

INOVIO PHARMACEUTICALS, INC.

Form 424B5

February 27, 2014

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-193698

PROSPECTUS SUPPLEMENT

To Prospectus dated February 13, 2014

18,966,000 Shares

INOVIO PHARMACEUTICALS, INC.

Common Stock

\$2.90 per share

We are offering 18,966,000 shares of our common stock.

Our common stock is listed on the NYSE MKT under the symbol INO. The last sale price of our common stock on February 26, 2014, as reported by the NYSE MKT, was \$3.73 per share.

Investing in our securities involves a high degree of risk. See Risk Factors, beginning on page S-6 of this prospectus supplement, as well as in the documents incorporated or deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus, for a discussion of the factors you should carefully consider before deciding to purchase our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Per Share	Total
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Public Offering Price	\$ 2.90	\$ 55,001,400
Underwriting Discounts and Commissions ⁽¹⁾	\$ 0.174	\$ 3,300,084
Proceeds to Us, Before Expenses	\$ 2.726	\$ 51,701,316

(1) See Underwriting for additional disclosure regarding underwriting discounts and commissions and expense reimbursement.

The underwriters expect to deliver the shares of common stock on or about March 4, 2014.

**Piper Jaffray
Brean Capital**

**Stifel
Maxim Group LLC**

The date of this prospectus supplement is February 27, 2014.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, including the documents incorporated or deemed to be incorporated herein by reference, which describes the specific terms of this offering. The second part, the accompanying prospectus, including the documents incorporated or deemed to be incorporated therein by reference, provides more general information about us and our securities. Generally, when we refer to this prospectus, we are referring to both parts of this document combined together with all documents incorporated or deemed incorporated by reference. Before you invest, you should carefully read this prospectus supplement, the accompanying prospectus, all information incorporated or deemed to be incorporated by reference herein and therein, as well as the additional information described under **Where You Can Find More Information** on page S-14 of this prospectus supplement. These documents contain information you should consider when making your investment decision. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated or deemed to be incorporated by reference therein filed prior to the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document filed after the date of this prospectus supplement and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

You should rely only on the information contained in or incorporated or deemed to be incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectuses we may provide to you in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with any information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus supplement outside the United States. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any filing that is incorporated or deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us, this offering and information appearing elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all the information you should consider before investing in our common stock pursuant to this prospectus supplement and the accompanying prospectus. Before making an investment decision, to fully understand this offering and its consequences to you, you should carefully read this entire prospectus supplement and the accompanying prospectus, including Risk Factors beginning on page S-6 of this prospectus supplement and the financial statements and related notes and the other information that we incorporated by reference herein, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q that we file from time to time.

Inovio Pharmaceuticals, Inc.

Overview

We are engaged in the discovery and development of a new generation of vaccines and immune therapies, called synthetic vaccines, focused on cancers and infectious diseases. Our DNA-based SynCon® technology is designed to provide universal protection against known as well as new unmatched strains of pathogens such as influenza and also generate strong T-cell responses to fight cancers and infectious diseases. Our preclinical development and clinical programs include cervical dysplasia/cancer (therapeutic), influenza (preventive), prostate cancer (therapeutic), hepatitis C virus, hepatitis B virus, HIV, and malaria vaccines. Our partners and collaborators include Roche, University of Pennsylvania, Drexel University, National Microbiology Laboratory of the Public Health Agency of Canada, Program for Appropriate Technology in Health/Malaria Vaccine Initiative, National Institute of Allergy and Infectious Diseases, Merck, University of Southampton, United States Military HIV Research Program, U.S. Army Medical Research Institute of Infectious Diseases, HIV Vaccines Trial Network and Department of Homeland Security.

All of our potential human products are in research and development phases. We have not generated any revenues from the sale of any such products, and we do not expect to generate any such revenues for at least the next several years. We earn revenue from license fees and milestone revenue, collaborative research and development agreements, grants and government contracts. Our product candidates will require significant additional research and development efforts, including extensive preclinical and clinical testing. All product candidates that we advance to clinical testing will require regulatory approval prior to commercial use, and will require significant costs for commercialization. We may not be successful in our research and development efforts, and we may never generate sufficient product revenue to be profitable.

Industry Background

Historical Importance of Vaccines

We believe vaccines have saved more lives and prevented more human suffering than any other human invention. As recently as a century ago, infectious diseases were the main cause of death worldwide, even in the most developed countries. Today, there is a vast range of vaccines available to protect against more than two dozen infectious diseases, especially for children. Our society has found that the only way to control or even eliminate infectious diseases is consistent, widespread use of vaccines.

Challenges Facing Vaccines

Despite the advances made to quality of life as a result of the development and use of vaccines over the past century, several significant challenges continue to exist. The technical limitations of conventional vaccine technology have constrained the development of new vaccines for other diseases. Development of vaccines based on conventional technology requires significant infrastructure in research and manufacturing, and can be time

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consuming. Safety risks associated with conventional vaccine approaches may offset their potential benefits, as the conventional vaccines we have depended upon employ either weakened or killed viruses or different parts of a virus as vaccines. Further, conventional vaccines are still grown in eggs or cells and harvested over periods of weeks with very inefficient manufacturing processes.

In addition, it is important to note a changing dynamic in the broader vaccine marketplace. Traditionally, vaccines have been predominantly focused on the pediatric market, intended to protect children from diseases that could cause them serious harm or death. Today, there is a growing interest in vaccines against diseases that may affect adolescents and adults, which include both sexually transmitted diseases and infections that strike opportunistically, such as during pregnancy, in immuno-compromised individuals, and in the geriatric population. Furthermore, there is encouraging data from and ongoing development of immunotherapies against cancers.

Inovio's Solution

With our synthetic vaccine platform comprising our SynCon[®] vaccine design process and proprietary electroporation delivery technology, we have developed a preclinical and clinical stage pipeline of vaccines that we believe has the potential to be safer than traditional vaccines (our synthetic vaccines are non-live and non-replicating therefore they cannot cause the disease), have equivalent or stronger immune-stimulating power than traditional vaccines (live viruses being the best at eliciting strong immune responses), are showing the potential to be used against diseases for which conventional vaccine technology cannot be applied, and have added advantages with respect to development time and cost. Preclinical studies in animals and initial human clinical study data have demonstrated a favorable safety profile and best-in-class immune responses that suggest the potential efficacy of our approach.

The Next Generation of Vaccines: Synthetic Vaccines

Our synthetic vaccines are designed to prevent a disease (prophylactic vaccines) or treat an existing disease (therapeutic vaccines). Our synthetic vaccine consists of a DNA plasmid encoding a selected antigen(s) that is introduced into cells of humans or animals with the purpose of having those cells produce the antigen encoded by the DNA instructions and consequently inducing an immune response to the antigen. Production by these cells of the targeted antigenic protein(s) may trigger one or both of two immune responses: the production of antibodies, known as a humoral immune response, and/or the activation of T-cells, known as a cellular or cell-mediated immune response. These responses may then neutralize or eliminate infectious agents (e.g. viruses, bacteria, and other microorganisms) or abnormal cells (e.g. malignant tumor cells). Synthetic vaccines have several advantages over traditional vaccines in that they are non-pathogenic (meaning they cannot cause the disease), may be effective against diseases which cannot be controlled by traditional vaccines, and are relatively fast, easy and inexpensive to design and produce. Synthetic vaccines are stable under normal environmental conditions for extended periods of time. Another potentially major advantage of synthetic vaccines is their relatively short development cycle. For example, synthetic vaccines against newly identified viral agents may be developed within weeks or months, as opposed to the years often required to develop a traditional vaccine candidate. In the area of cancer, synthetic vaccines use a portion of the genetic code of a cancer antigen to cause a host to produce proteins of the antigen that may induce an immune response.

Inovio's SynCon[®] Vaccines

Our synthetic vaccines are designed to generate specific antibody and/or T-cell responses. Our SynCon[®] technology provides processes that employ bioinformatics, which combine extensive genetic data and sophisticated algorithms. Our design process is based on the genetic make-up of a common antigen(s) from multiple strains of a virus within a viral sub-type or taxonomic group (family) of pathogens such as HIV, hepatitis C virus (HCV), human papillomavirus

(HPV), influenza and other diseases. We synthetically create a new antigen that represents a consensus of the DNA make-up of these multiple strains of the desired pathogen

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target. This synthetic consensus DNA sequence does not exist in nature (and is consequently patentable). This unmatched antigen has been shown to nevertheless induce a powerful immune response in humans against that antigen, providing protection not only against multiple existing strains of the same sub-type that were used to develop this synthetic antigen but to also provide protection against newly emergent strains not used in designing the vaccine. Thus, the SynCon® technology allows us to develop universal vaccines against target pathogens. These SynCon® synthetic vaccine constructs may provide a solution to the genetic shift and drift that is typical of infectious diseases. SynCon® immunogens are able to elicit broad, diverse immune responses, which in theory are important to protect against variable pathogens such as influenza, dengue, HCV and HIV.

SynCon® vaccine antigens are designed by aligning numerous primary sequences and choosing DNA-based triplets for the most common or important amino acid at each site. These antigens are further optimized for codon usage, improved mRNA stability, and enhanced leader sequences for ribosome loading. The DNA inserts are therefore optimized at the genetic level to give them high expression capability in human cells.

We believe these design capabilities allow us to better target appropriate immune system mechanisms and produce a higher level of the coded antigen to enhance the overall ability of the synthetic vaccine to induce the desired immune response.

Preclinical studies have shown that immunization of mice and non-human primates using SynCon® synthetic vaccine constructs elicited an immune response against multiple, unmatched strains within specific sub-types of HIV, HCV, HPV, dengue, prostate cancer and influenza viruses. Vaccine candidates for all these diseases are being advanced through preclinical and clinical studies.

Roche Collaboration

We have granted an exclusive worldwide license to Roche to research, develop and commercialize our multi-antigen DNA immunotherapies targeting prostate cancer and hepatitis B. Pursuant to the terms of our agreement, Roche holds an exclusive license for our DNA-based vaccines INO-5150 (targeting prostate cancer) and INO-1800 (targeting hepatitis B) as well as the use of our CELLECTRA® electroporation technology for delivery of these vaccines. Roche also has an option to exclusively license up to five additional prostate cancer antigen targets in connection with a collaborative prostate cancer research program, and we have agreed to work exclusively with Roche regarding such targets during the term of the research program, and beyond with respect to any of these targets if Roche exercises the option, and products resulting from such program. The exclusive rights granted to Roche do not prevent us from working with products outside the collaboration with respect to our electroporation delivery technology and certain of our DNA expression technologies. We are collaborating with Roche to further develop INO-5150 and INO-1800.

Pursuant to the terms of our agreement, Roche will pay for preclinical and clinical development costs. Total milestone payments upon reaching certain development and commercial milestones may potentially amount to \$412.5 million. Additional development milestone payments could also be made to us if Roche pursues other indications with INO-5150 or INO-1800. In addition, we are entitled to receive up to double-digit tiered royalties on product sales.

Corporate Information

Our executive offices are located at 1787 Sentry Parkway West, Building 18, Suite 400, Blue Bell, Pennsylvania, our telephone number is (267) 440-4200 and our Internet address is www.inovio.com. The information on our Internet website is not incorporated by reference in this prospectus and should not be considered to be part of this prospectus. Our website address is included in this prospectus as an inactive technical reference only. Unless the context otherwise requires, references in this prospectus to Inovio Pharmaceuticals, we, us, and our refer to Inovio

Pharmaceuticals, Inc.

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THE OFFERING

Common stock offered by us	18,966,000 shares.
Common stock to be outstanding after this offering	226,586,037 shares.
Over-allotment Option	We have granted the underwriters an option for a period of 30 days to purchase up to additional 2,844,900 shares of our common stock.
Use of proceeds	We intend to use the net proceeds received from the sale of our common stock for general corporate purposes, including clinical trial expenses, research and development expenses, general and administrative expenses, manufacturing expenses and potential acquisitions of companies and technologies that complement our business. There are no understandings, agreements or commitments with respect to any potential acquisitions. Please see <u>Use of Proceeds</u> on page S-8.
Risk factors	See <u>Risk Factors</u> beginning on page S-6 of this prospectus supplement, as well as the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus, for a discussion of risks you should carefully consider before investing in our securities.

NYSE MKT listing **INO**
The number of shares of our common stock to be outstanding after this offering set forth above is based on 207,620,037 shares of our common stock outstanding as of September 30, 2013.

Unless otherwise indicated, all information in this prospectus, including the number of shares of our common stock to be outstanding after this offering set forth above, excludes the following:

16,982,197 shares subject to outstanding options as of September 30, 2013, having a weighted average exercise price of \$1.20 per share;

14,639,260 shares of our common stock issuable upon exercise of outstanding warrants as of September 30, 2013, having a weighted average exercise price of \$1.23 per share; and

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38,233 shares of our common stock issuable upon conversion of outstanding preferred stock as of September 30, 2013, having a conversion price of \$6.80 per share.

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriter of its over-allotment option.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included or incorporated by reference in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks or uncertainties. In that case, the market price of our common stock could decline, and you may lose all or part of your investment in our securities.

Risks Related to this Offering

Resales of our common stock in the public market during this offering by our stockholders may cause the market price of our common stock to fall.

The issuance of new shares of our common stock in this offering could result in resales of our common stock by our current stockholders concerned about the potential dilution of their holdings. In turn, these resales could have the effect of depressing the market price for our common stock. A substantial majority of the outstanding shares of our common stock are, and all of the shares sold in this offering upon issuance will be, freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act.

As a new investor, you will incur substantial dilution as a result of this offering and future equity issuances, and as a result, our stock price could decline.

The offering price is substantially higher than the net tangible book value per share of our outstanding common stock. As a result, based on our capitalization as of September 30, 2013, investors purchasing common stock in this offering will incur immediate dilution of \$2.47 per share of common stock purchased, based on the offering price of \$2.90 per share. We are generally not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The market price of our common stock could decline as a result of sales of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, common stock after this offering or the perception that such sales could occur. See **Dilution** on page S-10 of this prospectus supplement for a more detailed discussion of the dilution you will incur in this offering.

We have broad discretion in how we use the net proceeds of this offering, and we may not use these proceeds effectively or in ways with which you agree.

Our management will have broad discretion as to the application of the net proceeds of this offering and could use them for purposes other than those contemplated at the time of this offering. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for corporate purposes that may not increase the market price of our common stock.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated or deemed to be incorporated by reference herein or therein contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We are under no obligation to update any of the forward-looking statements after the filing of this prospectus supplement to conform such statements to actual results or to changes in our expectations.

Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements due to a number of factors including, but not limited to, those set forth under the sections entitled Risk Factors in this prospectus supplement or the accompanying prospectus, in our most recent Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q, as well as any amendments or supplements thereto filed with the SEC. We qualify all of the information presented or incorporated by reference in this prospectus, and particularly our forward-looking statements, by these cautionary statements. In particular, you should note the following risk factors that could cause actual results to differ from those contained in the forward-looking statements include but are not limited to:

our history of losses;

our lack of products that have received regulatory approval;

uncertainties inherent in clinical trials and product development programs, including but not limited to the fact that pre-clinical and clinical results may not be indicative of results achievable in other trials or for other indications, that results from one study may not necessarily be reflected or supported by the results of other similar studies, that results from an animal study may not be indicative of results achievable in human studies, that clinical testing is expensive and can take many years to complete, that the outcome of any clinical trial is uncertain and failure can occur at any time during the clinical trial process, and that our electroporation technology and DNA vaccines may fail to show the desired safety and efficacy traits in clinical trials;

the availability of funding;

the ability to manufacture vaccine candidates;

the availability or potential availability of alternative therapies or treatments for the conditions we or our collaborators target, including alternatives that may be more efficacious or cost-effective than any therapy or treatment that we and our collaborators hope to develop;

whether our proprietary rights are enforceable or defensible or infringe or allegedly infringe on rights of others or can withstand claims of invalidity; and

the impact of government healthcare legislation and proposals.

You should not place undue reliance on any forward-looking statements, which we base on current expectations. Further, forward-looking statements speak only as of the date we make them, and we undertake no obligation to update publicly any of them in light of new information or future events.

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USE OF PROCEEDS

We estimate that the net proceeds to us of the sale of the common stock that we are offering will be approximately \$51.4 million, based on the public offering price of \$2.90 per share of common stock sold pursuant to this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. See [Underwriting](#) for additional disclosure regarding underwriting discounts and commissions and expense reimbursement.

We intend to use the net proceeds received from the sale of our common stock for general corporate purposes, including clinical trial expenses, research and development expenses, general and administrative expenses, manufacturing expenses and potential acquisitions of companies and technologies that complement our business. There are no understandings, agreements or commitments with respect to any potential acquisitions. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses of the proceeds from this offering. Accordingly, our management will retain broad discretion over the use of such proceeds. Pending the use of the net proceeds from this offering, we intend to invest the net proceeds in investment-grade, interest-bearing instruments.

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The following table sets forth our cash and cash equivalents, short-term investments and capitalization as of September 30, 2013, as follows:

on an actual basis; and

on an as adjusted basis to reflect our issuance and sale in this offering of 18,966,000 shares of our common stock, at the public offering price of \$2.90 per share of our common stock after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the section of this prospectus supplement entitled "Use of Proceeds" and with the financial statements and related notes and the other information that we incorporated by reference into this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q that we file from time to time.

	As of September 30, 2013	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents and short-term investments	\$ 46,172	\$ 97,618
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 1,969,383 shares authorized, 1,968,950 issued and 26 outstanding:		
Series C Convertible Preferred stock; 1,091 shares designated, 1,091 shares issued and 26 shares outstanding, actual and as adjusted	0	0
Common stock, \$0.001 par value; 600,000,000 shares authorized, 207,620,037 shares issued and outstanding, actual and 226,586,037 as adjusted	208	227
Additional paid-in capital	341,980	393,407
Accumulated deficit	(280,334)	(280,334)
Accumulated other comprehensive (loss) income	(98)	(98)
Total Inovio Pharmaceuticals, Inc. stockholders' equity	61,756	113,202
Non-controlling interest	461	461
Total capitalization	\$ 62,217	\$ 113,663

The table above excludes the following as of September 30, 2013:

16,982,197 shares subject to outstanding options, having a weighted average exercise price of \$1.20 per share;

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14,639,260 shares of our common stock issuable upon exercise of outstanding warrants, having a weighted average exercise price of \$1.23 per share; and

38,233 shares of our common stock issuable upon conversion of outstanding preferred stock, having a conversion price of \$6.80 per share.

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Purchasers of the securities offered by this prospectus supplement and the accompanying prospectus will suffer immediate and substantial dilution in the net tangible book value per share of our common stock. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers in this offering and the net tangible book value per share of our common stock immediately after this offering.

Our historical net tangible book value as of September 30, 2013 was approximately \$45.9 million, or \$0.22 per share of our outstanding common stock, based on 207,620,037 shares of common stock outstanding as of September 30, 2013.

Investors participating in this offering will incur immediate and significant dilution. After giving effect to the issuance and sale in this offering of 18,966,000 shares of our common stock at the public offering price of \$2.90 per share of our common stock after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of September 30, 2013 would have been approximately \$97.4 million, or approximately \$0.43 per share of our common stock. This amount represents an immediate increase in net tangible book value of \$0.21 per share of our common stock to existing stockholders and an immediate dilution in net tangible book value of \$2.47 per share of our common stock to investors purchasing securities in this offering. The following table illustrates this dilution:

Assumed offering price per share		\$ 2.90
Net tangible book value per share as of September 30, 2013	\$ 0.22	
Increase per share attributable to this offering	\$ 0.21	
As adjusted net tangible book value per share as of September 30, 2013, after giving effect to this offering	\$ 0.43	
Dilution per share to new investors participating in this offering		\$ 2.47

If the underwriters exercise their over-allotment option or if any shares of our common stock are issued upon exercise of outstanding options or warrants, you will experience further dilution.

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We are offering the shares of common stock described in this prospectus supplement through Piper Jaffray & Co. and Stifel, Nicolaus & Company, Incorporated as the joint book-running managers of this offering. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and the underwriters have agreed to purchase from us, the number of shares of common stock shown opposite each underwriter's name below.

Underwriters	Number of Shares
Piper Jaffray & Co.	8,345,040
Stifel, Nicolaus & Company, Incorporated	6,448,440
Brean Capital, LLC	2,275,920
Maxim Group LLC	1,896,600
Total	18,966,000

The underwriters are committed to purchase all the shares of common stock offered by us if they purchase any shares, other than those shares covered by the option to purchase additional shares of our common stock described below.

The underwriters have advised us that they propose to offer the shares of common stock directly to the public at the public offering prices set forth on the cover page of this prospectus supplement and to certain dealers at the same prices less a concession not in excess of \$0.087 per share of common stock. After the offering, these figures may be changed by the underwriters.

The underwriters have advised us that they currently intend to make a market in the common stock. However, the underwriters are not obligated to do so and may discontinue market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the common stock.

We have granted to the underwriters an option to purchase up to an additional 2,844,900 shares of common stock from us at the same price to the public as set forth on the cover page of this prospectus supplement. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus supplement.

The underwriting fee per share of common stock is equal to the public offering price per share of common stock, less the amount paid by the underwriters to us per share of common stock. The following table shows the per share underwriting discounts and commissions and the total underwriting discounts and commissions to be paid to the underwriters in connection with this offering.

	Per Share	Without Over-allotment	Total With Over-allotment
Public offering price	\$ 2.90	\$ 55,001,400	\$ 63,251,610
Underwriting discounts and commissions paid by us	\$ 0.174	\$ 3,300,084	\$ 3,795,096.60
Proceeds to us, before expenses	\$ 2.726	\$ 51,701,316	\$ 59,456,513.40

We estimate that the total fees and expenses payable by us, excluding underwriting discounts and commissions, will be approximately \$255,000. Pursuant to the terms of the underwriting agreement, we have also agreed to reimburse the underwriters for expenses, including reasonable fees and disbursements of counsel, relating to this offering of up to \$100,000, which amount is included in the above total and shall not be increased without our prior written consent.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

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We and each of our directors and executive officers are subject to lock-up agreements that prohibit us and them from offering for sale, pledging, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option, right or warrant to purchase, lend, or otherwise transferring or disposing of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock, from entering into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock, or making any demand for, or exercising any right with respect to, the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for common stock, or making any public announcement of the intention to do any of the foregoing, for a period of at least 90 days following the date of the underwriting agreement without the prior written consent of the underwriters. The lock-up agreements do not prohibit our directors and executive officers from transferring shares of our common stock for bona fide estate or tax planning purposes, subject to certain requirements, including that the transferee be subject to the same lock-up terms, participating in any exchange of underwater options with us, acquiring or exercising stock options issued pursuant to our existing stock option plans, or entering into plans that satisfy the requirements of Rule 10b5-1 under the Exchange Act, provided that no sales are made under such plans during the lock-up period.

The lock-up agreements do not prohibit us from issuing shares upon the exercise or conversion of securities outstanding on the date of this prospectus supplement. The lock-up provisions do not prevent us from selling shares to the underwriters pursuant to the underwriting agreement, or prevent us from granting options to acquire securities under our existing stock option plans or issuing shares upon the exercise or conversion of securities outstanding on the date of this prospectus supplement.

The 90-day lock-up period in all of the lock-up agreements is subject to extension if (i) during the last 17 days of the lock-up period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, in which case the restrictions imposed in these lock-up agreements shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, if, within three days of that issuance or occurrence, either underwriter publishes or otherwise distributes a research report or makes a public appearance concerning us, unless the underwriters waive the extension in writing and except to extent that our securities are actively traded securities within the meaning of Rule 101(c)(1) of Regulation M of the Exchange Act, and we otherwise satisfy the requirements set forth in Rule 139 of the Securities Act that would permit the underwriters to publish issuer-specific research reports pursuant to Rule 139 of the Securities Act.

Our shares are quoted on the NYSE MKT under the symbol **INO**.

To facilitate the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock during and after the offering. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for its own account by selling more shares of common stock than we have sold to it. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. The underwriters may close out any short position by either exercising its option to purchase additional shares or purchasing shares in the open market.

The underwriters may also engage in passive market making transactions in our common stock. Passive market making consists of displaying bids on the NYSE MKT limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the Securities and Exchange Commission limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of our common stock at a

level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

This prospectus supplement in electronic format may be made available on websites maintained by the underwriters, and the underwriters may distribute the prospectus supplement electronically.

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From time to time in the ordinary course of their respective businesses, the underwriters and certain of its affiliates may in the future engage in commercial banking or investment banking transactions with us and our affiliates.

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LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Duane Morris LLP, Philadelphia, Pennsylvania. The underwriters are being represented in connection with this offering by Dechert LLP, New York, New York.

EXPERTS

Ernst & Young LLP, an independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, and the effectiveness of our internal control over financial reporting as of December 31, 2012, as set forth in their reports, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. Our financial statements are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Our Securities and Exchange Commission filings are available to the public over the Internet at the Securities and Exchange Commission's website at www.sec.gov. Copies of certain information filed by us with the Securities and Exchange Commission are also available on our website at www.inovio.com. Our website is not a part of this prospectus supplement and is not incorporated by reference into this prospectus supplement. You may also read and copy any document we file at the Securities and Exchange Commission's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

This prospectus supplement and the accompanying prospectus omit some information contained in our registration statement in accordance with SEC rules and regulations. You should review the information contained in and exhibits filed to the registration statement for further information on us and the securities we are offering. Statements in this prospectus supplement and the accompanying prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the Securities and Exchange Commission are not intended to be comprehensive and are qualified by reference to those filings. You should review the complete document to evaluate these statements.

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INCORPORATION BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference into this prospectus supplement much of the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring you to those publicly available documents. The information that we incorporate by reference into this prospectus supplement is considered to be part of this prospectus supplement. Because we are incorporating by reference future filings with the Securities and Exchange Commission, this prospectus supplement is continually updated and those future filings may modify or supersede some of the information included or incorporated in this prospectus supplement. This means that you must look at all of the Securities and Exchange Commission filings that we incorporate by reference to determine if any of the statements in this prospectus supplement or in any document previously incorporated by reference have been modified or superseded. This prospectus supplement incorporates by reference the documents listed below (File No. 001-14888) and any future filings we make with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (in each case, other than those documents or the portions of those documents not deemed to be filed) until the offering of the securities under the registration statement of which this prospectus supplement forms a part is terminated or completed:

Annual Report on Form 10-K for the fiscal year ended December 31, 2012;

Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013, June 30, 2013 and September 30, 2013;

Current Reports on Form 8-K filed March 7, 2013, April 15, 2013, May 21, 2013, September 10, 2013, September 12, 2013, February 26, 2014 and February 27, 2014; and

The description of our common stock contained in our registration statement filed pursuant to Section 12 of the Securities Exchange Act, as modified by our reports we file under the Exchange Act.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address or phone number:

Inovio Pharmaceuticals, Inc.

10480 Wateridge Circle

San Diego, California 92121

Attn: Investor Relations

Phone: (858) 410-3140

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INOVIO PHARMACEUTICALS, INC.

