

INOVIO PHARMACEUTICALS, INC.  
Form DEF 14A  
April 06, 2012

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

Washington, D.C. 20549

**SCHEDULE 14A**

**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 under §240.14a-12

**INOVIO PHARMACEUTICALS, INC.**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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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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(4) Date Filed:

**INOVIO PHARMACEUTICALS, INC.**

**1787 Sentry Parkway West, Building 18, Suite 400**

**Blue Bell, Pennsylvania 19422**

To the Stockholders of Inovio Pharmaceuticals, Inc.:

Notice is hereby given that Inovio Pharmaceuticals, Inc. will be holding its Annual Meeting of Stockholders on May 16, 2012, at 9:00 a.m., local time, at the company's principal executive offices located at 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422.

You are cordially invited to attend.

The Notice of Annual Meeting of Stockholders and Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter.

After reading the Proxy Statement, please promptly mark, sign and return the enclosed proxy in the prepaid envelope (for mailing in the United States only) to assure that your shares will be represented at our Annual Meeting. Your shares cannot be voted unless you date, sign and return the enclosed proxy, attend the Annual Meeting in person or vote your shares using the automated Internet or phone system. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders are important.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote and submit your proxy by phone, via the Internet or by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope. For more information on voting and submitting your proxy by phone or via the Internet, see "Voting of Proxies" on page 2 of the accompanying Proxy Statement. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

A copy of our 2011 Annual Report is also enclosed.

The Board of Directors and management look forward to seeing you at the Annual Meeting.

Very truly yours,

J. Joseph Kim, Ph.D.

*Chief Executive Officer*

**INOVIO PHARMACEUTICALS, INC.**

**1787 Sentry Parkway West, Building 18, Suite 400**

**Blue Bell, Pennsylvania 19422**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 16, 2012**

To the Stockholders of Inovio Pharmaceuticals, Inc.:

You are invited to attend our 2012 Annual Meeting of the Stockholders, which will be held on May 16, 2012, at 9:00 a.m., local time, at 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422, for the following purposes:

1. To elect five directors to hold office until our 2013 Annual Meeting of Stockholders and until their successors are elected and duly qualified. Our Board has nominated and recommends for election the following persons:

*Avtar Dhillon, M.D.*

*J. Joseph Kim, Ph.D.*

*Simon X. Benito*

*Morton Collins, Ph.D.*

*Adel A. F. Mahmoud, M.D., Ph.D.*

2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2012.

3. To approve an amendment to our 2007 Omnibus Incentive Plan to increase the portion of the aggregate number of 9,860,662 shares of our common stock currently available for grant under the plan that we may issue as incentive stock options so that the maximum number of shares available for issuance as incentive stock options over the term of the plan may not exceed 9,860,662 shares.

4. To transact such other business as may properly come before the meeting.

*Our Board recommends a vote for each of the nominees and for proposals 2 and 3.*

Holders of record of our common stock and holders of record of our Series C Cumulative Convertible Preferred Stock at the close of business on April 2, 2012, are entitled to notice of, and to vote at, this meeting and any adjournments thereof. For ten days prior to the meeting, a complete list of the stockholders of record on April 2, 2012 will be available at our principal executive offices, during ordinary business hours, for examination by any Stockholder for any purpose relating to the meeting.

By order of the Board of Directors,

J. Joseph Kim, Ph.D.

*Chief Executive Officer*

Dated: April 6, 2012

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**IMPORTANT:** Please fill in, date, sign and promptly mail the enclosed proxy card in the accompanying postpaid envelope to assure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

**INOVIO PHARMACEUTICALS, INC.**

**1787 Sentry Parkway West, Building 18, Suite 400**

**Blue Bell, Pennsylvania 19422**

**PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

Our Board is soliciting proxies for use at the Annual Meeting of Stockholders to be held at our principal executive offices, 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422 on May 16, 2012 at 9:00 a.m. local time, or any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. This Proxy Statement is dated April 6, 2012. We are mailing this Proxy Statement to our stockholders on or about April 13, 2012. Unless the context requires otherwise, references to we, us, our, Inovio, and Company refer to Inovio Pharmaceuticals, Inc.

**General Information**

**Voting Securities.** Only stockholders of record as of the close of business on April 2, 2012 will be entitled to vote at the meeting and any adjournment thereof. As of April 2, 2012, we had the following outstanding:

134,968,394 shares of common stock; and

26 shares of Series C Cumulative Convertible Preferred Stock, which are convertible into an aggregate of 38,233 shares of common stock.

You may vote in person or by proxy. On the proposals presented in this Proxy Statement, each holder of shares of our:

common stock is entitled to one vote for each share of stock held; and

Series C Preferred Stock is entitled to 1,470 votes for each share of Series C Preferred Stock held.

Holders of our common stock and Series C Preferred Stock vote together as a single class in connection with each of Proposal Nos. 1, 2 and 3. Our bylaws provide that one-third of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Thus, a quorum for this year's Annual Meeting consists of 45,002,209 shares.

The affirmative vote of a plurality of all of the votes cast at a meeting at which a quorum is present is necessary for the election of each of the nominees for director. For purposes of the election of directors, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum. Broker non-votes occur when a broker holding a customer's securities in street name does not vote on a particular proposal because the broker has not received voting instructions from the customer on certain matters for which the broker is required to have instructions in order to vote.

The affirmative vote of the holders of a majority of the shares present or represented by proxy and voting at the Annual Meeting is necessary for the approval of the other proposals set forth in this Proxy Statement, as explained under each proposal. Abstentions and broker non-votes will be

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counted as present for purposes of determining the presence of a quorum and could prevent the approval of a proposal because they do not count as affirmative votes.

***Solicitation of Proxies.*** We will bear the cost of soliciting proxies. In addition, we will solicit stockholders by mail, and will request banks and brokers, and other custodians, nominees and fiduciaries, to solicit their customers who have shares of our stock in the names of such persons and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors, and others to solicit proxies, personally or by telephone, without additional compensation.

**Voting of Proxies.** If your shares are registered in your own name, you may vote by signing and mailing a completed proxy card or by voting via the Internet or by telephone. Instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. To vote by mailing a proxy card, sign and return the enclosed proxy card in the enclosed prepaid and addressed envelope, and your shares will be voted at the meeting in the manner you direct. In the event that you return a signed proxy card on which no directions are specified, your shares will be voted FOR each of the Board nominees (Proposal No. 1); FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2012 (Proposal No. 2); FOR approval of the amendment to our 2007 Omnibus Incentive Plan to increase the portion of the aggregate number of 9,860,662 shares of our common stock currently available for grant under the plan that we may issue as incentive stock options so that the maximum number of shares available for issuance as incentive stock options over the term of the plan may not exceed 9,860,662 shares (Proposal No. 3); and in the discretion of the proxy holders as to any other matters that may properly come before the meeting. You may revoke or change a previously delivered proxy at any time before the meeting by delivering another proxy with a later date or by sending written notice of revocation of your proxy to our Secretary at our principal executive offices for receipt before the beginning of the meeting. You may also revoke your proxy by attending the meeting and voting in person. Attendance at the meeting will not in and of itself revoke a valid proxy that was previously delivered; you must also vote in person at the meeting to do so.

If your shares are registered in the name of a bank or brokerage firm, you will receive instructions from the holder of record that must be followed in order for the record holder to vote the shares in accordance with your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the phone or via the Internet. If Internet or telephone voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card in the addressed, postage paid envelope provided.

