio's departure in March 2015, he did not receive any of these payments.

In January 2015, our independent directors, upon the recommendation of our compensation committee, also approved the grant of cash retention awards to 10 key employees considered essential to AVEO's future progress. These cash retention awards are payable in three installments during the 2015 calendar year, whereby the first two payments would equal the total severance value of what the employees would have received had they been laid off and the final payment would equal 75% of the employee's target cash incentive payment for 2015.

The compensation committee did not grant any cash retention awards to our former chief executive officer, Tuan Ha-Ngoc in 2014 or to our current chief executive officer, Michael Bailey, in 2015.

*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.

**Table of Contents**

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.

*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. See the footnotes to the table below for a description of the vesting terms applicable to these awards. 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 50th percentile of executive equity incentive compensation at those companies.

Name	Number of Shares of Common Stock Underlying Time-Based Options Granted in January 2014 <sup>(1)</sup>	Number of Share of Common Stock Underlying Milestone-Based Options Granted in June 2014 <sup>(2)</sup>	Total Number of Shares of Common Stock Underlying Awards Granted in 2014
Michael Bailey	75,000	250,000	325,000
Tuan Ha-Ngoc	100,000	900,000	1,000,000
Joseph Vittiglio	75,000	250,000	325,000
Jeno Gyuris	75,000	250,000	325,000
William Slichenmyer	75,000		75,000

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

(2) One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$3.00 for at least 30 consecutive trading days prior to December 31, 2016. One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$4.50 for at least 30 consecutive trading days prior to December 31, 2017. One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$6.50 or more for at least 30 consecutive trading days prior to December 31, 2018.



**Table of Contents**

In June 2013, after our restructuring and related reduction in employee headcount, 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
Michael Bailey	120,000	40,000	24,000	13,200
Tuan Ha-Ngoc	0	0	0	0
Joseph Vittiglio	120,000	40,000	24,000	13,200
Jeno Gyuris	120,000	40,000	24,000	13,200
William Slichenmyer	120,000	40,000	24,000	13,200

- (1) The shares underlying the restricted stock awards are subject to the achievement of certain strategic performance criteria and continued employment, as follows: up to 40% of the total shares underlying the restricted stock were eligible to vest no later March 15, 2014, referred to as the 2013 Performance Restricted Stock Tranche upon the determination by the compensation committee of the degree to which the performance goals were met and up to 60% of the total shares underlying the restricted stock were eligible to 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:

Performance Goals for 2013 Performance Restricted Stock Tranche	Target Score (%)	Actual Score (%)
Advancement of AV-203, including completing dose-escalation and initiating enrollment in NRG1+ expansion cohorts of First-in-Human study	5%	5%
Advancement of Ficluzumab, 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>

In January 2014, 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 were the same as the corporate goals for 2014 as set forth under the annual incentive cash program described above. In January 2015, our board of directors,



**Table of Contents**

upon recommendation of the compensation committee, determined that 45% of corporate goals for 2014 were achieved. Therefore, 45% of the shares of common stock underlying 60% of the restricted stock awards granted in June 2013 have vested, while the remaining 55% of the shares of common stock underlying 60% of the restricted stock awards have been forfeited to the company.

*2015 Equity Compensation Awards*

In January 2015, as part of the annual individual performance evaluations of our named executive officers, our board of directors, upon the recommendation of our compensation committee, granted to our named executive officers the option 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 \$0.84 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 2014 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 2015 <sup>(1)</sup>	Total Number of Shares of Common Stock Underlying Awards Granted in 2015
Michael Bailey	900,000	900,000
Tuan Ha-Ngoc	0	0
Joseph Vittiglio	300,000	300,000
Jeno Gyuris	0	0
William Slichenmyer	0	0

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



## **Table of Contents**

### ***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 (as such terms are defined in the Key Employee Change in Control Severance Benefit Plan) 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 helps 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 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.

**Table of Contents****Summary Compensation Table for the Years Ended December 31, 2014, 2013 and 2012**

The following table sets forth information for the years ended December 31, 2014, 2013 and 2012 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 2014, 2013 and 2012.