\$125,000,000

Common Stock

Preferred Stock

Debt Securities

Warrants

Units

From time to time, in one or more offerings, we may offer up to \$125,000,000 aggregate dollar amount of any combination of the securities described in this prospectus, either individually or in units. We may also offer common stock or preferred stock upon conversion of debt securities, common stock upon conversion of preferred stock, or common stock, preferred stock or debt securities upon the exercise of warrants. We will provide the specific terms of these offerings and securities in one or more supplements to this prospectus. We may also authorize the provision to you of one or more free writing prospectuses in connection with these offerings. The prospectus supplement and any related free writing prospectus may also add, update or change information we include in this prospectus. You should carefully read this prospectus, the applicable prospectus supplement and any related free writing prospectus, as well as any documents we incorporate by reference, before buying any of the securities being offered.

Our common stock is traded on the NYSE MKT under the symbol INO. On February 10, 2014, the last reported sale price of our common stock on the NYSE MKT was \$2.73. The applicable prospectus supplement will contain information, where applicable, as to any other listing, if any, on the NYSE MKT or any securities market or other exchange of the securities covered by the applicable prospectus supplement.

On February 10, 2014, the aggregate market value of our outstanding common stock non-affiliates held was approximately \$542.3 million.

We may sell the securities directly to investors, through agents designated from time to time or to or through underwriters or dealers, on a continuous or delayed basis. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution in this prospectus. If any agents or underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, we will set forth in a prospectus supplement the names of such agents or underwriters and any applicable fees, commissions, discounts and over-allotment options. We will also set forth in a prospectus supplement the price to the public of such securities and the net proceeds that we expect to receive from such sale.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading Risk Factors contained in the applicable prospectus supplement and any related free writing prospectus, and under similar headings in the other documents that we incorporate by reference into this prospectus.

This prospectus may not be used to consummate a sale of any securities unless accompanied by a prospectus supplement.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus is dated February 11, 2014.

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You should rely only on the information contained in this prospectus, any applicable prospectus supplement and any related free writing prospectus, including the information we incorporate by reference as described under Where You Can Find More Information. We have not authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus, any applicable prospectus supplement or any related free writing prospectus, or any sale of a security.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the specific risks and uncertainties we describe under the caption "Risk Factors" or similar heading in our periodic reports referred to in "Where You Can Find More Information" below and, if included in an applicable prospectus supplement or free writing prospectus under the caption "Risk Factors" or similar heading in the applicable prospectus supplement. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations.

ABOUT THIS PROSPECTUS

All references in this prospectus to "Inovio," "Company," "we," "our" and "us" refer to Inovio Pharmaceuticals, Inc. and its consolidated subsidiaries unless the context otherwise requires.

This prospectus is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission, or "SEC," using a shelf registration process. Under this shelf registration process, we and certain holders of our securities may sell the securities described in this prospectus in one or more offerings, up to the total dollar amount of \$125,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we or holders of our securities offer to sell securities under this shelf registration statement, we will provide a prospectus supplement that will contain more specific information about the terms of the offering and those securities. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. The prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also modify, add to or supersede the information contained in this prospectus or in the documents we have incorporated by reference into this prospectus. You should read this prospectus together with the documents incorporated by reference, the applicable prospectus supplement and any related free writing prospectus, and with the additional information referred to below under "Where You Can Find More Information," before buying any of the securities being offered.

We have filed a registration statement on Form S-3 with the SEC relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all of the information in the registration statement. Whenever we refer in this prospectus, including other documents we incorporate by reference, to a Company contract or other document, please be aware that the reference is only a summary and that you should refer to the exhibits that are a part of the registration statement for a copy of the applicable contract or other document. We qualify all of the summaries in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the heading "Where You Can Find Additional Information."

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov>.

The SEC's rules allow us to incorporate by reference information into this prospectus. Therefore, we can disclose important information to you by referring you to any of the SEC filings we reference in the list below. Any information we refer to in this way in this prospectus or the applicable prospectus supplement is considered

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part of this prospectus or the applicable prospectus supplement. Any reports we file with the SEC after the date of this prospectus and before the date that the offering of securities by means of this prospectus terminates will automatically update and, where applicable, supersede any information contained or incorporated by reference in this prospectus or the applicable prospectus supplement.

We incorporate by reference into this prospectus the following documents or information we file with the SEC, other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules. The SEC file number for these documents is 001-31940.

Our annual report on Form 10-K for the year ended December 31, 2012 we filed with the SEC on March 18, 2013;

Our quarterly reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013 we filed with the SEC on May 10, 2013, August 9, 2013 and November 12, 2013, respectively;

Our current reports on Form 8-K we filed on March 7, 2013, April 15, 2013, May 21, 2013, September 10, 2013 and September 12, 2013;

The description of our common stock contained in our registration statement filed pursuant to Section 12 of the Securities Exchange Act of 1934, or the Exchange Act, as modified by our reports we file under the Exchange Act; and

All documents we file under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and before the termination of the offering of securities under this prospectus, other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and exhibits we file on such form that relate to such items.

Any statement contained in a document incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that any statement contained in this prospectus or in any subsequently filed document, which also is or is deemed to be incorporated by reference in this prospectus or any prospectus supplement, modifies or supersedes this statement. Any statement modified or superseded in this way will not be deemed, except as so modified or superseded, to constitute a part of this prospectus or any prospectus supplement. The information incorporated by reference contains information about us and our financial condition and performance and is an important part of this prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from Inovio Pharmaceuticals, Inc., Attention: Investor Relations, 10480 Wateridge Circle, San Diego, California, 92121, telephone (858) 410-3140.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This prospectus, including documents we incorporate by reference, any applicable prospectus supplement and any related free writing prospectus, contains forward-looking statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, the negative of such comparable terminology. These statements are only predictions. Actual events or results may differ materially.

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Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We are under no obligation to update any of the forward-looking statements after the date of this prospectus and any applicable prospectus supplement to conform such statements to actual results or to changes in our expectations.

Readers are also urged to carefully review and consider the various disclosures made by us that attempt to advise interested parties of the factors that affect our business, including without limitation the disclosures made in our quarterly report on Form 10-Q for the quarter ended September 30, 2013 under the caption Risk Factors.

Risk factors that could cause actual results to differ from those contained in the forward-looking statements include but are not limited to: our history of losses; our lack of products that have received regulatory approval; uncertainties inherent in clinical trials and product development programs, including but not limited to the fact that pre-clinical and clinical results may not be indicative of results achievable in other trials or for other indications, that results from one study may not necessarily be reflected or supported by the results of other similar studies, that results from an animal study may not be indicative of results achievable in human studies, that clinical testing is expensive and can take many years to complete, that the outcome of any clinical trial is uncertain and failure can occur at any time during the clinical trial process, and that our electroporation technology and DNA vaccines may fail to show the desired safety and efficacy traits in clinical trials; the availability of funding; the ability to manufacture vaccine candidates; the availability or potential availability of alternative therapies or treatments for the conditions targeted by us or our collaborators, including alternatives that may be more efficacious or cost-effective than any therapy or treatment that we and our collaborators hope to develop; whether our proprietary rights are enforceable or defensible or infringe or allegedly infringe on rights of others or can withstand claims of invalidity; and the impact of government healthcare proposals.

OUR COMPANY

We are engaged in the discovery and development of a new generation of vaccines and immune therapies, called synthetic vaccines, focused on cancers and infectious diseases. Our DNA-based SynCon® technology is designed to provide universal protection against known as well as new unmatched strains of pathogens such as influenza. These synthetic vaccines, in combination with our proprietary electroporation delivery, have been shown in humans to generate best-in-class immune responses with a favorable safety profile. Our preclinical development and clinical programs include cervical dysplasia/cancer (therapeutic), influenza (preventive), prostate cancer (therapeutic), leukemia (therapeutic), hepatitis C virus, hepatitis B virus, HIV, and malaria vaccines. Our partners and collaborators include Roche, University of Pennsylvania, Drexel University, National Microbiology Laboratory of the Public Health Agency of Canada, Program for Appropriate Technology in Health/Malaria Vaccine Initiative, National Institute of Allergy and Infectious Diseases, Merck, University of Southampton, United States Military HIV Research Program, U.S. Army Medical Research Institute of Infectious Diseases, HIV Vaccines Trial Network and Department of Homeland Security.

All of our potential human products are in research and development phases. We have not generated any revenues from the sale of any such products, and we do not expect to generate any such revenues for at least the next several years. We earn revenue from license fees and milestone revenue, collaborative research and development agreements, grants and government contracts. Our product candidates will require significant additional research and development efforts, including extensive preclinical and clinical testing. All product candidates that we advance to clinical testing will require regulatory approval prior to commercial use, and will require significant costs for commercialization. We may not be successful in our research and development efforts, and we may never generate sufficient product revenue to be profitable.

Our executive offices are located at 1787 Sentry Park West, Blue Bell, Pennsylvania 19422, and our telephone number is (267) 440-4200. We maintain an Internet website at www.inovio.com. Information contained in or accessible through our website does not constitute part of this prospectus.

Table of Contents**STATEMENT OF COMPUTATION OF RATIOS**

The following table sets forth our ratio of earnings to fixed charges and to combined fixed charges and preferred stock dividends for the years ended December 31, 2008, 2009, 2010, 2011, 2012 and the nine months ended September 30, 2013⁽¹⁾.

	Years Ended December 31,					Nine Months Ended
	2008	2009	2010	2011	2012	September 30, 2013
Ratio of earnings to fixed charges ⁽²⁾						

Ratio of earnings to combined fixed charges and preferred stock dividends⁽³⁾

- (1) We reported a loss for the years ended December 31, 2008, 2009, 2010, 2011, 2012 and the nine months ended September 30, 2013 and would have needed to generate additional income of \$12,965,622, \$24,458,924, \$17,638,746, \$15,304,095, \$19,712,980 and \$50,615,729, respectively, to cover our fixed charges of \$167,395, \$408,647, \$261,425, \$141,900, \$146,520 and \$225,720, respectively.
- (2) For purposes of computing the ratio of earnings to fixed charges, earnings consist of net loss plus fixed charges. Fixed charges consist of interest expense and an estimate of the interest within rental expense.
- (3) For purposes of computing the ratio of earnings to combined fixed charges and preferred stock dividends, earnings consist of net loss plus fixed charges. Combined fixed charges and preferred stock dividends consist of interest expense, an estimate of interest within rental expense and preferred stock dividends.

USE OF PROCEEDS

Except as described in any prospectus supplement or in any related free writing prospectus that we may authorize to be provided to you, we currently intend to use the net proceeds from the sale of the securities offered hereby for research and development, including clinical trials, and general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, products and technologies that are complementary to our own. Pending these uses, we expect to invest the net proceeds in short-term, investment-grade securities.

DESCRIPTION OF CAPITAL STOCK

This prospectus contains summary descriptions of the common stock, preferred stock, warrants, debt securities and units that we may offer and sell from time to time. When we offer one or more of these securities in the future, a prospectus supplement will explain the particular terms of the securities and the extent to which these general provisions may apply. These summary descriptions and any summary descriptions in the applicable prospectus supplement do not purport to be complete descriptions of the terms and conditions of each security and are qualified in their entirety by reference to our certificate of incorporation and by-laws, each as amended to date, the Delaware General Corporation Law, or DGCL, and any other documents referenced in such summary descriptions and from which such summary descriptions are derived. If any particular terms of a security described in the applicable prospectus supplement differ from any of the terms described in this prospectus, then the terms described in this prospectus will be deemed superseded by the terms set forth in that prospectus supplement.

We may issue securities in book-entry form through one or more depositories, such as The Depository Trust Company, named in the applicable prospectus supplement. Each sale of a security in book-entry form will settle in immediately available funds through the applicable depository, unless otherwise stated. We will issue the securities only in registered form, without coupons, although we may issue the securities in bearer form if so specified in the applicable prospectus supplement. If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will so indicate.

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Capital Stock

Our authorized capital stock consists of 600,000,000 shares of common stock, \$0.001 par value per share, and 10,000,000 shares of preferred stock, \$0.001 par value per share. As of January 29, 2014, there were:

211,404,957 shares of common stock outstanding; and

26 shares of Series C Cumulative Convertible Preferred Stock outstanding.

Common Stock

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and do not have any cumulative voting rights. Any election at a meeting of stockholders is determined by a plurality of the votes cast by the stockholders entitled to vote at the election, and all other matters are generally determined by a majority of the votes cast on the matter. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of funds legally available. In the event of we liquidate, dissolve or wind up, after payment of all of our debts and liabilities, and subject to the preferential rights, if any, of any outstanding preferred stock, the holders of our common stock are entitled to share ratably in all assets. Our common stock has no preemptive or conversion rights or other subscription rights, and there are no redemptive or sinking funds provisions applicable to the our common stock. We have received full payment for all outstanding shares of our common stock and cannot require our stockholders to make further payments on the stock.

Preferred Stock

Pursuant to our amended and restated certificate of incorporation, our board of directors has the authority, without further action by the stockholders (unless such stockholder action is required by applicable law or NYSE Amex rules), to designate and issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the designations, powers, preferences and rights of the shares of each wholly unissued series, and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

We will fix the designations, powers, preferences and rights of the preferred stock of each series, as well as the qualifications, limitations or restrictions thereon, in the certificate of designation relating to that series. We will file as an exhibit to the registration statement of which this prospectus is a part, or will incorporate by reference from reports that we file with the SEC, the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of that series of preferred stock. This description will include:

the title and stated value;

the number of shares we are offering;

the liquidation preference per share;

the purchase price;

the dividend rate, period and payment date and method of calculation for dividends;

whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;

the procedures for any auction and remarketing, if any;

the provisions for a sinking fund, if any;

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the provisions for redemption or repurchase, if applicable, and any restrictions on our ability to exercise those redemption and repurchase rights;

any listing of the preferred stock on any securities exchange or market;

whether the preferred stock will be convertible into our common stock, and, if applicable, the conversion price, or how it will be calculated, and the conversion period;

whether the preferred stock will be exchangeable into debt securities, and, if applicable, the exchange price, or how it will be calculated, and the exchange period;

voting rights, if any, of the preferred stock;

preemptive rights, if any;

restrictions on transfer, sale or other assignment, if any;

whether interests in the preferred stock will be represented by depositary shares;

a discussion of any material United States federal income tax considerations applicable to the preferred stock;

the relative ranking and preferences of the preferred stock as to dividend rights and rights if we liquidate, dissolve or wind up our affairs;

any limitations on the issuance of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock as to dividend rights and rights if we liquidate, dissolve or wind up our affairs; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the preferred stock.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. Preferred stock could be issued quickly with terms designed to delay or prevent a change in control of our company or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock.

Stock Options, Warrants and Convertible Preferred Stock

As of January 29, 2014, we have reserved 32,663,112 shares of common stock for issuance under our equity compensation plans, upon exercise of outstanding stock options, warrants or upon conversion of outstanding convertible preferred stock. Of this number, we have reserved 16,458,431 shares for issuance upon exercise of outstanding options that we previously granted under our stock option plans, 3,128,887 shares for issuance upon exercise of options that we may grant in the future under our stock option plans, 13,037,561 shares for issuance upon exercise of outstanding warrants and 38,233 shares for issuance upon conversion of outstanding shares of preferred stock.

Delaware Anti-Takeover Law and Certain Charter Provisions

Delaware Section 203. We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation

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outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding, those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or subsequent to such date, the board of directors approves the business combination and stockholders authorize the business combination at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that the interested stockholder does not own.

A business combination includes a merger, asset or stock sale or other transaction resulting in financial benefit to the stockholder. An interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of a corporation's outstanding voting stock.

Charter Provisions. Our amended and restated certificate of incorporation includes the following provisions, among others:

the authority of our board of directors to issue shares of undesignated preferred stock and to determine the rights, preferences and privileges of these shares, without stockholder approval;

all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent; and

the elimination of cumulative voting.

Indemnification. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify officers and directors against losses as they incur in investigations and legal proceedings resulting from their services to us, which may include service in connection with a takeover.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. We intend these provisions to enhance the likelihood of continued stability in the composition of our board of directors and in the policies they implement, and to discourage certain types of transactions that may involve an actual or threatened change of our control. We designed these provisions to reduce our vulnerability to an unsolicited acquisition proposal. We also intend for the provisions to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare. Its address is 3rd Floor 510 Burrard St., Vancouver, BC V6C 3B9, and its telephone number is (604) 661-0258. The transfer agent for any series of preferred stock that we may offer under this prospectus will be named and described in the prospectus supplement for that series.

DESCRIPTION OF DEBT SECURITIES

We may issue debt securities, in one or more series, as either senior or subordinated debt or as senior or subordinated convertible debt. While the terms we have summarized below will apply generally to any debt securities that we may offer under this prospectus, we will describe the particular terms of any debt securities that we may offer in more detail in the applicable prospectus supplement. The terms of any debt securities offered under a prospectus supplement may differ from the terms described below. Unless the context requires otherwise, whenever we refer to the indentures, we also are referring to any supplemental indentures that specify the terms of a particular series of debt securities.

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We will issue the senior debt securities under the senior indenture that we will enter into with the trustee named in the senior indenture. We will issue the subordinated debt securities under the subordinated indenture that we will enter into with the trustee named in the subordinated indenture. The indentures will be qualified under the Trust Indenture Act of 1939. We use the term *debenture trustee* to refer to either the trustee under the senior indenture or the trustee under the subordinated indenture, as applicable. We have filed forms of indentures to the registration statement of which this prospectus is a part, and supplemental indentures and forms of debt securities containing the terms of the debt securities being offered will be filed as exhibits to the registration statement of which this prospectus is a part or will be incorporated by reference from reports that we file with the SEC.

The following summaries of material provisions of the senior debt securities, the subordinated debt securities and the indentures are subject to, and qualified in their entirety by reference to, all of the provisions of the indenture applicable to a particular series of debt securities. We urge you to read the applicable prospectus supplements and any related free writing prospectuses related to the debt securities that we may offer under this prospectus, as well as the complete indentures that contain the terms of the debt securities. Except as we may otherwise indicate, the terms of the senior indenture and the subordinated indenture are identical.

General

We will describe in the applicable prospectus supplement the terms of the series of debt securities being offered, including:

the title;

the principal amount being offered, and if a series, the total amount authorized and the total amount outstanding;

any limit on the amount that may be issued;

whether or not we will issue the series of debt securities in global form, the terms and who the depository will be;

the maturity date;

whether and under what circumstances, if any, we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes, and whether we can redeem the debt securities if we have to pay such additional amounts;

the annual interest rate, which may be fixed or variable, or the method for determining the rate and the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

whether or not the debt securities will be secured or unsecured, and the terms of any secured debt;

the terms of the subordination of any series of subordinated debt;

the place where payments will be payable;

restrictions on transfer, sale or other assignment, if any;

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the date, if any, after which, and the price at which, we may, at our option, redeem the series of debt securities pursuant to any optional or provisional redemption provisions and the terms of those redemption provisions;

the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund or analogous fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of debt securities and the currency or currency unit in which the debt securities are payable;

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whether the indenture will restrict our ability and/or the ability of our subsidiaries to:

incur additional indebtedness;

issue additional securities;

create liens;

pay dividends and make distributions in respect of our capital stock and the capital stock of our subsidiaries;

redeem capital stock;

place restrictions on our subsidiaries' ability to pay dividends, make distributions or transfer assets;

make investments or other restricted payments;

sell or otherwise dispose of assets;

enter into sale-leaseback transactions;

engage in transactions with stockholders and affiliates;

issue or sell stock of our subsidiaries; or

effect a consolidation or merger;

whether the indenture will require us to maintain any interest coverage, fixed charge, cash flow-based, asset-based or other financial ratios;

a discussion of any material United States federal income tax considerations applicable to the debt securities;

information describing any book-entry features;

provisions for a sinking fund purchase or other analogous fund, if any;

the applicability of the provisions in the indenture on discharge;

whether the debt securities are to be offered at a price such that they will be deemed to be offered at an original issue discount as defined in paragraph (a) of Section 1273 of the Internal Revenue Code;

the denominations in which we will issue the series of debt securities, if other than denominations of \$1,000 and any integral multiple thereof;

the currency of payment of debt securities if other than U.S. dollars and the manner of determining the equivalent amount in U.S. dollars; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, including any additional events of default or covenants provided with respect to the debt securities, and any terms that may be required by us or advisable under applicable laws or regulations.

Conversion or Exchange Rights

We will set forth in the prospectus supplement the terms on which a series of debt securities may be convertible into or exchangeable for our common stock or our other securities. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of shares of our common stock or our other securities that the holders of the series of debt securities receive would be subject to adjustment.

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Consolidation, Merger or Sale

Unless we provide otherwise in the prospectus supplement applicable to a particular series of debt securities, the indentures will not contain any covenant that restricts our ability to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets. However, any successor to or acquirer of such assets must assume all of our obligations under the indentures or the debt securities, as appropriate. If the debt securities are convertible into or exchangeable for our other securities or securities of other entities, the person with whom we consolidate or merge or to whom we sell all of our property must make provisions for the conversion of the debt securities into securities that the holders of the debt securities would have received if they had converted the debt securities before the consolidation, merger or sale.

Events of Default Under the Indenture

Unless we provide otherwise in the prospectus supplement applicable to a particular series of debt securities, the following are events of default under the indentures with respect to any series of debt securities that we may issue:

if we fail to pay interest when due and payable and our failure continues for 90 days and the time for payment has not been extended or deferred;

if we fail to pay the principal, premium or sinking fund payment, if any, when due and payable and the time for payment has not been extended or delayed;

if we fail to observe or perform any other covenant contained in the debt securities or the indentures, other than a covenant specifically relating to another series of debt securities, and our failure continues for 90 days after we receive notice from the debenture trustee or holders of at least 25% in aggregate principal amount of the outstanding debt securities of the applicable series; and

if specified events of bankruptcy, insolvency or reorganization occur.

If an event of default with respect to debt securities of any series occurs and is continuing, other than an event of default specified in the last bullet point above, the debenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the debenture trustee if notice is given by such holders, may declare the unpaid principal of, premium, if any, and accrued interest, if any, due and payable immediately. If an event of default specified in the last bullet point above occurs with respect to us, the principal amount of and accrued interest, if any, of each issue of debt securities then outstanding shall be due and payable without any notice or other action on the part of the debenture trustee or any holder.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default or event of default with respect to the series and its consequences, except defaults or events of default regarding payment of principal, premium, if any, or interest, unless we have cured the default or event of default in accordance with the indenture. Any waiver shall cure the default or event of default.

Subject to the terms of the indentures, if an event of default under an indenture shall occur and be continuing, the debenture trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request

or direction of any of the holders of the applicable series of debt securities, unless such holders have offered the debenture trustee reasonable indemnity. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any trust or power conferred on the debenture trustee, with respect to the debt securities of that series, provided that:

the direction so given by the holder is not in conflict with any law or the applicable indenture; and

subject to its duties under the Trust Indenture Act of 1939, the debenture trustee need not take any action that might involve it in personal liability or might be unduly prejudicial to the holders not involved in the proceeding.

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A holder of the debt securities of any series will have the right to institute a proceeding under the indentures or to appoint a receiver or trustee, or to seek other remedies only if:

the holder has given written notice to the debenture trustee of a continuing event of default with respect to that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and such holders have offered reasonable indemnity to the debenture trustee to institute the proceeding as trustee; and

the debenture trustee does not institute the proceeding, and does not receive from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series other conflicting directions within 90 days after the notice, request and offer.

These limitations do not apply to a suit instituted by a holder of debt securities if we default in the payment of the principal, premium, if any, or interest on, the debt securities.

We will periodically file statements with the debenture trustee regarding our compliance with specified covenants in the indentures.

Modification of Indenture; Waiver

We and the debenture trustee may change an indenture without the consent of any holders with respect to specific matters:

to fix any ambiguity, defect or inconsistency in the indenture;

to comply with the provisions described above under **Description of Debt Securities Consolidation, Merger or Sale**;

to comply with any requirements of the SEC in connection with the qualification of any indenture under the Trust Indenture Act of 1939;

to add to, delete from or revise the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of debt securities, as set forth in the indenture;

to provide for the issuance of and establish the form and terms and conditions of the debt securities of any series as provided under **Description of Debt Securities General** to establish the form of any certifications required to be furnished pursuant to the terms of the indenture or any series of debt securities, or to add to

the rights of the holders of any series of debt securities;

to evidence and provide for the acceptance of appointment hereunder by a successor trustee;

to provide for uncertificated debt securities in addition to or in place of certificated debt securities and to make all appropriate changes for such purpose;

to add to our covenants such new covenants, restrictions, conditions or provisions for the protection of the holders, and to make the occurrence, or the occurrence and the continuance, of a default in any such additional covenants, restrictions, conditions or provisions an event of default; or

to change anything that does not materially adversely affect the interests of any holder of debt securities of any series.

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In addition, under the indentures, the rights of holders of a series of debt securities may be changed by us and the debenture trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding debt securities of each series that is affected. However, unless we provide otherwise in the prospectus supplement applicable to a particular series of debt securities, we and the debenture trustee may make the following changes only with the consent of each holder of any outstanding debt securities affected:

extending the fixed maturity of the series of debt securities;

reducing the principal amount, reducing the rate of or extending the time of payment of interest, or reducing any premium payable upon the redemption of any debt securities; or

reducing the percentage of debt securities, the holders of which are required to consent to any amendment, supplement, modification or waiver.

Discharge

Each indenture provides that we can elect to be discharged from our obligations with respect to one or more series of debt securities, except for specified obligations, including obligations to:

register the transfer or exchange of debt securities of the series;

replace stolen, lost or mutilated debt securities of the series;

maintain paying agencies;

hold monies for payment in trust;

recover excess money held by the debenture trustee;

compensate and indemnify the debenture trustee; and

appoint any successor trustee.

In order to exercise our rights to be discharged, we must deposit with the debenture trustee money or government obligations sufficient to pay all the principal of, any premium, if any, and interest on, the debt securities of the series on the dates payments are due.

Form, Exchange and Transfer

We will issue the debt securities of each series only in fully registered form without coupons and, unless we provide otherwise in the applicable prospectus supplement, in denominations of \$1,000 and any integral multiple thereof. The indentures provide that we may issue debt securities of a series in temporary or permanent global form and as book-entry securities that will be deposited with, or on behalf of, The Depository Trust Company or another depository named by us and identified in a prospectus supplement with respect to that series. See [Legal Ownership of Securities](#) for a further description of the terms relating to any book-entry securities.

At the option of the holder, subject to the terms of the indentures and the limitations applicable to global securities described in the applicable prospectus supplement, the holder of the debt securities of any series can exchange the debt securities for other debt securities of the same series, in any authorized denomination and of like tenor and aggregate principal amount.

Subject to the terms of the indentures and the limitations applicable to global securities set forth in the applicable prospectus supplement, holders of the debt securities may present the debt securities for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for this purpose. Unless otherwise provided in the debt securities that the holder presents for transfer or exchange, we will impose no service charge for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges.

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We will name in the applicable prospectus supplement the security registrar, and any transfer agent in addition to the security registrar, that we initially designate for any debt securities. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

If we elect to redeem the debt securities of any series, we will not be required to:

issue, register the transfer of, or exchange any debt securities of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities that may be selected for redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any debt securities we are redeeming in part.

Information Concerning the Debenture Trustee

The debenture trustee, other than during the occurrence and continuance of an event of default under an indenture, undertakes to perform only those duties as are specifically set forth in the applicable indenture. Upon an event of default under an indenture, the debenture trustee must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the debenture trustee is under no obligation to exercise any of the powers given it by the indentures at the request of any holder of debt securities unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur.