**Delivery of Proxy Materials to Households.** Householding is a program, approved by the Securities and Exchange Commission, or the SEC, which allows companies and intermediaries such as banks or brokers to satisfy the delivery requirements for proxy statements and annual reports by delivering only one package of stockholder proxy material to any household at which two or more stockholders reside. If you and other residents at your mailing address own shares of our common stock in street name, your broker or bank may have notified you that your household will receive only one copy of our proxy materials. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account. If you hold shares of our common stock in your own name as a holder of record, householding will not apply to your shares.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 16, 2012**

Copies of this Proxy Statement and our 2011 Annual Report to Stockholders are also available online at [www.inovio.com](http://www.inovio.com).

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our Board currently consists of six members and will be reduced to five members at the time of our Annual Meeting. There are five nominees for director this year: Avtar Dhillon, M.D., J. Joseph Kim, Ph.D., Simon X. Benito, Morton Collins, Ph.D. and Adel A. F. Mahmoud, M.D., Ph.D. Each of the nominees is currently one of our directors. Keith H. Wells, Ph.D., term as a director will expire at the 2012 Annual Meeting of Stockholders.

If elected, the nominees will serve as directors until our Annual Meeting of Stockholders in 2013 and until their successors are elected and qualified. If a nominee declines to serve or becomes unavailable for any reason, the proxies may be voted for such substitute nominee as the proxy holders may designate.

**Information Regarding Directors**

The information set forth below as to the nominees for director has been furnished to us by the nominees.

**Nominees for Election to Our Board**

<b>Name</b>	<b>Age</b>	<b>Present Position with the Company</b>
Avtar Dhillon, M.D.	51	Chairman of the Board of Directors
J. Joseph Kim, Ph.D.	43	President, Chief Executive Officer and Director
Simon X. Benito	67	Director
Morton Collins, Ph.D.	76	Director
Adel A. F. Mahmoud, M.D., Ph.D.	70	Director

*Avtar Dhillon, M.D.* joined us as our President and Chief Executive Officer, and as a director, in October 2001, served as our Chairman and President from June 1, 2009 to October 6, 2009, and served as Executive Chairman until August 1, 2011. Effective August 1, 2011, Dr. Dhillon became our Non-Executive Chairman, transitioning from Executive Chairman. Dr. Dhillon brings to our Board his prior experience in senior management positions with us and with our products and assets, extensive public company governance and capital markets experience and significant industry expertise and contacts. Prior to joining us, Dr. Dhillon was engaged by MDS Capital Corp. (now Lumira Capital Corp.), one of North America's leading healthcare venture capital organizations, as a consultant in July 1998, and subsequently became Investment Manager in August 1999 and Vice President in 2000. In July 1989, Dr. Dhillon started a medical clinic and subsequently practiced family medicine for over 12 years. From March 1997 to July 1998, Dr. Dhillon served as consultant to Cardiome Pharmaceuticals, a biotechnology company listed on NASDAQ National Market and the Toronto Stock Exchange. Dr. Dhillon has a Bachelor of Science, honors degree in physiology and M.D. degree from the University of British Columbia. Dr. Dhillon is also the Chairman of Stevia First Corporation, a publicly traded early stage agri-bio business, and a director of Auricle Biomedical, a capital pool company. Dr. Dhillon has also served since March 2011 as the Non-Executive Chairman of OncoSec Medical, Inc.

*J. Joseph Kim, Ph.D.* joined us as our Chief Executive Officer and a director on June 1, 2009 and also became our President on October 6, 2009. Dr. Kim is a principal architect of our SynCon<sup>®</sup> vaccine technology platform and his leadership is central to our business of discovering, developing, and delivering DNA vaccines. He was co-founder of VGX Pharmaceuticals, Inc., or VGX, and its former President, Chief Executive Officer and a director from 2000 to June 2009. Prior to joining VGX, Dr. Kim led efforts in manufacturing and process development of several FDA-approved products and developmental therapeutics at Merck. These products include FDA-approved vaccines for Hepatitis as well as developmental vaccines and therapeutics for HIV/AIDS. Dr. Kim has published over 100 peer-reviewed scientific papers and book chapters, holds numerous patents and sits on several editorial boards and review panels. In 2002, Dr. Kim was named as one of the world's top 100 young innovators by Technology Review magazine and as one of the 40 under 40 by the *Philadelphia Business Journal*, which highlights the most dynamic professionals who are under 40 years of age in the region. Dr. Kim

was also selected on the list of the 50 Most Influential Men in the October 2003 and in the October 2006 Power Issue of *Details Magazine*. In 2004, Dr. Kim and VGX were selected as one of 30 Technology Pioneers by the World Economic Forum. Furthermore, Dr. Kim was featured in the Who's Next 2005 issue of *Newsweek International*, which included a group of 10 leaders, scientists, and executives at the forefront of change and impact in the world. Most recently in 2006, Dr. Kim has been named a Young Global Leader by the Forum of Young Global Leaders, an affiliate of the World Economic Forum. Dr. Kim was among 175 leading executives, public figures and intellectuals under the age of 40 from 50 countries. Dr. Kim has also been featured in articles in *Forbes* and *the New Yorker* and in numerous other Media Outlets. Dr. Kim was trained in economics, engineering and biological sciences at MIT where he was a U.S. Senate Honors Scholar. He holds a Ph.D. in Biochemical Engineering from the University of Pennsylvania and an MBA in Finance from the Wharton School.

*Simon X. Benito* has served on our Board since December 2003 and brings to our Board formal accounting and financial training and expertise, deep public company board experience, senior management experience in the health care industry, and important industry contacts. Prior to his retirement, Mr. Benito had a successful and extensive career serving several health care companies in senior executive positions, including 25 years at Merck & Co, Inc. His most recent positions included Senior Vice President, Merck Vaccine Division; Executive Vice President, Merck-Medco Managed Care; and Executive Director and Vice President, Merck Human Health, Japan. In addition, Mr. Benito was a Fellow of the Institute of Chartered Accountants in England and Wales for over 30 years until his retirement in 1999. Since April 2005, Mr. Benito has served as a director of DURECT Corporation, a publicly traded specialty pharmaceutical company.

*Morton Collins, Ph.D.* has served on our Board since June 1, 2009 and brings to our Board significant experience in raising and deploying capital for life sciences companies, extensive business and board experience in the life science industry and important industry contacts. Dr. Collins was previously a director of VGX from June 2008 to June 2009. Dr. Collins has been a General Partner of Cardinal Partners since July 2003 and Innovation Valley Partners since August 2005. For the past 40 years, Dr. Collins has acquired broad expertise in venture capital funding of early-stage high-technology companies as a founder and managing partner of five different funds, Data Science Ventures I, II, III, and IV and Cardinal Partners. He chaired President Reagan's Task Force on Innovation and Entrepreneurship and served as a technology policy advisor to President George H. W. Bush. He is a former President, Director and Chairman of the National Venture Capital Association, and currently serves as Director to Kopin Corporation and several private companies. Dr. Collins holds a B.S. in Engineering from the University of Delaware, and his M.A. and Doctorate degrees in Engineering from Princeton University.

