

TARGETED GENETICS CORP /WA/  
Form DEF 14A  
April 06, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No.    )

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 Rule 14a-11(c) or Rule 14a-12

**Targeted Genetics Corporation**

(Name of Registrant as Specified in Its Charter)

**N/A**

**(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)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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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):

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1) Amount Previously Paid:

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3) Filing Party:

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**TARGETED GENETICS CORPORATION**

**1100 Olive Way, Suite 100**

**Seattle, Washington 98101**

April 1, 2009

Dear Fellow Shareholder:

You are cordially invited to attend the Targeted Genetics Corporation 2009 Annual Meeting of Shareholders to be held on Thursday, May 14, 2009, at 8:30 a.m. local time at the offices of the Company, 1100 Olive Way, Suite 100, Seattle, Washington.

The matters to be acted upon are described in the accompanying notice of annual meeting and proxy statement. We will also report on our 2008 business results and other matters of interest to our shareholders and there will be time for questions.

**YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to vote so we can ensure the presence of a quorum at the Annual Meeting. Please mark your votes on the enclosed proxy card, sign and date the proxy card and return it promptly in the enclosed postage-prepaid envelope. If you attend the Annual Meeting, you may vote in person if you wish, even if you previously returned your proxy card. If you hold your shares through an account with a broker, bank or other custodian, please follow the instructions you receive from them to vote your shares.**

Sincerely,

B.G. Susan Robinson  
*President and Chief Executive Officer*

**TARGETED GENETICS CORPORATION**

**1100 Olive Way, Suite 100**

**Seattle, Washington 98101**

**NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS**

The 2009 Annual Meeting of Shareholders of Targeted Genetics Corporation will be held on Thursday, May 14, 2009, at 8:30 a.m. local time at our business offices, 1100 Olive Way, Suite 100, Seattle, Washington, for the following purposes, as more fully described in the proxy statement accompanying this notice:

To elect one Class 1 and two Class 3 directors to our Board of Directors, with the Class 1 director to serve for a one-year term expiring at the 2010 annual meeting of shareholders or until her successor is duly elected and qualified, and with each of the Class 3 directors to serve for a three-year term expiring at the 2012 annual meeting of shareholders or until his successor is duly elected and qualified;

To approve an increase in the number of our authorized shares of common stock from 45,000,000 shares to 445,000,000 shares;

To consider and vote on a proposal to amend the Targeted Genetics Corporation Stock Incentive Plan to increase the number of shares of common stock authorized for issuance under the plan from 2,200,000 shares to 4,200,000 shares;

To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and

To transact any other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Our Board of Directors has fixed the close of business on March 13, 2009 as the record date for the Annual Meeting. Only holders of record of our common stock on the record date are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, to ensure your representation and the presence of a quorum, you should complete, sign, date and return the enclosed proxy card as promptly as possible in the enclosed postage-prepaid envelope.

The approximate date of mailing the proxy statement and the accompanying proxy card is April 8, 2009.

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By order of the Board of Directors,

David J. Poston  
*Vice President, Chief Financial Officer and Secretary*

Seattle, Washington

April 1, 2009

**TARGETED GENETICS CORPORATION**

**1100 Olive Way, Suite 100**

**Seattle, Washington 98101**

**PROXY STATEMENT**

**FOR**

**2009 ANNUAL MEETING OF SHAREHOLDERS**

This proxy statement is being furnished to holders of shares of common stock of Targeted Genetics Corporation, a Washington corporation, in connection with the solicitation of proxies by our Board of Directors for use at our 2009 Annual Meeting of Shareholders, and at any adjournments or postponements thereof. We will hold the Annual Meeting on Thursday, May 14, 2009 at 8:30 a.m. local time at our business offices, 1100 Olive Way, Suite 100, Seattle, Washington. This proxy statement and the accompanying proxy card, together with our 2008 Annual Report to Shareholders, are first being mailed to shareholders entitled to vote at the Annual Meeting on or about April 8, 2009.

**GENERAL INFORMATION**

**What is the purpose of the Annual Meeting?**

There are four proposals to be considered and voted on at the Annual Meeting:

election of one Class 1 and two Class 3 directors to our Board of Directors, with the Class 1 director to serve for a one-year term expiring at the 2010 annual meeting of shareholders or until her successor is duly elected and qualified, and with each of the Class 3 directors to serve a three-year term expiring at the 2012 annual meeting of shareholders or until his successor is duly elected and qualified;

approval of an amendment to our Restated Articles of Incorporation (our Articles ) to increase the number of authorized shares of common stock of the Company from 45,000,000 shares to 445,000,000 shares;

approval of an amendment to our Stock Incentive Plan to increase in the number of shares of common stock authorized for issuance under the plan from 2,200,000 shares to 4,200,000 shares; and

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ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

We will also consider any other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

### **Who is entitled to vote at the Annual Meeting?**

We have one class of voting securities outstanding, which is designated as common stock, and each share of common stock is entitled to one vote. You may vote all shares of our common stock that you owned at the close of business on March 13, 2009, the record date. As of the record date, 20,447,198 shares of our common stock were outstanding and entitled to vote at the Annual Meeting.

### **What constitutes a quorum?**

The presence, in person or by proxy, of the holders of a majority of the shares of our common stock entitled to vote at the Annual Meeting constitutes a quorum for the transaction of business.



**What are the voting requirements to elect the directors and to approve the other proposals?**

Proposal 1: The one Class 1 director and the two Class 3 directors who receive the greatest number of affirmative votes cast at the Annual Meeting, in person or by proxy, will be elected to the Board of Directors. You are not entitled to cumulate votes in electing directors.

Proposal 2: The affirmative vote of the holders of shares representing a majority of our outstanding shares of common stock is required to approve the proposed amendment to our Articles to increase the number of authorized shares of common stock.

Proposal 3: The affirmative vote of the holders of shares representing a majority of the votes cast at the Annual Meeting is required to approve the proposed increase in the number of shares of common stock authorized for issuance under the our Stock Incentive Plan.

Proposal 4: The affirmative vote of the holders of shares representing a majority of the votes cast at the Annual Meeting, in person or by proxy, is required to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm.

Our shareholders have no dissenters' rights with respect to these proposals.

**What is the effect of not voting?**

The effect of not voting depends on the proposal and how the shares you own are held. If you are the holder of record of your shares and you do not attend the Annual Meeting or return a valid proxy, your shares will not be represented at the Annual Meeting and will not count toward the establishment of a quorum. If there is a quorum, failure to vote your shares will not affect the outcome of Proposal 1 (election of directors), which outcome is determined by a plurality of the votes cast, or Proposal 3 (approval of increasing the authorized shares under our Stock Incentive Plan) or Proposal 4 (ratification of our independent registered public accounting firm), which outcomes are determined by a majority of the votes cast. However, failure to vote your shares will have the effect of a vote against Proposal 2 (approval of amending our Articles to increase our authorized common stock), because the approval of Proposal 2 requires the affirmative vote of the holders of shares representing a majority of our outstanding common stock.

If your shares are held in street name (i.e., through a broker, bank, nominee, fiduciary or other custodian), your custodian may represent your shares at the Annual Meeting for the purpose of establishing a quorum. In the absence of voting instructions, your custodian may vote your shares in its discretion on routine matters such as Proposal 1 (election of directors) and Proposal 4 (ratification of our independent registered public accounting firm). However, if you do not give your custodian specific instructions on how to vote, your shares will not be voted on Proposal 2 (approval of amending our Articles to increase our authorized common stock) or Proposal 3 (approval of increasing the authorized shares under our Stock Incentive Plan). This inability of your custodian to vote your shares on Proposals 2 and 3 in the absence of specific instructions from you, which is known as a broker non-vote, will have the effect of a vote against each of Proposals 2 and 3.

**How are votes withheld and abstentions treated?**

An abstention occurs when you affirmatively instruct a vote to be withheld or when you are present at the meeting but have neither given a valid proxy nor cast a ballot. If you abstain from voting your shares, the shares subject to abstention will be treated as present at the Annual Meeting and will therefore be counted toward establishing the presence of a quorum. Abstentions are not treated as votes cast, however, so abstentions will have no effect on Proposal 1 (election of directors), which outcome is determined by a plurality of the votes cast, or Proposal 3 (approval of increasing the authorized shares under our Stock Incentive Plan) or Proposal 4 (ratification of our independent registered public accounting firm), which outcomes are determined by a majority of the votes cast. With respect to Proposal 2 (approval of amending our Articles to increase our authorized common stock), abstentions will have the same effect as a vote against the proposal.



**How are the votes counted?**

Shares of common stock represented by properly executed proxies that we receive at or before the Annual Meeting that have not been revoked will be voted at the Annual Meeting in accordance with the instructions contained on the proxy card. Proxies and ballots will be received and tabulated by Broadridge Financial Solutions, Inc., our inspector of elections for the Annual Meeting. Shares of common stock represented by properly executed proxies for which no instruction is given will be voted FOR the election of the nominees for director, FOR the amendment of our Articles to increase our authorized common stock, FOR the increase in authorized shares under our Stock Incentive Plan, and FOR ratification of the selection of our independent registered public accounting firm.