Payment and Paying Agents

Unless we otherwise indicate in the applicable prospectus supplement, we will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest.

We will pay principal of and any premium and interest on the debt securities of a particular series at the office of the paying agents designated by us, except that unless we otherwise indicate in the applicable prospectus supplement, we will make interest payments by check that we will mail to the holder or by wire transfer to certain holders. Unless we otherwise indicate in the applicable prospectus supplement, we will designate the corporate trust office of the debenture trustee in the City of New York as our sole paying agent for payments with respect to debt securities of each series. We will name in the applicable prospectus supplement any other paying agents that we initially designate for the debt securities of a particular series. We will maintain a paying agent in each place of payment for the debt securities of a particular series.

All money we pay to a paying agent or the debenture trustee for the payment of the principal of or any premium or interest on any debt securities that remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment thereof.

Governing Law

The indentures and the debt securities will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act of 1939 is applicable.

Subordination of Subordinated Debt Securities

The subordinated debt securities will be unsecured and will be subordinate and junior in priority of payment to certain of our other indebtedness to the extent described in a prospectus supplement. The subordinated indenture does not limit the amount of subordinated debt securities that we may issue, nor does it limit us from issuing any other secured or unsecured debt.

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DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of common stock, preferred stock and/or debt securities in one or more series. We may issue warrants independently or together with common stock, preferred stock and/or debt securities, and the warrants may be attached to or separate from these securities. While the terms summarized below will apply generally to any warrants that we may offer, we will describe the particular terms of any series of warrants in more detail in the applicable prospectus supplement. The terms of any warrants offered under a prospectus supplement may differ from the terms described below.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from reports that we file with the SEC, the form of warrant agreement, including a form of warrant certificate, that describes the terms of the particular series of warrants we are offering before the issuance of the related series of warrants. The following summaries of material provisions of the warrants and the warrant agreements are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and warrant certificate applicable to the particular series of warrants that we may offer under this prospectus. We urge you to read the applicable prospectus supplements related to the particular series of warrants that we may offer under this prospectus, as well as any related free writing prospectuses, and the complete warrant agreements and warrant certificates that contain the terms of the warrants.

General

We will describe in the applicable prospectus supplement the terms of the series of warrants being offered, including:

the offering price and aggregate number of warrants offered;

the currency for which the warrants may be purchased;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

if applicable, the date on and after which the warrants and the related securities will be separately transferable;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at, and currency in which, this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon the exercise of one warrant and the price at which these shares may be purchased upon such exercise;

the effect of any merger, consolidation, sale or other disposition of our business on the warrant agreements and the warrants;

the terms of any rights to redeem or call the warrants;

any provisions for changes to or adjustments in the exercise price or number of securities issuable upon exercise of the warrants;

the dates on which the right to exercise the warrants will commence and expire;

the manner in which the warrant agreements and warrants may be modified;

a discussion of any material or special United States federal income tax consequences of holding or exercising the warrants;

the terms of the securities issuable upon exercise of the warrants; and

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any other specific terms, preferences, rights or limitations of or restrictions on the warrants. Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including:

in the case of warrants to purchase debt securities, the right to receive payments of principal of, or premium, if any, or interest on, the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture; or

in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

Exercise of Warrants

Each warrant will entitle the holder to purchase the securities that we specify in the applicable prospectus supplement at the exercise price that we describe in the applicable prospectus supplement. Holders of the warrants may exercise the warrants at any time up to the specified time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Holders of the warrants may exercise the warrants by delivering the warrant certificate representing the warrants to be exercised together with specified information, and paying the required amount to the warrant agent in immediately available funds, as provided in the applicable prospectus supplement. We will set forth on the reverse side of the warrant certificate and in the applicable prospectus supplement the information that the holder of the warrant will be required to deliver to the warrant agent.

Upon receipt of the required payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will issue and deliver the securities purchasable upon such exercise. If fewer than all of the warrants represented by the warrant certificate are exercised, then we will issue a new warrant certificate for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Governing Law

Unless we provide otherwise in the applicable prospectus supplement, the warrants and warrant agreements will be governed by and construed in accordance with the laws of the State of New York.

Enforceability of Rights by Holders of Warrants

Each warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants.

DESCRIPTION OF UNITS

We may issue, in one more series, units consisting of common stock, preferred stock, debt securities and/or warrants for the purchase of common stock, preferred stock and/or debt securities in any combination. While the terms we have summarized below will apply generally to any units that we may offer under this prospectus, we will describe the particular terms of any series of units in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below.

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We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from reports that we file with the SEC, the form of unit agreement that describes the terms of the series of units we are offering, and any supplemental agreements, before the issuance of the related series of units. The following summaries of material terms and provisions of the units are subject to, and qualified in their entirety by reference to, all the provisions of the unit agreement and any supplemental agreements applicable to a particular series of units. We urge you to read the applicable prospectus supplement related to any particular units that we may offer under this prospectus, as well as any related free writing prospectuses and the complete unit agreement and any supplemental agreements that contain the terms of the units.

General

We will issue each unit so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which we issue a unit may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units being offered, including:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions of the governing unit agreement that differ from those described below; and

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units.

The provisions described in this section, as well as those described under [Description of Capital Stock](#), [Description of Debt Securities](#) and [Description of Warrants](#) will apply to each unit and to any common stock, preferred stock, debt security or warrant included in each unit, respectively.

Issuance in Series

We may issue units in such amounts and in such numerous distinct series as we determine.

Enforceability of Rights by Holders of Units

Each unit agent will act solely as our agent under the applicable unit agreement and will not assume any obligation or relationship of agency or trust with any holder of any unit. A single bank or trust company may act as unit agent for more than one series of units. A unit agent will have no duty or responsibility in case of any default by us under the applicable unit agreement or unit, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a unit may, without the consent of the related unit agent or the holder of any other unit, enforce by appropriate legal action its rights as holder under any security included in the unit.

We, and any unit agent and any of their agents, may treat the registered holder of any unit certificate as an absolute owner of the units evidenced by that certificate for any purpose and as the person entitled to exercise the rights

attaching to the units so requested, despite any notice to the contrary. See Legal Ownership of Securities below.

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LEGAL OWNERSHIP OF SECURITIES

We can issue securities in registered form or in the form of one or more global securities. We describe global securities in greater detail below. We refer to those persons who have securities registered in their own names on the books that we or any applicable trustee, depository or warrant agent maintain for this purpose as the holders of those securities. These persons are the legal holders of the securities. We refer to those persons who, indirectly through others, own beneficial interests in securities that are not registered in their own names, as indirect holders of those securities. As we discuss below, indirect holders are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect holders.

Book-Entry Holders

We may issue securities in book-entry form only, as we will specify in the applicable prospectus supplement. This means securities may be represented by one or more global securities registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, which are referred to as participants, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Only the person in whose name a security is registered is recognized as the holder of that security. Securities issued in global form will be registered in the name of the depository or its participants. Consequently, for securities issued in global form, we will recognize only the depository as the holder of the securities, and we will make all payments on the securities to the depository. The depository passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors in a book-entry security will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect holders, and not holders, of the securities.

Street Name Holders

We may terminate a global security or issue securities in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities, and we will make all payments on those securities to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect holders, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of any applicable trustee and of any third parties employed by us or a trustee, run only to the legal holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a security or has no choice because we are issuing the securities only in global form.

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For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, we may want to obtain the approval of the holders to amend an indenture, to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture or for other purposes. In such an event, we would seek approval only from the holders, and not the indirect holders, of the securities. Whether and how the holders contact the indirect holders is up to the holders.

Special Considerations For Indirect Holders

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;

how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the securities are in book-entry form, how the depository's rules and procedures will affect these matters.

Global Securities

A global security is a security that represents one or any other number of individual securities held by a depository. Generally, all securities represented by the same global securities will have the same terms.

Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository, its nominee or a successor depository, unless special termination situations arise. We describe those situations below under **Special Situations When a Global Security Will Be Terminated**. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an

account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect holder of a beneficial interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

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Special Considerations For Global Securities

The rights of an indirect holder relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize an indirect holder as a holder of securities and instead deal only with the depository that holds the global security.

If securities are issued only in the form of a global security, an investor should be aware of the following:

an investor cannot cause the securities to be registered in his or her name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

an investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above;

an investor may not be able to sell interests in the securities to some insurance companies and to other institutions that are required by law to own their securities in non-book-entry form;

an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

the depository's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security;

we and any applicable trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in a global security, nor do we or any applicable trustee supervise the depository in any way;

the depository may, and we understand that DTC will, require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and

financial institutions that participate in the depository's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the securities.

There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing those interests. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in securities transferred to their own name, so that they will be direct holders. We have described the rights of holders and street name investors above.

Unless we provide otherwise in the applicable prospectus supplement, the global security will terminate when the following special situations occur:

if the depository notifies us that it is unwilling, unable or no longer qualified to continue as depository for that global security and we do not appoint another institution to act as depository within 90 days;

if we notify any applicable trustee that we wish to terminate that global security; or

if an event of default has occurred with regard to securities represented by that global security and has not been cured or waived.

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The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the applicable prospectus supplement. When a global security terminates, the depositary, and not we or any applicable trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

PLAN OF DISTRIBUTION

We may sell the securities from time to time pursuant to underwritten public offerings, negotiated transactions, block trades or a combination of these methods. We may sell the securities to or through underwriters or dealers, through agents, or directly to one or more purchasers. We may distribute securities from time to time in one or more transactions:

at a fixed price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to such prevailing market prices; or

at negotiated prices.

A prospectus supplement or supplements will describe the terms of the offering of the securities, including:

the name or names of the underwriters, if any;

the purchase price of the securities and the proceeds we will receive from the sale;

any over-allotment options under which underwriters may purchase additional securities from us;

any agency fees or underwriting discounts and other items constituting agents or underwriters compensation;

any public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange or market on which the securities may be listed.

Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

If underwriters are used in the sale, they will acquire the securities for their own account and may resell the securities from time to time in one or more transactions at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. We may offer the securities to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Subject to certain conditions, the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement, other than securities covered by any over-allotment option. Any public offering price and any discounts or concessions allowed or reallocated or paid to dealers may change from time to time. We may use underwriters with whom we have a material relationship. We will describe in the prospectus supplement, naming the underwriter, the nature of any such relationship.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

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We may authorize agents or underwriters to solicit offers by certain types of institutional investors to purchase securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. We will describe the conditions to these contracts and the commissions we must pay for solicitation of these contracts in the prospectus supplement.

We may provide agents and underwriters with indemnification against civil liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Agents and underwriters may engage in transactions with, or perform services for, us in the ordinary course of business.

All securities we may offer, other than common stock, will be new issues of securities with no established trading market. Any underwriter may make a market in these securities, but will not be obligated to do so and may discontinue any market making at any time without notice. We cannot guarantee the liquidity of the trading markets for any securities.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NYSE Amex may engage in passive market making transactions in the common stock on the NYSE Amex in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

In compliance with guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

VALIDITY OF SECURITIES

Unless otherwise indicated in the applicable prospectus supplement, Duane Morris LLP, Philadelphia, Pennsylvania, will pass upon the validity of the securities offered by this prospectus.

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EXPERTS

The consolidated financial statements of Inovio Pharmaceuticals, Inc. appearing in Inovio Pharmaceutical, Inc. s Annual Report (Form 10-K) for the year ended December 31, 2012, and the effectiveness of Inovio Pharmaceuticals, Inc. s internal control over financial reporting as of December 31, 2012 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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18,966,000 Shares

INOVIO PHARMACEUTICALS, INC.

Common Stock

PROSPECTUS SUPPLEMENT

Piper Jaffray

Stifel

Brean Capital

Maxim Group LLC

February 27, 2014

2.0% 0.7 0.6 0.64* 32%\$76,240

*

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The final multiplier for the Mid-Continent region is determined by weighting the regional performance at 60 percent and corporate performance at 40 percent.

Regional Performance The 2009 scorecard table above reflects the results for employees at the corporate level of the Company (including the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and General Counsel). For employees at the Company's five regions, regional

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performance using cash flow and qualitative measures was also evaluated. (In prior years, regional performance using the investment efficiency and growth measures was also included. However, for 2009, investment efficiency and growth were measured solely at the corporate level, due primarily to the uncertainty of capital allocations across the regions at the time the scorecard was approved by the Compensation Committee). Regional performance was weighted 60 percent and corporate performance was weighted 40 percent for regional employees to determine their final multiplier factor. The following chart provides the final regional multiplier for the Company's five regions:

Mid Continent	0.64
ArkLaTex	0.28
Rockies	0.73
Gulf Coast	0.70
Permian	0.67

Individual Performance In addition, once the final calculations were completed and approved by the Compensation Committee, managers throughout the organization had discretion to increase or decrease individual bonus amounts to reflect individual performance during the year, working within the total allocated bonus amount for their respective group. Individual performance factors considered for executive officers included:

The executive's contributions to the development and execution of the Company's business plan and strategies;

The performance of the executive's department or region;

The executive's level of responsibility; and

The executive's leadership ability, demonstrated commitment to the organization, motivational skills, attitude, and work ethic.

Changes made to STIP design for 2010

In late 2009, we reviewed the performance measures and weightings used to determine 2009 annual cash bonuses. As part of the review, we analyzed the performance metrics used in short-term incentive plans at St. Mary's peer companies and discussed which measures would be most appropriate for St. Mary in 2010. Based on the review, the Compensation Committee chose to revise some aspects of the STIP for 2010.

The first change was to create a threshold level of cash flow that must be achieved for any STIP payment to be made to any executive officer. If the minimum level of cash flow is achieved, cash bonuses will be fully funded for executive officers. The Compensation Committee will then use other performance metrics to determine actual bonus payments to executive officers by reducing (but not increasing) the amounts funded through the achievement of the cash flow goal. Using this construct, bonus payments to our executive officers under the STIP are intended to be "performance-based" as defined under Section 162(m) of the IRC, and therefore fully deductible for federal income tax purposes.

The second change was to adjust the performance metrics used to determine actual STIP payments to more closely align the STIP to St. Mary's 2010 business plan. The 2010 STIP will measure performance in the following five subjective areas (many of which were components of the "scorecard" used in 2009):

Production volume

Proved developed reserves

Finding and development costs

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Cash flow

Net income

Additionally, the Compensation Committee will assess performance in the following qualitative areas:

Environmental, health, and safety goals

Exploration objectives

The five subjective performance measures, initially weighted equally, will each have threshold, target, and maximum goals against which year-end actual results will be evaluated. At the end of the year, the Compensation Committee will assess the Company's actual performance results against the quantitative and qualitative objectives, as well as key events and transactions/initiatives completed during the year, giving due regard to relevant economic and industry conditions. The Compensation Committee will also review individual performance achievements in exercising its discretion and judgment in determining actual bonuses to the executive officers.

The primary difference between the scorecard used in 2009 and the proposed performance measures to be used in 2010 is that the 2009 scorecard was more "formulaic" and provided less ability for the Compensation Committee to evaluate qualitative factors and exercise some discretion in determining earned bonus amounts. As part of the third change to the STIP framework, the Compensation Committee can determine earned amounts not only by the extent to which management achieves the performance goals but also by *how* management achieves the goals. Because quantitative goals must be determined at the beginning of the year, use of Compensation Committee judgment and discretion protects the plan from having an illogical outcome if circumstances change during the year such that the formulaic goals overwhelm "common sense."

The fourth change was to revise the target bonuses as percentages of base salary for the Company's officers, including the named executive officers, and the range of earnings opportunity to better approximate those used by St. Mary's peers. Specifically, target STIP payouts for 2010 will be as follows:

	2009 Target Bonus Level, % of base salary	2010 Target Bonus Level, % of base salary
Chief Executive Officer & President	80%	100%
Executive Vice President & Chief Operating Officer	70%	90%
Executive Vice President & Chief Financial Officer	60%	80%
Senior Vice President and Regional Manager	50%	70%
Senior Vice President and General Counsel	50%	70%
Vice President Regional Manager	40%	50%
Vice President Business Development and Land	40%	50%
Vice President Engineering and Evaluation	30%	40%
Vice President Marketing	30%	40%
Vice President Human Resources	30%	40%
Vice President Geosciences and Exploration	30%	40%

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Long-Term Incentive Plan

The LTIP, which began in 2008, is an equity program that utilizes performance share awards or PSAs and restricted stock units or RSUs to reward executive officers and key employees of the Company for long-term growth in the net asset value of the Company, as reflected in St. Mary's absolute and relative cumulative total shareholder return ("TSR"). St. Mary employees at the senior professional level and above are eligible to participate in the LTIP.

Under the 2009-2012 LTIP, participants were each awarded a target number of share awards on August 1, 2009, for the performance measurement period beginning July 1, 2009, and ending June 30, 2012. Seventy-five percent of the share awards were granted as PSAs, and 25 percent were granted as RSUs under the stockholder-approved Equity Plan. The actual number of PSAs earned at the end of the three-year performance period can range from 0 percent to 200 percent of the target number of PSAs, depending on St. Mary's absolute and relative TSR. RSUs vest based on continued service over the three-year period. TSR is measured on a compound annualized basis, and relative TSR is compared to the TSR of an equal weighted index of peer companies (the "TSR Peer Group"). The TSR peer group was constructed using the constituents of the Oil & Gas Exploration and Production GIC Sub-Industry Group in the S&P SmallCap 600 and S&P MidCap 400 Indices, excluding St. Mary. For the 2009-2012 performance period, the index constituents of the TSR Peer Group include: Petroquest Energy Inc., Petroleum Development Corporation, Encore Acquisition Company, Cimarex Energy Company, Forest Oil Corporation, Penn Virginia Corporation, Plains Exploration & Production Company, Mariner Energy Inc., Quicksilver Resources Inc., Swift Energy Company, Stone Energy Corporation, Newfield Exploration Company, and Denbury Resources Incorporated. On March 10, 2010, Encore Acquisition Company was acquired by Denbury Resources Incorporated and is no longer included in the TRS Peer Group. This TSR Peer Group is a custom index developed for St. Mary by Standard & Poor's Financial Services LLC.

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The performance matrix for the 2009-2012 performance period is shown below:

2009 PAYOUT MATRIX

Simple Matrix Add result in Column A and Column B

TOTAL CANNOT BE GREATER THAN 2.0 OR LESS THAN ZERO

Column A	Column B	
	Absolute St. Mary TSR	St. Mary TSR vs Peer Index
Ann. TSR	EARNED MULTIPLIER	% Point Deviation From Peers MULTIPLIER MODIFIER
0%		-10% (0.80)
1%	0.050	-8% (0.60)
2%	0.100	-6% (0.40)
3%	0.150	-4% (0.20)
4%	0.200	-2%
5%	0.275	0% (Index TSR) 0.20
6%	0.350	+2% 0.40
7%	0.425	+4% 0.60
8%	0.500	+6% 0.80
9%	0.575	+8% 1.00
10%	0.650	
11%	0.725	
12%	0.800	
13%	0.875	
14%	0.950	
15%	1.025	
16%	1.100	
17%	1.200	
18%	1.300	
19%	1.400	
20%	1.500	
21%	1.600	
22%	1.700	
23%	1.800	
24%	1.900	
25%	2.000	

As an example, if an executive officer had a target number of share units of 16,000, 4,000 would be RSUs and 12,000 would be target PSAs. At the end of three years, if St. Mary's TSR increased 15 percent compounded annually but underperformed against the peer index by four percentage points, the result would be a total multiplier of 0.825 (1.025-0.20). The multiplier would then be applied to the 12,000 PSAs previously granted, resulting in the issuance of 9,900 shares to the executive officer at the end of the three year period in settlement of the PSAs, plus 4,000 shares issued in settlement of the RSUs, provided that the executive was still employed by the Company.

The total number of PSAs and RSUs awarded and individual allocations to participants were approved by the Compensation Committee on July 23, 2009. A total of 966,837 PSAs were granted to 307 employees on August 1, 2009. In its determination of the total pool value for 2009, the Compensation Committee considered various factors including historical fair value transfer or "FVT" (percentage of market capitalization transferred to employees annually in the form of stock based awards and other forms of ownership in the Company) of St. Mary's long term incentive compensation

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system compared to peer companies, input from F. W. Cook on expected trends in FVT for 2009, and shares available in the Equity Plan. The 2009 PSAs and RSUs have a three year vesting schedule with 1/7th vesting the first year, 2/7th the second year, and the remaining 4/7th the third year.

Why We Implemented the LTIP

Prior to 2008, St. Mary used the NPP, described in more detail below, together with an RSU program as the Company's long-term incentive program for its executives and key employees. The NPP, which was the primary long-term incentive compensation program, was a cash-based compensation plan. Historically the NPP had appropriately incentivized and rewarded employees at St. Mary. However, over time the somewhat unique nature of the plan, the complexity of the program, and the delay and uncertainty in any realization of value made the NPP less attractive than more conventional long term incentive plans to newly recruited and highly marketable executives. Furthermore, PSA and RSU programs are more common among St. Mary's peers. Management and the Compensation Committee believe that the LTIP is more transparent, more marketable, and more widely understood than the NPP.

Changes to 2009-2012 LTIP design from 2008-2011 LTIP design

Three changes from the 2008-2011 design were made to the design of our 2009-2012 LTIP:

First, in 2008, 100 percent of the awards were granted as PSAs. At the time the 2008 PSAs were granted, St. Mary's stock price had been trading near all-time highs, due in large part to record high commodity prices. By the end of 2008, commodity prices had fallen sharply, as had our stock price. Based on St. Mary's performance after the first year of the 2008-2011 performance cycle, it appeared unlikely that any shares would be earned under the 2008-2011 LTIP, eliminating the retention element in the grant. To provide a stronger retention component to the LTIP in our highly competitive industry, the Compensation Committee decided to provide 25 percent of the equity awards in the form of time-vesting RSUs for the 2009-2012 LTIP.

Second, the Compensation Committee reduced the aggregate grant date fair value in determining the 2009-2012 target award opportunities, and as part of that process the Compensation Committee considered the share constraints of the Equity Plan, the significant decline in our share price due primarily to commodity price levels, and the Compensation Committee's desire to provide competitive levels of long-term incentive compensation. The Compensation Committee decided to reduce the aggregate grant date fair value by approximately 50 percent of the decline in our share price from 2008 to 2009. Also, the payout matrix for the 2009-2012 LTIP was changed from the payout matrix used for the 2008-2011 LTIP to be more weighted toward higher TSR. As a result, the 2009-2012 LTIP target awards have a lower aggregate grant date fair value but a higher number of target shares than the 2008-2011 LTIP target awards.

Finally, more challenging performance goals were set for the PSA component. The payout matrix for the PSA component of the 2009-2012 LTIP was changed from the payout matrix used for the 2008-2011 LTIP to be more weighted toward higher TSR.

Net Profits Interest Bonus Plan (NPP)

Prior to 2008, the long-term incentive components of our overall executive compensation program consisted of the NPP and annual grants of RSUs. The NPP was designed to reward the contributions made by executive officers and key employees to the Company's long term financial success. Under the NPP, participants shared in the net profits derived from all oil and gas activity from a specific pool of properties.

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Once vested, the participant receives the distributable proceeds regardless of employment status with the Company. Due to the complex nature of the NPP and the delay and uncertainty in realization of compensation value until pool payout status was reached, which made the NPP less attractive to newly recruited and highly marketable employees, the use of the NPP was discontinued in 2007 on a prospective basis with respect to the establishment of new pools, and the 2007 pool was the last pool under the NPP. However, material payments will continue to be made under the NPP for pool years prior to 2008 for as long as the year's pool remains in payout status.

Certain executives participate in NPP pools that contribute significantly to their yearly realized compensation; however, not all executives participate in NPP pools, and certain executives that do participate have not received compensation because the NPP pools in which they participate have not reached payout status. The following are the named executive officers that participate in NPP pools, and the amounts they received in 2009.

Pharo	\$ 602,943
Veatch	\$ 192,221

Retirement Programs Pension and 401(k) Plans

Our executives participate in the Company's qualified, non-contributory defined benefit pension plan and a 401(k) plan on the same basis as all of our employees. A supplemental executive retirement plan (the "SERP") provides additional benefits to certain executive level employees in order to provide for benefits in excess of IRC limits on the qualified plan. The SERP is an unfunded non-qualified plan. We provide these plans to remain competitive in the hiring and retention of qualified personnel, and to support our succession planning objectives with a goal towards providing sufficiency of retirement replacement income.

The qualified plan provides a benefit after 25 years of service equal to 35 percent of final average compensation, subject to IRC limits. Final average compensation is the average of the highest three consecutive years of the ten years preceding termination of employment. For each named executive officer, the level of compensation used to determine benefits payable under the qualified pension plan is that officer's average of base salaries, excluding bonuses.

The Company's 401(k) Profit Sharing Plan is a defined contribution plan subject to the Employee Retirement Income Security Act of 1974. The 401(k) Plan allows eligible employees to contribute up to 60 percent of their income on a pretax basis through contributions to the 401(k) Plan. Contributions are limited to amounts determined by IRC regulations. The Company matches each employee's contributions up to six percent of the employee's pretax income. Company contributions vest over an employee's first five years of employment.

Benefits & Perquisites

The executive officers of the Company are eligible to participate in St. Mary's various medical and dental programs on the same basis as all other employees. These plans are intended to provide benefits that support the well being and overall health of executives and employees.

Our executives are provided with group term life insurance of \$50,000 as well as supplemental life insurance up to \$450,000 for a maximum of \$500,000. Additionally, executive officers are provided disability insurance through a combination of our group disability plans and individual supplemental disability to provide appropriate benefits beyond the group disability salary replacement cap.

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Employee Stock Purchase Plan ("ESPP")

The purpose of the ESPP is to encourage eligible employees to purchase and hold shares of our common stock. The plan cycle consists of two periods annually, with plan periods for the six months ending June 30 and December 31 of each year. The ESPP allows employees to purchase our common stock through payroll deductions of up to 15 percent of their base compensation. The purchase price of the stock is 85 percent of the lower of the fair market value of the stock at the beginning or ending of the period. The maximum amount an employee can purchase through the plan is \$25,000 per year, pursuant to IRC restrictions. Shares purchased under the ESPP prior to January 1, 2010 are subject to a holding period of 18 months from the date the shares are purchased at the end of the applicable six-month period. In September 2009, the Board amended the ESPP to reduce the holding period to six months, effective for all offerings beginning on or after January 1, 2010. In December 2009, the Board amended the ESPP to limit the number of shares that an employee could purchase in a six-month period to 2,500.

Other Executive Compensation Matters

Employment Agreements

Mr. Best is the only executive that has a written employment agreement. Mr. Best's employment agreement became effective May 1, 2006, and continues in effect unless either party gives 30-days prior written notice.

Pursuant to the employment agreement, Mr. Best received upon the commencement of his employment in June 2006 an award of 20,000 shares, which vested immediately, a \$50,000 cash bonus, and the opportunity to earn an additional 20,000 RSUs over the next four years. Of the additional 20,000 RSUs, 5,000 RSUs vest in four equal annual installments beginning the first quarter of 2007, subject to continued employment; 10,000 RSUs vest in four equal annual installments if net asset value growth exceeds 10 percent, and 5,000 RSUs vest in four equal annual installments if net asset value growth exceeds 15 percent. Mr. Best earned 1,250 shares in each of March 2007, February 2008, February 2009, and February 2010 associated with the service component of the award. Under the performance element of the RSUs, Mr. Best earned 2,500 shares based on the results for 2007, but he did not earn any shares based on the results for 2006, 2008, and 2009, as the net asset value growth of the Company did not exceed 10 percent.