*Adel A. F. Mahmoud, M.D., Ph.D.* joined our Board on March 26, 2012 and brings to our Board his expertise as a world renowned vaccine leader and infectious disease expert. Dr. Mahmoud is at The Woodrow Wilson School of Public and International Affairs and The Department of Molecular Biology at Princeton University. He has recently retired as President of Merck Vaccines and member of Management Committee of Merck & Company, Inc. His prior academic services at Case Western Reserve University and University Hospitals of Cleveland spanned 25 years concluding as Chairman of Medicine and Physician-in-Chief from 1987 to 1998. Dr. Mahmoud's academic pursuits focused on investigations of the biology and function of eosinophils particularly in host resistance to helminthic infections as well as determinants of infection and disease in human schistosomiasis and other infectious agents. At Merck, Dr. Mahmoud led the effort to develop four new vaccines which have been launched in 2005-2006, including: combination of Measles, Mumps, Rubella and Varicella; Rota Virus; Shingles and Human Papillomavirus. Dr. Mahmoud's leadership in setting strategies for Global Health shaped the agenda of the Forum on Microbial Threats of the Institute of Medicine in recent years by tackling topical issues such as biological threats and bioterrorism; SARS; Pandemic Flu and others. He is an active contributor to scientific literature and authored and edited several textbooks and reports. Dr. Mahmoud received his M.D. degree from the University of Cairo in 1963 and Ph.D from the University of London, School of Hygiene and Tropical Medicine in 1971. He was elected to membership of the American Society for Clinical Investigation in 1978, the Association of American Physicians in 1980 and the Institute of Medicine of the

National Academy of Sciences in 1987. He received the Bailey K. Ashford Award of the American Society of Tropical Medicine and Hygiene in 1983, and the Squibb Award of the Infectious Diseases Society of America in 1984. Dr. Mahmoud is a fellow of the American College of Physicians and a member of the Expert Advisory Panel on Parasitic Diseases of the World Health Organization. He served on the National Advisory Allergy and Infectious Diseases Council and is a past president of the Central Society for Clinical Research and the International Society for Infectious Diseases.

During the year ended December 31, 2011, our Board met seven times, the Audit Committee met four times, the Nomination and Corporate Governance Committee met five times and the Compensation Committee met eight times. Each director attended at least 75% of the aggregate number of meetings held by (i) our Board and (ii) those committees of our Board on which he served.

#### **Committees of Our Board and Attendance at Board Meetings**

Under our Corporate Governance Policy, we expect our directors to attend our Annual Meeting of Stockholders. At our 2011 Annual Meeting of Shareholders all of our directors attended except one.

##### ***Audit Committee***

The functions of the Audit Committee include retaining our independent registered public accounting firm, reviewing its independence, reviewing and approving the planned scope of our annual audit, reviewing and approving any fee arrangements with our independent registered public accounting firm, overseeing its audit work, reviewing and pre-approving any non-audit services that may be performed by it, reviewing the adequacy of accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. The Audit Committee acts pursuant to a written charter that is available on our website at: [http://media.corporate-ir.net/media\\_files/irol/10/105128/corpGov/AuditCommittee.pdf](http://media.corporate-ir.net/media_files/irol/10/105128/corpGov/AuditCommittee.pdf).

The members of the Audit Committee currently are Simon X. Benito (Chair), Morton Collins and Keith H. Wells. Each member of the Audit Committee is independent under the NYSE Amex listing standards. The Board has determined that Mr. Benito is an audit committee financial expert as defined under SEC regulations.

##### ***Compensation Committee***

The Compensation Committee reviews and approves the compensation and benefits of our executive officers, including the Chief Executive Officer and directors, oversees the administration of our stock option and employee benefits plans, and reviews general policy relating to compensation and benefits. The Compensation Committee may from time to time delegate duties or responsibilities to subcommittees or to one member of the Compensation Committee. The Compensation Committee acts pursuant to a written charter that is available on our website at: [http://media.corporate-ir.net/media\\_files/irol/10/105128/corpGov/CompCommit.pdf](http://media.corporate-ir.net/media_files/irol/10/105128/corpGov/CompCommit.pdf).

The members of the Compensation Committee currently are Morton Collins (Chair), Simon X. Benito and Keith Wells. Each member of the Compensation Committee is independent under the NYSE Amex listing standards.

In the first quarter of 2011, the Compensation Committee engaged J. Richard and Company to prepare a compensation study and make recommendations regarding the amount and form of our executive and non-employee director compensation. This analysis was used to determine appropriate levels of compensation for our executive officers.

##### ***Nomination and Corporate Governance Committee***

The Nomination and Corporate Governance Committee identifies prospective candidates to serve on our Board, recommends nominees for election to our Board, develops and recommends Board member selection criteria, considers committee member qualification, recommends corporate governance principles to our Board,

and provides oversight in the evaluation of our Board and each committee. The Nomination and Corporate Governance Committee acts pursuant to a written charter on our website at: [http://media.corporate-ir.net/media\\_files/irol/10/105128/corpGov/NomandCorpGov.pdf](http://media.corporate-ir.net/media_files/irol/10/105128/corpGov/NomandCorpGov.pdf).

The members of the Nomination and Corporate Governance Committee currently are Keith H. Wells (Chair), Simon X. Benito and Morton Collins. Each member of the Nomination and Corporate Governance Committee is independent under the NYSE Amex listing standards.

### **Director Nominations**

The Nomination and Corporate Governance Committee evaluates and recommends to our Board director nominees for each election of directors. As stated in our Corporate Governance Policy, our Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity.

Specifically, in fulfilling its responsibilities, the Nomination and Corporate Governance Committee considers the following factors: (i) the appropriate size of our Board and its committees; (ii) our needs with respect to the particular talents and experience of its directors; (iii) the knowledge, skills and experience of nominees, including experience in our industry, business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of our Board; (iv) experience with accounting rules and practices; (v) applicable regulatory and securities exchange/association requirements (including the NYSE Amex qualitative listing standards); and (vi) a balance between the benefit of continuity and the desire for a fresh perspective provided by new members.

The Nomination and Corporate Governance Committee's goal is to assemble a board that brings to us a variety of perspectives and skills, and sound business understanding and judgment, derived from high quality business, professional, governmental, community, scientific or educational experience. In doing so, the Nomination and Corporate Governance Committee also considers candidates with appropriate non-business backgrounds.

Other than the foregoing factors, there are no stated minimum criteria for director nominees. However, the Nomination and Corporate Governance Committee may also consider such other factors as it may deem are in our best interests and the interests of our stockholders. The Nomination and Corporate Governance Committee does, however, recognize that under applicable regulatory requirements at least one member of our Board must meet the criteria for an audit committee financial expert as defined by SEC rules. The Nomination and Corporate Governance Committee also believes it appropriate for our Chief Executive Officer to participate as a member of our Board. Further, the Committee believes that the continuing service of qualified incumbent directors promotes stability and continuity in the board room, while giving us the benefit of familiarity and insight into our affairs that directors have accumulated during their tenure, and therefore generally re-nominates incumbent directors who continue to satisfy the Committee's criteria for membership on our Board.

All directors and director nominees are required to submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nomination and Corporate Governance Committee.

We do not have a written policy with respect to Board diversity; however, our Corporate Governance Policy states that the assessment of director nominees will include consideration of diversity, skills and experience in the context of the needs of our Board. The Nominating and Corporate Governance Committee and our Board believe that a diverse board leads to improved company performance by encouraging new ideas, expanding the knowledge base available to management and fostering a boardroom culture that promotes innovation and vigorous deliberation.

The Nomination and Corporate Governance Committee identifies nominees by first evaluating the current members of our Board who are willing to continue in service. The Committee considers for re-nomination current members of our Board with skills and experience that are relevant to our business balancing the value of continuity of service by existing members of our Board with that of obtaining a new perspective. If any member of our Board does not wish to continue in service, the Nomination and Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Nomination and Corporate Governance Committee and our Board will be consulted for suggestions as to individuals meeting the criteria of the Nomination and Corporate Governance Committee. Research may also be performed to identify qualified individuals. If the Nomination and Corporate Governance Committee believes that our Board requires additional candidates for nomination, the Nomination and Corporate Governance Committee may explore alternative sources for identifying additional candidates. This may include engaging, as appropriate, a third party search firm to assist in identifying qualified candidates.