There are several ways to ensure that your shares are voted. You may vote by internet or telephone using the instructions on the enclosed proxy card, or you may return your proxy card to us by mail using the postage-paid envelope we have provided. If you return your proxy card by mail, please fully complete, sign, date and return it promptly.

**Can I change my vote after I have delivered my proxy?**

If you are the registered holder of your shares, you may revoke a proxy at any time before its exercise by voting in person at the Annual Meeting or by delivering written notice of revocation to our chief financial officer at any time prior to the Annual Meeting. If your shares are held in street name, you must contact your broker, bank or other custodian to obtain a proxy to vote your shares if you wish to cast your vote in person at the Annual Meeting or to change your vote. If the Annual Meeting is postponed or adjourned for any reason, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Annual Meeting (except for any proxies that have at that time effectively been revoked or withdrawn), even if the proxies had been effectively voted on the same or any other matter at a previous meeting.

**Who pays the cost of soliciting votes for the Annual Meeting?**

We will bear the cost of soliciting proxies from our shareholders. In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, e-mail, in person or otherwise. We will not additionally compensate our directors, officers and employees for this solicitation but will reimburse them for any out-of-pocket expenses that they incur. We will reimburse persons who hold our common stock of record but not beneficially, such as brokerage firms, nominees, fiduciaries and other custodians, for the reasonable expenses they incur in forwarding solicitation materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

**What is the recommendation of the Board of Directors?**

The Board of Directors recommends that you vote FOR the election of the nominees for director, FOR the amending our Articles to increase our authorized common stock, FOR the increase in authorized shares under our Stock Incentive Plan, and FOR ratification of the selection of our independent registered public accounting firm.

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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

Our bylaws provide that the Board of Directors of Targeted Genetics, or the Board, shall be composed of not less than one nor more than nine directors. We currently have six directors, each of whom is placed into one of three classes such that, to the extent possible, there are an equal number of directors in each class. Directors generally hold office for a three-year term or until a successor is duly elected and qualified. If, however, a director resigns from the Board before his or her term expires, and if the board elects or appoints a director to fill the vacancy, such director must be elected by the shareholders at the next meeting of shareholders at which directors are elected to complete the balance of that term.

At the Annual Meeting, one Class 1 director and two Class 3 directors are to be elected. Unless they receive contrary instructions, the persons named as proxies on the enclosed proxy card intend to cast votes represented by properly executed proxy cards for the election of the nominees named in this proxy statement. If a nominee should become unavailable for any reason, the persons named as proxies intend to cast votes for election of a substitute nominee designated by the Board. The Board has no reason to believe that any of the nominees named will be unable to serve if elected. If a quorum is present, the nominee receiving the highest number of votes cast at the Annual Meeting, in person or by proxy, for Class 1 director will be elected to serve as a Class 1 director, and the two nominees receiving the highest number of votes cast at the Annual Meeting, in person or by proxy, for Class 3 director will be elected to serve as Class 3 directors.

Director Jack L. Bowman (a Class 1 director) resigned from the Board effective May 15, 2008, and H. Stewart Parker (a Class 3 director) resigned from the Board effective November 14, 2008. On November 14, 2008, the Board appointed B.G. Susan Robinson to fill the Class 1 vacancy on the Board.

B.G. Susan Robinson has been nominated for election to the Board as a Class 1 director, and Nelson L. Levy and Michael S. Perry have been nominated for re-election to the Board as Class 3 directors. If Dr. Levy and Dr. Perry are re-elected, and Ms. Robinson is elected, the following persons will constitute our Board following the Annual Meeting:

<b>Name</b>	<b>Age</b>	<b>Class</b>	<b>Director Since</b>	<b>Term Expires</b>
B.G. Susan Robinson	47	1	2008	2010
Jeremy L. Curnock Cook (chairman)	59	1	1995	2010
Joseph M. Davie	69	2	2000	2011
Roger L. Hawley	56	2	2005	2011
Nelson L. Levy	67	3	1999	2012
Michael S. Perry	49	3	2005	2012

**Biographical Information**

**Nominees**

*B.G. Susan Robinson* has served as President and CEO and a director of Targeted Genetics since November 2008. Ms. Robinson served as our Vice President, Business Development from December 2001 to November 2008, and as our Senior Director, Business Development from March 2000 to December 2001. Prior to joining Targeted Genetics, Ms. Robinson served as Director, Business Development at Genzyme Molecular Oncology, a tracking stock of Genzyme Corporation. Prior to Genzyme, and over a nine-year period, Ms. Robinson held increasingly responsible positions in corporate development and corporate communications for two biotechnology companies. Ms. Robinson also serves as an officer and director of each of our wholly-owned subsidiaries, Genovo, Inc. and TGCF Manufacturing Corporation. Ms. Robinson holds a B.S. in Biology from Yale University.

*Nelson L. Levy* has served as a director of Targeted Genetics since May 1999. Since 1993, Dr. Levy has served as chairman of the board and chief executive officer of CoreTechs Corporation, a privately held company that focuses on the development and marketing of early-stage technologies. Dr. Levy served as president of Fujisawa Pharmaceutical Company, the North American subsidiary of Japan's third-largest pharmaceutical company, from 1992 to 1993, as chief executive officer of CoreTechs Corporation from 1984 to 1992 and as vice president for pharmaceutical Research at Abbott Laboratories from 1981 to 1984. Dr. Levy served as a tenured professor of microbiology and immunology at Duke University from 1970 to 1981. Dr. Levy currently serves as a director of several privately held companies and is on the scientific advisory boards of several public and privately held biotechnology and pharmaceutical companies. Dr. Levy holds a B.A. from Yale University, an M.D. from Columbia University College of Physicians and Surgeons and a Ph.D. from Duke University.

*Michael S. Perry* has served as a director of Targeted Genetics since November 2005. Dr. Perry is currently chief development officer at VIA Pharmaceuticals, Inc., a publicly held drug development company, and is also a venture partner with Bay City Capital, a venture capital firm. Dr. Perry served as chairman and chief executive officer of Extropy Pharmaceuticals, Inc., a privately held pediatric specialty pharmaceutical company, from 2003 to 2005. From 2002 to 2003, Dr. Perry served as president and chief executive officer of Pharsight Corporation, a publicly held software and consulting services firm. From 2000 to 2002, Dr. Perry served as global head of research and development for Baxter BioScience. From 1994 to 2000, Dr. Perry was president and chief executive officer of both SyStemix Inc. and Genetic Therapy Inc., two wholly owned subsidiaries of Novartis Corp. Prior to 1994, Dr. Perry held various management positions with Syntex Corporation, Schering-Plough Corporation and BioResearch Laboratories, Inc. Dr. Perry holds a Doctor of Veterinary Medicine, a Ph.D. in Biomedical Science-CardioPulmonary Pharmacology and a B.S. in Physics from the University of Guelph.

#### ***Continuing Directors***

*Jeremy L. Curnock Cook* has served as a director of Targeted Genetics since July 1995 and as chairman of the Board since February 1998. Since August 2000, Mr. Cook has served as Chairman of International Bioscience Managers Limited. From August 2000 to August 2008, he served as executive chairman of Bioscience Managers Limited, a corporate and investment advisory firm. From 1987 to 2000, Mr. Cook was a director of Rothschild Asset Management Limited, a corporate and investment advisory company, and was responsible for the Rothschild Bioscience Unit. Mr. Cook founded the International Biochemicals Group in 1975, which was sold to Royal Dutch Shell in 1985, where he served as managing director until 1987. Mr. Cook currently serves as chairman of the board of directors of Eacom Timber Corporation, a publicly held timber trading company. He is also a director of Osteologix, Inc., a publicly held pharmaceutical company, and several publicly held and privately held companies outside the United States. Mr. Cook holds a M.A. in Natural Sciences from Trinity College, Dublin.

*Joseph M. Davie* has served as a director of Targeted Genetics since October 2000. Dr. Davie was employed by Biogen, Inc., a biopharmaceutical company, from 1993 until his retirement in 2000, most recently serving as senior vice president, research. From 1987 to 1993, Dr. Davie held several positions at G.D. Searle & Co., including president of research and development and senior vice president of science and technology. Dr. Davie was professor and head of the Department of Microbiology and Immunology at Washington University School of Medicine from 1975 to 1987. He currently serves as a director of Curis, Inc. and CV Therapeutics, Inc., both publicly held biopharmaceutical companies, and several privately held companies. Dr. Davie holds an A.B., M.A. and Ph.D. in bacteriology from Indiana University and a M.D. from Washington University School of Medicine.

*Roger L. Hawley* has served as a director of Targeted Genetics since August 2005. Since February 2006, Mr. Hawley has served as chief executive officer of Zogenix, Inc., a privately held

specialty pharmaceutical company. From July 2003 until January 2006, Mr. Hawley served as executive vice president, commercial and technical operations of InterMune, Inc, a publicly held biopharmaceutical company. From October 2002 to June 2003, Mr. Hawley served as chief commercial officer at Prometheus Laboratories, Inc., a specialty pharmaceutical company. From 2001 to 2002, Mr. Hawley served as vice president/general manager of sales and marketing at Elan Pharmaceuticals, Inc., a publicly held biopharmaceutical company. From 1987 to 2001, Mr. Hawley held various management positions in corporate finance, sales, and marketing at GlaxoSmithKline, Inc. Prior to joining GlaxoSmithKline, Mr. Hawley spent 12 years in financial management with Marathon Oil Company. Since April 2007, Mr. Hawley has also served as a director of Cypress Bioscience, Inc., a publicly held biotechnology company. Mr. Hawley holds a B.S. in accounting from Eastern Illinois University.