The Company's employment agreement with Mr. Best also provides severance benefits under certain termination scenarios. See "Employment Agreements and Termination of Employment." The energy industry's history of executive employment terminations during cyclical downturns or strategic shifts in the industry or by particular companies have contributed to a widespread heightened concern for long-term job stability by many executives in our industry. In response to this concern, arrangements that provide compensation assurances in the event of an executive's termination without cause, death, or incapacity have become common practice, especially when recruiting executives from outside the Company. The post-termination payment provisions in the Company's employment agreement for Mr. Best were an important factor in our ability to recruit Mr. Best to join the Company as President and Chief Operating Officer in 2006. We believe that the two year period for post-employment compensation and insurance protection is appropriate to allow Mr. Best adequate time to obtain comparable employment in the event of a termination, and is comparable to the terms offered by other companies in our industry who compete with us for executive talent.

The employment of all other executives remains "at will" subject to and in accordance with the terms and conditions of written offers.

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Change of Control Severance Benefits

Change of control severance protection is provided to executives at the level of Vice President and above through change of control severance agreements. These agreements have a "double trigger" mechanism whereby they require first that a qualifying change of control event has occurred and second that the executive has been terminated or that certain other conditions are met, as summarized below, before severance benefits will be provided. Executive officers are entitled to receive severance payments in the event that their employment is terminated within two and one-half years after a change of control of the Company (a) without "cause" by the Company or (b) for "good reason" by the officer (e.g. an adverse change in the officer's status after a change of control), each as defined in the agreements. The term "good reason" incorporates the concept of a change in the employee's status, authority, position, offices, titles, duties, or responsibilities that are reasonably viewed as a diminution of duties at any time within the 90 days preceding a change of control event or any time thereafter. The term "good reason" also contemplates a reduction in the employee's salary and benefits over this same time frame, or the requirement of an employee to relocate the base of employment outside a 25 mile radius from the employee's current location. Severance payments equal up to two and one-half years annual base salary, depending on the length of time employment continues after the change of control, provided that in no event would the severance payments equal less than one year's annual base salary. In addition, all insurance and fringe benefits will be provided for a period of one year after termination. In the event the executive is subject to excise taxes under Section 4999 of the IRC, severance benefits may be reduced to avoid excise taxes, if doing so would increase the net after tax benefits to the executives. No excise tax "gross-up" payments are provided.

A change of control is defined to include (i) an acquisition of more than 50 percent of the common stock or assets of the Company in a reorganization, merger, or consolidation of the Company or (ii) a change in more than 50 percent of the composition of the Board of Directors of the Company other than as a result of the election of new members of the Board of Directors by a vote of the incumbent members of the Board of Directors or by stockholders of the Company pursuant to the recommendation of the incumbent members of the Board of Directors.

Particularly in view of the propensity of mergers, acquisitions, and consolidations in our industry, the Company believes that the change of control severance agreements promote stability and continuity among the named executive officers, allowing them to remain neutral in the face of a transaction that would benefit stockholders, but would result in their involuntary termination. Such agreements are customary for executives in our industry and are offered by companies who compete with us for executive talent. The double trigger feature provides a sufficient level of protection for the officer as well as a retention incentive benefiting the Company and its stockholders without creating an unreasonable impediment to a potential acquirer of the Company. The maximum two and one-half year post change of control severance payment period, and the minimum one year severance payment and insurance coverage period under the Company's agreements for its named executive officers, are comparable to payment levels and periods offered under similar arrangements by other companies in our industry, and are designed to facilitate reasonable compensation and insurance protection during a reasonable period of time to allow the executive to obtain comparable employment.

New Hire/Sign-On Bonuses

The hiring of employees, particularly the hiring of executives, is highly competitive. In order to attract and retain skilled employees, St. Mary may provide sign-on incentives. We believe that this tool is important to the building and retention of a strong qualified workforce.

No sign on bonuses were awarded for executives in 2009.

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Stock Ownership Guidelines

To further align senior management's interests with the interests of stockholders with respect to long term growth of stockholder value, the Compensation Committee has established and the Board has approved equity ownership guidelines for executives as follows:

Chief Executive Officer	5 times base salary
Chief Operating Officer & Chief Financial Officer	3 times base salary
Vice Presidents	1 times base salary

Equity holdings may include the value of vested and unvested RSUs for purposes of these calculations. Until an executive achieves the required ownership level, except for net settlements of equity awards for purposes of paying tax withholding obligations, an executive may not sell equity, unless approved by the Compensation Committee for the Chief Executive Officer, Chief Operating Officer, or Chief Financial Officer and by the Chief Executive Officer for all other executive officers.

Timing of Equity Grants

Grants under the LTIP are made on August 1 of each year. The Compensation Committee approves these grants at a meeting in July of each year. The Compensation Committee has in the past, and may in the future, make limited grants of equity on other dates for newly hired executives for equity or other benefits lost upon termination of their previous employment or to induce them to join St. Mary.

Trading Policy

Effective December 11, 2009, the Board approved an amendment to the Company's Securities Trading Policy to clarify the Company's policy regarding margin accounts and pledges of St. Mary stock. The amended policy permits officers to hold St. Mary stock in margin accounts or pledge St. Mary stock, but only if they demonstrate that the stock is not at financial risk of foreclosure. All such transactions must also be approved by the Company's legal department.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions, the Compensation Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement to be filed with the SEC.

Barbara M. Baumann, Chairman
 Julio M. Quintana
 William D. Sullivan

March 31, 2010

Table of Contents**Executive Compensation Tables****Summary Compensation Table for 2007, 2008, and 2009**

The Summary Compensation table sets forth the annual and long term compensation received during each of the Company's last three years by (i) the Chief Executive Officer, (ii) the Chief Financial Officer, (iii) the three other highest compensated executive officers of the Company that were employed as of December 31, 2009, the named executive officers.

In addition to salaries, the table reflects RSUs granted for the 2007 annual period, the January 1, 2008, to June 30, 2008, period, and the July 1, 2008, to June 30, 2009, period to executive management and selected other personnel. The table also reflects PSAs granted to executive management and other selected personnel on July 1, 2008, and July 1, 2009. In the Non-Equity Incentive Plan Compensation column, the table provides for payments made to certain individuals who participate in the Company's discontinued NPP. Eligible employees participate in the Company's STIP and LTIP as described more fully in the "Compensation Discussion and Analysis"

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(3)	Change In Pension Value and	All Other Compensation (\$)(5)	Total (\$)
							Non-Qualified Deferred Compensation Earnings (\$)(4)		
Anthony J. Best Chief Executive Officer and President (principal executive officer)	2009	\$ 513,000	\$ 287,280	\$ 2,286,268	\$	\$	\$ 100,606	\$ 34,416	\$ 3,221,570
	2008	\$ 473,173	\$ 190,800	\$ 1,888,110	\$	\$	\$ 49,879	\$ 16,303	\$ 2,618,265
	2007	\$ 417,483	\$ 41,748	\$ 62,225	\$	\$	\$ 67,094	\$ 18,215	\$ 606,765
A. Wade Pursell(6) Executive Vice President and Chief Financial Officer (principal financial officer)	2009	\$ 306,000	\$ 153,520	\$ 1,241,117	\$	\$	\$ 14,395	\$ 32,165	\$ 1,747,197
	2008	\$ 92,308	\$ 56,100	\$ 600,005	\$	\$	\$	\$ 38,060	\$ 786,473
Javan D. Ottoson Executive Vice President and Chief Operating Officer	2009	\$ 345,000	\$ 169,050	\$ 1,469,744	\$	\$	\$ 29,041	\$ 41,045	\$ 2,053,880
Milam Randolph Pharo Senior Vice President and General Counsel	2009	\$ 239,200	\$ 83,720	\$ 473,584	\$	\$ 602,943	\$ 72,703	\$ 43,286	\$ 1,515,436
	2008	\$ 219,331	\$ 61,000	\$ 399,859	\$	\$ 1,501,768	\$ 31,912	\$ 12,819	\$ 2,226,689
	2007	\$ 190,772	\$ 23,000	\$ 26,071	\$	\$ 1,024,444	\$ 28,049	\$ 13,782	\$ 1,306,118
Paul M. Veatch Senior Vice President and Regional Manager	2009	\$ 238,250	\$ 76,240	\$ 718,541	\$	\$ 192,221	\$ 22,653	\$ 44,110	\$ 1,292,015
	2008	\$ 229,115	\$ 123,722	\$ 625,488	\$	\$ 445,108	\$ 9,465	\$ 14,481	\$ 1,447,379

(1) The amounts in the column represent the bonuses paid in 2010, 2009, and 2008 but earned during 2009, 2008, and 2007 performance periods, respectively. Mr. Pursell received a \$25,000 retention bonus in 2008 and 2009.

(2) The amounts in this column represent the aggregate grant date fair values of PSA and RSU awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation - Stock Compensation" ("FASB ASC Topic 718"), excluding the effect of estimated forfeitures related to service-based vesting conditions. These grant date fair values have been determined based on the assumptions and methodologies discussed in Note 7 of the Notes to Consolidated Financial Statements included in the Company's 2009 Annual Report on Form 10-K. Amounts for 2007 and 2008 have been restated from amounts shown in prior proxy statements to reflect the aggregate grant date fair values, as required by new SEC rules effective February 28, 2010. PSA awards are subject to market-based performance conditions relating to the Company's

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total shareholder return and relative shareholder return compared to a peer company index over a three-year performance period. The grant date fair values of PSA awards reflected in this column are based on the estimate as of the grant date of the probable outcome of these performance conditions, and those grant date fair values for Best, Ottoson, Pursell, Pharo, and Veatch respectively are \$1,868,543, \$1,201,206, \$1,014,352, \$387,055, and \$587,256. Assuming that the highest level of performance conditions will be achieved, the grant date fair values of those awards as computed in accordance with FASB ASC Topic 718 for Best, Ottoson, Pursell, Pharo, and Veatch respectively are \$2,506,350, \$1,611,225, \$1,360,590, \$519,173, and \$787,710.

(3)

Totals consist of amounts paid and accrued under the NPP.

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- (4) The amounts shown in this column are attributable to the increase, if any, in the actuarial value of each of the named executive officer's combined benefits under St. Mary's qualified and non-qualified benefit plans determined using interest rate and mortality assumptions consistent with those used in the Company's financial statements. No named executive officer received preferential or above market earnings on deferred compensation.
- (5) Amounts consist of the company's contribution to the 401(k) Profit Sharing Plan, holiday bonus, group term life premiums, supplemental life insurance premiums, supplemental disability insurance premiums, and any accrued vacation time due the employee at the time of termination.
- (6) Mr. Pursell joined the Company on September 8, 2008.

The following table lists the number of RSUs held by each individual and the market value of the total holdings of the RSUs for the named executive officers as of the end of fiscal year 2009. The value shown is based on the closing market price of \$34.24 on December 31, 2009, as reported by the NYSE.

Named Executive Officer	Number of Unvested	
	Restricted Stock Units Issued	Market Value as of 12/31/09
Anthony J. Best	25,370	\$ 868,669
A. Wade Pursell	17,248	\$ 590,572
Javan D. Ottoson	16,164	\$ 553,455
Milam Randolph Pharo	5,553	\$ 190,135
Paul M. Veatch	11,375	\$ 389,480

Grants of Plan-Based Awards in 2009

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Underlying Units (1)	All Other Option Awards: Number of Options or Securities of Underlying Option Awards (2)	Grant Date Fair Value of Stock and Option Awards (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Anthony J. Best	8/1/09	\$	\$	\$				17,500		\$ 417,725
	8/1/09	\$	\$	\$		52,500	105,000			\$ 1,868,543
A. Wade Pursell	8/1/09	\$	\$	\$				9,500		\$ 226,765
	8/1/09					28,500	57,000			\$ 1,014,352
Javan D. Ottoson	8/1/09	\$	\$	\$				11,250		\$ 268,538
	8/1/09					33,750	67,500			\$ 1,201,206
Milam Randolph Pharo	8/1/09	\$	\$	\$				3,625		\$ 86,529
	8/1/09	\$	\$	\$		10,875	21,750			\$ 387,055
Paul M. Veatch	8/1/09	\$	\$	\$				5,500		\$ 131,285
	8/1/09	\$	\$	\$		16,500	33,000			\$ 587,256

- (1) This amount represents RSUs granted under the Company's Equity Plan. The RSUs are granted with a holding period and vest 1/7th on August 1, 2010, 2/7ths on August 1, 2011, and 4/7ths on August 1, 2012. The RSUs are subject to forfeiture to the Company on termination of employment prior to vesting. The RSUs are not eligible for dividends and are not credited with dividend equivalents. Holders of RSUs have no rights as stockholders of common stock until such time as the RSUs are settled for shares of common stock on the settlement date.
- (2) This amount represents PSAs granted under the Company's Equity Plan. PSAs represent the right to receive, upon settlement of the PSAs after the completion of a three-year performance period ending June 30, 2012, a number of shares of the Company's common stock that may be from zero to two times the number of PSAs granted on the award date, depending on the extent to which the Company's performance criteria have been achieved and the extent to which the PSAs have vested. The performance criteria for the PSAs are based on a combination of the Company's TSR for the performance periods and the relative measure of the Company's TSR compared with the cumulative TSR of an index comprised of certain peer companies for the performance period. The PSAs will vest 1/7th on August 1, 2010, 2/7ths on August 1, 2011, and 4/7ths on August 1, 2012.

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The following table displays outstanding equity awards for named executive officers as of December 31, 2009.

Outstanding Equity Awards at 2009 Fiscal Year-End

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)	Equity Incentive Plan Awards: Number of Securities	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 (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Anthony J. Best				\$		432(2)	\$ 14,792		\$
				\$		2,262(1)	\$ 77,451		\$
				\$		5,176(3)	\$ 177,226		\$
				\$			\$	23,359(8)	\$ 799,812
				\$		17,500(9)	\$ 599,200		\$
				\$			\$	52,500(9)	\$ 1,797,600
				\$			\$	1,250(4)	\$ 42,800
A. Wade Pursell				\$		7,748(6)	\$ 265,292		\$
				\$		9,500(9)	\$ 325,280		\$
				\$			\$	28,500(9)	\$ 975,840
Javan D. Ottoson				\$		24(2)	\$ 822		\$
				\$		2,168(1)	\$ 74,232		\$
				\$		2,722(3)	\$ 93,201		\$
				\$			\$	12,820(8)	\$ 438,957
				\$		11,250(9)	\$ 385,200		\$
Milam Randolph Pharo				\$			\$	33,750(9)	\$ 1,155,600
				\$		181(2)	\$ 6,197		\$
				\$		622(1)	\$ 21,297		\$
				\$		1,125(3)	\$ 38,520		\$
				\$			\$	5,079(8)	\$ 173,905
Paul M. Veatch				\$		3,625(9)	\$ 124,120		\$
				\$			\$	10,875(9)	\$ 372,360
	3,380			\$ 13.65	06/30/13		\$		\$
	522			\$ 13.39	10/22/13	292(2)	\$ 9,998		\$
	3,308			\$ 14.25	12/31/13	1,500(7)	\$ 51,360		\$
	2,786			\$ 12.66	09/30/13	2,874(1)	\$ 98,406		\$
				\$		1,209(3)	\$ 41,396		\$
			\$			\$	6,546(8)	\$ 224,135	
			\$		5,500(9)	\$ 188,320		\$	
			\$			\$	16,500(9)	\$ 564,960	

(1) These RSUs vest in four equal installments on the following dates: February 28, 2008, 2009, 2010, and 2011.

(2) These RSUs vest in four equal installments on the following dates: February 28, 2007, 2008, 2009, and 2010.

(3)

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These RSUs vest in three equal installments on the following dates: December 15, 2008, December 15, 2009, and December 15, 2010.

- (4) Mr. Best earned 1,250 shares in each of the first quarters of 2007, 2008, and 2009.
- (5) Mr. Best may earn an additional 2,500 to 3,750 shares with each of the share grants referenced in footnote 4 if certain net asset value growth percentages are met.

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- (6) These RSUs vest in two equal installments on the following dates: December 15, 2009, and December 15, 2010.
- (7) These RSUs vest in three installments on the following dates: 600 shares on January 1, 2008, 900 shares on January 1, 2009, and 1,500 shares on January 1, 2010.
- (8) These PSAs vest 1/7th on August 1, 2009, 2/7ths on August 1, 2010, and 4/7ths on August 1, 2011.
- (9) These RSUs and PSAs vest 1/7th on August 1, 2010, 2/7ths on August 1, 2011, and 4/7ths on August 1, 2012.

Nonqualified Deferred Compensation

Although the NPP may be considered a non-qualified deferred compensation plan since amounts are paid under the NPP from the net profits, if any, from oil and gas activity from designated pools of properties in years after the participants have earned such net profits interests, the Company does not maintain a non-qualified deferred compensation plan whereby specific determinable compensation amounts or balances are deferred. The NPP is described in the Compensation Discussion and Analysis, and NPP compensation amounts for the named executive officers are reflected in the Summary Compensation Table.

2009 Option Exercises and Stock Vested

Stock options exercised by the named executive officers during 2009 and the values realized upon such option exercises are set forth in the following table. All such stock options were granted pursuant to the Company's stock option plans described in this proxy statement. In May 2003, the Board of Directors amended the stock option plans to prohibit any repricing of outstanding options that would reduce the exercise price without stockholder approval. In 2004, the issuance of stock options was replaced by the issuance of RSUs under a performance based plan, and the number of RSUs held by the named executive officers that vested during 2009 and the computed aggregate value realized upon such vesting are also set forth in the following table.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting(1) (#)	Value Realized on Vesting(2) (\$)
Anthony J. Best		\$	11,327	\$ 221,237
A. Wade Pursell		\$	7,748	\$ 273,969
Javan D. Ottoson		\$	5,662	\$ 111,297
Milam Randolph Pharo		\$	3,654	\$ 64,265
Paul M. Veatch		\$	5,891	\$ 99,700

- (1) Represents the number of shares underlying RSUs that became vested during 2009. Each RSU represents a right for one share of the Company's common stock to be issued and delivered upon settlement of the RSU pursuant to the terms of the award agreement.
- (2) The value realized on vesting of the RSUs is computed by multiplying the number of RSUs that vested on the vesting date by the per share closing market price of the underlying shares on the vesting date, or, if the vesting date was not a normal market trading date, then on the last normal market trading date which preceded the vesting date. The per share closing market prices utilized for this computation were \$13.58 on the vesting date of February 28, 2009, for the 2007 and 2008 RSU awards; and \$35.36 on December 15, 2009, for the June 30, 2008, RSU awards.

Table of Contents**Retirement Plans***Pension Benefits*

The Company's Pension Plan is a qualified, noncontributory defined benefit plan, which is available to substantially all employees. In addition, the Company sponsors a supplemental pension plan, or "SERP", to provide an equivalent benefit on earnings above the qualified plans IRC limits (the 2009 limit was \$245,000 in annual base salary income for certain executive officers with senior management hierarchy title of at least Vice President).

The qualified plan provides a benefit after 25 years of service equal to 35 percent of final average compensation, subject to IRC limits. Final average compensation is the average of the highest three consecutive years of the ten years preceding termination of employment. For each named executive officer, the level of compensation used to determine benefits payable under the qualified pension plan is that officer's average of the base salaries (excluding bonus) shown in the Summary Compensation Table.

The following table represents the value of the named executive officers' pension benefits as of December 31, 2009.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payment During Last Fiscal Year
Anthony J. Best	Qualified Pension Plan	4	\$ 108,506	\$
	Non-Qualified SERP Pension Plan	4	\$ 109,073	\$
A. Wade Pursell	Qualified Pension Plan	1	\$ 11,525	\$
	Non-Qualified SERP Pension Plan	1	\$ 2,870	\$
Javan D. Ottoson	Qualified Pension Plan	3	\$ 48,747	\$
	Non-Qualified SERP Pension Plan	3	\$ 16,629	\$
Milam Randolph Pharo(1)	Qualified Pension Plan	14	\$ 297,460	\$
	Non-Qualified SERP Pension Plan	14	\$	\$
Paul M. Veatch	Qualified Pension Plan	9	\$ 75,131	\$
	Non-Qualified SERP Pension Plan	9	\$	\$

(1)

Mr. Pharo is eligible for early retirement under the Qualified Pension Plan but he is not yet eligible for early retirement with respect to the Non-Qualified SERP Pension Plan or for continued vesting of RSUs and PSAs. Mr. Pharo became eligible for the Qualified Pension Plan early retirement on the first day of the month that he reached the age of 55 and completed ten years of credited service. Mr. Pharo's annual early retirement benefit under the Qualified Pension Plan would equal 35 percent of his final compensation multiplied by a fraction, the numerator of which is his years of credited service and the denominator of which is 25.

Equity Compensation Plans

Under the Equity Plan and ESPP, options and shares of St. Mary common stock are authorized for grant or issuance as compensation to eligible employees, consultants, and members of the Board of Directors. Our stockholders have approved each of these plans.

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The following table is a summary of the shares of common stock authorized for issuance under our existing equity compensation plans as of December 31, 2009.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
Equity Plan			
Stock options and incentive stock options(1)	1,274,920	\$ 13.31	
Restricted stock(1)	408,356		
Performance share awards(1)(3)	1,145,871	\$ 32.52	1,771,009
Total for Equity Plan	2,829,147	\$ 22.40	1,771,009
Employee Stock Purchase Plan(2)			1,468,275
Equity compensation plans not approved by security holders			
Total for all plans	2,829,147	\$ 22.40	3,239,284

(1)

In May 2006 the stockholders approved the Equity Plan to authorize the issuance of restricted stock, restricted stock units, non-qualified stock options, incentive stock options, stock appreciation rights, and stock-based awards to key employees, consultants, and members of the Board of Directors of St. Mary or any affiliate of St. Mary. The Equity Plan serves as the successor to the St. Mary Land & Exploration Company Stock Option Plan, the St. Mary Land & Exploration Company Incentive Stock Option Plan, the St. Mary Land & Exploration Company Restricted Stock Plan, and the St. Mary Land & Exploration Company Non-Employee Director Stock Compensation Plan (collectively referred to as the "Predecessor Plans"). All grants of equity are now made out of the Equity Plan, and no further grants will be made under the Predecessor Plans. Each outstanding award under a Predecessor Plan immediately prior to the effective date of the Equity Plan continues to be governed solely by the terms and conditions of the instruments evidencing such grants or issuances. Our Board of Directors approved amendments to the Equity Plan on March 26, 2008, and the amended plan was approved by stockholders at our annual stockholders' meeting May 21, 2008. Our Board of Directors approved additional amendments to the Equity Plan on March 26, 2009, and the amendments were approved by stockholders at our annual stockholders' meeting on May 20, 2009. Awards granted in 2009, 2008, and 2007 under the Equity Plan were 1,016,931; 932,767; and 135,138, respectively.

(2)

Under the ESPP, eligible employees may purchase shares of our common stock through payroll deductions of up to 15 percent of their eligible compensation. The purchase price of the stock is 85 percent of the lower of the fair market value of the stock on the first or last day of the six month offering period, and shares issued under the ESPP through December 31, 2009, are restricted for a period of 18 months from the date issued. Effective January 1, 2010, shares issued under the ESPP will be restricted for a period six months from the date issued. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code. Shares issued under the ESPP totaled 86,308, 45,228, and 29,534 in 2009, 2008, and 2007, respectively.

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(3)

The PSAs represent the right to receive, upon settlement of the PSAs after the completion of a three-year performance measurement period, a number of shares of our common stock that may be from zero to two times the number of PSAs granted, depending on the extent to which the underlying performance criteria have been achieved and the extent to which the PSAs have vested. The performance criteria for the PSAs are based on a combination of our TSR for the performance period and the relative measure of our TSR compared with the TSR a 48 index comprised of certain peer companies for the performance period. The current outstanding PSAs were granted on August 1, 2009, and 2008, and utilize a three-year performance measurement period which began on July 1, 2009, and 2008, respectively. On July 1, 2009, the market value per share of our common stock was \$21.15, and on the date of grant the market value per share of our common stock was \$23.87. On July 1, 2008, the market value per share of our common stock was \$62.51, and on the date of grant the market value per share of our common stock was \$43.11. The PSAs do not have an exercise price associated with them, but rather the \$32.52 price shown in the above table represents the weighted-average per share fair value as of December 31, 2009, calculated pursuant to ASC Topic 718, which is presented in order to provide additional information regarding the potential dilutive effect of the PSAs as of December 31, 2009, in view of the share price level at the beginning of the performance period which will be utilized to compute the TSR measurements for determination of the number of shares to be issued upon settlement of the PSAs after completion of the three-year performance measurement period.

Employment Agreements and Termination of Employment

St. Mary and Mr. Best entered into an employment agreement dated May 1, 2006. When his employment commenced, Mr. Best received an RSU award of 20,000 shares, which vested immediately and was not subject to forfeiture, and a \$50,000 cash bonus. Over the first four years of the agreement, Mr. Best was able to earn additional restricted shares in varying amounts, earning in the first quarter of each year 1,250 shares if he was employed by St. Mary at that time, and an additional 2,500 shares if the net asset value growth from the prior year exceeded ten percent, with a further 1,250 shares if such growth exceeded fifteen percent. Since he remained employed by the Company for the four year term of the equity compensation component of the employment agreement and if he had met or exceeded all targets in this compensation arrangement, the Company would have awarded Mr. Best with a maximum of 20,000 restricted shares. Mr. Best earned 1,250 shares in March 2007, February 2008, and February 2009, associated with the service component of his award. Mr. Best earned 2,500 shares under the performance element of his employment agreement based on the results for 2007; however, he did not earn the performance based component of his employment agreement based on the results for 2009, 2008, or 2006. Mr. Best participates in the fringe benefits and other benefit plans and practices of St. Mary in the same manner and to the same comparable extent as other senior executives of St. Mary.

The Company's employment agreement with Mr. Best provides that in the event that Mr. Best's employment is terminated by the Company for any reason other than (i) the death or incapacitation of Mr. Best or (ii) the performance of his duties for the Company with gross negligence, gross incompetence, fraud, or dishonesty, as determined by the Board of Directors, the Company must continue the salary of Mr. Best at its rate at the time of such termination for a period of two years thereafter, together with a continuation for two years of the insurance benefits in effect for him at the time of such termination.

Based on Mr. Best's current annual salary and level of insurance benefits in effect as of December 31, 2009, the total amount of payments that would be made to Mr. Best for a period of two years after such termination would be \$1,026,000, and the estimated value of insurance benefits to be continued over such period would be approximately \$62,534.

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The Company's employment agreement with Mr. Best also provides that in the event that Mr. Best's employment is terminated under circumstances such that the terms of the Company's change of control executive severance agreement for Mr. Best would apply, and to the extent that severance pay or benefits, each considered separately, to be received by Mr. Best pursuant to the terms of the change of control executive severance agreement would exceed the severance pay or benefits, each considered separately, pursuant to the terms of Mr. Best's employment agreement, Mr. Best shall receive such excess severance pay or benefits under the change of control executive severance agreement pursuant to the terms thereof. The Company's change of control executive severance agreements are discussed below. Mr. Best's employment agreement provides for a severance payment of a minimum of two years' salary together with a continuation for two years of the insurance benefits in effect for him in the event of such termination.