Name and Principal Position	Year	Salary (\$)	Cash Retention (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Michael Bailey, Chief Executive Officer	2014	\$ 361,611	\$ 142,538		\$ 279,560	\$ 81,001	\$ 7,759	\$ 872,469
	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
Tuan Ha-Ngoc, Former Chief Executive Officer	2014	\$ 567,875			\$ 806,597		\$ 12,044	\$ 1,386,516
	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
Joseph Vittiglio, Former General Counsel	2014	\$ 319,947	\$ 170,000		\$ 279,560	\$ 71,668	\$ 6,285	\$ 847,460
	2013	\$ 290,070		\$ 244,500	\$ 297,502	\$ 63,879	\$ 6,118	\$ 862,556
	2012	\$ 264,783		\$ 54,275	\$ 55,238	\$ 77,235	\$ 5,926	\$ 444,101
Jeno Gyuris, Former Chief Scientific Officer	2014	\$ 344,497	\$ 135,792		\$ 279,560	\$ 137,799	\$ 8,333	\$ 905,981
	2013	\$ 334,463		\$ 280,180	\$ 343,133	\$ 37,460	\$ 8,203	\$ 1,003,439
	2012	\$ 323,935		\$ 214,834	\$ 218,586	\$ 124,391	\$ 7,758	\$ 889,504
William Slichenmyer, Former Chief Medical Officer	2014	\$ 401,549	\$ 128,293		\$ 88,155	\$ 52,806	\$ 5,313	\$ 676,116
	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

(1) Represents cash retention awards paid during the year.

(2) The assumptions we used in valuing equity awards 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, 2014. 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 2014 were deemed on January 29, 2014 to be 60% earned 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. The remaining 60% of performance-based restricted stock awards were deemed on January 6, 2015 to be 45% earned 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 restricted stock awards granted in January 2014 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 restricted stock awards granted in February 2012 were deemed at

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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. In October 2014, the compensation committee determined that the conditions underlying each of these awards would not be met and the shares were forfeited to the company.

- (3) Our compensation committee determined to pay Tuan Ha-Ngoc, Joseph Vittiglio, William Slichenmyer (pro-rated through the day of his departure from the company in April 2014), Michael Bailey, and Jeno Gyuris annual cash incentive plan awards equal to 0%, 56%, 33%, 56%, and 100% of such executive officer's target award, respectively, for performance in 2014. Our compensation committee determined to pay Tuan Ha-Ngoc, Joseph Vittiglio, William Slichenmyer, Michael Bailey, and Jeno Gyuris annual cash incentive plan awards equal to 0%, 73%, 28%, 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.

**Table of Contents**

Our compensation committee determined to pay Tuan Ha-Ngoc, Joseph Vittiglio, William Slichenmyer, Michael Bailey, and Jenó Gyuris annual cash incentive plan awards equal to 95%, 117%, 98%, 96%, and 96% of such executive officer's target award, respectively, for performance in 2012.

- (4) 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 (\$)	Total (\$)
Michael Bailey, Chief Executive Officer	2014	\$ 6,500	\$ 1,259	\$ 7,759
	2013	\$ 6,500	\$ 1,168	\$ 7,668
	2012	\$ 6,125	\$ 1,095	\$ 7,220
Tuan Ha-Ngoc, Former Chief Executive Officer	2014	\$ 6,500	\$ 5,544	\$ 12,044
	2013	\$ 6,500	\$ 5,544	\$ 12,044
	2012	\$ 6,125	\$ 6,006	\$ 12,131
Joseph Vittiglio, Former General Counsel	2014	\$ 5,554	\$ 731	\$ 6,285
	2013	\$ 5,487	\$ 631	\$ 6,118
	2012	\$ 5,356	\$ 570	\$ 5,926
Jenó Gyuris, Former Chief Scientific Officer	2014	\$ 6,500	\$ 1,833	\$ 8,333
	2013	\$ 6,500	\$ 1,703	\$ 8,203
	2012	\$ 6,125	\$ 1,633	\$ 7,758
William Slichenmyer, Former Chief Medical Officer	2014	\$ 4,109	\$ 1,204	\$ 5,313
	2013	\$ 6,500	\$ 3,612	\$ 10,112
	2012	\$ 6,125	\$ 3,597	\$ 9,722