### Director Independence

The Board has determined that each of the following directors is an independent director as defined in the rules of the Nasdaq Capital Market, or NASDAQ: Mr. Cook, Dr. Davie, Mr. Hawley, Dr. Levy and Dr. Perry and, when he was serving on the Board, Mr. Bowman. Ms. Robinson is not independent because she is employed as our president and chief executive officer, and Ms. Parker was not independent when she was serving on the Board because she was employed as our president and chief executive officer.

The Board has also determined that each member of the three committees of the Board meets the independence requirements applicable to those committees, as prescribed by NASDAQ and the Securities and Exchange Commission, or SEC. In addition, the Board of Directors has determined that each member of the Audit Committee, Messrs. Cook and Hawley and Dr. Levy, meets the financial literacy requirements applicable to audit committees under NASDAQ rules and is an audit committee financial expert, as that term is defined by the SEC.

### Board Committees

The Board maintains three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each year, committee and committee chair assignments are made at the Board of Directors meeting immediately following the annual meeting of shareholders. The composition of each committee is as follows:

**Audit**  
 Roger L. Hawley\*  
 Jeremy L. Curnock Cook  
 Nelson L. Levy

**Compensation**  
 Michael S. Perry\*  
 Joseph M. Davie  
 Roger L. Hawley

**Nominating and  
 Corporate Governance**  
 Joseph M. Davie\*  
 Jeremy L. Curnock Cook

\* Chairman

*Audit Committee.* The Audit Committee operates under an amended and restated written charter adopted by the Board on September 22, 2008. A copy of this charter is also available on our web site at <http://www.targetedgenetics.com>. The Audit Committee has general responsibility for monitoring our finance, accounting, audit, review and attest activities and internal controls. In addition, the Audit Committee selects and engages our independent registered public accounting firm and ensures that such firm understands that it shall be ultimately accountable to and report to the Audit Committee. The Audit Committee has the sole authority to retain, evaluate, terminate and replace the independent registered public accounting firm. The report of the Audit Committee is set forth in the section entitled "Audit Committee Report" on page 19 of this proxy statement.

*Compensation Committee.* The Compensation Committee operates under an amended and restated written charter adopted by the Board on May 17, 2007. A copy of this charter is available on our web site at [www.targetedgenetics.com](http://www.targetedgenetics.com). The Compensation Committee establishes salaries,

incentive compensation, option and stock grants and other forms of compensation for our executive officers and makes recommendations regarding the compensation for non-officer employees, non-employee directors and consultants. The Compensation Committee also supervises the administration of our various incentive compensation and benefit plans, including our stock plans, and recommends the establishment of policies relating to our incentive compensation and benefit plans.

*Nominating and Corporate Governance Committee.* The Nominating Committee operates under a written charter adopted by the Board on March 4, 2004. A copy of this charter is available on our web site at [www.targetedgenetics.com](http://www.targetedgenetics.com). The Nominating Committee helps to ensure that the Board is appropriately constituted to meet its fiduciary obligations to the company and our shareholders, monitors and safeguards the independence of the Board and provides a leadership role in shaping our corporate governance.

### **Board and Committee Meetings**

During fiscal year 2008, the Board held a total of fifteen meetings; the Audit Committee held a total of four meetings; the Compensation Committee held a total of three meetings and took additional action by unanimous written consent on two occasions; and the Nominating Committee held two meetings. During fiscal year 2008, each director attended at least 75% of the aggregate of all of the meetings of the Board and all of the meetings of the Board committees on which he or she served.

It is the practice of the Board for the non-management directors to meet without management present at each of the regularly scheduled meetings of the Board. If the Board convenes a special meeting, the non-management directors meet in executive session if circumstances warrant.

### **Director Nomination Process**

In accordance with its charter, the Nominating and Corporate Governance Committee, or Nominating Committee, is responsible for developing criteria for identifying and evaluating nominees for the Board. The charter of the Nominating Committee describes the process by which candidates for possible inclusion in our recommended slate of director nominees are selected.

The Nominating Committee has two primary methods for identifying candidates beyond those proposed by our shareholders. On a periodic basis, the Nominating Committee may solicit ideas for possible candidates from a number of sources, including members of the Board, senior-level management, individuals personally known to the members of the Board, and research, including publications, databases and Internet searches. In addition, the Nominating Committee may from time to time use its authority under its charter to retain a search firm to identify candidates. At a minimum, a nominee must have significant management or leadership experience that is relevant to our business, as well as the highest standards of ethical conduct.

In accordance with our bylaws and applicable law, recommendations for nominations for the election of directors for consideration by the Nominating Committee may be made by any shareholder of record entitled to vote for the election of directors at shareholder meetings held for such purpose. The requirements a shareholder must follow for recommending persons for consideration by the Nominating Committee for election as directors are set forth in our bylaws and the section of this proxy statement entitled *Shareholder Proposals for the 2010 Annual Meeting*.

Subject to the superior rights, if any, of the holders of any class or series of stock that we may issue in the future having a preference over our common stock, if a shareholder complies with the procedures for recommending persons for consideration by the Nominating Committee for election as directors, the Nominating Committee will conduct the appropriate and necessary inquiries into the backgrounds, qualifications and skills of the shareholder-recommended candidates and, in the exercise of the Nominating Committee's independent judgment and in accordance with the policies and procedures adopted in its charter, will determine whether to recommend the shareholder-recommended candidates to the Board for inclusion in the list of candidates for election as director at the next shareholders meeting at which directors will be elected.

The Nominating Committee will consider all candidates identified through the processes described above and will evaluate each of them, including incumbents, based on the same criteria. If, based on the Nominating Committee's initial evaluation, a candidate continues to be of interest, the Nominating Committee will generally conduct interviews and arrange for appropriate background and reference checks.

### Shareholder Communications with Board of Directors

Interested shareholders can send communications to our Board of Directors, a committee of our Board of Directors and individual directors by writing to them care of: Corporate Secretary, Targeted Genetics Corporation, 1100 Olive Way, Suite 100, Seattle, Washington 98101. The outside of the envelope should prominently indicate for whom the correspondence is intended. The Corporate Secretary will forward such communication to our Board of Directors, the appropriate committee of our Board of Directors or individual directors, as the case may be, unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Corporate Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

### Director Attendance at Annual Meeting of Shareholders

It is our policy that our directors attend the annual meeting of shareholders. At the time of our 2008 annual meeting of shareholders, the Board was comprised of seven directors, all of whom attended the annual meeting.

### Director Compensation

The following table sets forth the compensation provided in 2008 to each of our directors who were neither employees nor officers of Targeted Genetics. Directors who are our employees do not receive any fees for their services as directors.

#### DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>(1)</sup> (\$)	Option Awards <sup>(1)(2)</sup> (\$)	Total
Jack L. Bowman <sup>(3)</sup>	\$ 15,750	\$	\$	\$ 15,750
Jeremy L. Curnock Cook <sup>(4)</sup>	55,000	24,943		79,943
Joseph M. Davie <sup>(5)</sup>	46,000	16,628		62,628
Roger L. Hawley <sup>(6)</sup>	44,750	16,628		61,378
Nelson L. Levy <sup>(7)</sup>	41,000	16,628		57,628
Michael S. Perry <sup>(8)</sup>	37,333	16,628		53,961

- (1) Reflects the dollar amount we are required under SEC rules to recognize for financial statement reporting purposes for 2008, in accordance with the provisions of Statement of Financial Accounting Standards, *Share-Based Payment*, or SFAS No. 123R. Pursuant to SEC rules, the amounts shown exclude the effect of estimated forfeitures. SFAS No. 123R requires us to estimate forfeiture when awards are granted and reduce estimated compensation expense accordingly, and in our audited consolidated financial statements, compensation expense is adjusted for estimated forfeitures. Except as otherwise specified with respect to actual forfeitures in 2008, the amounts shown in this table assume that none of the awards will be forfeited. See Note 10 of the consolidated financial statements contained in our annual report for the fiscal year ended December 31, 2008 regarding the assumptions underlying the valuation of equity awards. The amounts shown reflect our accounting expense for these awards, and do not correspond to the actual value that will be recognized by the executive officer. As of the date of this proxy statement, all options reflected in this table have an exercise price that is greater than the price of our common stock.