The Nomination and Corporate Governance Committee will consider nominees recommended by stockholders. Our bylaws provide that nominations shall be made pursuant to timely notice in writing to our corporate secretary. To be timely, in the case of a stockholder seeking to have a nomination included in our proxy statement, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 120 days or more than 180 days prior to the first anniversary of the date on which we first mailed our proxy materials (or, in the absence of proxy materials, our notice of meeting) for the previous year's annual meeting of stockholders. However, if we did not hold an annual meeting the previous year, or if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, then notice by the stockholder to be timely must be delivered to our corporate secretary at our principal executive offices not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made. If the stockholder is not seeking inclusion of the nomination in our proxy statement, timely notice consists of a stockholder's notice delivered to or mailed and received at our principal executive offices not less than 90 days prior to the date of the annual meeting.

The stockholder's notice relating to director nomination(s) shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of our capital stock which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, or the Exchange Act; (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder, and (ii) the class and number of shares of our capital stock that are beneficially owned by the stockholder; (c) as to the stockholder giving the notice and any Stockholder Associated Person, as described below, to the extent not set forth pursuant to the immediately preceding clause, whether and the extent to which any Relevant Hedge Transaction, as described below, has been entered into, and (d) as to the stockholder giving the notice and any Stockholder Associated Person, (1) whether and the extent to which any Derivative Instrument is directly or indirectly beneficially owned, (2) any rights to dividends on our shares owned beneficially by such stockholder that are separated or separable from the underlying shares, (3) any proportionate interest in our shares or Derivative Instruments, as described below, held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (4) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of our shares or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date). We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director.

For purposes of our bylaws:

A **Stockholder Associated Person** of any stockholder means (i) any person controlling or controlled by, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of our stock owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person;

A **Relevant Hedge Transaction** is any hedging or other transaction or series of transactions, or any other agreement, arrangement or understanding (including, but not limited to, any short position or any borrowing or lending of shares of stock), the effect or intent of which is to mitigate loss or increase profit to or manage the risk or benefit of stock price changes for, or to increase or decrease the voting power of, a stockholder with respect to any share of our stock; and

**Derivative Instrument** means any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of our shares, whether or not such instrument or right shall be subject to settlement in the underlying class or series of our capital stock or otherwise, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of our shares.

#### **Corporate Governance**

Our Corporate Governance Policy, our Code of Business Conduct and Ethics, including our Code of Ethics, and the charters of the committees of our Board are available on our website, [www.Inovio.com](http://www.Inovio.com).

#### **Communications Policy**

Our Board has procedures in place designed to ensure effective communication among us, our stockholders, prospective investors and the public, including the dissemination of information on a regular and timely basis. Stockholders who want to communicate with our Board or any individual director can write to our Secretary at the following address: 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422. Your letter should indicate that you are one of our stockholders. Depending on the subject matter, management will:

Forward the communication to the director or directors to whom it is addressed;

Attempt to handle the inquiry directly, for example, where it is a request for information about us or it is a stock-related matter; or

Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

#### **Board Leadership Structure**

Our Board currently separates the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. Our Chief Executive Officer is responsible for setting our strategic direction and our day-to-day leadership and performance, while the Chairman of the Board provides guidance to the Chief Executive Officer, works with the Chief Executive Officer in setting the agenda for Board meetings and presides over meetings of the full Board. However, our Board believes it should be able to freely select the Chairman of the Board based on criteria that it deems to be in our best interests and the interests of our stockholders, and therefore one person may, in the future, serve as both our Chief Executive Officer and Chairman of the Board.

The functions of our Board are carried out by the full Board and, when delegated, by the Board committees. Each director participates in our major strategic and policy decisions.

### **Board Role in Risk Management**

The risk oversight function of our Board is carried out by both the Board and the Audit Committee. Management prepares and presents an annual business plan to the Board, which identifies risks associated with our operations and is reviewed quarterly by the Board. As provided in its charter, the Audit Committee meets periodically with management to discuss major financial and operating risk exposures and the steps, guidelines and policies taken or implemented related to risk assessment and risk management. Matters of strategic risk are considered by our Board. Each quarter management reports to the Audit Committee on legal, finance, accounting and tax matters. Our Board is provided with reports on legal matters at least quarterly and on other matters related to risk oversight on an as needed basis.

### **Code of Ethics**

We have adopted a Code of Ethics, which applies to all directors, officers and employees, including the principal executive officer, principal financial and accounting officer and controller. The purpose of the Code is to promote honest and ethical conduct. The Code of Ethics is included in our Code of Business Conduct and Ethics and is available on our website and is also available in print, without charge, upon written request to our corporate secretary at 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422. Any amendments to or waivers of the Code will be promptly posted on our website at [www.Inovio.com](http://www.Inovio.com) or in a report on Form 8-K, as required by applicable laws.

### **Board Member Independence**

Our Board has determined that, except for Drs. Dhillon and Kim, all of the nominees for election to our Board listed above are, and all other individuals who served as members of our Board in 2011 were, independent as independence is defined in the NYSE Amex qualification standards. Dr. Kim was not considered independent because he is a current employee. Dr. Dhillon was not considered independent because he was an employee until his transition to Non-Executive Chairman effective August 1, 2011.

**Our Board unanimously recommends that you vote FOR each nominee listed above. The proxy holders will vote your proxy in that manner unless you specify otherwise on the accompanying proxy card.**

### **Report of the Audit Committee**

The Audit Committee oversees our financial reporting process on behalf of our Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements in our annual report with management, including a discussion of any significant changes in the selection or application of accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and the effect of any new accounting initiatives.

The Audit Committee reviewed with Ernst & Young LLP, who are responsible for expressing an opinion on the conformity of these audited consolidated financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication With Audit Committees*, (as amended), other standards of the Public Company Accounting Oversight Board (United States), rules of the SEC, and other applicable regulations. In addition, the Audit Committee has discussed with Ernst & Young LLP their independence from management and our company, has received from Ernst & Young LLP the written disclosures and the letter required by Rule 3526 of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has considered the compatibility of non-audit services with Ernst and Young's independence.

The Audit Committee met with Ernst & Young LLP to discuss the overall scope of their audit services, the results of the audit and reviews, its evaluation of the company's internal controls, including internal control over financial reporting, and the overall quality of the company's financial reporting. Ernst & Young LLP, as the company's independent registered public accounting firm, also periodically updates the audit committee about new accounting developments and their potential impact on the company's reporting. The meetings with Ernst & Young LLP were held, with and without management present. The Audit Committee is not employed by the company, nor does it provide any expert assurance or professional certification regarding the company's consolidated financial statements. The Audit Committee relies, without independent verification, on the accuracy and integrity of the information provided, and representations made, by management and the company's independent registered public accounting firm.

Based on the reviews and discussions referred to above, the Audit Committee has recommended to our Board that the audited consolidated financial statements be included in our annual report for the year ended December 31, 2011. The Audit Committee and our Board also have recommended the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012.

This Audit Committee Report is not soliciting material, is not deemed to be filed with the SEC, and is not incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made by us before or after the date hereof, regardless of any general incorporation language in any such filing, except to the extent we specifically incorporate this material by reference into any such filing.

The foregoing report has been furnished by the Audit Committee.