**Grants of Plan-Based Awards for the Year Ended December 31, 2014**

The following table sets forth information for the year ended December 31, 2014 regarding grants of plan-based awards made during 2014 to our named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target (\$) <sup>(1)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(2)</sup>	Exercise or Base Price of Stock and Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup>
Michael Bailey		\$ 144,644			
		\$ 74,492 <sup>(5)</sup>			
	1/29/14		75,000	\$ 1.77	\$ 88,155 <sup>(4)</sup>
	6/19/14		250,000	\$ 1.57	\$ 191,607 <sup>(4)</sup>

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Tuan Ha-Ngoc		\$ 369,119			
	1/29/14		100,000	\$ 1.77	\$ 117,540 <sup>(4)</sup>
	6/19/14		900,000	\$ 1.57	\$ 689,786 <sup>(4)</sup>
Joseph Vittiglio		\$ 127,979			
		\$ 128,409 <sup>(5)</sup>			
	1/29/14		75,000	\$ 1.77	\$ 88,155 <sup>(4)</sup>
	6/19/14		250,000	\$ 1.57	\$ 191,607 <sup>(4)</sup>
Jeno Gyuris		\$ 137,799			
		\$ 68,899 <sup>(5)</sup>			
	1/29/14		75,000	\$ 1.77	\$ 88,155 <sup>(4)</sup>
	6/19/14		250,000	\$ 1.57	\$ 191,607 <sup>(4)</sup>
William Slichenmyer	1/29/14		75,000	\$ 1.77	\$ 88,155 <sup>(4)</sup>

**Table of Contents**

- (1) Represents the target payout levels under the annual cash incentive program. Target payouts for Tuan Ha-Ngoc, Joseph Vittiglio, William Slichenmyer, Michael Bailey, and Jenő Gyuris represented 65%, 40%, 40%, 40%, and 40% of base salary in 2014, 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, 2014, 2013 and 2012 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 2014 awards, is described above in Executive Compensation Components.
- (2) For the vesting schedules of these awards, please see footnote 2 of the Outstanding Equity Awards at December 31, 2014 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 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, 2014.
- (4) 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, 2014.
- (5) Bonus amount for select executives granted on January 29, 2014 by our compensation committee. These payments were made on March 13, 2015 and will be made on June 15, 2015, and only if the individual remains employed by us at such time.

**Outstanding Equity Awards at December 31, 2014**

The following table sets forth information regarding outstanding equity awards held as of December 31, 2014 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 (\$)
Michael Bailey	250,000		\$ 1.57 <sup>(9)</sup>	6/19/2024	24,000 <sup>(3)</sup>	\$ 43,920
	18,750	56,250	\$ 1.77 <sup>(5)</sup>	1/29/2024		
	48,000	72,000	\$ 2.51 <sup>(7)</sup>	6/26/2023		
	15,572	16,928	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	22,604	8,396	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	4,895	105	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	180,000		\$ 14.26	10/5/2020		

**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 (#)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of 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		900,000	\$ 1.57 <sup>(9)</sup>	6/19/2024		
	25,000	75,000	\$ 1.77 <sup>(5)</sup>	1/29/2024		
	39,531	42,969	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	68,177	25,323	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	83,229	1,771	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	61,250		\$ 12.24	2/2/2020		
	39,999		\$ 12.24	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		
Joseph Vittiglio <sup>(10)</sup>		250,000	\$ 1.57 <sup>(9)</sup>	6/19/2024	24,000 <sup>(3)</sup>	\$ 43,920
	18,750	56,250	\$ 1.77 <sup>(5)</sup>	1/29/2024		
	48,000	72,000	\$ 2.51 <sup>(7)</sup>	6/26/2023		
	10,781	11,719	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	5,104	1,896	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	9,791	209	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	12,500		\$ 12.24	2/2/2020		
	4,250		\$ 8.00	1/30/2029		
	17,500		\$ 5.60	10/31/2017		
Jeno Gyuris <sup>(11)</sup>		250,000	\$ 1.57 <sup>(9)</sup>	6/19/2024	24,000 <sup>(3)</sup>	\$ 43,920
	18,750	56,250	\$ 1.77 <sup>(5)</sup>	1/29/2024		
	48,000	72,000	\$ 2.51 <sup>(7)</sup>	6/26/2023		
	15,572	16,928	\$ 7.72 <sup>(6)</sup>	1/24/2023		
	20,197	7,503	\$ 13.18 <sup>(2)</sup>	1/31/2022		
	14,687	313	\$ 14.16 <sup>(4)</sup>	2/15/2021		
	24,999		\$ 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		
William Slichenmyer <sup>(8)</sup>						