Change of Control Arrangements

St. Mary has established a change of control executive severance policy and entered into change of control severance agreements whereby certain officers of St. Mary, including the named executive officers in the Summary Compensation Table, are entitled to receive severance payments in the event that their employment is terminated within two and one-half years after a change of control of the Company (a) without "cause" by the Company or (b) for "good reason" by the officer (e.g. an adverse change in the officer's status after a change of control), each as defined in the change of control severance agreements. The severance payments equal up to two and one-half years annual base salary, depending on the length of time employment continues after the change of control, provided that in no event would the severance payments equal less than one year's annual base salary. In addition, all insurance and fringe benefits will be provided for a period of one year.

Based on the respective annual base salaries and benefit levels of the named executive officers as of December 31, 2009, under the change of control executive severance agreements, the total maximum severance payments for two and one-half years, the total minimum severance payments for one year, and the estimated value of continued benefits for one year after severance for each of the named executive officers who were employed by the Company as of December 31, 2009, would be as follows:

Name	Maximum Severance Payments	Minimum Severance Payments	Estimated Value of Benefits for One Year(1)
Anthony J. Best(2)	\$ 1,282,500	\$ 1,026,000	\$ 31,267
A. Wade Pursell	\$ 765,000	\$ 306,000	\$ 24,525
Javan D. Ottoson	\$ 862,500	\$ 345,000	\$ 22,844
Milam Randolph Pharo	\$ 598,000	\$ 239,200	\$ 22,439
Paul M. Veatch	\$ 595,625	\$ 238,250	\$ 27,819

- (1) The change of control executive severance agreements provide that the benefits shall be limited to the extent that the executive obtains any such benefits pursuant to a subsequent employer's benefit plans.
- (2) The employment agreement between the Company and Mr. Best provides that in the event of a change of control of the Company and a termination of Mr. Best's employment, the Company must pay minimum severance payments and insurance benefits to Mr. Best at the rate at the time of such termination for a period of two years thereafter, and, to the extent that severance pay or benefits to be received by Mr. Best under the terms of the change in control executive severance agreement between the Company and Mr. Best would exceed the severance pay or benefits under his employment agreement, Mr. Best shall receive the excess severance pay and benefits under such change of control executive severance agreement.

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Under the change of control executive severance agreements, the severance payments are to be made in such base salary installment amounts and pursuant to such base salary installment payment schedule as were in effect immediately prior to the change of control, and the Company or its successor is obligated to make the payments.

The Company has also established a change of control severance policy and entered into change of control severance agreements whereby selected employees of St. Mary that are of a sufficient employment grade are entitled to receive severance payments in the event that their employment is terminated within one year after a change of control of the Company (a) without "cause" by the Company or (b) for "good reason" by the employee (e.g. an adverse change in the officer's status after a change of control), each as defined in the change of control severance agreements. The severance payments equal up to two and one half years annual base salary, depending on the length of time employment continues after the change of control, provided that in no event would the severance payments equal less than one year's annual base salary. In addition, all insurance and fringe benefits will be provided for a period of one year.

St. Mary has established a severance termination plan for all of its other employees that activates if a change of control event occurs. The amount of benefit is dependent on the number of years of service with the Company and the employee's compensation level at the time of termination.

A change of control is defined to include (i) an acquisition of more than 50 percent of the common stock or assets of the Company in a reorganization, merger, or consolidation of the Company, or (ii) a change in more than 50 percent of the composition of the Board of Directors of the Company other than as a result of the election of new members of the Board of Directors by a vote of the incumbent members of the Board of Directors or by stockholders of the Company pursuant to the recommendation of the incumbent members of the Board of Directors.

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DIRECTOR COMPENSATION

Employee directors do not receive additional compensation for serving on the Board of Directors or any committee.

The fiscal service period for directors is the period from one annual meeting to the next. For the last fiscal year the period was from May 20, 2009, through May 26, 2010. For this period, target base compensation for each director was set at \$160,000 annually, plus committee and attendance fees. Director compensation is primarily paid in the form of stock grants.

The stock compensation for non-employee directors is as follows:

Stock with a market value on May 21, 2009, of \$160,000, resulted in a grant to each non-employee director elected by the stockholders on May 20, 2009, of 7,858 shares of St. Mary common stock. These shares were issued under the Equity Plan. The shares are generally considered to be earned over the director's annual service period. However, shares issued to a director who thereafter resigns from the Board before completing the annual service period but after completing at least five years of service to the Company are treated as fully vested. All shares carry a transfer restriction imposed by St. Mary which expires two years after the date of issuance of the shares. The compensation expense recorded in the Company's financial statements is the fair value of the share grant as calculated under the valuation provisions required by FASB ASC Topic 718.

The cash component of the director compensation for non-employee directors is as follows:

Payment of \$750 for each Board meeting attended.

Payment of \$600 for each committee meeting attended in person and \$375 for each telephonic committee meeting.

Reimbursement for expenses incurred in attending Board and committee meetings.

The committee chairs receive the following cash payments in recognition of the additional workload of their respective committee assignments. These amounts are paid concurrent with the beginning of the annual service period.

Audit Committee \$15,000

Compensation Committee \$10,000

Nominating and Corporate Governance Committee \$5,000

Mr. Sullivan was paid a retainer for his service as Non-Executive Chairman of the Board of \$60,000 for the 2009-2010 director service period. The retainer was paid in the form of stock on May 21, 2009, which resulted in a grant of 2,946 shares of St. Mary common stock. The retainer was supplemental to his basic non-employee director compensation.

Non-employee directors may participate in the Company's employee matching charitable gift program involving contributions to charitable organizations that are exempt from federal income tax. Under this program, for every dollar that an employee or non-employee Director contributes to an eligible charitable organization, the Company makes matching contributions of additional funds. Ms. Baumann, Dr. Bickle, Mr. Gardiner, Mr. Seidl, and Mr. Sullivan participated in this program during 2009, and the Company matched a total of \$15,450 in non-employee director contributions for 2009 under this program.

The directors are eligible to participate in St. Mary's health, pharmacy, dental, and vision insurance programs. Directors are charged a premium that is equal to the COBRA rates associated with the Company's plan. The ability to participate in this plan is considered non-compensatory.

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The Compensation Committee has established, and the Board has approved, equity ownership guidelines for the non-employee directors of three times their annual stock-based retainer. Equity holdings may include the value of vested and unvested RSUs for purposes of these calculations. New directors are provided time to accumulate their stock ownership position and are not required to go into the open market to acquire shares.

The following table sets forth the annual and long term compensation received during 2009 by the non-employee directors of St. Mary. The stock based component of the compensation reflects the grant date fair value. Cash based compensation is recorded based on the monetary amount paid to the individual director.

2009 Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards			Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(6)	Total (\$)	Change In Pension Value and
		(1)	(2)	(3)						
Barbara M. Baumann	\$ 17,575	\$ 159,989	\$	\$	\$	\$	\$ 10,000	\$ 187,564		
Larry W. Bickle	\$ 7,050	\$ 159,989	\$	\$	\$	\$	\$ 2,500	\$ 169,539		
William J. Gardiner	\$ 22,050	\$ 159,989	\$	\$	\$	\$	\$ 250	\$ 182,289		
Mark A. Hellerstein(5)	\$ 1,500	\$	\$	\$	\$	\$	\$	\$ 1,500		
Julio M. Quintana	\$ 7,425	\$ 159,989	\$	\$	\$	\$	\$	\$ 167,414		
John M. Seidl	\$ 13,400	\$ 159,989	\$	\$	\$	\$	\$ 200	\$ 173,589		
William D. Sullivan	\$ 7,575	\$ 219,969	\$	\$	\$	\$	\$ 2,500	\$ 230,044		

(1) Each of the non-employee directors was issued 7,858 shares of St. Mary common stock upon such director's election to the Board on May 21, 2009. Mr. Sullivan was issued an additional 2,946 shares of St. Mary common stock on May 21, 2009, for serving as the Non-Executive Chairman of the Board. These stock awards are for the period from May 20, 2009, through May 26, 2010. The shares are generally considered to be earned over the director's annual service period and fully vested on May 26, 2010. The shares also carry a transfer restriction imposed by St. Mary which expires two years after the date of issuance of the shares. The value of the stock awards represents the grant date fair value.

(2) The grant date fair value of each share issued to non-employee directors is set forth in the following table and is computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date. There were no forfeitures by the directors during fiscal 2009.

Grant Date	Shares	Value	Directors Who Received
5/21/2009	7,858	\$ 159,989	Baumann, Bickle, Gardiner, Seidl, Quintana
5/21/2009	10,804	\$ 219,969	Sullivan
5/22/08	3,134	\$ 159,991	Baumann, Bickle, Gardiner, Seidl, Quintana, Sullivan
5/22/08	4,309	\$ 219,974	Hellerstein
5/16/07	4,382	\$ 159,987	Baumann, Bickle, Gardiner, Seidl, Quintana, and Sullivan
7/02/07	6,212	\$ 227,483	Hellerstein

(3) As of December 31, 2009, the non-employee directors held the following number of stock awards (which consists of unvested stock): Ms. Baumann 7,858, Dr. Bickle 7,858, Mr. Gardiner 7,858, Mr. Quintana 7,858, Mr. Seidl 7,858, and Mr. Sullivan 10,804.

(4)

For the year ended December 31, 2009, no stock options have been issued to directors nor have any stock options been issued to the directors since December 2004. As of December 31, 2009, the non-employee

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directors held the following number of stock options: Ms. Baumann 47,666, Dr. Bickle 48,566, Mr. Gardiner 47,670 and Mr. Sullivan 9,772. All such options are exercisable. Mr. Hellerstein, Mr. Quintana, and Mr. Seidl do not hold any outstanding stock options. The options described above are cumulative unexercised options granted to the directors over their years of service to the Company.

- (5) Mr. Hellerstein retired from the Board in May 2009. Mr. Hellerstein's total does not include \$2,364,053 paid to him in 2009 for vested participation interests under the NPP as a result of his prior service as an executive officer of the Company before his retirement as Chief Executive Officer on February 23, 2007. For additional information about the NPP payments to Mr. Hellerstein, see "Certain Relationships and Related Transactions."
- (6) The amounts in this column represent matching charitable contributions made on the behalf of Ms. Baumann, Dr. Bickle, Mr. Gardiner, Mr. Seidl, and Mr. Sullivan for the year 2009 under the employee matching charitable gift program.

Other Reportable Items Related to Payments Made by the Company Associated with Service of a Director

There are no other reportable items related to payments made by the Company associated with service of a director.

PROPOSAL 2 APPROVAL OF AMENDMENT TO THE EQUITY PLAN

Overview

Subject to stockholder approval, on April 1, 2010, the Board of Directors approved an amendment to the Equity Plan to increase the stated total number of shares of the Company's common stock authorized for issuance to participants pursuant to awards granted under the Equity Plan from 6,000,000 shares to 7,600,000 shares.

The Equity Plan provides for the issuance of restricted stock, restricted stock units, nonqualified stock options ("NSOs"), incentive stock options ("ISOs"), stock appreciation rights ("SARs"), performance shares, performance units, and stock based awards to key employees, consultants, and members of St. Mary's Board of Directors or any affiliate of St. Mary as equity based incentive compensation under the Equity Plan. The purpose of the Equity Plan is to promote the success and enhance the value of St. Mary by linking the personal interests of the participants to those of St. Mary's stockholders and by providing participants with an incentive for outstanding performance. The Equity Plan is further intended to provide flexibility to St. Mary in its ability to attract, motivate, and retain the services of participants upon whose judgment, interest, and special effort the success of St. Mary is substantially dependent. A copy of the Equity Plan, as amended and restated, is attached to this proxy statement as Annex A.

If the stockholders do not approve the amendment, the Compensation Committee will consider other alternatives for compensation.

General Background of the Equity Plan

The Equity Plan was originally adopted by the Board on March 23, 2006, as the "2006 Equity Incentive Compensation Plan," and approved by St. Mary's stockholders on May 17, 2006. The Equity Plan was subsequently amended and restated on March 28, 2008, and was approved by St. Mary's stockholders on May 21, 2008. Included in the amendments approved by the stockholders on May 21, 2008 was an increase in the stated total number of shares of common stock authorized for issuance under the Equity Plan from 2,000,000 shares to 3,500,000 shares. Under the amendments approved by the stockholders in 2009, the stated total number of shares of common stock authorized for issuance to participants pursuant to awards granted under the Plan was increased from 3,500,000 to 6,000,000 shares and was renamed the "Equity Incentive Compensation Plan." Additionally, the Equity

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Plan was changed so that each share of common stock issued in connection with an award after May 20, 2009, other than a stock option or SAR, will be counted against the share limit at a 1.43:1 ratio.

The Equity Plan serves as the successor equity incentive plan to the Company's prior Stock Option Plan, Incentive Stock Option Plan, Restricted Stock Plan, and Non-Employee Director Stock Compensation Plan (collectively, the "Predecessor Plans"), which were previously approved by the stockholders, and no further grants have been made under the Predecessor Plans from and after the original effective date of the Equity Plan on May 17, 2006. The Equity Plan currently authorizes the issuance of a total of 6,000,000 shares of common stock, plus remaining unused shares of common stock from the Predecessor Plans that have been transferred into the Equity Plan in accordance with its terms, and without taking into account the additional shares under the proposed amendment.

As of March 29, 2010, the Company had 62,823,003 shares of common stock outstanding, net of treasury shares. On that date, the Company had 1,257,604 stock options outstanding from the Predecessor Plans at a weighted average exercise price of \$13.30 per share and a weighted average remaining term of 2.73 years. The Company also had 1,460,488 full value awards outstanding on that date in the form of RSUs and PSAs. On March 29, 2010, the closing price of St. Mary's common stock as reported on the NYSE was \$34.44 per share.

Structure of LTIP

Beginning in 2007, the Company replaced its use of new compensation pools under the NPP, a significant cash-based compensation plan, and RSUs with the LTIP. Historically, the NPP had incented and rewarded St. Mary employees. However, the complexity of the program and the uncertain timing of payout, made it less attractive than more traditional equity plans to newly recruited and highly marketable employees. As a result, the Compensation Committee and the Board approved the termination of the NPP on a prospective basis in December 2007, and the 2007 NPP pool was the final NPP pool to be awarded.

In 2008 the LTIP utilized only PSAs. In 2009, 25 percent of the LTIP grant was awarded in RSUs and the remaining 75 percent was awarded in PSAs. An LTIP performance year begins on July 1st and ends on June 30th of the following year (each a "LTIP Year"). LTIP grants with respect to a particular LTIP performance year are made on August 1st of each LTIP Year. For example, the 2009 LTIP Year began on July 1, 2009, and the grants for 2009 were made on August 1, 2009.

Each LTIP year, the Board establishes an initial total pool value to be distributed to eligible participants on the grant date for the LTIP awards, based on recommendations from the Compensation Committee. In determining the initial total pool value, St. Mary considers, among other factors, the FVT of St. Mary's long term incentive compensation system compared to peer companies. FVT is defined as the percentage of a company's market capitalization that is potentially transferred to employees annually in the form of stock based awards and other forms of ownership in a company. After the total pool value for the LTIP Year is determined, the pool value is converted into PSAs and RSUs at their applicable percentage by dividing the total pool value by the average closing price per share of St. Mary common stock for a period of 20 trading days before the grant date. The RSU portion of the LTIP award is granted on August 1st of the LTIP Year.

With respect to the PSAs, the target awards are made at the beginning of the performance measurement period and have a back-end weighted time vesting schedule and a TSR measurement after the conclusion of the three year measurement period. At the conclusion of the three year measurement period, St. Mary's compounded TSR will be measured for the three year measurement period and then compared to the results of the compound TSR performance of a pre-established performance index consisting of similar companies. Depending on the results of the TSR measurements, the actual award made to participants will be between zero and two times the target

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award based on pre-established criteria. Other than a change of control, there are no market or performance conditions that results in an early payout determination.

With respect to PSAs to the extent vested, the number of shares of St. Mary's common stock issued will vary from zero to two times the initial number of PSAs awarded, depending on St. Mary's business performance during the three year performance period. A key metric for measuring St. Mary's performance in connection with determining the value of PSAs will be based on the absolute measure of St. Mary's TSR and the relative measure of St. Mary's TSR against the TSR of pre-selected peer companies. The Compensation Committee will create, review, and approve annually, a performance share multiplier matrix for each PSA Year, which describes the relationship between St. Mary's TSR and its TSR compared to peer companies and includes the final share multiplier for each PSA Year.

For the comparison of St. Mary's TSR with its peer companies with respect to PSAs granted for the 2009 PSA Year, St. Mary is using a custom index consisting of the constituents of the Oil & Gas Exploration & Production GIC Sub-Industry Group in the S&P SmallCap 600 Index and the S&P MidCap 400 Index, excluding St. Mary. The custom index is equal weighted, and is adjusted to include the dividend payments of the constituents of the custom index. The custom index is rebalanced on a quarterly basis, and is also rebalanced whenever there are additions and deletions to the S&P SmallCap 600 and the S&P MidCap 400 indices. Currently, the constituent companies in this custom index are: Bill Barrett Corporation, Comstock Resources, Incorporated, Petroquest Energy Inc., Stone Energy Corporation, Mariner Energy Inc., Quicksilver Resources Inc., Swift Energy Company, Forest Oil Corporation, Newfield Exploration Company, Cimarex Energy Company, Petroleum Development Company, Plains Exploration & Production Company, and Penn Virginia Corporation.

Both RSUs and PSAs under the LTIP currently vest over a three year period, with 1/7th vesting on the first anniversary of the grant date, 2/7th vesting on the second anniversary of the grant date, and 4/7th vesting on the third anniversary of the grant date. RSUs are issued as shares of common stock and are not subject to any additional trading restriction once vested. After the end of the three year performance period, the final multiplier for the respective LTIP Year will be determined and applied to each participant's vested PSAs. The vested PSAs will then be settled in shares of St. Mary's common stock, and such shares will not be subject to any holding restrictions after settlement. If a participant terminates employment at any time during the vesting period, such participant will forfeit the remaining unvested performance shares awarded, except under certain circumstances involving retirement, death, disability, or a change of control that includes a termination or substantial change in such participant's employment with St. Mary, all as described in the Equity Plan and such participant's award agreement. Participants may be allowed to net share settle for the payment of income taxes associated with the settlement of the award.

In 2009, 307 persons were designated to participate in the LTIP and were granted a total of 725,092 PSAs under the Equity Plan, although the actual number of shares of common stock that may ultimately be issued in settlement of those PSAs after the end of the three year performance period will depend on the compound returns of St. Mary and its peer indices.

Reasons for Amendment

The Company is seeking an increase in the number of shares available for issuance under the Equity Plan because the LTIP, even after changing 25 percent of the share awards from PSAs to RSUs and reducing the aggregate grant value by approximately 50 percent of the decline in the share price between 2008 and 2009, requires the issuance of a greater number of shares than did the Company's previous long term incentive plans. The Company's previous use of the NPP, together with the issuance of RSUs, as its primary long term incentive compensation program, required the issuance of fewer shares of Company stock because the NPP was a cash based incentive plan.

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Additionally, the Company is seeking an increase in the authorized number of shares available for issuance because the issuance of PSAs under the LTIP requires the Company to reserve a greater number of shares each year. Even though no actual shares will be issued in settlement of the PSAs unless the underlying performance criteria are met, the fact that under certain performance conditions the target awards have a potential two times multiplier requires that the Company contemplate the achievement of this scenario and ensure the availability of sufficient shares to meet the terms of the original target awards. Further, PSAs and RSUs are considered full share awards. Thus, depending upon the year of the LTIP grant, under the Equity Plan's fungible share counting provisions PSAs or RSUs could count either two times or 1.43 times against the total share authorization limit under the plan. As an example, if an employee is granted a target PSA of 100 shares, this will count as 200 shares against the total share limit if the PSA grant is on or before May 20, 2009, or will count as 143 shares against the limit if the PSA grant is after May 20, 2009. Because there is the potential under the PSA framework to earn up to two times the target number of shares in the event that the Company's performance warrants, a total of 200 shares could be issued, which would count as 400 or 386 shares, depending on the grant year, against the share limit under the plan. The result is that more shares must be available for grant under the Equity Plan than the number of shares actually being issued as new shares pursuant to full value PSA awards.

Prior to the proposed amendment, the total number of remaining shares of common stock authorized for grant under the Equity Plan as of March 29, 2010, which represents shares not subject to prior awards and includes shares transferred from under the Predecessor Plans, is 1,902,716. Accordingly, if the proposed amendment is approved by the stockholders, a total of 3,502,716 shares will be available under the Equity Plan to be used for future awards. This reflects a 1,600,000 share increase in the number of shares authorized under the Equity Plan. St. Mary's Board of Directors believes that this share increase is appropriate based on the fact that no future compensation pools will be established under the NPP and that St. Mary intends to grant PSAs on an annual basis.

The Equity Plan provides that, from and after May 21, 2008, the following shares will not become available again for issuance under the Equity Plan: (i) shares tendered as full or partial payment to St. Mary of an option price upon exercise of any options granted under the Equity Plan, (ii) shares reserved for issuance upon grants of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs, and (iii) shares withheld by St. Mary to satisfy a participant's tax withholding obligations with respect to any award granted under the Equity Plan. This modification of the share counting provisions resulting from amendments to the Equity Plan in 2008 to eliminate share recycling on a prospective basis was a factor in the Board of Director's determination that a 1,600,000 share increase in the number of shares authorized for grant under the Equity Plan is appropriate and in the best interests of St. Mary.

The increase in the authorized shares submitted for stockholder approval is intended to ensure that St. Mary has a sufficient number of shares of common stock available under the Equity Plan to continue issuing incentive compensation awards in the form of the currently planned PSAs for the next year.

St. Mary's Board of Directors believes that grants of PSAs and RSUs pursuant to the LTIP under the Equity Plan are in the best interests of St. Mary and will further encourage employees' interests to align with the long term interests of St. Mary's stockholders.

Reasons for Stockholder Approval of Amendment

Under applicable NYSE rules, St. Mary must obtain stockholder approval of the amendment to the Equity Plan. In addition, stockholder approval of the amendment is necessary to allow St. Mary to ensure that compensation paid under the Equity Plan can be eligible for the "performance based

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compensation" exemption from the limits on tax deductibility imposed by Section 162(m) of the IRC and to permit St. Mary to issue ISOs in accordance with Section 422 of the IRC.

Summary of the Equity Plan

The following is a summary of the principal features of the Equity Plan, which reflects the proposed amendment. The summary is qualified in its entirety by reference to the complete text of the Equity Plan document, as amended and restated, a copy of which is attached to this proxy statement as Annex A. In addition, St. Mary will furnish a copy of the Equity Plan document to any stockholder upon written request to the Secretary. The manner in which we expect the plan will operate is described above. The following summary describes the more broad underlying provisions of the plan.

Types of Awards

The Equity Plan permits the grant of restricted stock, RSUs, NSOs, ISOs, SARs, performance shares, performance units, and stock based awards.

Administration

The Compensation Committee of the Board of Directors of St. Mary, or any other duly authorized committee of the Board of Directors appointed by the Board of Directors, is responsible for administering the Equity Plan. The committee that administers the Equity Plan, referred to as the committee, shall be comprised of two or more members of the Board of Directors of St. Mary, and each member of the committee shall be a "non-employee director" as such term is defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, an "outside director" within the meaning of the regulations promulgated under Section 162(m) of the IRC and an "independent director" for purposes of the rules and regulations of the NYSE. Subject to the provisions of the Equity Plan, the committee shall have complete discretion in determining the nature, terms, conditions, and amounts of awards granted under the Equity Plan. In making such determinations, the committee may take into account the nature of services rendered by such employees, consultants, and members of the Board of Directors, their present and potential contributions to St. Mary, and such other factors as the committee in its discretion shall deem relevant.

Shares Subject to the Equity Plan and Maximum Awards

Subject to adjustment as described below, after the approval of the amendment the total number of shares of the Company's common stock made available and reserved for issuance will be increased from 6,000,000 shares to 7,600,000 shares, plus any remaining shares available for issuance under the Predecessor Plans as provided in the Equity Plan document. Any shares issued in connection with an option or SAR will be counted against the total share authorization limit as one share for every one share issued. Any shares issued pursuant to awards granted on or before May 20, 2009 in connection with an award other than an option or SAR will be counted against the total share authorization limit as two shares for every one share issued. Any shares issued pursuant to awards granted after May 20, 2009 in connection with an award other than an option or SAR will be counted against the total share authorization limit as 1.43 shares for every one share issued. The maximum total number of shares that may be issued through NSOs is equal to the total share authorization. The maximum total number of shares that may be issued through ISOs is 7,600,000.

Any awards that are not settled in shares will not be counted against the total share authorization limit. Any shares related to awards (or after May 17, 2006, awards granted or issued under the Predecessor Plans) which (i) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such shares, (ii) are settled in cash either in lieu of shares or otherwise, or (iii) are exchanged with the committee's approval for awards not involving shares, will be available again for

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issuance under the Plan. Unless and until the committee determines that an award is not designed to qualify as performance based compensation under Section 162(m) of the IRC, the following limits apply to grants of awards to covered employees under Section 162(m):

Restricted Stock/RSUs. The maximum total number of shares that may be granted in the form of restricted stock/RSUs in any one fiscal year to any one Participant is 100,000.

Options and SARs. The maximum total number of shares that may be granted in the form of options or SARs in any one fiscal year to any one participant is 200,000.

Performance Shares/Performance Units. The maximum total award of performance shares or performance units that a participant may receive in any one fiscal year is 200,000 shares, and the maximum value of performance units that a participant may receive with respect to awards in any one fiscal year is a value of \$5,000,000 determined as of the date of vesting or payout, as applicable.

Stock Based Awards. The maximum total grant with respect to stock based awards in any one fiscal year to any one participant is 200,000.

The Equity Plan provides for appropriate adjustments to the number of shares available for awards in the event of a merger, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary or special dividend, stock split, reverse stock split, or similar event or transaction involving the Company.

Eligibility and Participation

All current employees, consultants, and members of the Board of Directors of St. Mary or any affiliate of St. Mary are eligible to participate in the Equity Plan and be granted awards under the Equity Plan. Subject to the provisions of the Equity Plan, the committee may from time to time, in its sole discretion, select from among eligible employees, consultants, and members of the Board of Directors of St. Mary and of any affiliate of St. Mary those to whom awards shall be granted under the Equity Plan and shall determine in its discretion the nature, terms, conditions, and amount of each award.

Duration

Subject to the right of the committee or the Board of Directors to amend or terminate the Equity Plan at any time, the Equity Plan shall remain in effect, until the earlier of the tenth anniversary of the effective date of the Equity Plan, which occurred on May 17, 2006, or when all shares of common stock subject to the Equity Plan have been purchased or acquired according to the Equity Plan's provisions. Any previously granted awards under the Equity Plan that remain outstanding as of the date of expiration or other termination of the Equity Plan shall not be affected by such expiration or other termination and shall continue in effect in accordance with their respective terms.