- (2) In 2008, we granted stock awards, consisting of restricted stock units, or RSUs, to directors rather than stock options. This column reflects the current year expense for stock options granted in prior years.
- (3) Mr. Bowman resigned from the Board effective May 15, 2008. Upon his resignation, Mr. Bowman forfeited 10,000 RSUs. At December 31, 2008, Mr. Bowman held outstanding options to purchase 13,500 shares of our common stock.
- (4) At December 31, 2008, Mr. Cook held outstanding options to purchase 15,000 shares of our common stock and outstanding stock awards, consisting of restricted stock units, or RSUs, for 15,000 shares of our common stock.
- (5) At December 31, 2008, Dr. Davie held outstanding options to purchase 13,500 shares of our common stock and outstanding stock awards, consisting of RSUs, for 10,000 shares of our common stock.
- (6) At December 31, 2008, Mr. Hawley held outstanding options to purchase 8,000 shares of our common stock and outstanding stock awards, consisting of RSUs, for 10,000 shares of our common stock.
- (7) At December 31, 2008, Dr. Levy held outstanding options to purchase 13,500 shares of our common stock and outstanding stock awards, consisting of RSUs, for 10,000 shares of our common stock.
- (8) At December 31, 2008, Dr. Perry held outstanding options to purchase 8,000 shares of our common stock and outstanding stock awards, consisting of RSUs, for 10,000 shares of our common stock.

See the section entitled *Management Executive Compensation Summary Compensation Table* for disclosure related to Ms. Parker and Ms. Robinson, each of whom served as both a director and an executive officer in 2008.

*Cash Compensation for Non-Employee Directors.* Non-employee directors are compensated for their service on the Board and on any committee of the Board, as well as their attendance at Board and committee meetings. We also reimburse our directors for reasonable travel expenses incurred for attending meetings. For each fiscal year, non-employee directors receive the following cash compensation:

	Annual Retainer	Attendance Fees (per meeting)
Board of Directors	\$15,000 (\$20,000 for the chairman)	\$1,500 (\$2,000 for the chairman)
Audit Committee	\$4,000 (\$5,000 for the chairman)	\$1,000 (\$1,500 for the chairman)
Compensation Committee	\$3,000 (\$4,000 for the chairman)	\$1,000 (\$1,500 for the chairman)
All other Board committees	\$1,000 (\$4,000 for the chairman)	\$1,000 (\$1,500 for the chairman)

Until November 2008, non-employee directors received the same compensation for telephonic and in-person meetings. As of November 2008, until the Board determines otherwise, non-employee directors are not compensated for attendance at telephonic meetings of the Board or Board committees.

*Stock Awards for Non-Employee Directors.* Under our stock compensation program for non-employee directors, new directors receive an initial grant of RSUs for 30,000 shares of common stock, which vest in three substantially equal installments on each of the first through third annual anniversaries of the date of grant. In the event of a change of control, all unvested RSUs under these initial grants will accelerate. Additionally, on an annual basis, we grant each director RSUs for 10,000 shares of common stock (15,000 shares for the chairman of the Board), which vest on the first anniversary of the date of grant. In the event of a change of control, all unvested RSUs under these annual grants will accelerate. These grants are generally approved at the annual Board of Directors meeting that immediately follows the annual meeting of shareholders.

***The Board of Directors recommends a vote FOR the election of Dr. Levy, Dr. Perry and Ms. Robinson.***



**PROPOSAL TWO**

**AMENDMENT TO THE RESTATED ARTICLES OF INCORPORATION**

**TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

Our Board of Directors has approved, and recommends that our shareholders approve, an amendment to our Restated Articles of Incorporation in substantially the form attached to this proxy statement as *Annex A*. The current number of authorized shares of common stock of the Company is 45,000,000 shares. This proposed amendment would increase the number of authorized shares of our common stock to 445,000,000 shares.

Approval of this amendment requires the affirmative vote of the holders of shares representing a majority of our outstanding shares of common stock. If approved by our shareholders, the amendment will become effective upon its filing with the Secretary of State of Washington.

As of March 13, 2009, the record date, 20,447,198 shares of our common stock were outstanding. As of that date, we had reserved an aggregate of 2,547,944 shares of our common stock for (a) future issuance upon the exercise of options or vesting of RSUs outstanding under our stock plans, and (b) the exercise of options or vesting of RSUs that may be granted in the future under our stock plans. In addition, we had reserved 7,913,861 shares issuable upon the exercise of outstanding warrants. As of the record date, the number of authorized shares of our common stock was 45,000,000 shares, with 15,154,265 shares available for future issuance. As a result of the increase in authorized shares of our common stock to be effected by this proposed amendment, the number of authorized shares of our common stock would be 445,000,000 shares.

We propose to increase the number of authorized shares of our common stock by 400,000,000 to enable us to consider potential future issuances of stock that may be desirable or necessary to accommodate our business plan. We are currently seeking to fund our continuing operations by raising additional capital through issuances of common stock or securities convertible into common stock, and if we are successful in doing so, we will issue additional shares of common stock or securities convertible into common stock in connection with such capital-raising transactions. We may also issue additional shares of common stock in connection with the acquisition of complementary businesses or technologies, or in connection with providing grants of stock-based compensation (such as stock options or RSUs) to our employees or for other general corporate purposes. Except for: (a) options and RSUs outstanding under our stock plans, (b) warrants issued in 1999 to Alkermes, Inc. in connection with a technology license agreement, (c) warrants issued in connection with our January 2007 private placement, and (d) warrants issued in connection with our June 2007 private placement, which collectively total 8,978,907 issuable shares as of the record date, we currently do not have any definitive and present plans, commitments or understandings that would require the issuance of additional shares of common stock.

Once authorized, the additional shares of common stock may be issued upon the approval of our Board of Directors but without further approval of our shareholders, unless shareholder approval is required under any applicable law or rule of any securities market on which our securities are traded. The additional shares of common stock would have rights identical to those of our currently outstanding common stock. The proposed increase in the number of shares of authorized common stock, and any future issuance of the additional shares, will not affect the rights of our current holders of common stock, except for effects that are incidental to the increase, such as dilution that would result from any future issuance of additional authorized shares of common stock. The holders of our common stock are not entitled to preemptive rights with respect to the issuance of additional shares of common stock or securities convertible into or exercisable for common stock.

The increase in the number of authorized shares of common stock and the subsequent issuance of all or a portion of those shares could have the effect of delaying or preventing a change of control without further action by our shareholders. Subject to applicable law and stock exchange requirements,

we could issue shares of authorized and unissued common stock in one or more transactions that would make a change of control more difficult and therefore less likely. Any issuance of additional shares could have the effect of diluting the stock ownership and voting rights of an entity seeking to obtain control of Targeted Genetics.

Approval of the amendment to our Articles to increase the number authorized shares of common stock requires the affirmative vote of a majority of our outstanding shares of common stock. Abstentions and broker non-votes will have the same effect as votes against this proposal.

Our Board of Directors believes that approval of this amendment to our Articles is in the best interest of our shareholders and is necessary to provide us with the flexibility to pursue additional capital financing opportunities and licensing and other strategic transactions, to provide grants of stock-based compensation to our employees and to meet our general corporate needs. If this amendment is not approved, we will have insufficient shares of common stock authorized to complete these types of transactions in the future and to carry out our business plan.

***The Board of Directors recommends that you vote FOR Proposal Two.***

### **PROPOSAL THREE**

#### **AMENDMENT OF THE TARGETED GENETICS STOCK INCENTIVE PLAN**

The Board has approved, subject to shareholder approval, an amendment to the Targeted Genetics Corporation Stock Incentive Plan (the Plan), that increases the number of shares of common stock authorized for issuance under the Plan by 2,000,000 shares, from 2,200,000 to 4,200,000 shares. The Plan was last amended and restated by the Board on March 26, 2007 and subsequently approved by our shareholders on May 17, 2007.

The Board believes that long-term incentive compensation programs align the interests of management, employees and our shareholders to create long-term shareholder value. The Board believes that plans such as the Plan increase our ability to achieve this objective, especially, in the case of the Plan, by giving us maximum flexibility to fashion future equity-based compensation by using stock appreciation rights, stock grants and stock units in addition to stock options. The Board believes that the increase in the number of shares issuable under the Plan is necessary to provide sufficient stock options, stock appreciation rights, stock grants and/or stock units to attract and retain the services of experienced and knowledgeable employees in our competitive biotechnology industry, and to preserve certain corporate income tax deductions that may become available to us.

The amendment to the Plan will be effective upon an affirmative vote of the holders of shares representing a majority of the votes cast at the Annual Meeting. If the amendment to the Plan to increase the shares available for issuance is not approved, then the Board will be limited in the amount of stock-based compensation it is able to provide. As of the record date, we had only 419,630 shares remaining available for grant under the Plan.

#### **Description of the Plan**

The following is a summary of the principal features of the Plan. The summary is not a complete description of the provisions in the Plan, however, and is qualified in its entirety by reference to the full text of the Plan. A copy of the Plan, as proposed to be approved, is attached to this proxy statement as *Annex B*.

#### **Purpose**

The Plan is intended to promote our success by providing a vehicle under which a variety of equity-based incentive awards can be granted to our employees, consultants and directors.

### **General**

The Plan provides for the granting of stock options, stock appreciation rights, or SARs, stock grants and stock units (including RSUs), collectively referred to as Awards, to employees, consultants and directors who provide services to the Company, collectively referred to as participants. As of March 13, 2009, approximately 50 employees, directors and consultants are eligible to participate in the Plan.

If the amendment to the Plan is approved by our shareholders, the number of shares of our common stock authorized for Awards under the Plan will be 4,200,000 shares, which represents an increase of 2,000,000 shares. For purposes of determining the number of shares available for grant under the Plan, the number of shares issuable pursuant to all Awards (including SARs) granted under the Plan are subtracted from the number of shares authorized for issuance under the Plan. As of the record date, March 13, 2009, the number of shares available for grant under the Plan was 419,630 shares.