- (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 were eligible to vest with respect to 40% of the shares on January 29, 2014. Our compensation committee determined that we that we achieved 80% the performance goals for 2013 resulting in the vesting of 32% of the shares initially granted. These restricted stock awards were eligible to vest with respect to the remaining 60% of the shares on January 6, 2015. Our compensation committee determined that we achieved 45% our corporate goals for 2014, resulting in the vesting of 27% of the shares initially granted. In the aggregate, 59%, or 23,600 shares, of the 40,000 initially granted have vested, with the remaining 41%, or 16,400 shares, having been forfeited.





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**Table of Contents**

- (4) These options vest in equal monthly installments through January 1, 2015.
- (5) These options vest in equal monthly installments through January 1, 2018.
- (6) These options vest in equal monthly installments through January 1, 2017.
- (7) These options vest annually on July 1, 2014 and July 1, 2015.
- (8) Mr. Slichenmyer departed the company in April 2014, and as a result, all of his option awards forfeited back to the company 90 days after his departure.
- (9) One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$3.00 or more for at least 30 consecutive trading days prior to December 31, 2016. One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$4.50 for at least 30 consecutive trading days prior to December 31, 2017. One-third of these options vest and become exercisable on the date upon which the closing price per share of our common stock is equal to or above \$6.50 for at least 30 consecutive trading days prior to December 31, 2018.
- (10) Mr. Vittiglio departed the company in March 2015, and as a result, all of his option awards forfeited back to the company 90 days after his departure.
- (11) Mr. Gyuris departed the company in January 2015, and as a result, all of his option awards forfeited back to the company 90 days after his departure.

**Option Exercises**

Our named executive officers did not exercise any stock options during the year ended December 31, 2014.

**Employment Agreements and Severance Arrangements**

*Severance and Change in Control Agreements with our Named Executive Officers.* We have entered into individual severance and change in control agreements with each of our named executive officers during their employment with us. All benefits payable pursuant to a severance and change in control agreement are or were to be paid or furnished to the named executive officer by us and are or were 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 was entitled, in the event that his employment was 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 Dr. Slichenmyer, Mr. Vittiglio and Dr. Gyuris, each such named executive officer was entitled, and Mr. Bailey 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;

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

## Table of Contents

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 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. Mr. Ha-Ngoc was not terminated for "cause."

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

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

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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 of Drs. Slichenmyer and Gyuris and Messrs. Bailey and Vittiglio regarding their respective cash retention bonus awards granted in 2014 and their 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

**Table of Contents**

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.

*Tuan Ha-Ngoc Transition and Separation Agreement.* Upon Mr. Ha-Ngoc's resignation as president and chief executive officer in January 2015, we entered into a transition and separation agreement with Mr. Ha-Ngoc to provide for a successful restructuring and amicable transition of his leadership role. Pursuant to his agreement, Mr. Ha-Ngoc agreed to resign as president and chief executive officer effective as of January 2015 and to provide transition services.

*Michael Bailey Offer Letter.* In January 2015, in light of his promotion to president and chief executive officer, the company extended Mr. Bailey an offer letter. The offer letter provides for an annual base salary of \$425,000 and also provides that Mr. Bailey is eligible for an annual bonus of up to 50% of his base salary, based on the achievement of performance goals as determined at the discretion of the board. Mr. Bailey also receives \$5,000 per month from the Company to cover commuting and housing expenses pursuant to the offer letter.