Simon X. Benito

Morton Collins

Keith H. Wells

Dated: April 2, 2012

### **Compensation of Directors**

#### *Non-Employee Director Compensation Program*

Effective January 1, 2012, the Compensation Committee approved an increase in the annual payment to non-employee directors from \$20,000 to \$30,000 and an increase in the annual payment to the non-employee Chairman of the Board from \$36,000 to \$41,000.

Each of our non-employee directors also receives \$1,500 for attendance at each in-person board meeting and \$750 for attendance at each telephonic board meeting. Additionally, the chairperson of each of the Audit Committee, the Compensation Committee and the Nomination and Corporate Governance Committee will each receive \$14,000, \$9,000 and \$5,000 annually, respectively, and members of the Audit Committee, the Compensation Committee and the Nomination and Corporate Governance Committee (not including chairpersons) will receive \$8,000, \$5,000 and \$3,000 annually, respectively, and \$1,000 for attendance at each meeting of such committees.

Upon their election or appointment to our Board, each of our non-employee directors will be granted an initial option to purchase up to 75,000 shares of our common stock at the then fair market value pursuant to the terms of our Amended and Restated 2007 Omnibus Incentive Plan. In addition, each non-employee director will be automatically granted an option to purchase up to 35,000 shares of our common stock if he or she remains on our Board on the date of each annual meeting of stockholders.

*2011 Non-Employee Director Option Grants*

During the year ended December 31, 2011, we granted 10-year options to purchase a total of 105,000 shares of our common stock to our non-employee directors. Messrs. Benito, Collins and Wells all received options to purchase 35,000 shares each, exercisable at \$0.89 per share. There were no options granted to Dr. Dhillon during the period in which he served as our Non-Executive Chairman of the Board, from August 1, 2011 to December 31, 2011.

**Director Compensation Table**

The following table sets forth certain information with respect to non-employee director compensation during 2011.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	Total (\$)
Dr. Avtar Dhillon(2)	19,500		19,500
Simon X. Benito(3)	59,000	25,721	84,721
Dr. Morton Collins(4)	55,500	25,721	81,221
Dr. Keith H. Wells(5)	53,000	25,721	78,721
David J. Williams(6)	10,500		10,500

- (1) Represents the grant date fair value of stock option awards computed in accordance with Financial Accounting Standards Board ( FASB ) ASC Topic 718, excluding the effect of estimated forfeitures. See Note 13 Stockholder s Equity , to our Audited Consolidated Financial Statements for the year ended December 31, 2011, for the assumptions made in determining stock compensation values.
- (2) Represents the pro rata amount of the annual fees Dr. Dhillon earned as the Non-Executive Chairman of the Board from August 1, 2011 to December 31, 2011. For information on executive compensation Dr. Dhillon earned while serving as our Executive Chairman of the Board prior to August 1, 2011, see Executive Compensation.
- (3) At December 31, 2011, Mr. Benito held options to purchase 236,250 shares of our common stock.
- (4) At December 31, 2011, Dr. Collins held options to purchase 154,812 shares of our common stock.
- (5) At December 31, 2011, Dr. Wells held options to purchase 162,662 shares of our common stock.
- (6) Effective May 1, 2011, Mr. Williams resigned as a member of the Board of Directors. At December 31, 2011, Mr. Williams held options to purchase 72,916 shares of our common stock which will expire on May 1, 2012.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of April 2, 2012 with respect to the beneficial ownership of our common stock by (i) each person known to us to be the beneficial owners of more than 5% of our common stock, (ii) each of our directors and nominees for director, (iii) each of the named executive officers and (iv) all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a stockholder and the percentage of ownership of that stockholder, shares of common stock underlying shares of convertible preferred stock, options or warrants held by that stockholder that are convertible or exercisable, as the case may be, within 60 days of April 2, 2012 are included. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Each stockholder's percentage of ownership in the following table is based upon shares of common stock outstanding as of April 2, 2012.

Beneficial Owner of Shares of Common Stock(1)(2)	Amount and Nature of Beneficial Ownership of Shares of Common Stock	Percent of Class of Shares of Common Stock
<i>5% Stockholders:</i>		
Austin W. Marx and David M. Greenhouse(3)	20,393,450	14.01%
<i>Directors, Director Nominees and Executive Officers:</i>		
Avtar Dhillon(4)	1,495,827	1.10%
J. Joseph Kim(5)	15,903,019	11.46%
Simon X. Benito(6)	257,189	*
Morton Collins(7)	614,426	*
Adel A. F. Mahmoud(8)	6,250	*
Keith H. Wells(9)	156,412	*
Mark L. Bagarazzi(10)	312,083	*
Peter D. Kies(11)	572,086	*
Niranjan Y. Sardesai(12)	567,410	*
All executive officers and directors as a group (persons)	19,884,702	14.40%

\* Less than 1%

- (1) This table is based upon information supplied by officers, directors and principal stockholders. Except as shown otherwise in the table, the address of each stockholder listed is in care of our principal executive offices at 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania 19422.
- (2) Except as otherwise indicated in the footnotes of this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.
- (3) Mr. Marx and Mr. Greenhouse share sole voting and investment power over 1,807,835 shares of common stock and 1,956,500 warrants owned by Special Situations Cayman Fund, L.P., 5,645,354 shares of common stock and 6,086,950 warrants owned by Special Situations Fund III QP, L.P., 1,345,234 shares of common stock and 1,434,800 warrants owned by Special Situations Private Equity Fund, L.P., and 1,029,827 shares of common stock and 1,086,950 warrants owned by Special Situations Life Sciences Fund, L.P. as of December 31, 2011.

- (4) Includes 1,262,495 shares of common stock issuable pursuant to options exercisable within 60 days of March 23, 2012.
- (5) Includes 1,324,620 shares underlying warrants that are exercisable within 60 days of April 2, 2012 and 2,450,210 shares issuable pursuant to options exercisable within 60 days of March 23, 2012. These shares include 3,450,000 shares of common stock held in a voting trust created upon closing of the merger with VGX. The voting trustees will vote the shares in accordance with the percentage of votes cast by all stockholders.
- (6) Includes 230,000 shares of common stock issuable pursuant to options that are exercisable within 60 days of April 2, 2012.
- (7) Includes 148,562 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.
- (8) Includes 6,250 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.
- (9) Includes 156,412 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.
- (10) Includes 312,083 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.
- (11) Includes 509,374 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.
- (12) Includes 500,610 shares of common stock issuable pursuant to options exercisable within 60 days of April 2, 2012.

**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

**Our Executive Officers**

The following table sets forth information as to persons who served as our executive officers during the year ended December 31, 2011 and as of April 2, 2012:

<b>Name</b>	<b>Age</b>	<b>Position</b>
J. Joseph Kim, Ph.D	43	President, Chief Executive Officer and Director
Avtar Dhillon, M.D.	51	Non-Executive Chairman effective August 1, 2011; Former Executive Chairman
Mark L. Bagarazzi, M.D.	51	Chief Medical Officer
Peter D. Kies	48	Chief Financial Officer
Niranjan Y. Sardesai, Ph.D	44	Chief Operating Officer

For biographical information regarding Drs. Dhillon and Kim, see Proposal 1 Election of Directors.