### **Administration of the Plan**

The Plan can be administered by our Board or Compensation Committee or a combination of the two. In general, the members of the Compensation Committee must qualify as non-employee directors under Rule 16b-3 under the Securities Exchange Act of 1934, or the Exchange Act, for purposes of qualifying Awards as exempt from liability under Section 16(b) of Exchange Act, and as outside directors under Section 162(m) of the Internal Revenue Code, or the Code, for purposes of qualifying Awards as performance-based compensation under Section 162(m) of the Code. However, the Board may appoint one or more separate committees of the Board who need not qualify as non-employee directors or outside directors to administer the Plan with respect to Key Service Providers not covered by Section 16 of the Exchange Act or Section 162(m) of the Code. Unless our Board provides otherwise, the Compensation Committee will administer the Plan.

Subject to the terms of the Plan, the Compensation Committee has the sole discretion to determine the participants who may be granted Awards, the size and types of such Awards and the terms and conditions of such Awards. The Plan provides that, during any fiscal year, no person (other than non-employee directors) may be granted Awards covering more than 150,000 shares. However, during the fiscal year of a person's initial year of service with us (other than non-employee directors), the maximum number of shares that may be granted to such person pursuant to Awards is 500,000 shares. The Plan also provides that no non-employee director may be granted Awards covering more than 50,000 shares during any fiscal year; however, shares received pursuant to stock grants in lieu of the non-employee director's annual retainer fee(s) will not count against the 50,000 share annual limit.

### **Eligibility to Receive Awards**

Our participants are eligible to be selected to receive one or more Awards. Only employees, directors and consultants are eligible for designation by the Compensation Committee, in its sole discretion, to receive Awards. The actual number of individuals who will receive Awards under the Plan cannot be determined because eligibility for participation in, and the granting of Awards under, the Plan is in the discretion of the Compensation Committee.

### **Stock Options**

The Compensation Committee may grant nonstatutory stock options or incentive stock options, or ISOs (which are entitled to favorable tax treatment), or a combination of the two. ISOs may be granted only to employees of Targeted Genetics or employees of our subsidiaries. The number of shares covered by each stock option will be determined by the Compensation Committee. The Plan provides that ISOs can be granted up to the maximum number of shares reserved for issuance.

The price of shares of our common stock subject to each stock option is set by the Compensation Committee but cannot be less than 100% of the fair market value on the date of grant of the stock option. In addition, the exercise price of an ISO must be at least 110% of fair market value on the grant date if the employee owns stock possessing more than 10% of the total combined voting power of all classes of our stock or the stock of any of our subsidiaries.

The exercise price of each stock option must be paid in full at the time of exercise. The Compensation Committee also may permit payment through the tender of shares of our common stock that are already owned by the participant, or by any other means that the Compensation Committee determines to be consistent with the Plan's purpose and applicable laws. Any taxes required to be withheld must be paid by the participant at the time of exercise.

Options become exercisable at the times and on the terms established by the Compensation Committee in the applicable stock option agreement. If the stock option agreement does not specify when the shares subject to the stock option will vest and become exercisable, the Plan provides that shares will vest quarterly over four years. Options expire at the times established by the Compensation Committee, which generally will not be more than ten years after the date of grant (subject to the key service provider's continuous service).

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

The Compensation Committee determines the terms and conditions of each SAR. SARs may be granted in conjunction with a stock option, or may be granted on an independent basis. Subject to the limits described above, the number of shares covered by each SAR will be determined by the Compensation Committee. Upon exercise of a SAR, the participant will receive payment from us in an amount determined by multiplying: (i) the difference between the fair market value of a share on the date of exercise over the exercise price (fair market value of a share on the grant date), times (ii) the number of shares with respect to which the SAR is exercised. SARs may be paid in cash or shares of our common stock, as determined by the Compensation Committee. SARs are exercisable at the times and on the terms established by the Compensation Committee. The Plan provides that if the applicable SAR agreement does not specify when the shares subject to the SAR become exercisable, then the shares will vest over four years, with 25% of the shares vesting after one year of service and the remaining 75% vesting on a pro rata basis over the next 36 months.

### ***Stock Grants and Stock Units***

Stock grant awards are shares of our common stock that may or may not be subject to vesting, in accordance with the terms and conditions established by the Compensation Committee. Stock unit awards are bookkeeping entries that represent shares of our common stock that may or may not vest, in accordance with the terms and conditions established by the Compensation Committee. The Plan provides that if the applicable stock grant agreement or stock unit agreement does not specify when the shares will vest, then the shares subject to the award will vest in four equal annual installments. The holder of a stock grant awarded under the Plan has the same voting, dividend and other rights as the Company's other shareholders. Holders of stock units do not have voting rights until their stock units vest and stock is actually issued to the holder.

In determining whether a stock grant or stock unit award should be made and/or the vesting schedule for such award, the Compensation Committee may impose whatever conditions to vesting that it determines to be appropriate. For example, the Compensation Committee may determine to award a stock grant or stock units only if performance goals established by the Compensation Committee are satisfied.

### ***Performance Goals***

The Compensation Committee, in its discretion, may apply performance goals to a participant with respect to an Award. At the Compensation Committee's discretion, one or more of the following

performance goals may apply: (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization or EBITDA; (iii) earnings; (iv) cash flow; (v) market share; (vi) sales or revenue; (vii) expenses; (viii) cost of goods sold; (ix) profit/loss or profit margin; (x) working capital; (xi) return on equity or assets; (xii) earnings per share; (xiii) economic value added; (xiv) stock price; (xv) price/earnings ratio; (xvi) debt or debt-to-equity; (xvii) accounts receivable; (xviii) writeoffs; (xix) cash; (xx) assets; (xxi) liquidity; (xxii) operations; (xxiii) intellectual property (e.g., patents); (xxiv) product development; (xxv) regulatory activity, including clinical trial activity; (xxvi) manufacturing, production or inventory; (xxvii) mergers and acquisitions or divestitures; (xxviii) business development activities; (xxix) financings; (xxx) cash burn; and/or (xxxi) cash horizon. The Compensation Committee also may use other performance goals, in its discretion.

#### ***Nontransferability of Awards***

In general, Awards granted under the Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution, and during the life of a participant, any Awards may be exercised only by the recipient. Notwithstanding the above, the Compensation Committee (or the Board, in the case of Awards granted to non-employee directors) may, in its discretion, permit Awards to be transferred to an individual or entity other than Targeted Genetics subject to such restrictions as the Compensation Committee or the Board may impose.

#### ***Dividend Equivalents***

Recipients of Awards may, if so determined by the Compensation Committee (or by the Board in case of Awards to non-employee directors), be entitled to receive cash or stock dividends, or cash payments in amounts equivalent to cash or stock dividends declared with respect to shares of our common stock. The Compensation Committee or the Board may also provide that such cash or stock dividends shall be deemed to have been reinvested in additional shares of common stock or otherwise reinvested.

#### ***Corporate Transactions***

In the event of certain corporate transactions, and subject to the applicable Award agreement, all outstanding Awards will be subject to the applicable agreement of merger or reorganization, which may provide for the assumption, substitution or continuation of outstanding awards, exchange for other property, accelerated vesting, or cancellation without consideration. Awards that are not assumed, substituted or continued will terminate upon consummation of the corporate transaction.

#### ***Awards Under the Plan***

Awards under the Plan will be made at the discretion of the Compensation Committee. The Compensation Committee has not made any decisions on the amount and type of Awards that are to be made in future years under the Plan.

#### ***Amendment and Termination of the Plan***

Our Board generally may amend or terminate the Plan at any time and for any reason; provided, however, that any such amendment shall be subject to the approval of the shareholders to the extent required by applicable law or regulation. Unless sooner terminated by our Board, the Plan will terminate on May 17, 2017.

#### ***Number of Awards Granted***

The Awards that any participant may receive under the Plan in the future, and the number of shares covered by any such Award, is in the discretion of the Compensation Committee or the Board,

and therefore cannot be determined in advance. The following table sets forth (i) the dollar value of the RSUs and stock awards awarded under the Plan during 2008, and (ii) the aggregate number of shares of RSUs and stock awards awarded under the Plan during 2008. No stock options were granted during 2008.

### NEW PLAN BENEFITS

#### Targeted Genetics Corporation Stock Incentive Plan

Name of Individual or Group	Dollar Value (\$) <sup>(1)</sup>	Units of Restricted Stock Awarded (#)
B.G. Susan Robinson President, Chief Executive Officer and Director	\$ 7,700	35,000
H. Stewart Parker, Former President, Chief Executive Officer and Director <sup>(2)</sup>	44,000	200,000
David G. Poston Vice President, Finance, Chief Financial Officer, Treasurer and Secretary	7,700	35,000
Barrie J. Carter, Former Executive Vice President and Chief Scientific Officer <sup>(3)</sup>	7,700	35,000
All current executive officers, as a group (2 persons)	15,400	70,000
All current directors who are not executive officers, as a group (5 persons)	12,100	55,000
All employees who are not executive officers, as a group (84 persons)	68,640	312,000

(1) The dollar values set forth in this table reflects the value of RSUs granted to each named person for 2008, based on the closing price of \$0.22 for our common stock on December 31, 2008.