*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. Bailey);

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. Bailey); and

continued health insurance for 12 months (18 months in the case of Mr. Bailey).

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.

**Table of Contents****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, 2014. 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, 2014, 2013 and 2012 above.

<b>Name and Principal Position</b>	<b>Benefit Type</b>	<b>Termination Without Cause, Due to a Disability or For Good Reason (\$)</b>	<b>Termination without Cause or For Good Reason Within 18 Months of a Change in Control (\$)</b>
Michael Bailey, Chief Executive Officer	Base Salary	\$ 361,611 <sup>(1)</sup>	\$ 361,611 <sup>(5)</sup>
	Cash Incentive Award	\$ 144,644 <sup>(2)</sup>	\$ 289,289 <sup>(6)</sup>
	Healthcare Benefits	\$ 21,965 <sup>(3)</sup>	\$ 21,965 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 33,600
	<b>Total</b>	<b>\$ 528,220</b>	<b>\$ 706,465</b>
Tuan Ha-Ngoc <sup>(8)</sup> , Former 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	\$ 21,586 <sup>(3)</sup>	\$ 21,586 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup> ,	\$	\$
	<b>Total</b>	<b>\$ 1,242,518</b>	<b>\$ 1,796,196</b>
Joseph Vittiglio <sup>(9)</sup> , Former General Counsel	Base Salary	\$ 319,947 <sup>(1)</sup>	\$ 329,545 <sup>(5)</sup>
	Cash Incentive Award	\$ 127,979 <sup>(2)</sup>	\$ 255,958 <sup>(6)</sup>
	Healthcare Benefits	\$ 21,965 <sup>(3)</sup>	\$ 21,965 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 10,752
	<b>Total</b>	<b>\$ 469,891</b>	<b>\$ 618,220</b>
Jeno Gyuris <sup>(10)</sup> , Former Chief Scientific Officer	Base Salary	\$ 344,497 <sup>(1)</sup>	\$ 344,497 <sup>(5)</sup>
	Cash Incentive Award	\$ 137,799 <sup>(2)</sup>	\$ 275,598 <sup>(6)</sup>
	Healthcare Benefits	\$ 25,149 <sup>(3)</sup>	\$ 25,149 <sup>(7)</sup>
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		\$ 33,600
	<b>Total</b>	<b>\$ 507,445</b>	<b>\$ 678,844</b>



**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 (\$)
William Slichenmyer <sup>(1)</sup> , Former Chief Medical Officer	Base Salary		
	Cash Incentive Award		
	Healthcare Benefits		
	Market Value of Awards Vesting on Termination <sup>(4)</sup>		
	Total		

- (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 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 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, 2014 and is valued at the premiums in effect on December 31, 2014.
- (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 \$0.84, which represents the fair market value of our common stock as of December 31, 2014, 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) \$0.84.
- (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. Ha-Ngoc departed the company in January 2015 and received certain payments pursuant to his Severance and Change in Control Agreement as follows: \$851,813 representing payment for his base salary through July 31, 2016; \$31,350 representing a lump sum payment of his annual cash incentive award pro-rated through the date of termination; and \$21,586 representing health insurance payments. Mr. Ha-Ngoc is eligible to continue to receive payments for his salary and health insurance through the earlier of July 31, 2016 or until such time he finds comparable employment and health benefits from a new employer.
- (9) Mr. Vittiglio departed the company voluntarily in March 2015 and did not receive any payments pursuant to his Severance and Change in Control Agreement.
- (10) Mr. Gyuris departed the company in January 2015 and received certain payments pursuant to his Severance and Change in Control Agreement as follows: \$344,497 representing payment for his base salary through January 15, 2015; \$49,596 representing a lump sum payment of his cash retention award; and \$25,149

**Table of Contents**

representing health insurance payments. Mr. Gyuris is eligible to continue to receive payments for his salary and health insurance through the earlier of January 15, 2016 or until such time he finds comparable employment and health benefits from a new employer.