*Mark L. Bagarazzi, M.D. Chief Medical Officer.* Dr. Bagarazzi joined us as Chief Medical Officer in January 2010. Prior to joining Inovio, Dr. Bagarazzi was Director of Worldwide Regulatory Affairs for vaccines and biologics at Merck & Co. Dr. Bagarazzi led ongoing vaccine product and regulatory development of Merck's ZOSTAVAX<sup>®</sup>, the leading vaccine for shingles. He was responsible for global regulatory activities related to Merck vaccine candidates for the prevention of HIV/AIDS. He also successfully led the regulatory process through to FDA approval of RotaTeq<sup>®</sup>, Merck's vaccine against rotavirus. Prior to joining Merck in 2001, he was director of the HIV/AIDS program for St. Christopher's Hospital for Children in Philadelphia. Dr. Bagarazzi was an assistant professor of pediatrics at Drexel College of Medicine and is a guest lecturer on vaccines and



immunotherapeutics at the University of Pennsylvania School of Medicine. Previously, he was a guest lecturer at Johns Hopkins University. He holds several patents and has co-authored dozens of scientific papers, focused on the subject of DNA vaccines, that have been published in peer-reviewed medical journals. He holds a BS in electrical engineering magna cum laude from New Jersey Institute of Technology and received his MD degree with honors from the University of Medicine and Dentistry of New Jersey.

*Peter D. Kies Chief Financial Officer.* Mr. Kies has been employed as our Chief Financial Officer since June 2002. For the 15 years prior to joining us, Mr. Kies acquired broad expertise in the functional and strategic management of biotechnology and high technology companies across the full spectrum of corporate growth, from initial public offering to profitability. From May 1996 until joining us, he served as Chief Financial Officer for Newgen Results Corporation, and prior to that served as Controller for Cytel Corporation and as an auditor for Ernst & Young LLP. Mr. Kies holds a B.S. in Business Administration from United States International University in San Diego, California.

*Niranjan Y. Sardesai, Ph.D Chief Operating Officer.* Dr. Sardesai joined VGX Pharmaceuticals as VP Research and Development in 2006, was promoted to SVP R&D in 2007 and, with the merger of VGX with Inovio in June 2009, became SVP Research & Development of the merged company. In January 2012, Dr. Sardesai was named our Chief Operating Officer. In his expanded role, Dr. Sardesai is responsible for Corporate Development and Business Development for the company as well as leading the company's product development programs in infectious disease and cancer vaccines and vaccine delivery systems. He currently serves as the PI on an NIAID/NIH funded contract for the development of HIV vaccines and an MVI funded program for malaria vaccine development. Prior to VGX, Dr. Sardesai was the founder and President of NVision Consulting Inc., a strategy consulting firm focused on entrepreneurial life sciences companies, and he served as Director R&D at Fujirebio Diagnostics, Inc. At Fujirebio, Dr. Sardesai oversaw R&D and expansion of the oncology portfolio. Products developed under his leadership include new-to-the-world tests for mesothelioma (MESOMARK<sup>®</sup>), bladder cancer and a multi-marker test for ovarian cancer. He has authored over 40 peer-reviewed publications, presented at over 75 invited lectures and presentations, and filed several patents. Dr. Sardesai received a Ph.D. in Chemistry from the California Institute of Technology and an MBA from the Wharton School of the University of Pennsylvania, where he was the recipient of the Shils-Zeidman Award in Entrepreneurship. He completed fellowships at Scripps Research Institute and Massachusetts Institute of Technology. Dr. Sardesai received his bachelors and masters in Chemistry from the Indian Institute of Technology, Bombay.

#### **Family Relationships**

No family relationships exist between any of our directors or executive officers.

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview**

We are a biopharmaceutical company focused on the development of a new generation of vaccines, called synthetic vaccines, focused on cancers and infectious diseases. The success of development companies is significantly influenced by the quality and motivation of their work force. Our compensation programs are straightforward and do not materially change from year to year. The core principle of our compensation philosophy for executive officers continues to be a strong pay-for-performance structure that ties a significant portion of each executive officer's compensation to both corporate and individual performance. We seek to provide a competitive total compensation opportunity for our executive management team through a combination of base salary, cash incentive bonuses, long-term equity incentive compensation and benefit programs. Our pay-for-performance philosophy drives the amount of pay that is actually realized.

This Compensation Discussion and Analysis describes our compensation objectives, our executive compensation process and our policies and actions with respect to each compensation element. We describe the rationale for compensation decisions made in 2011 with respect to our President and Chief Executive Officer, our

former Executive Chairman, our Chief Medical Officer, our Chief Financial Officer and our Chief Operating Officer, who we refer to as our named executive officers.

## **Our Executive Compensation Program**

### *Program Objectives*

We design our executive compensation program to achieve the following objectives:

Motivate and reward executives whose knowledge, skills and performance are essential to our success;

Align the performance of our executives and the interests of our stockholders;

Recruit and retain executive talent; and

Support the corporate business strategy and business plan by rewarding achievement based on our expectations for results and attainment of short-term and long-term goals by our executives.

### *Compensation Process*

The Compensation Committee of our Board has the primary responsibility for determining compensation of our executives. Our Board has determined that each member of our Compensation Committee is independent as that term is defined by applicable NYSE Amex rules, is an outside director as defined in Section 162(m) of the Internal Revenue Code, or the Code, and a non-employee director as defined under Section 16 of the Exchange Act.

Our Compensation Committee determines all compensation matters for our named executive officers, including base salary, bonuses, and equity compensations. Utilizing input from our Chief Executive Officer as well as those of independent compensation consultants as needed, the Compensation Committee makes an independent decision on compensation for each executive. The Compensation Committee also oversees the Chief Executive Officers and other senior officers in making compensation determinations of our non-executive staff. The primary goal of our Compensation Committee is to closely align the interests of our named executive officers and staff with those of our stockholders. To achieve this goal, our Compensation Committee relies on compensation that is designed to attract and retain executives and other staff whose abilities are critical to our long term success, that motivates individuals to perform at their highest level and that rewards achievement. The Compensation Committee assesses performance on a number of subjective and objective factors, including the achievement of company and individual performance goals.

In making decisions regarding executive compensation, our Compensation Committee considers, among other things:

Past compensation levels of each executive and the executives as a group;

Consistency of current compensation with previous compensation decisions and benchmarks;

Existing levels of stock and stock option ownership among our executives, previous stock option grants and vesting schedules to ensure executive retention and alignment with stockholder interests;

Management recommendations; and

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General trends in executive compensation.

The Compensation Committee conducts an annual review of the Chief Executive Officer's performance and reports its evaluation to the Board. The Board reviews the Compensation Committee's evaluation and recommendation and also evaluates the Chief Executive Officer's performance according to the goals and objectives established periodically by the full Board. This review serves as the basis for the recommendation of the Compensation Committee on Chief Executive Officer compensation.

In 2011, the Compensation Committee engaged J. Richard & Co., an independent compensation consultant, to provide information to them on compensation trends and practices and to assist them in evaluating our executive compensation policy and programs. To facilitate the Compensation Committee's review and decision making for the overall compensation strategy, J. Richard & Co. provided the Compensation Committee with a survey group proxy study, general healthcare industry market data, benchmarks for stock options issuances and recommendations on types of equity awards for executives. J. Richard & Co. does not provide services to our management without the Compensation Committee's approval, but has been directed by the Compensation Committee to work in cooperation with management as necessary to gather information to carry out its obligation to the Compensation Committee.

***Competitive Considerations***

In 2011, the Compensation Committee engaged J. Richard & Co., an independent compensation consultant. In addition, the results from the 2010 Radford Global Life Sciences Survey was reviewed as a part of the ongoing analysis by the Compensation Committee to assist in their decision making. The Compensation Committee did not retain a compensation consultant to provide fiscal 2010 compensation recommendation due to the fact that executive compensation was reviewed and adjusted at the end of 2009 subsequent to the merger. As part of the Compensation Committee's ongoing review of our compensation programs for fiscal year 2011, the Committee determined the aggregate level of total compensation of our executives, the combination of elements used to compensate our executives as well as a comparison to the compensation of named executive officers of other companies. The Compensation Committee reviewed compensation levels of the companies referred to as our peer group as a reference point of compensation levels. The peer group companies are referred to collectively as our survey group. The companies in our survey group were selected based on comparability, size and similarity. The companies that comprised the survey group were as follows:

Agenus, Inc.

