Table of Contents

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-30171

SANGAMO BIOSCIENCES, INC.

(exact name of small business issuer as specified in its charter)

Delaware	**68-0359556**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

501 Canal Blvd, Suite A100
Richmond, California 94804
(Address of principal executive offices)

(510) 970-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of July 27, 2007, 39,658,307 shares of the issuer's common stock, par value $0.01 per share, were outstanding.

INDEX

SANGAMO BIOSCIENCES, INC.

Some statements contained in this report are forward-looking with respect to our operations, research and development activities, operating results and financial condition. Statements that are forward-looking in nature should be read with caution because they involve risks and uncertainties, which are included, for example, in specific and general discussions about:

- *our strategy;*
- *product development and commercialization of our products;*
- *clinical trials;*
- *revenues from existing and new collaborations;*
- *sufficiency of our cash resources;*
- *our research and development and other expenses;*
- *our operational and legal risks; and*
- *our plans, objectives, expectations and intentions and any other statements that are not historical facts.*

Various terms and expressions similar to them are intended to identify these cautionary statements. These terms include: "anticipates," "believes," "continues," "could," "estimates," "expects," "intends," "may," "plans," "seeks," "should" and "will." Actual results may differ materially from those expressed or implied in those statements. Factors that could cause these differences include, but are not limited to, those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Sangamo undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances arising after the date of this report. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q.

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SANGAMO BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2007 (unaudited)	December 31, 2006 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 9,672	$ 12,702
Marketable securities	34,895	41,218
Interest receivable	18	55
Accounts receivable	160	487
Prepaid expenses	1,009	594
Total current assets	45,754	55,056
Property and equipment, net	1,133	675
Other assets	49	49
Total assets	$ 46,936	$ 55,780
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,768	$ 1,726
Accrued compensation and employee benefits	644	878
Deferred revenue	2,861	2,596
Total current liabilities	6,273	5,200
Deferred revenue, non current portion	729	1,875
Total liabilities	7,002	7,075
Stockholders' equity:		
Common stock, $0.01 par value; 80,000,000 shares authorized, 35,242,359 and 35,045,398 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	352	350
Additional paid-in capital	178,264	176,513
Accumulated deficit	(138,812)	(128,272)
Accumulated other comprehensive income	130	114
Total stockholders' equity	39,934	48,705
Total liabilities and stockholders' equity	$ 46,936	$ 55,780

(1) *Amounts derived from Audited Consolidated Financial Statements dated December 31, 2006 filed as a part of our 2006 Annual Report on Form 10-K.*

See accompanying notes.

SANGAMO BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenues:				
Collaboration agreements	$ 1,461	$ 1,431	$ 2,611	$ 3,304
Research grants	1,123	346	1,395	609
Total revenues	2,584	1,777	4,006	3,913
Operating expenses:				
Research and development	6,309	4,028	11,739	7,617
General and administrative	2,113	1,821	4,112	3,576
Total operating expenses	8,422	5,849	15,851	11,193
Loss from operations	(5,838)	(4,072)	(11,845)	(7,280)
Interest and other income, net	657	745	1,305	1,209
Net loss	$ (5,181)	$ (3,327)	$(10,540)	$ (6,071)
Basic and diluted net loss per share	$ (0.15)	$ (0.11)	$ (0.30)	$ (0.20)
Shares used in computing basic and diluted net loss per share	35,136	31,312	35,097	30,959

See accompanying notes.