- (11) Mr. Slichenmyer departed the company in April 2014 and received certain payments pursuant to his Severance and Change in Control Agreement as follows: \$267,699 representing payment for his base salary through December 31, 2014; \$53,540 representing a lump sum payment of his annual cash incentive award pro-rated through the date of termination; and \$15,597 representing health insurance payments. Mr. Slichenmyer is eligible to continue to receive payments for his salary and health insurance through the earlier of April 30, 2015 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, 2014.

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) <sup>(1)</sup>
Equity compensation plans approved by security holders	5,817,313	4.45	3,143,513
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>5,817,313</b>	<b>4.45</b>	<b>3,143,513</b>

- (1) Includes 317,014 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, 2015.

**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.

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

Anthony B. Evnin, Chair

Kenneth M. Bate

Henri A. Termeer

**Compensation Committee Interlocks and Insider Participation**

Our compensation committee was comprised of Anthony Evnin, Kenneth Bate and Henri Termeer during 2014. 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, 2014. For a description



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of transactions between us and members of the compensation committee and entities affiliated with such members, please see Certain Relationships and Related Person Transactions.

**Table of Contents****Director Compensation**

Mr. Bailey, who was appointed as our president and chief executive officer and elected as a director in January 2015, has not received any compensation in connection with his services as a director. Mr. Ha-Ngoc, our president and chief executive officer during 2014, 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, 2014 regarding the compensation awarded to, earned by or paid to our non-employee directors. Mr. Epstein resigned from the board effective June 19, 2014.

Name	Fees Earned or Paid In Cash or Stock(\$)	Option Awards \$(1)(2)	All Other Compensation (\$)	Total (\$)
Kenneth Bate <sup>(3)</sup>	\$ 60,500	\$ 12,439		\$ 72,939
Robert Epstein <sup>(3)</sup>	\$ 21,829			\$ 21,829
Anthony Evnin <sup>(3)</sup>	\$ 28,254	\$ 12,439		\$ 40,693
Raju Kucherlapati <sup>(3)</sup>	\$ 43,500	\$ 12,439		\$ 55,939
Henri Termeer <sup>(3)</sup>	\$ 68,501	\$ 12,439		\$ 80,940
Robert Young <sup>(3)</sup>	\$ 48,683	\$ 12,439		\$ 61,122

- (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, 2014. 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 June 19, 2014 at an exercise price of \$1.57 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, 2014.

Name	Option Awards
Kenneth Bate <sup>(i)</sup>	82,500
Anthony Evnin <sup>(ii)</sup>	72,500
Raju Kucherlapati <sup>(iii)</sup>	67,085
Henri Termeer <sup>(iv)</sup>	67,500
Robert Young <sup>(v)</sup>	62,750

- (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 \$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, (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share, and (G) an option to purchase 12,500 shares of our common stock at an exercise price of \$1.57 per share.
- (ii) 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, (E) an option to purchase 12,500 shares of our common stock at an exercise price of

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**Table of Contents**

- \$2.59, and (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$1.57 per share.
- (iii) 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, (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share, and (G) an option to purchase 12,500 shares of our common stock at an exercise price of \$1.57 per share.
  - (iv) 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, (C) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59 per share, and (D) an option to purchase 12,500 shares of our common stock at an exercise price of \$1.57 per share.
  - (v) 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, (E) an option to purchase 12,500 shares of our common stock at an exercise price of \$2.59, and (F) an option to purchase 12,500 shares of our common stock at an exercise price of \$1.57 per share.

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;

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**Table of Contents**

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 by the board effective for payments received in 2014, each director may elect to receive up to 100% 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.

In April 2015, 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 April 2015, to better align compensation of our directors with the company's philosophy of using a mix of cash and equity compensation to motivate the right balance of short-term and long-term decision making. In addition, the compensation committee undertook a review of director compensation practices in comparison with the company's 2015 peer group. The board elected to make the payment of the annual retainer fee in the form of option to assist preserving the company's cash as well as to further align the directors' interest with the stockholders. Accordingly, the director compensation policy effective for 2015 provides as follows:

Upon the initial election to our board of directors, each non-employee director will receive an option to purchase 40,000 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 20,000 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.