Alnylam Pharmaceuticals, Inc.

AVI Biopharma, Inc.

BioCryst Pharmaceuticals, Inc.

Celldex Therapeutics, Inc.

Cell Therapeutics, Inc.

Dynavax Technologies Corporation

Genvec, Inc.

Geron Corporation

Hermispherx Biopharma, Inc.

Ligand Pharmaceuticals, Inc.

Nabi Biopharmaceuticals

Novavax, Inc.

Vical Incorporated

The survey group provides a gauge of compensation levels from external sources and allows us to assess their compensation practices. We believe that executive compensation should consist of base salary that is competitive with those in our survey group, an annual incentive plan

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designed to incentivize our executive officers and equity incentive awards. During 2011, it was determined by our independent compensation consultant that the Company's officer compensation was in the lower range as compared to our survey group. As a result, compensation levels for our officers were adjusted in 2012 to be more in line with our survey group and be more competitive. We target these items of compensation to be at the 50<sup>th</sup> percentile of a combination of our survey group and market studies. We believe that this level appropriately reflects our size and the goals we have for our growth, and that will allow us to attract and retain quality executives.

### **Compensation Components**

Our executive compensation primarily consists of base salary, cash incentive compensation and long-term equity-based compensation. We place significant emphasis on performance-based incentive compensation that focuses on our executives' efforts on delivering short-term and long-term value for our stockholders without encouraging excessive risk taking.

The factors our Compensation Committee considered for each of our executives in 2011 included:

Our executives' performance during 2011 in general and as measured against predetermined performance goals;

The roles and responsibilities of our executives;

The individual experience and skills of our executives;

Any contractual commitments we have made to our executives regarding compensation; and

Compensation paid by similar companies to their executives with similar roles and responsibilities.

We have an executive compensation philosophy and goals based on attracting, retaining and rewarding experienced and talented executive officers. In addition, we believe that executive compensation should be linked to corporate performance and accomplishments that increase stockholder value. As such, our executive compensation policy focuses on aligning the interests of our executive officers with the long-term interests of our stockholders and with our corporate strategies and goals.

Base salaries of executive officers are reviewed and approved annually by our Compensation Committee and adjustments are made based on (i) salary recommendations from our Chief Executive Officer, (ii) individual performance of executive officers for the previous fiscal year, (iii) our financial results for the previous year, and (iv) our financial condition. Our Chief Executive Officer does not make recommendations regarding his own compensation. In addition, in establishing the total compensation package for our Chief Executive Officer, the Compensation Committee pursues the same objectives and policies that apply for our other executive officers.

#### ***Base Salary***

Base salary reflects job responsibilities, value to us and individual performance, taking into consideration the need to attract and retain our executives. We determine salaries for our named executive officers initially by reference to each executive's employment agreement, which we describe below. The Compensation Committee determines any increase over these salaries based upon recommendations of our Chief Executive Officer, except in the case of the Chief Executive Officer's own compensation. The Compensation Committee generally reviews base salaries of our executives annually and adjusts salaries from time to time to realign salaries with market levels, individual performance and experience.

Achievement of individual and corporate goals along with the executive officer's level of responsibility, competitive factors and our internal policies regarding salary increases were considered regarding 2011 and 2012 salary increases.

Merit-based salary increases for 2011 were 5% for J. Joseph Kim, Avtar Dhillon and Peter D. Kies. During 2011, it was determined by our independent compensation consultant J. Richard & Co. that the Company's officer compensation was in the lower range as compared to our survey group. As a result, compensation levels for our officers were adjusted in 2012 to be more in line with our survey group and be more competitive. We target these items of compensation to be at the 50th percentile of a combination of our survey group and market studies.

#### ***Performance-Based Annual Cash Incentive Compensation***

We provide for an annual cash incentive that reinforces our pay-for-performance approach. This incentive compensation is a short-term incentive program that rewards achievement of annual goals and objectives. Annual incentive awards are awarded on a discretionary basis, usually at or after the end of our fiscal year.

Each year, the Chief Executive Officer provides Company goals to the Board for review and the Board approves the goals and assigned weightings. The weightings for each goal vary year to year depending on the importance of the goal for a particular year. At the end of the year, our Board measures actual performance against the predetermined performance goals, using measurable performance parameters.

Under the 2011 annual incentive plan, the named executive officers had a targeted annual payout of between 25% and 50% of their base salary, based on the achievement of the corporate goals.

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*Highlights of the 2011 accomplishments taken into account by the Compensation Committee to determine overall corporate performance as well as the weight given to each category included the following:*

Generated human proof-of-concept DNA delivery data for DNA Vaccines

Developed high-quality research and development pipeline

Maintained strong financial position with combination of equity, licensing and grant funding and

Divested or partnered non-core programs

***Long-Term Equity-Based Incentive Compensation***

Our long-term incentive program provides an annual award, with the potential for periodic awards, which is performance based. The objective of the program is to align compensation for named executive officers over a multi-year period directly with the interests of our stockholders by motivating and rewarding creation and preservation of long-term stockholder value. We believe that we can maximize our long-term performance best if we tie the value of the long-term benefits our executives receive to our long-term performance.

The primary form of equity compensation that we have historically awarded to our executive officers is stock options. Our Compensation Committee receives preliminary recommendations for periodic stock option grants from our Chief Executive Officer. Our Compensation Committee then reviews the recommendations and recommends stock option grants for all of our officers, including our Chief Executive Officer and the other named executive officers, to our Board for approval.

Stock option awards provide our executive officers with the right to purchase shares of our common stock at a fixed exercise price typically for a period of up to ten years, subject to continued service with us in accordance with the terms of our equity incentive plans, and generally vest over four years. We do not grant stock options that have exercise prices below the fair market values of our common stock on the date of grant. We do not reduce the exercise price of stock options if the price of our common stock subsequently declines below the exercise price unless we first obtain stockholder approval. However, we do adjust the exercise price of previously granted stock options to reflect recapitalizations, stock splits, mergers, and similar events as permitted by the applicable stock plans.

We generally grant stock options to our employees, including our named executive officers, in connection with their initial employment with us. We also typically grant stock options on an annual basis as part of annual performance reviews of our employees. We grant equity incentive compensation to our executive officers because we believe doing so will motivate our executives by aligning their interest more closely with the interest of our stockholders.

On March 11, 2011 we granted stock options to purchase 250,000 shares, 150,000 shares, 120,000 shares, 120,000 shares and 120,000 shares of our common stock to J. Joseph Kim, Avtar Dhillon, Mark L. Bagarazzi, Peter D. Kies and Niranjana Y. Sardesai, respectively, at an exercise price of \$1.14 per share. On January 3, 2012, we granted stock options to purchase 50,000 shares to Niranjana Y. Sardesai at an exercise price of \$0.44 per share. On February 23, 2012, we granted 415,000 shares, 175,000 shares, 175,000 shares and 175,000 shares of our common stock to J. Joseph Kim, Mark L. Bagarazzi, Peter D. Kies and Niranjana Y. Sardesai, respectively, at an exercise price of \$0.60 per share. All stock option awards vest in four equal installments of 25% immediately as of the grant date and 25% on each anniversary thereafter.