SANGAMO BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2007	**2006**
Operating Activities:		
Net loss	$(10,540)	$ (6,071)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	110	92
Amortization of premium on investments	(953)	(108)
Realized (gain) / loss on investments	16	(29)
Stock-based compensation	1,074	950
Changes in operating assets and liabilities:		
Interest receivable	37	48
Accounts receivable	327	743
Prepaid expenses and other assets	(415)	(348)
Accounts payable and accrued liabilities	1,042	(581)
Accrued compensation and employee benefits	(234)	(331)
Deferred revenue	(881)	(2,594)
Net cash used in operating activities	(10,417)	(8,229)
Investing Activities:		
Purchases of investments	(36,375)	(16,016)
Maturities of investments	43,651	14,243
Purchases of property and equipment	(568)	(137)
Net cash provided by / (used in) investing activities	6,708	(1,910)
Financing Activities:		
Proceeds from issuance of common stock	679	20,470
Net cash provided by financing activities	679	20,470
Net (decrease)/increase in cash and cash equivalents	(3,030)	10,331
Cash and cash equivalents, beginning of period	12,702	18,507
Cash and cash equivalents, end of period	$ 9,672	$ 28,838

See accompanying notes.

SANGAMO BIOSCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2007

NOTE 1-BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Sangamo Biosciences, Inc. ("Sangamo" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The condensed consolidated financial statements include the accounts of Sangamo and its wholly-owned subsidiary, Gendaq Limited, after elimination of all material intercompany balances and transactions. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These financial statements should be read in conjunction with the financial statements and footnotes thereto for the year ended December 31, 2006, included in Sangamo's Form 10-K as filed with the SEC.

USE OF ESTIMATES AND CLASSIFICATIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION

The Company records foreign currency transactions at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. All currency translation adjustments arising from foreign currency transactions are recorded through statements of operations.

REVENUE RECOGNITION

In accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition," revenue from research activities made under strategic partnering agreements and Enabling Technology collaborations is recognized as the services are provided when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Amounts received in advance under such agreements are deferred until the above criteria are met and the research services are performed. Sangamo's research grants are typically multi-year agreements and provide for the reimbursement of qualified expenses for research and development as defined under the terms of the grant agreement. Revenue under grant agreements is recognized when the related qualified research expenses are incurred. Grant reimbursements are received on a quarterly or monthly basis and are subject to the issuing agency's right of audit.

Milestone payments under research, partnering, or licensing agreements are recognized as revenue upon the achievement of mutually agreed upon milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no remaining performance obligations associated with the milestone payment.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," revenue arrangements entered into after June 15, 2003, that include multiple deliverables, are divided into separate units of accounting if the deliverables meet certain criteria, including whether the fair value of the delivered items can be determined and whether there is evidence of fair value of the undelivered items. In addition, the consideration is allocated among the separate units of accounting based on their fair values, and the applicable revenue recognition criteria are considered separately for each of the separate units of accounting.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of costs incurred for Company-sponsored as well as collaborative research and development activities. These costs include direct and research-related overhead expenses, which include salaries and other personnel-related expenses, stock-based compensation, pre-clinical and clinical studies, facility costs, laboratory supplies and depreciation of facilities and laboratory equipment, as well as the cost of funding research at universities and other research institutions, and are expensed as incurred. Costs to acquire technologies that are utilized in research and development and that have no alternative future use are expensed as incurred.

STOCK-BASED COMPENSATION

Employee stock-based compensation expenses recognized in the three-month and six-month periods ended June 30, 2007 and 2006 were calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures. FAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table shows total stock-based employee compensation expense included in the condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2007 and 2006 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Costs and expenses:				
Research and development	$ 325	$ 310	$ 668	$ 627
General and administrative	202	184	398	297
Total stock-based compensation expense	$ 527	$ 494	$ 1,066	$ 924

There was no capitalized stock-based employee compensation cost as of June 30, 2007 and 2006. There were no recognized tax benefits during the three month and six month periods ended June 30, 2007 and 2006.

As of June 30, 2007, total compensation cost related to nonvested stock options to be recognized in future periods was $5.6 million, which is expected to be expensed over a weighted average period of 48 months.

Valuation Assumptions

The employee stock-based compensation expense recognized under FAS123R was determined using the Black Scholes option valuation model. Option valuation models require the input of subjective assumptions and these assumptions can vary over time.