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

a base annual retainer fee of \$40,500 to be paid in the form of an option to purchase a number of shares calculated by dividing \$40,500 by the fair market value of the company's common stock on the date of the grant, and such option shall vest in four quarterly installments over the calendar year.

an additional annual fee of \$20,000 for the chairperson and lead independent director;

an additional annual fee for members of the audit committee (other than chairperson) of \$6,000, and \$15,000 for its chairperson;

an additional annual fee for members of the compensation committee (other than chairperson) of \$5,000, and \$10,000 for its chairperson;

an additional annual fee for members of the nominating and governance committee (other than chairperson) of \$3,000, and \$5,000 for its chairperson.

**Table of Contents**

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.

**PROPOSAL 2 APPROVAL OF AN AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION**

In April 2015, the board of directors voted to recommend to the stockholders that they approve an amendment to Article Fourth of our restated certificate of incorporation to increase the authorized number of shares of common stock from 100,000,000 (as presently authorized) to 200,000,000 shares. A copy of the amendment to the restated certificate of incorporation setting forth the amendment is attached to this proxy statement as Appendix A.

The first paragraph of Article Fourth of the Certificate, marked to show the proposed amendments, is as follows:

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is ~~105,000,000~~**205,000,000** shares, consisting of (i) ~~100,000,000~~**200,000,000** shares of Common Stock, \$0.001 par value per share ( Common Stock ) and (ii) 5,000,000 shares of Preferred Stock, \$0.001 par value per share ( Preferred Stock ).

As of April 2, 2015 (the record date), \_\_\_\_\_ shares of common stock were issued and outstanding. In addition, \_\_\_\_\_ shares of common stock are reserved for issuance pursuant to outstanding equity awards and \_\_\_\_\_ shares are reserved for issuance under our Amended and Restated 2010 Stock Incentive Plan, as amended.

This is the first increase in the number of authorized shares of common stock since our initial public offering in 2010. The board of directors believes that the availability of additional authorized shares of common stock will provide us with additional flexibility to issue common stock for a variety of general corporate purposes as the board of directors may determine to be desirable including, without limitation, stock splits (including splits effected through the declaration of stock dividends), raising capital, future financings, investment opportunities, acquisitions, employee stock-based incentive plans or other distributions. For example, in February 2015, we have entered into an At Market Issuance Sales Agreement, or the sales agreement, with MLV & Co. LLC, or MLV, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$17,900,000 from time to time through MLV, as further described in our Current Report on Form 8-K filed with the SEC on February 27, 2015. Certain of our currently authorized shares of common stock are reserved for issuance under this sales agreement, and depending upon market factors and other considerations, we plan to issue shares of our common stock pursuant to this sales agreement. We currently do not have any other definitive plans, arrangements or understandings with respect to the issuance of the additional shares of common stock authorized by the proposed amendment to our restated certificate of incorporation.

An increase in the authorized number of shares of common stock could, under certain circumstances, have an anti-takeover effect or delay or prevent a change in control of the company by providing us the capability to engage in actions that would be dilutive to a potential acquiror, to pursue alternative transactions, or to otherwise increase the potential cost to acquire control of the company. Thus, while we currently have no intent to employ the additional unissued authorized shares as an anti-takeover device, the proposed amendment may have the effect of discouraging future unsolicited takeover attempts. The board of directors is not aware of any such attempt to take control of the company.

The proposed increase in the number of authorized shares of common stock will not change the number of shares of common stock outstanding, nor will it have any immediate dilutive effect or change the rights of

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**Table of Contents**

current holders of common stock. However, the issuance of additional shares of common stock authorized by this amendment to the restated certificate of incorporation may occur at times or under circumstances as to have a dilutive effect on earnings per share, book value per share or the percentage voting or ownership interest of the present holders of common stock, none of whom have preemptive rights under our restated certificate of incorporation to subscribe for additional securities that we may issue.

Once the proposed amendment is approved, no further action by the stockholders would be necessary prior to the issuance of additional shares of common stock unless required by law or the rules of any stock exchange or national securities association on which the common stock is then listed or quoted. Under the proposed amendment, each of the newly authorized shares of common stock will have the same rights and privileges as currently authorized common stock. The proposed amendment to increase the authorized number of shares of common stock does not change the number of shares of preferred stock that the company is authorized to issue.