(2) Ms. Parker resigned from the Company in November 2008.

(3) Dr. Carter resigned from the Company in November 2008.

#### Tax Aspects

A recipient of a stock option or SAR will not have taxable income upon the grant of the stock option or SAR. For stock options (other than ISOs) and SARs, the participant will recognize ordinary income upon exercise in an amount equal to the appreciation value, which is the excess of the fair market value of the shares over the exercise price, on the date of exercise. In the United States, any gain or loss recognized upon any later disposition of the shares generally will be capital gain or loss.

Purchase of shares upon exercise of an ISO will not result in any taxable ordinary income to the participant, but may result in alternative minimum tax liability. Gain or loss recognized by the participant on a later sale or other disposition will either be long-term capital gain or loss or ordinary income, depending upon whether the participant holds the shares transferred upon the exercise of the ISO for a specified period. Any ordinary income recognized will be in the amount, if any, by which the lesser of the fair market value of such shares on the date of exercise or the amount realized from the sale exceeds the exercise price.

Unless the participant elects to be taxed at the time of receipt of a stock grant award that is subject to vesting, the participant will not have taxable income upon receipt, but upon vesting. The participant will recognize ordinary income equal to the fair market value of the shares at the time of vesting (minus any amount paid for the stock grant). A participant who is granted stock units will not have taxable income upon receipt of the Award of stock units; instead the participant will be taxed upon settlement





of the Award. The participant will recognize ordinary income equal to the fair market value of the shares or the amount of cash received by the participant.

In addition, Section 409A of the Code imposes certain restrictions on deferred compensation arrangements. Awards that are treated as deferred compensation under Section 409A of the Code are intended to meet the requirements of this section of the Code or the exceptions to treatment as deferred compensation subject to this section of the Code.

At the discretion of the Compensation Committee, the Plan allows a participant to satisfy tax withholding requirements under U.S. federal and state tax laws or applicable foreign tax laws in connection with the exercise or receipt of an Award by electing to have shares of common stock withheld, or by delivering to us already-owned shares, having a value no greater than the minimum amount required to be withheld.

We will be entitled to a tax deduction in connection with an Award under the Plan only in an amount equal to the ordinary income realized by the participant and at the time the participant recognizes such income. In addition, Section 162(m) of the Code contains special rules regarding the federal income tax deductibility of compensation paid to our chief executive officer and to each of certain of our other executive officers. The general rule is that annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, we can preserve the deductibility of certain compensation in excess of \$1,000,000 if we comply with conditions imposed by Section 162(m) so that such compensation can be classified as performance-based compensation under Section 162(m) of the Code, including, but not limited to, the establishment of a maximum number of shares with respect to which Awards may be granted to any one key service provider during one fiscal year. The Plan has been designed to permit the Compensation Committee to grant Awards that satisfy the requirements of Section 162(m), thereby permitting us to continue to receive a federal income tax deduction in connection with such Awards.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF FEDERAL INCOME TAXATION ON PARTICIPANTS AND TARGETED GENETICS WITH RESPECT TO THE GRANT AND EXERCISE OF AWARDS UNDER THE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

#### Securities Authorized for Issuance under the Equity Compensation Plan

The following table provides information regarding securities issuable under our equity compensation plans as of December 31, 2008.

#### EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants and rights (b) <sup>(2)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,391,126	\$ 15.54	328,180
Equity compensation plans not approved by security holders			
Total	1,391,126	15.54	328,180

- (1) Represents shares issuable with respect to options and RSUs issued and issuable under our Stock Incentive Plan, our 1992 Restated Stock Option Plan, and the 2000 Genovo Inc. Roll-Over Stock Option Plan. Does not include warrants covering an aggregate of 7,913,861 shares, with a weighted average exercise price of \$3.95, issued to investors in 2007 in connection with private equity financings.
- (2) The weighted-average exercise price does not include the shares issuable upon vesting of RSUs, which have no exercise price.

***The Board of Directors recommends that you vote FOR Proposal Three.***

## PROPOSAL FOUR

### RATIFICATION OF THE SELECTION OF

#### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2009. We are asking our shareholders to ratify this selection. If our shareholders fail to ratify the selection of Ernst & Young, the Audit Committee and our Board of Directors will consider whether to retain Ernst & Young and may retain that firm or another firm without resubmitting the matter to our shareholders. Even if the selection of Ernst & Young is ratified, the Audit Committee, at its discretion, may direct the appointment of a different firm at any time during the year if the Audit Committee determines that a change would be in the best interest of Targeted Genetics or our shareholders.

The affirmative vote of the holders of shares representing a majority of the votes cast at the Annual Meeting, in person or by proxy, is required to ratify the selection of Ernst & Young as our independent registered public accounting firm.

Ernst & Young has served as our independent accounting firm since 1989, when Targeted Genetics was formed as a department within Immunex Corporation. Representatives of Ernst & Young are expected to attend the Annual Meeting, be available to respond to appropriate questions from shareholders and have the opportunity to make a statement if they desire to do so.

Our management is responsible for our internal controls and the financial reporting process. Our independent registered public accounting firm, Ernst & Young, is responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report on its audit.

#### Fees

The fees billed by Ernst & Young for the indicated services performed during the fiscal years ended December 31, 2007 and December 31, 2008 were as follows:

	Fiscal 2008	Fiscal 2007
Audit fees	\$ 381,000	\$ 384,000
Audit-related fees		
Tax fees		20,000
<b>Total fees</b>	<b>\$ 381,000</b>	<b>\$ 404,000</b>

Services rendered by Ernst & Young in connection with the fees presented above were as follows:

*Audit fees:* Consists of fees related to professional services rendered in connection with the audit of our annual consolidated financial statements, the reviews of the consolidated financial statements included in each of our quarterly reports on Form 10-Q and accounting consultations that relate to the audited consolidated financial statements and are necessary to comply with generally accepted auditing standards.

*Audit-related fees:* Consists of fees related to assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported as audit fees.

*Tax fees:* Consists of fees billed for professional services related to federal and state tax return preparation.

All fees incurred in 2008 and 2007 and billed by outside auditors were pre-approved by the Audit Committee.

Our Audit Committee has determined that Ernst & Young's rendering of the non-audit services is compatible with maintaining auditor independence. The Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Under the policy, pre-approval is generally provided for particular services or categories of services, including planned services, project-based services and routine consultations projects. Each category is subject to a specific budget or quarterly dollar amount. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, our independent registered public accounting firm is required to provide detailed back-up documentation at the time of approval. The Audit Committee has delegated certain pre-approval authority to its Chairman. The Chairman must report any decisions to the Audit Committee at its next scheduled meeting.

***The Board of Directors recommends that you vote FOR Proposal Four.***

### **AUDIT COMMITTEE REPORT**

In 2008, the Audit Committee met and held discussions with management and the independent registered public accounting firm. In addition, the members of the Audit Committee individually reviewed the company's consolidated financial statements before they were filed with the SEC in the company's quarterly reports on Form 10-Q and annual report on Form 10-K. Management represented to the Audit Committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards, or SAS, No. 61, as amended by SAS No. 90, *Communication with Audit Committees*.

Our independent registered public accounting firm also provided to the Audit Committee the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board, and discussed with the Audit Committee its independence. The Audit Committee considered the compatibility of non-audit services with the firm's independence.

Based on the Audit Committee's discussion with management and the independent registered public accounting firm and its review of the representation of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended that our Board of Directors include the audited consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2008, to be filed with the SEC. The Audit Committee also evaluated the performance of Ernst & Young LLP and recommended to our Board of Directors that Ernst & Young LLP be selected as our independent registered public accounting firm for the year ending December 31, 2009.

#### **Audit Committee**

Roger L. Hawley (Chairman)

Jeremy L. Curnock Cook

Nelson L. Levy

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**MANAGEMENT**
**Executive Officers**

The following table lists our executive officers, who will serve in the capacities noted until their successors are duly appointed and qualified.

<b>Name</b>	<b>Age</b>	<b>Position</b>
B.G. Susan Robinson	47	President, Chief Executive Officer and Director
David J. Poston	46	Vice President, Finance, Chief Financial Officer, Treasurer and Secretary

B.G. Susan Robinson's biography is contained in the section of this proxy statement entitled *Proposal One Election of Directors Biographical Information*.

*David J. Poston* has served as our vice president, finance, chief financial officer and treasurer since January 2006 and as secretary since November 2008. From October 2005 until January 2006, Mr. Poston served as our acting chief financial officer and treasurer. Mr. Poston joined Targeted Genetics in 1999 as our director, finance and served as our senior director, finance from 2001 until his appointment as acting chief financial officer. Mr. Poston also served as secretary/treasurer of CellExSys, our majority-owned cell therapy subsidiary, from 2000 to its sale in 2004. Mr. Poston also serves as an officer and director of each of our wholly-owned subsidiaries, Genovo, Inc. and TGCF Manufacturing Corporation. Mr. Poston served as controller of Corixa Corporation from 1997 to 1998. He started his career in public accounting at KPMG in 1985. Mr. Poston holds a B.A. in business administration from the University of Puget Sound, where he graduated as the Norton Clapp Arete Scholar.