We primarily base our determination of expected volatility through our assessment of the historical volatility of our Common Stock. We do not believe that we are able to rely on our historical exercise and post-vested termination activity to provide accurate data for estimating our expected term for use in determining the fair value of these options. Therefore, as allowed by Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment* , we have opted to use the simplified method for estimating our expected term equal to the midpoint between the vesting period and the contractual term.

The weighted—average assumptions used for estimating the fair value of the employee stock options are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate	4.99%	5.10%	4.58-4.99%	5.00-5.02%
Expected life of option	6.25 years	6.25 years	6.25 years	6.25 years
Expected dividend yield of stock	0.0%	0.0%	0.0%	0.0%
Expected volatility	.92	.97	.92-.93	.91-.97

The weighted—average assumptions used for estimating the fair value of the employees' purchase rights are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate	3.60-5.10%	4.75-5.17%	3.60-5.10%	4.75-5.17%
Expected life of option	0.5-2 years	0.5-2 yrs	.5-2 yrs	0.5-2 yrs
Expected dividend yield of stock	0.0	0.0	0.0	0.0
Expected volatility	.46-.77	.41-.98	.46-.77	.41-.98

Stock Option Activity

A summary of Sangamo's stock option activity follows:

		Options Outstanding		
	Shares Available for Grant of Options	Number of Shares	Weighted-Average Exercise per Share Price	Weighted Average Remaining Contractual Term
Balance at January 1, 2007	3,625,021	4,147,812	$ 5.64	
Options granted	(391,250)	391,250	$ 7.10	
Options exercised	—	(135,766)	$ 3.82	
Options canceled	187,894	(187,894)	$ 5.90	
Balance at June 30, 2007	3,421,665	4,215,402	$ 5.86	6.26
Options exercisable at June 30, 2007		2,618,931	$ 5.86	4.76

There were no shares subject to Sangamo's right of repurchase as of June 30, 2007. The intrinsic value of options exercised were $382,000 and $269,000 for the three months ended June 30, 2007 and 2006, respectively, and $463,000 and $1,059,000 for the six months ended June 30, 2007 and 2006, respectively.

The weighted-average estimated fair value per share of options granted during the three months and six months ended June 30, 2007 and 2006 were $5.74 and $5.80, respectively, and $5.58 and $5.44, respectively, based upon the assumptions in the Black-Scholes valuation model described above.

The weighted-average estimated fair value per share of employee purchase rights during the three months and six months ended June 30, 2007 and 2006 were $2.36 and $2.23, respectively, and $2.36 and $2.17, respectively, based upon the assumptions in the Black-Scholes valuation model described above.

The following table summarizes information with respect to stock options outstanding at June 30, 2007:

	Options Outstanding	
Range of Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life (In Years)
$0.05 — $0.17	431,583	0.89
$0.23 — $3.87	440,133	5.94
$3.95 — $4.11	549,196	8.15
$4.15 — $5.18	224,148	6.98
$5.19 — $5.19	453,996	6.76
$5.30 — $6.77	241,396	6.93
$6.82 — $6.82	450,000	9.45
$6.88 — $7.49	812,750	6.77
$7.56 — $14.60	509,200	4.88
$14.87 — $38.00	103,000	3.61
	4,215,402	6.26

At June 30, 2007, the aggregate intrinsic values of the outstanding and exercisable options were $11.7 million and $8.1 million, respectively.

Sangamo did not grant any stock option to consultants during the three months ended June 30, 2007. The Company granted 10,000 nonqualified stock options in July 2006. The options generally vest over four years at a rate of 25 percent one year from grant date and one-thirty-sixth per month thereafter and expire ten years after the grant date. The fair value of these options was determined using the Black-Scholes Merton model. Total nonqualified stock-based compensation expense was $4,000 and $5,000 for the three month periods ended June 30, 2007 and 2006, respectively, and $8,000 and $26,000 for the six month periods ended June 30, 2007 and 2006, respectively.