Restricted Stock and RSU Awards

Restricted Stock Awards. Restricted stock may be issued for services rendered with any or no additional purchase price as shall be determined by the committee in its discretion and may be subject to certain restrictions and to a risk of forfeiture as set forth in the award agreement. A participant to whom shares of restricted stock are granted shall, upon issuance of a stock certificate for the shares issued, have all of the rights of ownership with respect to the shares subject to such restricted stock award, including the right to vote the same and receive any dividends paid thereon; subject however, to the terms, conditions, and restrictions contained in the Equity Plan and in the applicable award agreement.

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Restricted Stock Unit Awards

Each RSU awarded shall represent a right for one share of common stock to be delivered upon settlement of the award, which right shall be subject to a risk of forfeiture and cancellation and to the other terms and conditions set forth in the Equity Plan and the award agreement. An RSU award agreement may provide for cancellation of RSUs upon termination of the participant's employment or other relationship with St. Mary or nonperformance of specified performance goals or measures established by the committee. An RSU award agreement may also provide for vesting periods that require the passage of time and/or the occurrence of events in order for the RSUs to vest and become no longer subject to cancellation. RSUs shall not be credited with dividend equivalents unless specifically provided for in the applicable award agreement, and then only upon such terms and conditions as set forth in such award agreement. The committee, in its discretion, is free to specify terms and conditions other than those described above.

Settlement of a RSU award shall be made in accordance with the terms and conditions of the applicable award agreement. A RSU award agreement may provide that settlement may be made solely through the issuance of shares of common stock or at the mutual election of the participant and St. Mary, in a combination of shares of common stock and cash. Upon the settlement of a RSU award, St. Mary shall deliver to the participant the number of shares of common stock issued to the participant in settlement of the award, which shares may be delivered in book-entry or certificated form.

Stock Options

Subject to the terms and provisions of the Equity Plan, ISOs and NSOs may be granted to participants in such number, upon such terms, and at such times as shall be determined by the committee. Notwithstanding the foregoing, no ISOs may be granted more than ten years after March 23, 2006. Each stock option granted to a participant shall expire at such time as the committee shall determine at the time of grant; provided however, no stock option shall be exercisable later than the tenth anniversary date of its grant. Stock options granted under the Equity Plan shall be exercisable at such times and on the occurrence of such events, and be subject to such restrictions and conditions as the committee shall in each instance approve, which need not be the same for each grant or for each participant.

The stock option price for each grant of a stock option shall be determined by the committee and shall be specified in the award agreement. The stock option price may include a stock option price based on 100 percent of the fair market value of the shares of common stock on the date of grant, a stock option price that is set at a premium to the fair market value of the shares of common stock on the date of grant, or a stock option price that is indexed to the fair market value of the shares of common stock on the date of grant, with the index determined by the committee in its discretion. The stock option price for each stock option grant, whether issued as an ISO or an NSO, shall be not less than 100 percent of the fair market value of the underlying shares of common stock on the date of grant. Dividend equivalents are not permitted for stock options.

SARs

Subject to the terms and conditions of the Equity Plan, SARs may be granted to participants at any time and from time to time and upon such terms as shall be determined by the committee in its discretion. The committee may grant freestanding SARs, tandem SARs, or any combination of these forms of SARs. The grant price for each grant of a freestanding SAR shall be determined by the committee and shall be specified in the award agreement. The SAR grant price may include a grant price based on 100 percent of the fair market value of the underlying share on the date of grant or a grant price that is set at a premium to the fair market value of the underlying share on the date of

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grant. The SAR grant price shall not be less than the fair market value of the underlying share on the date of grant. The grant price of the tandem SARs shall be equal to the option price of the related option. A tandem SAR means a SAR that the committee specifies is granted in connection with a related stock option pursuant to the Equity Plan, the exercise of which shall require forfeiture of the right to purchase a share of common stock under the related stock option (and when a share of common stock is purchased under the stock option, the tandem SAR shall similarly be cancelled) or a SAR that is granted in tandem with a stock option but the exercise of such option does not cancel the SAR, but rather results in the exercise of the related SAR. Regardless of whether a stock option is granted coincident with a SAR, a SAR is not a tandem SAR unless so specified by the committee at time of grant. Dividend equivalents are not permitted for SARs.

Performance Shares and Performance Units

Subject to the terms and conditions of the Equity Plan, performance shares and performance units may be granted at any time and from time to time as shall be determined by the committee in its discretion. Each performance share and performance unit shall have an initial value established by the committee at the time of the grant. The committee shall in its discretion set performance criteria for a performance period that shall not be shorter than 12 months, which, depending on the extent to which the performance criteria are met, will determine, in the manner established by the committee and set forth in the applicable award agreement, the value and/or amount of each performance share or performance unit that will be paid to a participant.

Subject to the Equity Plan and the applicable award agreement, after the applicable performance period has ended, the holder of performance shares or performance units shall be entitled to receive, to the extent that the performance shares or performance units have vested, if applicable, a payout of the value or amount of performance shares or performance units, determined as a function of the extent to which the corresponding performance criteria have been achieved. The committee in its discretion may require a participant to hold the shares or other property received pursuant to such an award for a specified period of time. Payment of earned performance shares and performance units shall be made in accordance with the terms and conditions of the applicable award agreement. A performance share or performance unit award agreement may provide that payment may be made, to the extent that the performance share or performance unit has vested and the performance criteria are met, solely through the issuance of shares earned upon the expiration of the applicable performance period. The participant may elect to satisfy the participant's tax withholding obligation with respect to the award by having St. Mary withhold shares or other property or by the participant surrendering shares or other property to the Company with a fair market value on or near the tax withholding date equal to the tax withholding obligation.

Dividends and other distributions declared by St. Mary's Board of Directors and paid with respect to outstanding shares shall only be paid with respect to performance share and performance unit awards for shares that have been issued by St. Mary in payment of such awards to the extent that the awards have vested and upon the expiration of the applicable performance periods for the awards. Performance shares and performance units shall not be credited with dividend equivalents unless specifically provided for in the applicable award agreement and then only upon such terms and conditions as set forth in such award agreement.

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Stock Based Awards

Subject to the terms and provisions of the Equity Plan, the committee, at any time and from time and time, may grant other types of equity based or equity related awards not otherwise described by the terms of the Equity Plan (including the grant or offer for sale of unrestricted shares of common stock) in such amounts and subject to such terms and conditions including, but not limited to, being subject to performance criteria or in satisfaction of such obligations. Such awards may entail the transfer of actual shares of common stock to participants or payment in cash or otherwise of amounts based on the value of shares of common stock.

Performance Measures

Notwithstanding any other terms of the Equity Plan, the vesting, monetization, or value (as determined by the committee) of each award other than a stock option or SAR that, at the time of grant, the committee intends to be performance based compensation to a covered employee shall be determined by the attainment of one or more performance goals as determined by the committee in conformity with Section 162(m) of the IRC. The committee shall specify in writing, by resolution or otherwise, the participants eligible to receive such an award (which may be expressed in terms of a class of individuals) and the performance goal(s) applicable to such awards within ninety (90) days after the commencement of the period to which the performance goal(s) relate(s) or such earlier time as required to comply with Section 162(m) of the IRC. No such award shall be payable unless the committee certifies in writing, by resolution or otherwise, that the performance goal(s) applicable to the award were satisfied. In no case may the committee increase the value of an award of performance based compensation above the maximum value determined under the performance formula by the attainment of the applicable performance goal(s), but the committee retains the discretion to reduce the value below such maximum. A general description of performance measures on which performance goals will be based is contained in the Equity Plan document attached to this proxy statement as Annex A.

Tax Matters

The following is a brief summary of advice received from counsel to St. Mary regarding the principle United States federal income tax consequences of benefits under the Equity Plan under present laws and regulations:

ISOs. The grant of an ISO will not result in any immediate tax consequences to St. Mary or the optionee. An optionee will not recognize taxable income and St. Mary will not be entitled to any deduction upon the timely exercise of an ISO, but the excess of the fair market value of the shares of common stock acquired over the stock option price will be an item of tax preference for purposes of the alternative minimum tax. If the optionee does not dispose of the shares of common stock acquired within one year after their receipt (and within two years after the option was granted), gain or loss recognized on the subsequent disposition of the shares of common stock will be treated as long term capital gain or loss. Capital losses of individuals are deductible only against capital gains and a limited amount of ordinary income. In the event of an earlier disposition, the optionee will recognize ordinary taxable income in an amount equal to the lesser of (i) the excess of the fair market value of the shares of common stock on the date of exercise over the option price, or (ii) if the disposition is a taxable sale or exchange, the amount of any gain recognized. Upon such a disqualifying disposition, St. Mary will be entitled to a deduction in the same amount and at the same time as the optionee recognizes such ordinary taxable income.

NSOs. The grant of a NSO will not result in any immediate tax consequences to St. Mary or the optionee. Upon the exercise of a NSO, the optionee will recognize ordinary taxable income, and

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St. Mary will be entitled to a deduction, equal to the difference between the stock option price and the fair market value of the shares of common stock acquired at the time of exercise.

SARs. The grant of either a tandem SAR or a freestanding SAR will not result in any immediate tax consequences to St. Mary or the grantee. Upon the exercise of either a tandem SAR or a freestanding SAR, any cash received and the fair market value on the exercise date of any shares of common stock received will constitute ordinary taxable income to the grantee. St. Mary will be entitled to a deduction in the same amount and at the same time.

Restricted Stock. A grantee normally will not recognize taxable income upon an award of restricted stock, and St. Mary will not be entitled to a deduction, until the termination of the restrictions. Upon such termination, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock at that time, plus the amount of any dividends and interest thereon to which the grantee then becomes entitled. However, a grantee may elect to recognize ordinary taxable income in the year the restricted stock is awarded in an amount equal to its fair market value at that time, determined without regard to the restrictions. St. Mary will be entitled to a deduction in the same amount and at the same time as the grantee recognizes income, subject to the limitations of Section 162(m) of the IRC.

RSUs. The grant of an RSU will not result in any immediate tax consequences to St. Mary or the grantee. Upon payment of a RSU, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock or cash received at that time. St. Mary will be entitled to a deduction in the same amount and at the same time, subject to the limitations of Section 162(m) of the IRC.

Performance Shares and Performance Units. The grant of a performance share or performance unit will not result in any immediate tax consequences to St. Mary or the grantee. Upon payment of a performance share or performance unit, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock or cash received at that time. St. Mary will be entitled to a deduction in the same amount and at the same time, subject to the limitations of Section 162(m) of the IRC.

Payouts of Performance Compensation Awards. The designation of an award of restricted stock, RSUs, performance shares, or performance units as a performance compensation award will not change the tax treatment described above to an employee who receives such an award or grant. Such a designation will, however, enable such award or grant to qualify as performance based compensation not subject to the \$1 million limitation on deductible compensation under Section 162(m) of the IRC. Applicable taxes required by law will be withheld from all amounts paid in satisfaction of an award. The amount of the withholding will generally be determined with reference to the closing price of the shares of common stock as reported on the NYSE on the date of determination.

Golden Parachute Tax and Section 280G of the IRC. If an award is accelerated as a result of either (i) a change of control of St. Mary for awards granted prior to May 21, 2008, or (ii) a change of control of St. Mary and a termination of a participant's employment with St. Mary either by St. Mary without cause or by the participant for good reason within 30 months of the change of control for awards granted on or after May 21, 2008, all or a portion of the value of the award at that time may be a "parachute payment" under Section 280G of the IRC for certain employees and other individuals who perform services for St. Mary. Section 280G generally provides that if parachute payments equal or exceed three times an award holder's average W-2 compensation for the five tax years preceding the year of the change of control, St. Mary will not be permitted to claim its deduction with respect to any "excess parachute payments" made to the individual. An "excess parachute payment" generally is the portion of a parachute payment that exceeds such individual's historical average compensation. Section 280G of the IRC generally applies to employees or other individuals who perform services for

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St. Mary if within the 12 month period preceding the change of control the individual is an officer of St. Mary, a stockholder owning more than one percent of the stock of St. Mary, or a member of the group consisting of the lesser of the highest paid one percent of the employees of St. Mary or the highest paid 250 employees of St. Mary. A recipient of an excess parachute payment is subject to a 20 percent excise tax on such excess parachute payment under Section 4999 of the IRC.

The discussion set forth above is intended only as a summary and does not purport to be a complete enunciation or analysis of all potential tax consequences relevant to recipients of awards under the Equity Plan. We have not undertaken to discuss the tax treatment of awards under the Equity Plan in connection with a merger, consolidation, or similar transaction. Such treatment will depend on the terms of the transaction and the method of dealing with the awards in connection therewith.

Change of Control

Accelerated Vesting and Payment Applicable to Awards Granted prior to May 21, 2008.

Subject to the provisions of the Equity Plan or as otherwise provided in the award agreement, for awards granted prior to May 21, 2008, in the event of a change of control, unless otherwise specifically prohibited under law or by the rules and regulations of a national securities exchange:

Any period of restriction and other restrictions imposed on restricted stock or RSUs shall lapse, and RSUs shall be immediately payable;

Any and all stock options and SARs granted shall become immediately exercisable;

The target payout opportunities attainable under all outstanding awards of performance based restricted stock and performance based RSUs, performance shares, and performance units (including but not limited to awards intended to be performance based compensation) shall be deemed to have been fully earned based on targeted performance being attained as of the effective date of the change of control, and

The vesting of all awards denominated in shares of common stock shall be accelerated as of the effective date of the change of control, and shall be paid out to participants within 30 days following the effective date of the change of control; and

Awards denominated in cash shall be paid to participants in cash within 30 days following the effective date of the change of control.

Upon a change of control, unless otherwise specifically provided in a written agreement entered into between the participant and St. Mary or an affiliate of St. Mary, the committee shall immediately vest and pay out all other stock based awards as determined by the committee; and

The committee shall have the ability to unilaterally determine that all outstanding awards are cancelled upon a change of control, and the value of such awards, as determined by the committee in accordance with the terms of the Equity Plan and the award agreement, be paid out in cash in an amount based on the change of control price within a reasonable time subsequent to the change of control; provided, however, that no such payment shall be made on account of an ISO using a value higher than the fair market value on the date of settlement.

Accelerated Vesting and Payment Applicable to Awards Granted on or after May 21, 2008.

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Subject to the provisions of the Equity Plan or as otherwise provided in the award agreement, for awards granted on or after May 21, 2008, and prior to change of control, in the event a change of control occurs and a participant's employment with the Company is terminated without cause or the participant terminates his or her employment for good reason within thirty (30) months of the change

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of control (a "Change of Control Termination"), unless otherwise specifically prohibited under law or by the rules and regulations of a national securities exchange:

Any period of restriction and other restrictions imposed on restricted stock or RSUs shall lapse, and RSUs shall be immediately payable;

Any and all stock options and SARs granted shall become immediately exercisable;

The target payout opportunities attainable under all outstanding awards of performance based restricted stock and performance based RSUs, performance shares and performance units (including but not limited to awards intended to be performance based compensation) shall be deemed to have been fully earned based on measured performance as of the effective date of the change of control, and

The vesting of all awards denominated in shares of common stock shall be accelerated as of the effective date of the Change of Control Termination and shall be paid out to participants within 30 days following the effective date of the Change of Control Termination, and

Awards denominated in cash shall be paid to participants in cash within 30 days following the effective date of the Change of Control Termination;

Upon a Change of Control Termination, unless otherwise specifically provided in a written agreement entered into between the participant and St. Mary or an affiliate of St. Mary, the committee shall immediately vest and pay out all other stock based awards as determined by the committee; and

The committee shall have the ability to unilaterally determine that all outstanding awards are cancelled upon a Change of Control Termination, and the value of such awards, as determined by the committee in accordance with the terms of the Equity Plan and the award agreement, be paid out in cash in an amount determined by the committee in accordance with the terms of the Equity Plan and the award agreement, within a reasonable time subsequent to the Change of Control Termination; provided, however, that no such payment shall be made on account of an ISO using a value higher than the fair market value on the date of settlement.

In the event that the existence of the foregoing provisions, even if a change of control and a Change of Control Termination do not occur, would result in an award to a covered employee designed to qualify as performance based compensation to not so qualify, the committee shall have the discretion to adopt for such award such provisions as shall satisfy the requirements of Section 162(m) of the IRC.

Alternate Awards

Subject to certain conditions set forth in the Equity Plan, no cancellation, acceleration of vesting, lapsing of restrictions, payment of an award, cash settlement, or other payment shall occur with respect to any award if the committee reasonably determines in good faith prior to the occurrence of a change of control, that such award shall be honored, assumed, or new rights substituted therefore by any successor, all as described in the Equity Plan.

Amendment, Modification, Suspension, and Termination

The committee or Board of Directors of St. Mary may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Equity Plan in whole or in part; provided however, that:

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Except in connection with a corporate transaction involving St. Mary (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split up, spin off, combination, or exchange of shares), the

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terms of outstanding awards may not be amended to reduce the option price of outstanding options or the grant price of outstanding SARs or cancel outstanding options or SARs in exchange for cash, other awards or options or SARs with an option price or grant price that is less than the option price or grant price of the original options or SARs without stockholder approval.

No amendment or modification that would increase the total number of shares of common stock available for issuance under the Equity Plan or the total number of shares available for ISOs under the Equity Plan shall be effective unless approved by the stockholders of St. Mary.

To the extent necessary under any applicable law, regulation, or securities exchange or market requirement, no amendment shall be effective unless approved by the stockholders of St. Mary in accordance with applicable law, regulation, or securities exchange or market requirement.

Adjustment of Awards

The committee may make appropriate proportionate adjustments or substitutions in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting St. Mary or the financial statements of St. Mary or of changes in applicable laws, regulations, or accounting principles, whenever the committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Equity Plan.

Adjustments shall be made automatically, without the necessity of committee action, on the customary and appropriate arithmetical basis, in the case of any stock split, including a stock split affected by means of a stock dividend and in the case of any other dividend paid in shares of common stock. Adjustments shall be made in the discretion of the committee with respect to other corporate events or transactions.

Securities Registration

St. Mary has registered under the Securities Act of 1933, as amended (the "Securities Act") the issuance of previously authorized shares of common stock under the Equity Plan, and plans to register the issuance of the additional shares under the 2009 Amendments if approved by the stockholders. Accordingly, participants will be able to sell shares issued under the Equity Plan once any vesting and holding periods are satisfied, subject to other requirements of the Securities Act.

New Plan Benefits Table

St. Mary cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to our executive officers, employees or directors under the Equity Plan. Such awards will be subject to limits as set forth in Section 4.1 of the Equity Plan document attached to this proxy statement as Annex A.

The following table sets forth the awards granted in 2009 for PSA/RSU performance from 2009 to 2012 under the Equity Plan to each of St. Mary's named executive officers, executive officers as a group, and all employees and consultants (excluding named executive officers and executive officers) as a group as well as stock granted in 2009 to non-executive directors as a group related to the service period from May 20, 2009, through May 26, 2010.

Table of Contents**Equity Incentive Compensation Plan**

Name and Position	August 1, 2009 Grant	8/1/09 Market Value of Shares or Units	Number of Restricted Stock Units Issued	Number of Performance Share Awards Issued	Number of Shares of Stock Issued
Anthony J. Best President, Chief Executive Officer and Director	70,000	\$ 1,670,900	17,500	52,500	1,250
A. Wade Pursell Executive Vice President and Chief Financial Officer	38,000	\$ 907,060	9,500	28,500	
Javan D. Ottoson Executive Vice President and Chief Operating Officer	45,000	\$ 1,074,150	11,250	33,750	
Milam Randolph Pharo Senior Vice President and General Counsel	14,500	\$ 346,115	3,625	10,875	
Paul M. Veatch Vice President Senior Vice President and Regional Manager	22,000	\$ 525,140	5,500	16,500	
Executive Officers as a Group, as of December 31, 2009 (14 persons)	319,050	\$ 7,615,724	79,763	239,287	1,250
Non-Executive Directors as a Group, as of December 31, 2009 (six persons)		\$ 547,635			50,094
All Employees and Consultants (excluding named executive officers and other executive officers) as a Group, as of December 31, 2009 (293 persons)	647,787	\$ 15,462,676	161,982	485,805	

Disclosure with Respect to Equity Compensation Plans

For a table providing information as of December 31, 2009, concerning equity awards granted under St. Mary's ESPP, please see the "Equity Compensation Plans" section of this proxy statement.

Recommendation of the Board of Directors

Since the Board of Directors believes that the amendment to the Equity Plan to increase the stated total number of shares authorized for issuance under the plan from 6,000,000 shares to 7,600,000 shares will help attract, retain, and further motivate employees, consultants, and directors and enhance stockholder value, the Board of Directors recommends voting "FOR" the approval of the amendment to the Equity Plan.

**PROPOSAL 3 APPROVAL OF AMENDMENT TO THE CERTIFICATE OF
INCORPORATION TO CHANGE THE NAME OF THE COMPANY TO
"SM ENERGY COMPANY"**

On April 1, 2010, the Board of Directors adopted a resolution approving an amendment to Article First of the Company's Restated Certificate of Incorporation to change the name of the Company from "St. Mary Land & Exploration Company" to "SM Energy Company" and recommending that the name change amendment be submitted to the Company's stockholders for approval. The Board of Directors

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believes that the name change is in the best interests of the Company and recommends the approval of the name change amendment by the Company's stockholders.

Reasons for the name change

The name change is intended to reflect the transformation that we have experienced in recent years from a company focused on the exploitation of its portfolio of oil and natural gas properties that began with our historical namesake fee land properties in St. Mary Parish, Louisiana and was grown through niche acquisitions, to a company focused on the exploration for and development of significant onshore resource plays in North America. The Board of Directors believes that the name "SM Energy Company" reflects the broader focus of the Company and its forward-looking approach to building its asset base in a manner that allows for more predictable and meaningful growth, and will further promote the awareness of the Company's focus in the minds of industry participants, stockholders, and the investment community. In addition, the new name would distinguish the Company from the many other organizations and entities that utilize "St. Mary" in their name.

Effects of the name change

If the name change amendment is approved by the stockholders, the name change will become effective when a Certificate of Amendment to the Restated Certificate of Incorporation is filed with the Secretary of State of the State of Delaware. The Certificate of Amendment would specify that Article First of the Company's Restated Certificate of Incorporation shall be amended to read as follows:

FIRST: The name of this Corporation is SM Energy Company.

If the name change amendment is approved by the stockholders and becomes effective, the rights of stockholders holding certificated shares under currently outstanding stock certificates and the number of shares represented by those certificates will remain unchanged. The name change will not affect the validity or transferability of any currently outstanding stock certificates that bear the name "St. Mary Land & Exploration Company", nor will it be necessary for stockholders with certificated shares to surrender or exchange any stock certificates they currently hold as a result of the name change. Uncertificated shares currently held in direct registration accounts and any new stock certificates that are issued after the name change becomes effective will bear the name "SM Energy Company".

The Company's common stock is currently listed for trading on the New York Stock Exchange under the symbol "SM". If the name change amendment is approved, the Company's common stock would continue to be listed on the NYSE, and the Company expects that its common stock will continue to be traded under the current "SM" symbol. A new CUSIP number is expected to be assigned to the common stock following the name change.

If the name change amendment is not approved by the stockholders, the proposed amendment to the Company's Restated Certificate of Incorporation will not be made and the Company's name and ticker symbol for trading of its common stock on the NYSE will remain unchanged.

Recommendation of the Board of Directors

The Board of Directors recommends voting "FOR" approval of the amendment to the certificate of incorporation to change the name of the Company to "SM Energy Company".

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PROPOSAL 4 RATIFICATION OF THE APPOINTMENT BY THE AUDIT COMMITTEE OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2010

St. Mary's stockholders are being asked to ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2010. Deloitte & Touche has served as the Company's independent registered public accounting firm since 2001, and the Audit Committee plans to engage Deloitte & Touche to perform the audit of St. Mary's financial statements as of and for the year ending December 31, 2010.

The Audit Committee is solely responsible for selecting the Company's independent auditors. Although stockholder ratification of the appointment of Deloitte & Touche is not required by law or the Company's organizational documents, the Board of Directors has determined that it is desirable to seek stockholder ratification as a matter of good corporate governance in view of the critical role played by independent registered public accounting firms in maintaining the integrity of financial controls and reporting. If the stockholders do not ratify the appointment of Deloitte & Touche, the Audit Committee will consider whether to engage another independent registered public accounting firm.

Recommendation of the Board of Directors

The Board of Directors recommends voting "FOR" the ratification of the appointment by the Audit Committee of Deloitte & Touche as the Company's independent registered public accounting firm for 2010.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities with respect to (1) the integrity of the Company's financial statements and financial reporting process and systems of internal controls regarding finance, accounting, and compliance with legal and regulatory requirements, (2) the qualifications, independence, and performance of the Company's independent accountants, (3) the performance of the Company's internal audit function, and (4) other matters as set forth in the charter of the Audit Committee approved by the Board of Directors.

Management is responsible for the Company's financial statements and the financial reporting process, including the systems of internal controls and disclosure controls and procedures. The independent accountants are responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee reviewed and discussed with management and the independent accountants the audited consolidated financial statements of the Company for the year ended December 31, 2009. The Audit Committee also discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. In addition, the Audit Committee received the written disclosures and the letter from the independent accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent accountants that firm's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company be included in

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the Company's Annual Report on Form 10-K for the year ended December 31, 2009, that was filed with the SEC.

THE AUDIT COMMITTEE
William J. Gardiner, Chairman
Larry W. Bickle
John M. Seidl

March 31, 2010

INDEPENDENT ACCOUNTANTS

To the knowledge of management, neither Deloitte & Touche LLP nor any of its members has any direct or material indirect financial interest in St. Mary or any connection with St. Mary in any capacity other than as independent public accountants. A representative of Deloitte & Touche LLP is expected to be present at the annual meeting and will have an opportunity to make a statement if he desires to do so and to respond to appropriate questions.

The Company paid the following fees to the independent accountants for the audit of the consolidated financial statements and for other services provided in the years ended December 31, 2009, and 2008. All services and fees including tax service fees were pre-approved by the Audit Committee.

	2009	2008
Audit Fees(1)	\$ 515,000	\$ 504,250
Audit Related Fee(2)	\$ 250	\$ 2,227
Tax Fees(3)	\$ 10,514	\$ 10,140
All Other Fees		
Total Fees	\$ 525,764	\$ 516,617

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- (1) Includes reviews of registration statements and related consents and comfort letters.
- (2) Includes out of pocket expenses related to travel to Audit Committee and stockholder meetings.
- (3) Includes basic compliance services and assistance with technical research.

The Audit Committee has concluded that the provision of the non-audit services, such as tax services, is compatible with maintaining the accountants' independence.

AUDIT COMMITTEE PRE-APPROVAL POLICY AND PROCEDURES

The charter of the Audit Committee provides that the Audit Committee shall approve the fees and any other significant compensation to be paid to the independent accountants, and shall approve in advance any non-audit services to be performed by the independent accountants. Such pre-approval requirement for non-audit services may be waived only if the non-audit services meet a de minimis exception allowed by law. Accordingly, it is the Audit Committee's policy that, prior to the engagement of the independent accountants, the Audit Committee shall review and pre-approve all audit and permissible non-audit services to be provided by the independent accountants (including the related fees and other terms of such services).