If the proposed amendment is adopted, it will become effective upon filing of a certificate of amendment to our restated certificate of incorporation with the Delaware Secretary of State. The board intends to cause such filing to be made promptly following stockholder approval, but the board nevertheless retains the discretion under Delaware law not to implement the proposed amendment. Under Delaware law, stockholders are not entitled to dissenter's rights with respect to the proposed amendment to our restated certificate of incorporation.

The affirmative vote of a majority of the outstanding shares of the company's common stock entitled to vote is required to approve this Proposal 2. Abstentions or the failure to vote including as a result of broker non-votes shares therefore will have the effect of votes AGAINST the Proposal in this context.

The board recommends a vote FOR approval to amend the restated certificate of incorporation to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000 shares.

**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, 2014.

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;



**Table of Contents**

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 to retain and motivate our employees to 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, 2015. 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, 2015.*



**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 2016 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 January [ ], 2016. 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 February 28, 2016 (90 days prior to the first anniversary of our 2015 annual meeting of stockholders) and not before January 29, 2016 (120 days prior to the first anniversary of our 2015 annual meeting of stockholders). However, if the 2016 annual meeting of stockholders is advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the 2015 annual meeting of stockholders, notice must be received no 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 2016 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*

**CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
AVEO PHARMACEUTICALS, INC.**

Aveo Pharmaceuticals, Inc., a corporation organized and existing under the laws of the State of Delaware (the Corporation ), does hereby certify as follows:

1. The name of the Corporation is Aveo Pharmaceuticals, Inc.
  
2. Article 4 of the Restated Certificate of Incorporation of the Corporation, is hereby amended by replacing the first paragraph thereof with the following:

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 205,000,000 shares, consisting of (i) 200,000,000 shares of Common Stock, \$0.001 par value per share ( Common Stock ) and (ii) 5,000,000 shares of Preferred Stock, \$0.001 par value per share ( Preferred Stock ).

3. This Certificate of Amendment has been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

4. This Certificate of Amendment shall become effective at \_\_\_\_\_ .m. Eastern \_\_\_\_\_ Time on \_\_\_\_\_, \_\_\_\_\_.

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Certificate of Amendment on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**AVEO PHARMACEUTICALS, INC.**

By:  
Name:  
Title:



**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.

NAME	CONTROL #	SHARES
THE COMPANY NAME INC. - COMMON	g	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS A		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS B		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS C		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS D		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS E		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS F		123,456,789,012.12345
THE COMPANY NAME INC. - 401 K		123,456,789,012.12345

PAGE 1 OF 2

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

x

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

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

**For** **Withhold** **For All**  
**All** **All** **Except**

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.

..

The Board of Directors recommends you vote FOR the following:

.. ..

\_\_\_\_\_

1. Election of Directors

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Nominees

01 Michael Bailey      02 Kenneth M. Bate      03 Anthony B. Evinin      04 Tuan Ha-Ngoc      05 Raju Kucherlapati  
 06 Henri A. Termeer      07 Robert C. Young

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

For    Against    Abstain

2.	To approve an amendment to the Restated Certificate of Incorporation	..	..	..
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, 2015	..	..	..

**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.

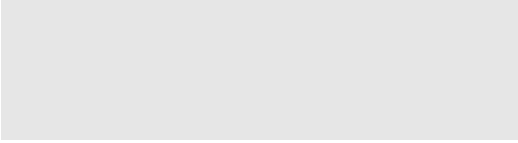
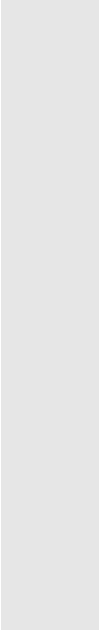
Yes    No

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]	JOB #	Signature (Joint Owners)	Date	SHARES CUSIP # SEQUENCE #
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**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**

**May 28, 2015 10:00 AM EDT**

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

The undersigned hereby appoints Michael Bailey 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 May 28, 2015, 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**