RECENT ACCOUNTING PRONOUNCEMENT

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115," which will become effective in 2008. SFAS No. 159 permits entities to measure eligible financial assets, financial liabilities and firm commitments at fair value, on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other generally accepted accounting principles. The fair value measurement election is irrevocable and subsequent changes in fair value must be recorded in earnings. The Company is evaluating what impact, if any; the adoption of this standard will have on its financial position or results of operations.

In September 2006 the FASB issued FASB Statement No. 157, Fair Value Measurements, or SFAS 157. The standard provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. SFAS 157 must be adopted prospectively as of the beginning of the year it is initially applied. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is evaluating what impact, if any; the adoption of this standard will have on its financial position or results of operations.

NOTE 2-BASIC AND DILUTED NET LOSS PER SHARE

Basic earnings (loss) per share is calculated based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is calculated based on the weighted average number of shares of common stock and dilutive securities, such as stock options and equivalents, outstanding during the period. Potential dilutive shares of common stock resulting from the assumed exercise of outstanding stock options and equivalents.

Because Sangamo is in a net loss position, diluted earnings (loss) per share excludes the effects of common stock equivalents consisting of options, which are all antidilutive. Had Sangamo been in a net income position, diluted earnings (loss) per share would have included the shares used in the computation of basic net loss per share as well as an additional 2,214,731 shares and 1,898,378 shares for the six months ended June 30, 2007 and 2006, respectively, related to outstanding options.

NOTE 3-COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive loss includes certain changes in stockholders' equity that are excluded from net loss, which includes unrealized gains and losses on our available-for-sale securities. Comprehensive loss and its components are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net loss	$ (5,181)	$ (3,327)	$(10,540)	$ (6,071)
Changes in unrealized gain (loss) on securities available-for-sale	18	(18)	16	(29)
Comprehensive loss	$ (5,163)	$ (3,345)	$(10,524)	$ (6,100)

NOTE 4-MAJOR CUSTOMERS, PARTNERSHIPS AND STRATEGIC ALLIANCES

Enabling Technology Collaborations for Pharmaceutical Protein Production

On April 27, 2007, Sangamo entered into a research and license agreement with the Genentech, Inc. to provide Genentech with access to Sangamo's proprietary zinc finger DNA-binding protein technology. Under the agreement, Sangamo will design and engineer ZFP nucleases for Genentech to evaluate and potentially use to generate cell lines with Novel characteristics for protein pharmaceutical production purpose. Upon successful development of such ZFNs, Sangamo will transfer these ZFNs and the modified cell lines to Genentech and will provide technical support to Genentech with respect to the use of the transferred ZFN technology. In consideration for the rights and licenses granted to Genentech, as well as Sangamo's development efforts, Genentech has paid Sangamo an upfront fee and initial technology access fee. Genentech will also pay an ongoing annual technology access fee. Genentech has also agreed to make certain payments upon on achievement of specified milestones relating to the research of ZFNs and the development and commercialization of products manufactured using a modified cell line created by ZFN technology or any other technology covered by Sangamo's intellectual property rights.

On December 2004, we announced a research collaboration agreement with Pfizer Inc to use our ZFP technology to develop enhanced cell lines for protein pharmaceutical production. The scope of this agreement was expanded in December 2006 and provided further research funding from Pfizer to develop additional cell lines for enhanced protein production. Under the terms of the agreement, Pfizer is funding research at Sangamo and Sangamo will provide our proprietary ZFP technology for Pfizer to assess its feasibility for use in mammalian cell-based protein production. We are generating novel cell lines for enhanced protein production as well as novel technology for rapid creation of new production cell lines. Revenues attributable to collaborative research and development performed under the Pfizer agreement were $25,000 and $157,000 during the three months ended June 30, 2007 and 2006, respectively. Revenues for the six-month periods ended June 30, 2007 and 2006 were $50,000 and $307,000, respectively. Related research and development costs and expenses performed under the Pfizer agreement were $113,000 and $98,000 during the three months ended June 30, 2007 and 2006, respectively, and $247,000 and $155,000 during the six months ended June 30, 2007 and 2006, respectively.