In connection with this policy, the following procedures are followed: (i) if applicable, each year the Audit Committee reviews and pre-approves a schedule of services and estimated fees for proposed audit and non-audit services to be provided by the independent accountants

during the next annual

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audit cycle, which schedule is detailed as to the particular services to be performed by the independent accountants; (ii) actual amounts paid to the independent accountants are monitored by financial management of the Company and reported to the Audit Committee; (iii) any services proposed to be provided by the independent accountants and the related fees that have not been pre-approved during the annual review by the Audit Committee must be pre-approved by the Audit Committee in advance of any work performed; and, (iv) incremental fees for previously approved services that are expected to exceed the previously approved fee estimate must also be pre-approved by the Audit Committee.

OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, executive officers, and persons beneficially holding more than ten percent of St. Mary common stock must report their initial ownership of the common stock and any changes in that ownership in reports that must be filed with the SEC and St. Mary. The SEC has designated specific deadlines for these reports and St. Mary must identify in this proxy statement those persons who did not file these reports when due.

Based solely on a review of reports furnished to the Company, all directors, executive officers, and ten percent owners of St. Mary timely filed all reports regarding transactions in the Company's securities required to be filed for 2009 by Section 16(a) under the Exchange Act.

Future Stockholder Proposals

St. Mary must receive any St. Mary stockholder proposal for the annual meeting of stockholders in 2011 by December 15, 2010, for the proposal to be included in the St. Mary proxy statement and form of proxy for that meeting. For stockholder proposals submitted outside of the proposal rules of Rule 14a-8 of the Securities Exchange Act of 1934, as amended, the By-Laws require that advance written notice in proper form of stockholder proposals for matters to be brought before an annual stockholders meeting be received by the Secretary not less than 75 days or more than 105 days before the first anniversary date of the immediately preceding annual stockholders meeting. Accordingly, notice of stockholder proposals for the 2011 annual meeting must be received by St. Mary between February 10, 2011, and March 14, 2011.

Other Matters

Management does not know of any matters other than the election of directors, the approval of the amendment to the Equity Plan, the approval of the amendment to the Certificate of Incorporation, and the ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm, to be brought before the annual meeting of stockholders. If any other matters not mentioned in this proxy statement are properly brought before the meeting, the individuals named in the enclosed proxy intend to use their discretionary voting authority under the proxy to vote the proxy in accordance with their best judgment on those matters.

By Order of the Board of Directors

C. Mark Brannum
Senior Legal Counsel and Secretary

April 2, 2010

ST. MARY LAND & EXPLORATION COMPANY

EQUITY INCENTIVE COMPENSATION PLAN

As Amended and Restated as of April 1, 2010

ARTICLE I

ESTABLISHMENT, PURPOSE AND DURATION

1.1 *Establishment.* St. Mary Land & Exploration Company, a Delaware corporation (the "Company"), has established an equity incentive compensation plan formerly known as the 2006 Equity Incentive Compensation Plan (the "Plan"). On March 26, 2009, the Plan was renamed as the Equity Incentive Compensation Plan. The Plan permits the grant of Restricted Stock, Restricted Stock Units, Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares, Performance Units and Stock Based Awards. The Plan became effective upon its approval by the Company's stockholders on May 17, 2006 (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2 *Purpose.* The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the Participants to those of the Company's stockholders, and by providing Participants with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to attract, motivate, and retain the services of Participants upon whose judgment, interest, and special effort the success of the Company is substantially dependent.

1.3 *Duration.* The Plan commenced as of the Effective Date, as set forth in Section 1.1 hereof, and shall remain in effect, subject to the right of the Committee or the Board to amend or terminate the Plan at any time pursuant to Article XIV hereof, until the earlier of (i) the tenth anniversary of the Effective Date, or (ii) when all Shares subject to the Plan have been purchased or acquired according to the Plan's provisions. Any previously granted Awards under this Plan which remain outstanding as of the date of expiration or other termination of the Plan shall not be affected by such expiration or other termination and shall continue in effect in accordance with their respective terms.

1.4 *Successor Plan.* This Plan shall serve as the successor to the St. Mary Land & Exploration Company Stock Option Plan, the St. Mary Land & Exploration Company Incentive Stock Option Plan, the St. Mary Land & Exploration Company Restricted Stock Plan, and the St. Mary Land & Exploration Company Non-Employee Director Stock Compensation Plan (collectively, the "Predecessor Plans"), and no further grants or awards shall be made under the Predecessor Plans from and after the Effective Date of this Plan. Each outstanding grant or award under a Predecessor Plan immediately prior to the Effective Date of this Plan shall continue to be governed solely by the terms and conditions of the applicable Predecessor Plan and the instruments evidencing such grant or award, and, except as otherwise expressly provided herein or by the Committee, no provision of this Plan shall affect or otherwise modify the rights or obligations of holders of such outstanding grants or awards under the Predecessor Plans. Any Shares reserved for issuance under the Predecessor Plans in excess of the number of Shares as to which grants or awards have been made thereunder shall be transferred into this Plan upon the Effective Date and shall become available for Awards under this Plan. Any Shares related to grants or awards made under the Predecessor Plans that after the Effective Date may lapse, expire, terminate, or are cancelled, are settled in cash in lieu of common stock, are tendered (either by actual delivery or attestation) to pay the option price, or are used to satisfy any tax withholding requirements shall be deemed to be available for issuance or reissuance under Section 4.1 of this Plan; provided, however, that any Shares that from and after May 21, 2008 are tendered (either by actual delivery or attestation) to pay the option price or are used to satisfy any tax withholding requirements shall not be deemed available for issuance or reissuance under Section 4.1 of this Plan.

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**ARTICLE II
DEFINITIONS AND CONSTRUCTION**

2.1 *Definitions.* Whenever used herein, the following terms shall have the respective meanings set forth below, unless the context clearly requires otherwise, and when such meaning is intended the term shall be capitalized.

(a) "*Affiliate*" shall have the meaning given to such term in Rule 12b-2 under the Exchange Act, with reference to the Company, and shall also include any corporation, partnership, joint venture, limited liability company or other entity in which the Company owns, directly or indirectly, at least 50 percent of the total combined voting power of such corporation or of the capital interest or profits interest of such partnership or other entity.

(b) "*Award*" means, individually or collectively, a grant or award under this Plan of Restricted Stock, Restricted Stock Units, NQSOs, ISOs, SARs, Performance Shares, Performance Units or Stock Based Awards, in each case subject to the terms of this Plan.

(c) "*Award Agreement*" means either (i) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to Awards granted under this Plan; or (ii) a written statement issued by the Company to a Participant describing the terms and provisions of such Award. All Award Agreements shall be deemed to incorporate the provisions of the Plan. An Award Agreement need not be identical to other Award Agreements either in form or substance.

(d) "*Board*" or "*Board of Directors*" means the Board of Directors of the Company.

(e) "*Change of Control*" shall mean any of the following events:

(i) (A) The acquisition by any individual or entity (a "Person") or Persons acting as a group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50 percent of either (1) the then value of the outstanding shares of common stock of the Company, or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.

(B) For purposes of paragraph (A), Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. However, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a Person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. For purposes of determining stock ownership, see (e)(iv) below.

(ii) A majority of members of the Board is replaced during any 12 month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or

(iii) (A) Any one Person, or more than one Person acting as a group (as determined in (e)(iii)(C) below), acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

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(B) A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to

(1) A stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(2) An entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(3) A Person, or more than one Person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or

(4) An entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a Person described in (e)(iii)(B)(3). For purposes of this paragraph (e)(iii)(B) and except as otherwise provided, a Person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority owned subsidiary of the Company after the transaction, is not treated as a change in the ownership of the assets of the Company.

(C) Persons will not be considered to be acting as a group for purposes of this paragraph (e)(iii) solely because they purchase assets of the Company at the same time. However, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Company. If a Person, including an entity shareholder, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only to the extent of the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

(D) For purposes of determining stock ownership, see (e)(iv) below.

(iv) For purposes of determining whether there has been a Change of Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by §§1.83-3(b) and (j) of the income tax regulations promulgated by the Internal Revenue Service), the stock underlying the option is not treated as owned by the individual who holds the option.

(f) "*Change of Control Price*" means the highest per share price for Shares offered in conjunction with any transaction resulting in a Change of Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change of Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of the Shares on any of the 30 trading days immediately preceding the date on which a Change of Control occurs.

(g) "*Change of Control Termination*" has the meaning set forth in Section 13.2 hereof.

(h) "*Code*" means the Internal Revenue Code of 1986, as amended.

(i) "*Committee*" means the Compensation Committee of the Board of Directors, or any other duly authorized committee of the Board appointed by the Board to administer the Plan.

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The Committee shall be comprised of two or more directors, and each member of the Committee shall be a Non-Employee Director, an "outside director" within the meaning of the regulations under Section 162(m) of the Code, and an "independent director" for purposes of the rules and regulations of the New York Stock Exchange ("NYSE") (or such other principal securities market on which the Shares are traded).

(j) "*Company*" means St. Mary Land & Exploration Company, a Delaware corporation, and any successor thereto as provided in Article XVII hereof.

(k) "*Covered Employee*" means an Employee who is, or who the Committee expects to become, a "covered employee" within the meaning of Section 162(m) of the Code.

(l) "*Director*" means any individual who is a member of the Board of Directors of the Company.

(m) "*Dividend Equivalent*" means a right with respect to an Award to receive cash, Shares or other property equal in value and form to dividends declared by the Board and paid with respect to outstanding Shares. Dividend Equivalents shall not apply to Options or Stock Appreciation Rights, and shall not apply to any other type of Award unless specifically provided for in the Award Agreement, and if specifically provided for in the Award Agreement shall be subject to such terms and conditions set forth in the Award Agreement as the Committee shall determine.

(n) "*Employee*" means any employee of the Company or an Affiliate. Directors who are not otherwise employed by the Company or an Affiliate shall not be considered Employees under this Plan.

(o) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(p) "*Fair Market Value*" or "*FMV*" means a value or price that is based on the opening, closing, actual, high, low or average selling prices per Share on the NYSE or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Such definition(s) of FMV may differ depending on whether FMV is in reference to the grant, exercise, vesting, settlement or payout of an Award. If Shares are not traded on an established stock exchange, FMV shall be determined by the Committee based on objective criteria.

(q) "*Fiscal Year*" means the year commencing on January 1 and ending on December 31, or such other fiscal year period as approved by the Board.

(r) "*Freestanding SAR*" means a SAR that is not a Tandem SAR, as described in Article VIII herein.

(s) "*Grant Price*" means the price against which the amount payable is determined upon exercise of a SAR.

(t) "*Incentive Stock Option*" or "*ISO*" means an Option to purchase Shares granted under Article VII herein and that is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code, or any successor provision.

(u) "*Non-Employee Director*" means a Director who meets the definition of a "Non-Employee Director" set forth in Rule 16b-3(b)(3) under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission.

(v) "*Nonqualified Stock Option*" or "*NQSO*" means an Option to purchase Shares granted under Article VII herein, which is not intended to be an Incentive Stock Option or which otherwise does not meet the requirements for an ISO.

(w) "*Option*" means the conditional right to purchase Shares at a stated Option Price for a specified period of time in the form of an Incentive Stock Option or a Nonqualified Stock Option subject to the terms of this Plan.

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(x) "*Option Price*" means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.

(y) "*Participant*" means a participant holding an outstanding Award granted under the Plan.

(z) "*Performance Based Compensation*" means compensation under an Award that is granted in order to provide remuneration solely on account of the attainment of one or more Performance Goals under circumstances that satisfy the requirements of Section 162(m) of the Code.

(aa) "*Performance Goal*" means a performance criterion selected by the Committee for a particular Award for purposes of Article XI based on one or more Performance Measures.

(bb) "*Performance Measures*" mean measures as described in Article XI, the attainment of one or more of which shall, as determined by the Committee, determine the vesting, monetization, or value of an Award to a Covered Employee that is designated to qualify as Performance Based Compensation.

(cc) "*Performance Period*" means the period of time, which shall not be shorter than 12 months, during which the assigned performance criteria must be met in order to determine the degree of payout and/or vesting with respect to an Award of Performance Shares or Performance Units.

(dd) "*Performance Share*" means an Award granted under Article IX herein, denominated in Shares, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

(ee) "*Performance Unit*" means an Award granted under Article IX herein, denominated in units, which may be valued by reference to a designated amount of property other than Shares, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

(ff) "*Plan*" means this Equity Incentive Compensation Plan, as it may be amended from time to time.

(gg) "*Restricted Stock*" means an Award under Article VI of Shares that may be subject to certain restrictions and to a risk of forfeiture as set forth in the Award Agreement.

(hh) "*Restricted Stock Unit*" means an Award under Article VI that is valued by reference to a Share, which value may be paid by delivery of Shares or cash or a combination thereof upon settlement of the Award, subject to the specific terms and conditions of the Award as set forth in the Award Agreement.

(ii) "*Securities Act*" means the Securities Act of 1933, as amended.

(jj) "*Shares*" means shares of common stock of the Company, \$0.01 par value per share.

(kk) "*Stock Appreciation Right*" or "*SAR*" means the conditional right to receive the difference between the FMV of a Share on the date of exercise over the Grant Price, pursuant to the terms of Article VIII herein.

(ll) "*Stock Based Award*" means an equity based or equity related Award granted pursuant to the terms of Article X herein.

(mm) "*Tandem SAR*" means a SAR that the Committee specifies pursuant to Article VIII herein is granted in connection with a related Option, the exercise of which SAR shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be cancelled), or a SAR that is granted in tandem with an Option but the exercise of such Option does not cancel the SAR, but rather results in the exercise of the related SAR. Regardless of whether an Option is granted coincident with a SAR, a SAR is not a Tandem SAR unless so specified by the Committee at the time of grant.

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2.2 *Construction.* Captions and titles contained herein are for convenience of reference only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, any definition of any term herein in the singular also shall include the plural.

**ARTICLE III
ADMINISTRATION**

3.1 *General.* The Committee shall be responsible for administering the Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final, conclusive, and binding upon the Participants, the Company, and all other interested parties. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under the Plan.

3.2 *Authority of the Committee.* The Committee shall have full and exclusive discretionary power to (i) interpret the terms and the intent of the Plan, any Award and any Award Agreement or other agreement ancillary to or in connection with the Plan, (ii) determine eligibility for Awards and select those who will become Participants in the Plan, (iii) adopt such rules, regulations, and guidelines for administering the Plan as the Committee may deem necessary or proper, (iv) provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company with respect to the Plan and (v) make all other determinations necessary or advisable for the administration of the Plan. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions and, subject to Article XIV, adopting modifications, amendments or subplans to the Plan or any Award Agreement. Subject to the terms and provisions of the Plan, the Committee shall have complete discretion in determining the nature, terms, conditions and amount of each Award. In making such determinations, the Committee may take into account the nature of services rendered by the recipient of the Award, such person's present and potential contributions to the Company and such other factors as the Committee in its discretion shall deem relevant.

3.3 *Delegation.* The Committee may delegate to one or more of its members any of the Committee's administrative duties or powers as it may deem advisable; provided, however, that any such delegation shall not be inconsistent with the provisions of Rule 16b-3 under the Exchange Act or Section 162(m) of the Code as to actions to be taken by the Committee in connection therewith.

**ARTICLE IV
SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS**

4.1 *Total Number of Shares Available for Awards.* Subject to adjustment as provided in Section 4.2 herein, the total number of Shares hereby made available and reserved for issuance to Participants pursuant to Awards granted under the Plan shall be 7,600,000, plus any remaining Shares available for issuance under the Predecessor Plans as set forth in Section 1.4 (with such total number of Shares, including such adjustment and remaining Shares, to be referred to as the "Total Share Authorization"). Any Shares issued in connection with an Option or SAR shall be counted against the Total Share Authorization limit as one Share for every one Share issued. Any Shares issued pursuant to Awards granted on or before May 20, 2009 in connection with an Award other than an Option or SAR shall be counted against the Total Share Authorization limit as two Shares for every one Share issued. Any Shares issued pursuant to Awards granted after May 20, 2009 in connection with an Award other than an Option or SAR shall be counted against the Total Share Authorization limit as 1.43 Shares for every one Share issued. The maximum aggregate number of Shares that may be issued through Nonqualified Stock Options shall be equal to the Total Share Authorization. The maximum aggregate number of Shares that may be issued through Incentive Stock Options shall be 7,600,000.

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Any Awards that are not settled in Shares shall not be counted against the Total Share Authorization limit. Any Shares related to Awards (or after the Effective Date, awards granted or issued under the Predecessor Plans) which (i) terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such Shares, (ii) are settled in cash either in lieu of Shares or otherwise, or (iii) are exchanged with the Committee's approval for Awards not involving Shares, shall be available again for issuance under the Plan. In addition, if the Option Price of any Option granted under the Plan or the tax withholding requirement with respect to any Award granted under the Plan is satisfied by tendering Shares to the Company (by either actual delivery or by attestation), or if a SAR is exercised, only the number of Shares issued, net of the Shares tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for issuance under the Plan; provided, however, that from and after May 21, 2008, Shares tendered as full or partial payment to the Company of the Option Price upon exercise of Options granted under this Plan, Shares reserved for issuance upon grant of SARs, to the extent the number of reserved Shares exceeds the number of Shares actually issued upon exercise of the SARs, and Shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations with respect to any Award granted under this Plan, shall not become available again for issuance under this Plan. The maximum number of Shares available for issuance under the Plan shall be reduced to reflect any dividends or Dividend Equivalents that are reinvested into additional Shares under this Plan or credited as additional Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Stock Based Awards. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares. Unless and until the Committee determines that an Award to a Covered Employee shall not be designed to qualify as Performance Based Compensation, the following limits ("Award Limits") shall apply to grants of Awards to Covered Employees under the Plan:

(a) *Restricted Stock/Restricted Units.* The maximum aggregate number of Shares that may be granted in the form of Restricted Stock/Restricted Stock Units in any one Fiscal Year to any one Participant shall be 100,000.

(b) *Options and SARs.* The maximum aggregate number of Shares that may be granted in the form of Options or SARs in any one Fiscal Year to any one Participant shall be 200,000.

(c) *Performance Shares/Performance Units.* The maximum aggregate Award of Performance Shares or Performance Units that a Participant may receive in any one Fiscal Year shall be 200,000 Shares, and the maximum value of Performance Units that a Participant may receive with respect to Awards in any one Fiscal Year shall be a value of \$5,000,000 determined as of the date of vesting or payout, as applicable.

(d) *Stock Based Awards.* The maximum aggregate grant with respect to Stock Based Awards in any one Fiscal Year to any one Participant shall be 200,000.

4.2 *Adjustments in Authorized Shares.* In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary or special dividend, stock split, reverse stock split, split up, spin off, other distribution of stock or property of the Company, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to the stockholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall make or provide for appropriate proportionate substitutions or adjustments, as applicable, to the number and kind of Shares that may be issued under the Plan, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the application and computation of any Dividend Equivalents that may be provided for in Award Agreements, the Award Limits, the limit on issuing Awards other than Options granted with an Option Price equal to at least the FMV of a Share

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on the date of grant or Stock Appreciation Rights with a Grant Price equal to at least the FMV of a Share on the date of grant, and any other value determinations applicable to outstanding Awards or to this Plan. Such adjustments shall be made automatically, without the necessity of Committee action, on the customary and appropriate arithmetical basis, in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in Shares, and shall be made in the discretion of the Committee with respect to other corporate events or transactions. The Committee, in its sole discretion, may also make other appropriate adjustments in the terms of any Awards under the Plan to reflect, or related to, such changes or distributions and may modify any other terms of outstanding Awards, including modifications of performance criteria and changes in the length of Performance Periods, as are equitably necessary to prevent dilution or enlargement of Participant's rights under the Plan that otherwise would result from such corporate event or transaction. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. Subject to the provisions of Article XIII and any applicable law or regulatory requirement, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance, assumption, substitution or conversion of Awards under this Plan in connection with any such corporate event or transaction upon such terms and conditions as it may deem appropriate. In addition, the Committee may amend the Plan, or adopt supplements to the Plan, in such manner as it deems appropriate to provide for such issuance, assumption, substitution or conversion as provided in the previous sentence.

**ARTICLE V
ELIGIBILITY AND PARTICIPATION**

5.1 *Eligibility.* All Employees, consultants who are natural persons, and members of the Board of the Company and of any Affiliate of the Company shall be eligible to participate in the Plan and be granted Awards under the Plan.

5.2 *Actual Participation.* Subject to the provisions of the Plan, the Committee may from time to time, in its sole discretion, select from among persons eligible to participate in the Plan those to whom Awards shall be granted under the Plan, and shall determine in its discretion the nature, terms, conditions, and amount of each Award.

**ARTICLE VI
RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

6.1 *Grant of Restricted Stock or Restricted Stock Units.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, in its discretion may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts and upon such terms as the Committee shall determine.

(a) *Restricted Stock.*

(i) *Nature of Restricted Stock.* Restricted Stock may be issued for services rendered with any or no additional purchase price as shall be determined by the Committee in its discretion, and may be subject to certain restrictions and to a risk of forfeiture as set forth in the Award Agreement. A Participant to whom Shares of Restricted Stock are issued shall have all of the rights of ownership with respect to the Shares subject to such Restricted Stock Award, including the right to vote the same and receive any dividends paid thereon; subject, however, to the terms, conditions and restrictions contained in this Plan and in the applicable Award Agreement.

(ii) *Forfeiture and Vesting.* A Restricted Stock Award Agreement may provide for forfeiture of the Restricted Stock upon termination of the Participant's employment or other relationship with the Company or nonperformance of specified performance goals or measures established by the Committee. A Restricted Stock Award Agreement may also provide for (i) vesting periods which require the passage of time and/or the occurrence of events in order for the Restricted Stock to vest and become no longer subject to forfeiture and (ii) holding periods during which the Restricted Stock may not be sold or otherwise transferred.

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(iii) Delivery of Shares and Settlement. Upon an Award of Restricted Stock, the Company shall deliver to the Participant the Shares subject to the Award (which Shares may be delivered in book-entry or certificated form), and such Shares shall be evidenced with an appropriate legend referring to or setting forth the applicable restrictions to which such Shares are subject (by means of appropriate stop-transfer orders on Shares credited to book-entry accounts or by means of appropriate legends on Shares that have been certificated). After the Shares are no longer subject to such restrictions, the Company shall, in accordance with the terms and conditions of the Award Agreement and upon the request of the Participant and the surrender by the Participant of any certificated Shares, settle the completed Restricted Stock Award by providing the Participant with Shares with such restrictions removed.

(b) *Restricted Stock Units.*

(i) Nature of Restricted Stock Units; Accounts. Each Restricted Stock Unit awarded shall represent a right for one Share to be delivered upon settlement of the Award, which right shall be subject to a risk of forfeiture and cancellation and to the other terms and conditions set forth in the Plan and the Award Agreement. The Company shall establish and maintain a Participant account to record Restricted Stock Units and transactions and events affecting such units. Restricted Stock Units and other items reflected in the account will represent only bookkeeping entries by the Company to evidence unfunded obligations of the Company.

(ii) Deferral Period and Settlement Date. Restricted Stock Units (if not previously cancelled or forfeited) shall be settled on the date or dates set forth in the Award Agreement. In addition, unless otherwise determined by the Committee, if the Committee reasonably determines that any settlement of Restricted Stock Units would result in payment of compensation to a Participant which is not deductible by the Company under Section 162(m) of the Code, such settlement shall be deferred, subject to compliance with Section 409A of the Code as referred to in Article XX herein, to the extent necessary to avoid payment of such nondeductible compensation, with such deferral continuing only until such date as settlement can be effected without loss of deductibility by the Company under Section 162(m) of the Code.

(iii) Cancellation and Vesting. A Restricted Stock Unit Award Agreement may provide for cancellation of the Restricted Stock Units upon termination of the Participant's employment or other relationship with the Company or nonperformance of specified performance goals or measures established by the Committee. A Restricted Stock Unit Award Agreement may also provide for vesting periods which require the passage of time and/or the occurrence of events in order for the Restricted Stock Units to vest and become no longer subject to cancellation.

(iv) Dividend Equivalents. Restricted Stock Units shall not be credited with Dividend Equivalents unless specifically provided for in the Award Agreement, and then only upon such terms and conditions as set forth in the Award Agreement.

(v) Settlement and Delivery of Shares. Settlement of a Restricted Stock Unit Award shall be made in accordance with the terms and conditions of the applicable Award Agreement. A Restricted Stock Unit Award Agreement may provide that settlement may be made (A) solely through the issuance of Shares or (B) at the mutual election of the Participant and the Company, in a combination of Shares and cash. Upon the settlement of a Restricted Stock Unit Award, the Company shall deliver to the Participant the number of Shares issued to the Participant in settlement of the Award (which Shares may be delivered in book-entry or certificated form).

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6.2 *Restricted Stock and Restricted Stock Unit Award Agreements.* Each Restricted Stock and Restricted Stock Unit Award shall be evidenced by an Award Agreement which shall set forth the terms and conditions of such Award, including the number of Shares to which the Award relates, the date or dates upon which such Award shall vest and the circumstances (including termination of employment or failure to satisfy one or more restrictive covenants or other ongoing obligations) under which the Award shall not vest, the time and manner of settlement of the Award, such transfer restrictions which the Committee may impose, and any other terms or conditions which the Committee may impose.

(a) If not otherwise specified by the Committee, the following terms and conditions shall apply to Restricted Stock and Restricted Stock Units awarded under the Plan:

(i) *Vesting.* An Award of Restricted Stock or Restricted Stock Units shall vest pursuant to a vesting schedule as determined by the Committee, which vesting schedule may provide that (A) an Award held by a Participant who retires from employment with the Company after having both reached the age of sixty and completed twelve years of service with the Company shall continue to vest in accordance with the vesting schedule set forth in the applicable Award Agreement notwithstanding the termination of the Participant's employment with the Company, provided that prior to full vesting of the Award such Participant does not after such retirement become employed on a full time basis by a competitor of the Company prior to reaching age sixty-five, and (B) an Award held by a Non-Employee Director of the Company who resigns from the Board after completing at least five years of service to the Company as a Non-Employee Director shall become fully vested.

(ii) *Termination.* An outstanding Award of Restricted Stock that has not vested or an outstanding Award of Restricted Stock Units that has not been settled shall be cancelled upon the Company's termination of the employment of the Participant for cause.

(iii) *Acceleration.* An outstanding Award of Restricted Stock or Restricted Stock Units shall become fully vested and settled irrespective of its other provisions upon termination of the Participant's employment with the Company or Affiliate because of death, disability or normal retirement upon reaching the age of sixty-five.

(iv) *Transferability.* An outstanding Award of Restricted Stock or Restricted Stock Units that has not vested and been settled or is otherwise restricted by the terms of the Award Agreement as to transferability shall not be transferable by the Participant, and the Participant shall not be permitted to sell, transfer, pledge or otherwise encumber such Award or the Shares issuable in settlement thereof, other than (A) to the person or persons to whom the Participant's rights under such Award pass by will or the laws of descent and distribution, (B) to the spouse or the descendants of the Participant or to trusts for such persons to whom or which the Participant may transfer such Award, (C) to the legal representative of any of the foregoing, or (D) pursuant to a qualified domestic relations order as defined under Section 414(p) of the Code or similar order or agreement relating to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant. If an Award is transferred to any person to whom a transfer of the Award is permitted, the transferee shall remain subject to all of the vesting conditions to which the Award is subject. Any such transfer shall be made only in compliance with the Securities Act and the requirements therefor as set forth by the Company.