**Other Aspects of Our Compensation Philosophy**

***Other Benefits***

We provide our named executive officers with the same employee benefits that all of our other employees receive under our broad-based benefit plans. These plans provide for health benefits, life insurance and other welfare benefits.

***Perquisites***

We do not provide our named executive officers with any retirement or welfare plan benefits that we do not provide to all of our other employees.

***Risks Related to Compensation Policies and Practices***

The Compensation Committee has considered whether our overall compensation program for employees in 2012 creates incentives for employees to take excessive or unreasonable risks that could materially harm our Company. We believe that several features of our compensation policies for management employees appropriately mitigate such risks, including a mix of long- and short-term compensation incentives that we believe is properly weighted, the uniformity of compensation practices across our Company and the use of our 2012 business plan, which the Compensation Committee regards as setting an appropriate level of risk taking for us, as a baseline for bonus plan targets for our management. We also believe our internal legal and financial controls appropriately mitigate the probability and potential impact of an individual employee committing us to a harmful long-term business transaction in exchange for short-term compensation benefits.

***Recoupment Policy***

In order to align further management's interests with the interests of our stockholders and to support good corporate governance practices, it is the intention of our Board to adopt a recoupment policy applicable to our annual bonus based on our results of operations and to stock options we have granted to our executive officers promptly following the definitive adoption of regulations under the Dodd-Frank Act. Subject to rules of the SEC and NYSE Amex, in the event that we are required to prepare an accounting restatement due to the material noncompliance with any financial reporting requirement under the federal securities laws, we will recover from any of our current or former executive officers, as determined in accordance with such rules, who received incentive-based compensation (including stock options awarded as compensation) during the three-year period preceding the date on which we are required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid to the executive officer under the accounting restatement and any respective profits that officer has realized from the sale of our securities during the 12-month period preceding the date on which we are required to prepare an accounting restatement.

### EXECUTIVE COMPENSATION

This section of the Proxy Statement sets forth compensation information for, Dr. J. Joseph Kim, Ph.D., our Chief Executive Officer since June 1, 2009, Dr. Avtar Dhillon, M.D., our Executive Chairman of the Board through August 1, 2011 and current Non-Executive Chairman of the Board, Dr. Mark L. Bagarazzi, M.D., our Chief Medical Officer since January 2010, Peter D. Kies, our Chief Financial Officer and Dr. Niranjana Y. Sardesai, Ph.D., our Chief Operating Officer since January 2012 (each a named executive officer and collectively the named executive officers).

#### Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for 2011, 2010 and 2009.

Name and Principal Position	Year	Salary \$(1)	Bonus (\$)	Option Awards \$(5)	All Other Compensation (\$)	Total (\$)
Dr. J. Joseph Kim, President, Chief Executive Officer and Director	2011	422,325	237,600(2)	235,422	8,250(6)	903,597
	2010	362,525	153,090(3)		9,122(6)	524,737
	2009	179,372	132,300(4)	360,528		672,200
Dr. Avtar Dhillon, Non-Executive Chairman; Former Executive Chairman(9)	2011	296,314	59,535(2)	141,253	160,100(10)	657,202
	2010	374,943	480,048(8)		5,234(6)	860,225
	2009	511,856	444,136(7)	160,950	3,814(6)	1,120,756
Dr. Mark L. Bagarazzi, Chief Medical Officer	2011	246,579	81,000(2)	113,003	4,383(6)	444,965
	2010					
	2009					
Peter D. Kies, Chief Financial Officer	2011	257,351	78,300(2)	113,003	4,786(6)	453,440
	2010	229,568	51,750(3)		1,415(6)	282,733
	2009	223,700	255,056(7)	109,446		588,202
Dr. Niranjana Y. Sardesai, Chief Operating Officer	2011	258,830	81,000(2)	113,003	6,927(6)	459,760
	2010					
	2009					

- (1) Salary includes contributions made by the employee to our 401(k) plan and vacation payouts (if applicable).
- (2) Bonus payments for 2011 were made in March 2012.
- (3) Bonus payments for 2010 were made in March 2011.
- (4) Bonus payments for 2009 were made in February 2010.
- (5) Represents the grant date fair value of stock options computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. See Note 13 Stockholder's Equity, to our Audited Consolidated Financial Statements for the year ended December 31, 2011 for the assumptions made in determining stock compensation values.
- (6) Represents 401(k) match amounts for the respective years.

- (7) Includes closing bonuses issued in connection with our merger with VGX per employee agreements (payments were made in June 2009) and 2009 bonuses (payments were made in February 2010). We agreed to the provision of such closing payments as an incentive to retain these named executive officers' services post-merger, in recognition of the fact that each of them would have been eligible for full severance under his prior employment agreement had he terminated employment in conjunction with the merger, and in recognition of their agreements to alter the structure and scope of his prior severance arrangements in his new employment agreement.

- (8) Includes closing bonuses issued in connection with our merger with VGX per employee agreements (payments were made in June 2010) and 2010 bonuses (payments were made in March 2011). See note (7) above.
- (9) Effective August 1, 2011, Dr. Dhillon transitioned from Executive Chairman to Non-Executive Chairman. Executive Compensation was earned from January 1, 2011 to August 1, 2011, the period in which Dr. Dhillon was our Non-Executive Chairman.
- (10) Represents severance payments per Dr. Dhillon's employment agreement and 401(k) match amounts from January 1, 2011 to August 1, 2011.

**Grants of Plan Based Awards**

The following table sets forth certain information with respect to stock and option awards and other plan-based awards granted to our named executive officers during 2011.

Name	Grant Date(1)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards(\$)
J. Joseph Kim	3/11/11	250,000	\$ 1.14	\$ 235,422
Avtar Dhillon(2)	3/11/11	150,000	\$ 1.14	\$ 141,253
Mark L. Bagarazzi	3/11/11	120,000	\$ 1.14	\$ 113,003
Peter D. Kies	3/11/11	120,000	\$ 1.14	\$ 113,003
Niranjan Y. Sardesai	3/11/11	120,000	\$ 1.14	\$ 113,003

- (1) These awards vest 25% immediately and 25% on each anniversary thereafter.
- (2) Effective August 1, 2011, Dr. Avtar Dhillon transitioned from Executive Chairman of the Board to Non-Executive Chairman of the Board. The 150,000 option awards granted to Dr. Dhillon during 2011 were granted during the period in which Dr. Dhillon was an executive officer of the Company.

**Options Exercised Table**

There were no options exercised by our named executive officers during 2011.

**Outstanding Equity Awards at Fiscal Year-End Table**

The following tables set forth certain information with respect to outstanding equity awards held by the named executive officers at December 31, 2011.

Name	OPTION AWARDS		Option Exercise Price(\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Dr. J. Joseph Kim	981,200		1.27	05/01/2016
	588,720		1.27	01/18/2017
	245,300		1.27	09/28/2017
	196,240		1.27	09/12/2018
	210,000	70,000	1.57	09/30/2019
	62,500	187,500	1.14	03/11/2021
	2,283,960	257,500		
Dr. Avtar Dhillon	25,000		1.64	04/28/2012
	124,999		1.96	06/27/2012
	12,499		1.00	10/24/2012
	62,500		1.08	01/09/2013
	81,249		2.52	08/07/2013
	37,499		5.00	11/06/2013
	125,000		5.00	12/31/2013
	150,000		3.82	01/14/2015
	75,000		2.89	03/06/2016
	225,000		3.16	03/07/2017
	75,000		0.87	02/01/2018
	100,000		0.50	12/09/2018
93,749	31,251	1.57	09/30/2019	