**Key Employees**

The following table lists our key employees, who will serve in the capacities noted until their successors are duly appointed and qualified.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Richard W. Peluso	56	Vice President, Process Sciences and Manufacturing
Pervin Anklesaria	51	Vice President, Product Development

*Richard W. Peluso* has served as our vice president, process sciences and manufacturing since 2003. From 2001 to 2003, Dr. Peluso served as our senior director, technology development. Dr. Peluso served as director of vector assay development and characterization for Genovo, Inc. from 1999 until its acquisition by Targeted Genetics in 2001. Dr. Peluso holds a B.A. in biology from the University of Maryland and a Ph.D. in virology from The Rockefeller University.

*Pervin Anklesaria* has served as our vice president, product development since 2002. Dr. Anklesaria joined Targeted Genetics in 1993, previously serving as our vice president of research, director of research and development administration and staff scientist. Before joining Targeted Genetics, Dr. Anklesaria was an assistant professor in the Department of Radiation Oncology at the University Massachusetts Medical Center. Dr. Anklesaria holds a B.S. in microbiology and chemistry, a M.S. in biophysics and a Ph.D. in cell biology from the University of Bombay, India.

## EXECUTIVE COMPENSATION

*Overview.* The Compensation Committee of the Board has overall responsibility for approving and evaluating our executive compensation plans, policies and programs. The Compensation Committee is charged with, among other things:

reviewing and approving corporate and individual goals and objectives of the executive officers relevant to executive compensation;

evaluating the performance of the executive officers in light of such goals and objectives and determining compensation for the executive officers; and

overseeing the administration of our stock or cash-based compensation and incentive programs and approving grants and awards of stock options and other equity securities made to the executive officers.

The Compensation Committee consists of Joseph M. Davie, Roger L. Hawley and Michael S. Perry, all of whom are independent directors under the NASDAQ rules. Mr. Bowman, who was also an independent director, served on the Compensation Committee until his resignation from the Board of Directors effective May 15, 2008, and Mr. Hawley was appointed to the Compensation Committee on that date.

*Objectives of Executive Compensation Program.* The Compensation Committee uses the various elements of executive compensation for different purposes, with the overall intended objectives of reward, motivation and retention of our executive officers, all with an eye toward achieving long-term shareholder value. The Compensation Committee believes that it is important for us to attract and retain qualified executive officers and, in order to achieve that goal, that their compensation be competitive relative to the compensation paid to similarly situated executives at comparable companies. The executive compensation program is designed to motivate our executive officers, individually and as a management group, to manage in the best interests of the shareholders and to reward them for doing so.

*Summary Compensation Table for Fiscal Year 2008.* The following table outlines the compensation paid in 2008 and 2007 to each person who served as chief executive officer during 2008 and each of our other most highly paid executive officers for 2008. These persons are referred to as the Named Executive Officers.

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
B.G. Susan Robinson <sup>(3)</sup> President and Chief Executive Officer	2008	\$ 257,500	\$	\$ 42,287	\$	2,374	\$ 302,161
	2007	250,000	50,000	22,862	18,985	2,360	344,207
H. Stewart Parker <sup>(4)</sup> Former President and Chief Executive Officer	2008	374,000		75,772		47,704	497,476
	2007	440,000	154,000	32,661	29,127	4,396	660,184
Barrie J. Carter, Ph.D. <sup>(5)</sup> Former Executive Vice President and Chief Scientific Officer	2008	246,500		42,287		36,377	325,164
	2007	290,000	72,500	22,862	22,995	3,901	412,258
David J. Poston Vice President, Finance, Chief Financial Officer, Treasurer and Secretary	2008	257,500		42,287		2,374	302,161
	2007	250,000	50,000	22,862	22,995	2,240	348,097

- (1) This amount reflects the dollar amount we are required under SEC rules to recognize for financial statement reporting purposes for 2007 and 2008 in accordance with SFAS No. 123R. Pursuant to SEC rules, the amounts shown exclude the effect of estimated forfeitures. SFAS No. 123R requires us to estimate forfeitures when awards are granted and reduce estimated compensation expense accordingly, and in our audited consolidated financial statements, compensation expense is adjusted for estimated forfeitures. Except as otherwise indicated with respect to actual forfeitures in 2008, the amounts shown in this table assume that none of the awards will be forfeited. See Note 10 to our consolidated financial statements for the fiscal year ended December 31, 2008 regarding the assumptions underlying the valuation of equity awards. The amounts shown reflect our accounting expense for these awards, and do not correspond to the actual value that will be recognized by the executive officer. As of the date of this proxy statement, all options reflected in this table have an exercise price that is greater than the price of our common stock.
- (2) For each of the named executives, this amount reflects matching contributions to a 401(k) account and excess life insurance premiums. For Dr. Carter, it also includes payment of accrued vacation upon his November 2008 resignation. For Ms. Parker, it also includes payments for subsidized parking and health insurance, accrued vacation and legal fees paid in connection with her November 2008 resignation, and consulting fees paid in 2008 after her resignation.
- (3) Ms. Robinson was appointed as president and chief executive officer on November 6, 2008.
- (4) Ms. Parker resigned as president and chief executive officer effective November 6, 2008. On November 14, 2008, we and Ms. Parker executed a Separation Agreement and Release, which became effective on November 22, 2008 (the Parker Agreement). Under the terms of the Parker Agreement, among other things, unvested RSUs for 83,334 shares of common stock were accelerated to fully vest upon effectiveness of the Parker Agreement. Ms. Parker was also granted an additional 150,000 shares of common stock under our Stock Incentive Plan, and we agreed to provide continuation of her health insurance coverage for six months. In connection with her resignation, Ms. Parker forfeited unvested stock options for 1,875 shares. The acceleration of her RSUs and the additional grant of stock are reflected in the column titled Stock Awards. The Parker Agreement also provides for Ms. Parker to provide consulting services to us for \$5,000 per month for a period of six months.
- (5) Dr. Carter resigned as executive vice president and chief scientific officer effective November 6, 2008. On January 12, 2009, we and Dr. Carter executed a Separation Agreement and Release, which became effective on January 20, 2009 (the Carter Agreement). Under the terms of the Carter Agreement, among other things, unvested RSUs for 58,333 shares of common stock were accelerated to fully vest in 2009 upon effectiveness of the Carter Agreement. Mr. Carter was also granted an additional 150,000 shares of common stock under our Stock Incentive Plan, and we paid Dr. Carter \$2,453 in lieu of providing continuation of his health insurance coverage for six months. These amounts are not reflected in the table because the grant and the payment occurred in 2009. In connection with his resignation, Mr. Carter forfeited unvested stock options for 1,406 shares. The Carter Agreement and a related consulting agreement also provide for Dr. Carter to provide consulting services to us for \$5,000 per month for a period of six months.

*Elements of Executive Compensation.* The total compensation package provided to our executive officers consists of cash compensation in the form of base salary and annual bonus, and non-cash, long-term incentive compensation in the form of stock options and restricted stock units. In addition, executive officers may participate in our 401(k) plan and other benefit plans generally available to all employees.

The Compensation Committee generally sets cash compensation for all executive officers at regularly scheduled meetings early in the year and generally grants stock options or RSUs to executive officers at regularly scheduled meetings immediately following each annual meeting of shareholders. The Compensation Committee uses the same factors and methodology to determine compensation for



each of the executive officers, including the chief executive officer, except as described below with respect to the chief executive officer. The Compensation Committee does not engage a consultant regarding executive compensation matters or delegate authority to approve of any plans, policies or programs, including those relating to executive officer stock compensation matters.

The Compensation Committee does not use any formula and does not have any formal policy with respect to allocating compensation between the various elements of compensation, but rather considers both qualitative and quantitative indicators of individual and corporate performance to determine the composition of executive compensation. In accordance with its charter, the Compensation Committee takes into account each executive officer's performance, the company's overall corporate performance, the compensation paid to similarly situated executives at comparable companies, the compensation paid to the executive officers in past years, including equity compensation, and any other factors it deems appropriate, such as the value of each executive officer's skills and abilities in support of our objectives and his or her contribution to the management team. We do not have a quantitative performance-based plan that sets forth corporate objectives that must be met by executive officers, but the Compensation Committee generally sets qualitative corporate performance objectives and reviews the progress on such objectives when making compensation decisions. Beginning in 2009, as a matter of best practice, the Compensation Committee will review the relationship between the incentive compensation provided to our executive officers and our risk management policies and practices to confirm that our incentive compensation does not encourage unnecessary and excessive risks.

*Base Salary.* The Compensation Committee uses base salary to compensate the executive officers for services rendered, as well as for motivation and retention purposes. We compete with a variety of companies for executive-level talent. Base salaries are intended to be competitive and are generally set close to the median of base salaries paid by other biotechnology companies of similar size and mission, taking into consideration individual factors such as experience, tenure, qualifications, institutional knowledge and potential business and management team disruption due to turnover.