(b) The Committee shall be free to specify terms and conditions other than and in addition to those set forth above, in its discretion.

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**ARTICLE VII
STOCK OPTIONS**

7.1 *Grant of Options.* Subject to the terms and conditions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time, as shall be determined by the Committee in its discretion. ISOs may be granted only to Employees of the Company or a parent or subsidiary corporation of the Company within the meaning of Section 424 of the Code, and no ISOs may be granted more than 10 years after the adoption of the Plan by the Board.

7.2 *Award Agreement.* Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option relates, the conditions upon which an Option shall become vested and exercisable, and any other terms and conditions as the Committee shall determine. The Award Agreement shall also specify whether the Option is intended to be an ISO or a NQSO.

7.3 *Option Price.* The Option Price for each grant of an Option under this Plan shall be determined by the Committee and shall be specified in the Award Agreement. The Option Price for an Option, whether issued as an ISO or an NQSO, shall be not less than 100 percent of the FMV of the underlying Shares on the date of grant; provided, however, that the Option Price for an ISO granted to a person who at the time of grant owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any of its Affiliates (a "Significant Stockholder") shall be not less than 110 percent of the Fair Market Value of the underlying Shares as of the date of grant.

7.4 *Duration of Options.* Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided however, that no Option shall be exercisable later than the tenth anniversary date of its grant, and provided further that no ISO granted to a Significant Stockholder shall be exercisable after the expiration of five years from the date of grant.

7.5 *Exercise of Options.* Options shall be exercisable at such times and on the occurrence of such events, and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. Options shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified by or acceptable to the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, and accompanied by full payment for the Shares. Upon exercise of any Option, the Option Price shall be payable to the Company in full either: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate FMV at the time of exercise equal to the total Option Price; (c) by a combination of (a) and (b); or (d) by any other method approved or accepted by the Committee in its sole discretion and subject to such rules and regulations as the Committee may establish. Subject to Section 7.6 and any governing rules or regulations, as soon as practicable after receipt of a notification of exercise and full payment for the Shares, the Company shall cause to be delivered to the Participant Share certificates or evidence of book entry Shares in an appropriate amount based upon the number of Shares purchased under the Option(s).

7.6 *Restrictions on Share Transferability.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under the Plan as it may deem advisable, including, without limitation, requiring the Participant to hold the Shares acquired pursuant to exercise for a specified period of time, or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed and/or traded.

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7.7 *Termination of Employment.* Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following the termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options granted under the Plan, and may reflect distinctions based on the reasons for termination.

7.8 *Nontransferability of Options.*

(a) *Incentive Stock Options.* No ISO granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In addition, all ISOs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

(b) *Nonqualified Stock Options.* Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a NQSO granted under the Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In addition, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, all NQSOs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

(c) *Notification of Disqualifying Disposition.* The Participant to whom an ISO is granted shall notify the Company upon the disposition of Shares issued pursuant to the exercise of an ISO or Shares received as a dividend on ISO stock. The Company shall use such information to determine whether a disqualifying disposition as described in Section 421(b) of the Code has occurred.

7.9 *\$100,000 Annual ISO Limitation.* To the extent that the aggregate Fair Market Value of Shares (determined as of the time the ISOs with respect to such Shares are granted) with respect to which ISOs are exercisable for the first time by any Participant during any calendar year (under this Plan and all other plans of the Company and any Affiliate) exceeds \$100,000, such ISOs shall be treated as NQSOs. The foregoing provisions shall be applied by taking ISOs into account in the order in which they were granted.

**ARTICLE VIII
STOCK APPRECIATION RIGHTS**

8.1 *Grant of SARs.* Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time and upon such terms as shall be determined by the Committee in its discretion. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs. The SAR Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The SAR Grant Price may include a Grant Price based on 100 percent of the FMV of the underlying Share on the date of grant or a Grant Price that is set at a premium to the FMV of the underlying Share on the date of grant. The SAR Grant Price shall not be less than FMV of the underlying Share on the date of grant. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

8.2 *SAR Agreement.* Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and any such other provisions as the Committee shall determine.

8.3 *Term of SAR.* The term of a SAR granted under the Plan shall be determined by the Committee in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth anniversary date of its grant.

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8.4 *Exercise of Freestanding SARs.* Freestanding SARs may be exercised upon whatever terms and conditions that the Committee in its sole discretion imposes.

8.5 *Exercise of Tandem SARs.* Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than 100 percent of the difference between the Option Price of the underlying ISO and the FMV of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the FMV of the Shares subject to the ISO exceeds the Option Price of the ISO.

8.6 *Payment of SAR Amount.* Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount representing the difference between the FMV of the underlying Share on the date of exercise over the Grant Price. At the discretion of the Committee, the payment upon SAR exercise may be in cash, Shares of equivalent value (based on the FMV on the date of exercise of the SAR, as defined in the Award Agreement or otherwise defined by the Committee thereafter), in some combination thereof, or in any other form approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth or reserved for later determination in the Award Agreement for the grant of the SAR.

8.7 *Termination of Employment.* Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following the termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

8.8 *Nontransferability of SARs.* Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a SAR granted under the Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In addition, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, all SARs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

8.9 *Other Restrictions.* Without limiting the generality of any other provision of this Plan, the Committee may impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable. This includes, but is not limited to, requiring the Participant to hold the Shares received upon exercise of a SAR for a specified period of time.

**ARTICLE IX
PERFORMANCE SHARES AND PERFORMANCE UNITS**

9.1 *Grant of Performance Shares and Performance Units.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Performance Shares and/or Performance Units to Participants in such amounts and upon such terms as the Committee shall determine.

9.2 *Value of Performance Shares and Performance Units.* Each Performance Share and Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall in its discretion set performance criteria for a Performance Period which, depending on the extent to which the performance criteria are met, will determine, in the manner

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established by the Committee and set forth in the Award Agreement, the value and/or amount of each Performance Share or Performance Unit that will be paid to the Participant.

9.3 *Earnings of Performance Shares and Performance Units.* Subject to the terms of this Plan and the applicable Award Agreement, after the applicable Performance Period has ended, the holder of Performance Shares and/or Performance Units shall be entitled to receive, to the extent that the Performance Shares or Performance Units have vested, if applicable, a payout of the value and/or amount of Performance Shares and/or Performance Units, determined as a function of the extent to which the corresponding performance criteria have been achieved. The Committee may in its discretion require the Participant to hold the Shares or other property received pursuant to such Award for a specified period of time.

9.4 *Form and Timing of Payment of Performance Shares and Performance Units.* Payment of earned Performance Shares and Performance Units shall be made in accordance with the terms and conditions of the applicable Award Agreement. A Performance Share or Performance Unit Award Agreement may provide that payment may be made, to the extent that the Performance Share or Performance Unit has vested and the performance criteria are met, solely through the issuance of Shares earned upon the expiration of the applicable Performance Period, and that the Participant may elect to satisfy the Participant's tax withholding obligation with respect to the Award by having the Company withhold Shares or other property or by the Participant surrendering Shares or other property to the Company with a FMV on or near the tax withholding date equal to the tax withholding obligation. Upon the payment in the form of Shares of a Performance Share or Performance Unit Award, the Company shall deliver to the Participant the number of Shares issued to the Participant in payment of the Award (which Shares may be delivered in book-entry or certificated form).

9.5 *Dividends and Other Distributions.* Dividends and other distributions declared by the Board and paid with respect to outstanding Shares shall only be paid with respect to Performance Share and Performance Unit Awards for Shares that have been issued by the Company in payment of such Awards to the extent that the Awards have vested and upon the expiration of the applicable Performance Periods for the Awards. Performance Shares and Performance Units shall not be credited with Dividend Equivalents unless specifically provided for in the Award Agreement, and then only upon such terms and conditions as set forth in the Award Agreement.

9.6 *Vesting and Termination of Employment.* Each Award Agreement shall set forth the extent to which the Award shall vest, which may be pursuant to a vesting schedule as determined by the Committee, and the extent to which the Participant shall have the right to retain Performance Shares and/or Performance Units following the termination of the Participant's employment or other relationship with the Company or an Affiliate. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Performance Shares and Performance Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

9.7 *Nontransferability of Performance Shares and Performance Units.* Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, Performance Shares and Performance Units may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In addition, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a Participant's rights with respect to Performance Shares and Performance Units shall inure during such Participant's lifetime only to such Participant.

**ARTICLE X
STOCK BASED AWARDS**

10.1 *Stock Based Awards.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant other types of equity based or equity related Awards not

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described by the other terms of the Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, including, but not limited to, conditions based on the satisfaction of performance criteria or the satisfaction of such obligations as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares.

10.2 *Termination of Employment.* Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive Stock Based Awards following the termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Stock Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

10.3 *Nontransferability of Stock Based Awards.* Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, Stock Based Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. In addition, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a Participant's rights with respect to Stock Based Awards shall inure during such Participant's lifetime only to such Participant.

**ARTICLE XI
PERFORMANCE MEASURES**

Notwithstanding any other terms of this Plan, the vesting, payability or value (as determined by the Committee) of each Award other than an Option or SAR that, at the time of grant, the Committee intends to be Performance Based Compensation to a Covered Employee, shall be determined by the attainment of one or more Performance Goals as determined by the Committee in conformity with Section 162(m) of the Code. The Committee shall specify in writing, by resolution or otherwise, the Participants eligible to receive such an Award (which may be expressed in terms of a class of individuals) and the Performance Goal(s) applicable to such Awards within 90 days after the commencement of the period to which the Performance Goal(s) relate(s), or such earlier time as required to comply with Section 162(m) of the Code. No such Award shall be payable unless the Committee certifies in writing, by resolution or otherwise, that the Performance Goal(s) applicable to the Award were satisfied. In no case may the Committee increase the value of an Award of Performance Based Compensation above the maximum value determined under the performance formula by the attainment of the applicable Performance Goal(s), but the Committee retains the discretion to reduce the value below such maximum.

Unless and until the Committee proposes for stockholder vote and the stockholders approve a change in the general Performance Measures set forth in this Article XI, the Performance Goal(s) upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance Based Compensation shall be limited to the following Performance Measures:

- (a) Increases in, or levels of, net asset value; net asset value per share; pretax earnings; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; net income and/or earnings per share;
- (b) Return on equity, return on assets or net assets, return on capital (including return on total capital or return on invested capital);
- (c) Share price or stockholder return performance (including, but not limited to, growth measures and total stockholder return, which may be measured in absolute terms and/or in comparison to a group of peer companies or an index);
- (d) Oil and gas reserve replacement, reserve growth and finding and development cost targets;

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(e) Oil and gas production targets;

(f) Performance of investments in oil and gas properties;

(g) Cash flow measures (including, but not limited to, cash flows from operating activities, discretionary cash flows, and cash flow return on investment, assets, equity or capital); and

(h) Increases in, or levels of, operating and/or nonoperating expenses.

Any Performance Measure(s) may be used to measure the performance of the Company as a whole and/or any one or more regional operations and/or Affiliates of the Company or any combination thereof, as the Committee may deem appropriate, and any Performance Measure(s) may be used in comparison to the performance of a group of peer companies, or a published or special index that the Committee, in its sole discretion, deems appropriate. The Committee shall also have the authority to provide in Award Agreements for accelerated vesting of an Award based on the achievement of Performance Goal(s).

The Committee may provide in any Award Agreement that any evaluation of attainment of a Performance Goal may include or exclude any of the following events that occurs during the relevant period: (a) asset write downs; (b) litigation judgments or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or regulations affecting reported results; (d) any reorganization or restructuring transactions; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable year; and (f) significant acquisitions or divestitures. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

In the event that applicable tax and/or securities laws change to permit discretion by the Committee to alter the governing Performance Measures without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards to Covered Employees that shall not qualify as Performance Based Compensation, the Committee may make such grants without satisfying the requirements of Section 162(m) of the Code.

ARTICLE XII
RIGHTS OF PERSONS ELIGIBLE TO PARTICIPATE

12.1 *Employment.* Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment, consulting or other service relationship with the Company or an Affiliate at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or an Affiliate. Neither an Award nor any benefits arising under this Plan shall constitute part of an employment or service contract between a Participant and the Company or an Affiliate, and, accordingly, subject to the terms of this Plan, this Plan may be terminated, amended or modified at any time in the sole and exclusive discretion of the Committee without giving rise to liability on the part of the Company or an Affiliate for severance payments or otherwise, except as provided in this Plan.

For purposes of the Plan, unless otherwise provided by the Committee, transfer of employment of a Participant between the Company and an Affiliate or among Affiliates, shall not be deemed a termination of employment. The Committee may provide in a Participant's Award Agreement or otherwise the conditions under which a transfer of employment to an entity that is spun off from the Company or an Affiliate shall not be deemed a termination of employment for purposes of an Award.

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12.2 *Participation.* No Employee or other person eligible to participate in the Plan shall have the right to be selected to receive an Award. No person selected to receive an Award shall have the right to be selected to receive a future Award or, if selected to receive a future Award, the right to receive such future Award on terms and conditions identical or in proportion in any way to any prior Award.

12.3 *Rights as a Stockholder.* A Participant shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

**ARTICLE XIII
CHANGE OF CONTROL**

13.1 *Accelerated Vesting and Payment Applicable to Awards Granted prior to May 21, 2008.* Subject to the provisions of Section 13.3 or as otherwise provided in the Award Agreement, for Awards granted prior to May 21, 2008, in the event of a Change of Control, unless otherwise specifically prohibited by law or the rules and regulations of a national securities exchange on which Shares are listed or traded:

(a) Any vesting period requirements and other restrictions imposed on Restricted Stock or Restricted Stock Units shall lapse, and Restricted Stock Units shall be immediately payable;

(b) Any and all Options and SARs granted hereunder shall become immediately exercisable;

(c) The target payout opportunities attainable under all outstanding Awards of performance based Restricted Stock and performance based Restricted Stock Units, Performance Shares and Performance Units (including but not limited to Awards intended to be Performance Based Compensation) shall be deemed to have been fully earned based on targeted performance being attained as of the effective date of the Change of Control, and:

(i) The vesting of all Awards denominated in Shares shall be accelerated as of the effective date of the Change of Control, and shall be paid out to Participants within 30 days following the effective date of the Change of Control; and

(ii) Awards denominated in cash shall be paid to Participants in cash within 30 days following the effective date of the Change of Control;

(d) Upon a Change of Control, unless otherwise specifically provided in a written agreement entered into between the Participant and the Company or an Affiliate, the Committee shall immediately cause all other Stock Based Awards to vest and be paid out as determined by the Committee; and

(e) The Committee shall have the discretion to unilaterally determine that all outstanding Awards shall be cancelled upon a Change of Control, and that the value of such Awards, as determined by the Committee in accordance with the terms of the Plan and the Award Agreements, shall be paid out in cash in an amount based on the Change of Control Price within a reasonable time subsequent to the Change of Control; provided, however, that no such payment shall be made on account of an ISO using a value higher than the FMV of the underlying Shares on the date of settlement.

13.2 *Accelerated Vesting and Payment Applicable to Awards Granted on or after May 21, 2008.* Subject to the provisions of Section 13.3 or as otherwise provided in the Award Agreement, for Awards granted on or after May 21, 2008 and prior to a Change of Control, in the event that a Change of Control occurs and a Participant's employment with the Company is subsequently terminated without Cause (as defined in such Participant's Award Agreement) or the Participant terminates his or her employment with the Company for Good Reason (as defined in such Participant's Award Agreement) within 30 months of the Change of Control (a "Change of Control Termination"), unless otherwise

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specifically prohibited by law or the rules and regulations of a national securities exchange on which Shares are listed or traded, with respect to such Awards granted to such Participant:

- (a) Any vesting period requirements and other restrictions imposed on Restricted Stock or Restricted Stock Units shall lapse, and Restricted Stock Units shall be immediately payable;
- (b) Any and all Options and SARs granted hereunder shall become immediately exercisable;
- (c) The target payout opportunities attainable under all outstanding Awards of performance based Restricted Stock and performance based Restricted Stock Units, Performance Shares and Performance Units (including but not limited to Awards intended to be Performance Based Compensation) shall be deemed to have been fully earned based on measured performance as of the effective date of the Change of Control, and:
 - (i) The vesting of all Awards denominated in Shares shall be accelerated as of the effective date of the Change of Control Termination, and shall be paid out to such Participant within 30 days following the effective date of the Change of Control Termination; and
 - (ii) Awards denominated in cash shall be paid to Participants in cash within 30 days following the effective date of the Change of Control Termination;
- (d) Upon a Change of Control Termination, unless otherwise specifically provided in a written agreement entered into between the Participant and the Company or an Affiliate, the Committee shall immediately cause all other Stock Based Awards to vest and be paid out as determined by the Committee; and
- (e) The Committee shall have the discretion to unilaterally determine that all outstanding Awards shall be cancelled upon a Change of Control Termination, and that the value of such Awards, as determined by the Committee in accordance with the terms of the Plan and the Award Agreements, shall be paid out in cash in an amount determined by the Committee, in accordance with the terms of the Plan and the Award Agreements, within a reasonable time subsequent to the Change of Control Termination; provided, however, that no such payment shall be made on account of an ISO using a value higher than the FMV of the underlying Shares on the date of settlement.

In the event that the existence of the foregoing provisions, even if a Change of Control and a Change of Control Termination do not occur, would result in an Award to a Covered Employee designed to qualify as Performance Based Compensation to not so qualify, the Committee shall have the discretion to adopt for such Award such provisions as shall satisfy the requirements of Section 162(m) of the Code.

13.3 *Alternative Awards.* Notwithstanding Sections 13.1 and 13.2, no cancellation, acceleration of vesting, lapsing of restrictions, payment of an Award, cash settlement, or other payment shall occur with respect to any Award if the Committee reasonably determines in good faith prior to the occurrence of a Change of Control, that such Award shall be honored or assumed, or new rights substituted therefor (with such honored, assumed or substituted Award hereinafter referred to as an "Alternative Award") by any successor to the Company or an Affiliate as described in Article XVII; provided, however, that any such Alternative Award must:

- (a) Be based on stock which is traded on an established U.S. securities market, or that the Committee reasonably believes will be so traded within 60 days after the Change of Control;
- (b) Provide such Participant with rights and entitlements substantially equivalent to or more favorable than the rights, terms, and conditions applicable under such Award, including, but not limited to, an identical or more favorable exercise or vesting schedule and identical or more favorable timing and methods of payment; and

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- (c) Have substantially equivalent economic value to such Award (determined at the time of the Change of Control).

**ARTICLE XIV
AMENDMENT AND TERMINATION OF THE PLAN**

14.1 *Amendment, Modification, Suspension, and Termination.* The Committee or the Board may, at any time and from time to time, alter, amend, modify, suspend or terminate the Plan in whole or in part; provided, however, that:

(a) Consistent with the provisions of Section 4.2 and except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the Option Price of outstanding Options or the Grant Price of outstanding SARs or cancel outstanding Options or SARs in exchange for cash, other Awards or Options or SARs with an Option Price or Grant Price that is less than the Option Price or Grant Price of the original Options or SARs without stockholder approval.

(b) No amendment or modification which would increase the total number of Shares available for issuance under the Plan or the total number of shares available for ISOs under the Plan shall be effective unless approved by the stockholders of the Company.

(c) To the extent necessary under any applicable law, regulation, or securities exchange or market requirement, no amendment or modification shall be effective unless approved by the stockholders of the Company in accordance with the applicable law, regulation, or securities exchange or market requirement.

14.2 *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee may make adjustments in the terms and conditions of, and the criteria provided in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company, or in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Awards and the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on all Participants under the Plan. To the extent such adjustments affect Awards to Covered Employees intended to be Performance Based Compensation, they shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

14.3 *No Impairment of Outstanding Awards.* Notwithstanding any other provision of the Plan to the contrary, no amendment, modification, suspension or termination of the Plan shall in any manner adversely affect in any material way any outstanding Award previously granted under the Plan without the written consent of the Participant holding such Award.

**ARTICLE XV
SECURITIES REGISTRATION**

15.1 *Securities Registration.* In the event that the Company shall deem it necessary or desirable to register under the Securities Act, or any other applicable statute, any Awards or any Shares with respect to which an Award may be or shall have been granted, or to qualify any such Awards or Shares under the Securities Act or any other statute, then the affected Participants shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Awards or Shares.

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15.2 *Representations.* Unless the Company determines that the following representation is unnecessary, each person receiving an Award under the Plan may be required by the Company, as a condition to the issuance of Shares pursuant to the Award, to make a representation in writing that (i) he or she is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof within the meaning of the Securities Act, and (ii) before any transfer in connection with the resale of such Shares, an exemption from registration of such transaction under the Securities Act shall be established to the satisfaction of the Company. The Company may also require that any certificates or book-entry accounts for such Shares contain restrictive legends or stop-transfer orders reflecting the foregoing.

**ARTICLE XVI
TAX WITHHOLDING**

In connection with Awards granted under the Plan, the Company and any Affiliate shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company or any Affiliate, amounts sufficient to satisfy any federal, state and local withholding tax requirements with respect to any taxable event as a result of the Plan and Awards granted under the Plan. The Committee may provide for Participants to satisfy withholding requirements by having the Company withhold Shares or the Participant making other arrangements, in either case on such conditions as the Committee specifies. The Company may in its discretion make loans to Participants of funds sufficient to satisfy any such withholding tax requirements, provided that any such loan shall comply with all applicable laws, rules and regulations and no such loan shall be made to a Director or executive officer of the Company in violation of Section 13(k) of the Exchange Act, as adopted pursuant to Section 402 of the Sarbanes-Oxley Act of 2002. The Company and any Affiliate shall have the right to require that any recipient or permitted transferee of an Award under the Plan who is not an Employee shall be responsible for the payment of all amounts required to satisfy all federal, state, and local withholding taxes applicable to such persons with respect to such Award.

**ARTICLE XVII
SUCCESSORS**

Any obligations of the Company or an Affiliate under the Plan with respect to Awards granted hereunder, shall be binding on any successor to the Company or Affiliate, respectively, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company or Affiliate, as applicable.

**ARTICLE XVIII
INDEMNIFICATION**

To the extent permitted by law, each person who is or shall have been a member of the Board or the Committee, or an officer or employee who assists in administering the Plan, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit or proceeding against him or her, provided that he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may

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be entitled under the Company's certificate of incorporation or bylaws, as a matter of law or otherwise, or any power that the Company or an Affiliate may have to indemnify them or hold them harmless.

**ARTICLE XIX
GENERAL PROVISIONS**

19.1 *Forfeiture Events.* Without limiting in any way the generality of the Committee's power to specify any terms and conditions of an Award consistent with law, the Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but not be limited to, failure to accept the terms of the Award Agreement, termination of employment under certain or all circumstances, violation of material Company and Affiliate policies, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection or other agreements that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or Affiliates.

19.2 *Evidence of Restrictions.* The certificates or book-entry accounts for Shares issued under the Plan may include or be subject to any legend or stop-transfer order that the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

19.3 *Delivery of Title.* The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- (b) Completion of any registration or other qualification of the Shares under any applicable federal or state law or ruling of any governmental body that the Company determines to be necessary or advisable, and the listing or approval for trading of such Shares on any applicable securities exchange or market.

19.4 *Uncertificated Shares.* Where the Plan provides for the issuance of stock certificates to evidence the issuance or transfer of Shares, such Shares may be evidenced on an uncertificated basis to the extent not prohibited by applicable law or stock exchange rules.

19.5 *Unfunded Plan.* Participants shall have no right, title or interest whatsoever in or to any investments that the Company or an Affiliate may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or an Affiliate and any Participant, beneficiary, legal representative or any other person. Awards shall be general unsecured obligations of the Company, except that if an Affiliate executes an Award Agreement instead of the Company, the Award shall be a general unsecured obligation of the Affiliate and not an obligation of the Company. To the extent that any individual acquires a right to receive payments from the Company or an Affiliate, such right shall be no greater than the right of an unsecured general creditor of the Company or Affiliate, as applicable. All payments to be made hereunder shall be paid from the general funds of the Company or Affiliate, as applicable, and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974.

19.6 *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award Agreement. In the event that any fractional Shares would otherwise result from the application of the terms of an Award, the Company shall instead pay cash in lieu of fractional Shares on such basis as the Committee may determine in its discretion.

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19.7 *Other Compensation and Benefit Plans.* Nothing in this Plan shall be construed to limit the right of the Company or an Affiliate to establish other compensation or benefit plans, programs, policies or arrangements. Except as may be otherwise specifically stated in any other benefit plan, policy, program or arrangement, no Award shall be treated as compensation for purposes of calculating a Participant's rights under any such other plan, policy, program or arrangement.

19.8 *No Constraint on Corporate Action.* Nothing in this Plan shall be construed to (i) limit, impair or otherwise affect the Company's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets, or (ii) limit the right or power of the Company or an Affiliate to take any action which such entity deems to be necessary or appropriate.

19.9 *Severability.* In the event that any provision of the Plan shall be held to be illegal or invalid for any reason, the illegality or invalidity thereof shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.10 *Requirements of Law.* The granting of Awards and the issuance of Shares pursuant to an Award shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or securities exchanges or markets as may be required. The Company or an Affiliate shall receive the consideration required by law for the issuance of Awards under the Plan. The inability of the Company or an Affiliate to obtain authority from any regulatory body having jurisdiction, which authority is necessary for the lawful issuance and sale of any Shares hereunder, shall relieve the Company or Affiliate of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19.11 *Governing Law.* The Plan and all Award Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Colorado, excluding any conflicts or choice of law principles which might otherwise result in construction or interpretation of the Plan or an Award Agreement under the substantive law of another jurisdiction.

ARTICLE XX
SECTION 409A OF THE CODE

This Plan is intended in all respects to comply with the provisions of Section 409A of the Code and the Company shall interpret and administer the Plan in a manner consistent with Section 409A of the Code. In accordance with Prop. Reg. §1.409A-3(h)(2)(vi) (or any subsequent corresponding provision of law), should there be a final determination that this Plan fails to meet the requirements of Section 409A and the regulations thereunder with respect to any Participant, the Company may distribute to the Participant an amount not to exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A and the regulations.

Notwithstanding any other provision of this Plan to the contrary, in the event that any compensation pursuant to the other provisions of this Plan would result in the imposition on a Participant of any additional taxes or interest pursuant to the provisions of Section 409A of the Code and any temporary or final Treasury Regulations or Internal Revenue Service guidance thereunder, the timing of the payment or settlement of such compensation shall be appropriately and equitably adjusted, together with any appropriate and equitable adjustments to reflect the time value of money, in order that such Participant may receive substantially the same economic benefits as provided under this Plan and in compliance with Section 409A of the Code and without the imposition on such Participant of any additional taxes or interest thereunder.

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This Equity Incentive Compensation Plan, as amended and restated, was adopted by the Board of Directors of St. Mary Land & Exploration Company on April 1, 2010.

ST. MARY LAND & EXPLORATION COMPANY

By: _____
/s/ ANTHONY J. BEST

Anthony J. Best

President and Chief Executive Officer

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