Base salaries are reviewed annually to determine whether they are consistent with our overall compensation objectives. The Compensation Committee reviews the results of two biotechnology compensation surveys in which we participate, the Radford Global Life Sciences Survey and the Northwest Biotech & Health Technology Salary Survey. The Compensation Committee also reviews the base salary of each executive officer against the individual and aggregate base salaries for executives at companies that are (i) in the same sector of the biotechnology industry, (ii) pursuing development of similar products or in the same stage of development and/or (iii) in the same area geographically. The data in this competitive peer group comparison and the surveys together are referred to as the competitive market study. For 2008, the companies in the competitive peer group were:

Aastrom Biosciences, Inc.	CytRx Corporation	Sangamo Biosciences Inc.
Alnylam Pharmaceuticals Inc.	Dendreon Corp.	Seattle Genetics Inc.
Ariad Pharmaceuticals Inc.	Genvec Inc.	Trubion Pharmaceuticals, Inc.
Avigen Inc.	Introgen Therapeutics Inc.	Vical Inc.
Cell Genesys Inc.	Nastech Pharmaceutical Co. Inc.	
Cell Therapeutics, Inc.	Poniard Pharmaceuticals, Inc.	

In considering increases in base salary, the Compensation Committee reviews individual and corporate performance, as well as our overall financial condition and market and industry conditions.

For 2008, the Compensation Committee considered the competitive market study and, with regard to compensation for executive officers other than Ms. Parker, the recommendations of the chief executive officer. The Compensation Committee determined that increases in base salary for executives other than Ms. Parker and Dr. Carter were appropriate, primarily because those executives

had achieved substantially all of the 2007 corporate objectives set for them and their salaries were generally below market.

In the fourth quarter of 2008, in light of our financial condition and overall economic conditions, our management determined that a reduction in executive base salary would be in the best interests of the company and our shareholders. The Compensation Committee concurred with management's determination and, effective January 1, 2009, we reduced the salaries of our most senior employees, including Ms. Robinson and Mr. Poston, by 10% over 2008 levels. Accordingly, the salaries for our most senior executives, including Ms. Robinson and Mr. Poston, will remain at 10% below their 2008 levels until our cash horizon is extended or such other time as the Compensation Committee may determine.

*Bonuses.* The Compensation Committee may award annual bonuses as a reward for achievement of individual and corporate short-term goals that are established by the Compensation Committee under the annual bonus program for the applicable year. Any award of an annual bonus is made in view of the executive's performance against those individual and corporate goals and in furtherance of our compensation objectives. When an annual bonus is deemed appropriate, the amount is determined by the Compensation Committee, which determination may include another review of the competitive market study and then-current market conditions, and with regard to compensation for executive officers other than the chief executive officer, after considering the recommendations of the chief executive officer. The Compensation Committee may also award discretionary bonuses for significant achievements not enumerated in the annual bonus program, such as capital raising.

For 2008, the Compensation Committee set target bonuses under the annual bonus program at 35% of salary for the chief executive officer, 25% of base salary for the chief scientific officer, 20% of base salary for the chief financial officer and 20% of base salary for non-executive officer vice presidents. Because our executive team did not achieve the performance goals established by the Compensation Committee under the 2008 annual bonus program, they did not receive annual bonuses for 2008. The Compensation Committee did not award any discretionary bonuses for 2008.

The Compensation Committee is currently considering whether to establish a discretionary bonus program for our executive officers for 2009, which discretionary bonuses may include retention and success bonuses for executives remaining with the company and/or extending our cash horizon through capital raising or monetization of assets. The amount of any such bonuses would reflect our then-current cash position.

*Long-Term Incentive Programs.* The Compensation Committee grants stock-based compensation to executive officers on an annual basis as a way to provide a long-term incentive opportunity that is linked to an increase in shareholder value. The Compensation Committee determines the amount of the stock-based compensation grant in view of individual and corporate performance and in furtherance of our overall compensation objectives. In determining the number of shares to be covered by a grant, the Compensation Committee takes into consideration the vested and unvested RSU and stock option holdings of the executive officer and, for executive officers other than the chief executive officer, the recommendations of the chief executive officer.

Generally, on an annual basis, the Compensation Committee grants stock-based compensation to all employees, including executive officers, at its regularly scheduled meeting following the annual meeting of shareholders. The timing of stock compensation grants is not coordinated with the release of material non-public information and is typically in the middle of the second fiscal quarter. RSUs and stock options are granted under our Stock Incentive Plan. RSUs have a term of ten years and generally vest over a three-year period, in three substantially equal installments on the first three anniversaries of the date of the grant. Stock options are granted with an exercise price equal to the market value of our common stock on the date of the grant and with a term of ten years. Stock options

generally become exercisable over a four-year period, in sixteen equal installments beginning three months after the date of the grant. To encourage employee retention, all stock options are granted as incentive stock options to the maximum extent possible under the Internal Revenue Code.

In May 2008, the Board approved RSU grants to our executive officers. Ms. Parker received an RSU grant for 50,000 shares. Each of Dr. Carter, Mr. Poston and Ms. Robinson (then serving as vice president, business development) received an RSU grant for 35,000 shares. The vesting of the RSU grants to Ms. Parker and Mr. Carter were accelerated upon the effectiveness of their respective separation agreements, as described more fully above in the footnotes to the Summary Compensation Table. The grants to Mr. Poston and Ms. Robinson will vest in three substantially equal installments on each of May 15, 2009, May 15, 2010 and May 15, 2011, so long as the executive continues to provide services to the Company.

*Perquisites.* Our executive officers do not receive any material incremental benefits that are not otherwise available to all of our employees. Our health and other insurance plans are the same for all employees.

*Tax and Accounting Considerations.* The Compensation Committee considers tax and accounting consequences when making decisions regarding our executive compensation programs. Section 162(m) of the Internal Revenue Code limits deduction of compensation paid to executive officers to \$1,000,000 in any fiscal year unless the compensation is performance-based. Cash compensation under our bonus plan does not exceed \$1,000,000 in any fiscal year. Our stock option grants and RSU grants comply with Section 162(m). Under SFAS No. 123R, grants of equity compensation result in a stock-compensation charge to our earnings equal to the fair value of the instrument being issued that is recorded over the vesting period of the equity grant.

*Equity Ownership by Executives.* We do not have a formal stock ownership requirement for our executive officers but we encourage stock ownership on a voluntary basis.

*Outstanding Equity Awards at 2008 Fiscal Year-End.* The following table sets forth certain information regarding the value of all unexercised options previously awarded to the Named Executive Officers as of December 31, 2008.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
	Exercisable (#)	Unexercisable (#)	(\$)			
H. Stewart Parker	1,081 <sup>(1)</sup>		22.50	1/21/09		
	12,226 <sup>(1)</sup>		22.50	1/21/09		
	3,111 <sup>(2)</sup>		85.60	1/20/10		
	756 <sup>(2)</sup>		85.60	1/20/10		
	2,190 <sup>(3)</sup>		66.60	1/23/11		
	13,809 <sup>(3)</sup>		66.60	1/23/11		
	2,112 <sup>(4)</sup>		25.70	1/22/12		
	10,887 <sup>(4)</sup>		25.70	1/22/12		
	10,000 <sup>(5)</sup>		4.30	3/20/13		
	20,000 <sup>(6)</sup>		13.10	5/20/14		
	8,125 <sup>(7)</sup>		9.10	5/26/15		
	38,000 <sup>(8)</sup>		3.80	6/12/16		
Barrie J. Carter	2,891 <sup>(1)</sup>		22.50	1/21/09		
	3,849 <sup>(1)</sup>		22.50	1/21/09		
	720 <sup>(2)</sup>		85.60	1/20/10		
	1,440 <sup>(2)</sup>		85.60	1/20/10		
	2,041 <sup>(3)</sup>		66.60	1/23/11		
	4,259 <sup>(3)</sup>		66.60	1/23/11		
	1,563 <sup>(4)</sup>		25.70	1/22/12		
	3,437 <sup>(4)</sup>		25.70	1/22/12		
	7,000 <sup>(5)</sup>		4.30	3/20/13		
	15,000 <sup>(6)</sup>		13.10	5/20/14		
	6,093 <sup>(7)</sup>		9.10	5/26/15		
30,000 <sup>(8)</sup>		3.80	6/12/16			
				23,333 <sup>(15)</sup>	\$ 5,133 <sup>(15)</sup>	
				35,000 <sup>(16)</sup>	\$ 7,700 <sup>(16)</sup>	
David J. Poston	2,800 <sup>(1)</sup>		22.50	1/21/09		
	750 <sup>(2)</sup>		85.60	1/20/10		
	2,000 <sup>(3)</sup>		66.60	1/23/11		
	500 <sup>(9)</sup>		59.50	5/8/11		
	2,500 <sup>(4)</sup>		25.70	1/22/12		
	700 <sup>(4)</sup>		25.70	1/22/12		
	1,000 <sup>(10)</sup>		7.60	8/7/12		
	9,100 <sup>(6)</sup>		13.10	5/20/14		
	2,362 <sup>(7)</sup>	338 <sup>(7)</sup>	9.10	5/26/15		
	30,000 <sup>(8)</sup>		3.80	6/12/16		
				23,333 <sup>(15)</sup>	\$ 5,133 <sup>(15)</sup>	
				35,000 <sup>(16)</sup>	\$ 7,700 <sup>(16)</sup>	

**Name**

**Option Awards**