Terminated Strategic Partnership with Edwards Lifesciences

In December 2006, Sangamo entered into an Asset Purchase Agreement with Edwards Lifesciences LLC ("Edwards") to acquire all of the assets in Edwards' ZFP TF angiogenesis program, including regulatory filings, clinical data, and GMP product in exchange for one million shares of our unregistered Common Stock and certain royalties. This transaction was valued at $5.8 million based on the fair value of our publicly traded stock at the closing date of the transaction less a discount for lack of marketability in the unregistered Common Stock. Under the agreement, Company agreed to pay Edwards royalties generated by the sales of certain human therapeutic products, including products to treat ischemic cardiovascular and vascular disease and diabetic neuropathy, based upon ZFP TF activation of the VEGF gene: the first product is not expected to be available for sale before 2012. The amount of royalties payable to Edwards is equal to (i) five percent (5%) of the net sales of each such product sold by Sangamo and (ii) the greater of (a) five percent (5%) of the net sales of each such product sold by a sublicensee of Sangamo or (b) twenty-five percent (25%) of the royalty payment received by Sangamo from its sublicensee on account of such product sold by such sublicensee; provided that total royalties paid by Sangamo under the agreement shall not exceed $20 million in any calendar year or $100 million in the aggregate. In connection with this transaction, the Company and Edwards terminated their prior agreements entered in January 2000.

Plant Agriculture Agreements

Sangamo scientists and collaborators have shown that ZFP TFs and ZFP nucleases ("ZFNs") can be used to regulate and modify genes in plants with similar efficacy to that shown in various mammalian cells and organisms. The ability to regulate gene expression with engineered ZFP TFs may lead to the creation of new plants that increase crop yields, lower production costs, are more resistant to herbicides, pesticides, and plant pathogens; and permit the development of branded agricultural products with unique nutritional and processing characteristics. In addition, ZFNs may be used to facilitate the efficient and reproducible generation of transgenic plants. Effective as of October 1, 2005, we entered into a Research License and Commercial Option Agreement with Dow AgroSciences LLC ("DAS"), a wholly owned indirect subsidiary of Dow Chemical Corporation. Under this agreement, we will provide DAS with access to our proprietary ZFP technology and the exclusive right to use our ZFP technology to modify the genomes or alter the nucleic acid or protein expression of plant cells, plants, or plant cell cultures. We will retain rights to use plants or plant-derived products to deliver ZFP TFs or ZFNs into human or animals for diagnostic, therapeutic, or prophylactic purposes.

Our agreement with DAS provides for an initial three-year research term during which time we will work together to validate and optimize the application of our ZFP technology to plants, plant cells and plant cell cultures. A joint committee having equal representation from both companies will oversee this research. During the initial three-year research term, DAS will have the option to obtain a commercial license to sell products incorporating or derived from plant cells generated using our ZFP technology, including agricultural crops, industrial products and plant-derived biopharmaceuticals. This commercial license will be exclusive for all such products other than animal and human health products. In the event that DAS exercises this option, DAS may elect to extend the research program beyond the initial three-year term on a year-to-year basis.

Pursuant to the Research License and Commercial Option Agreement, DAS made an initial cash payment to us of $7.5 million and agreed to purchase up to $4.0 million of our common stock in the next financing transaction meeting certain criteria. In November 2005, the Company sold approximately 1.0 million shares of common stock to DAS at a price of $3.85 per share, resulting in gross proceeds of $3.9 million. In addition, DAS will provide between $4.0 and $6.0 million in research funding over the initial three-year research term and may make an additional payment of up to $4.0 million in research milestone payments to us during this same period, depending on the success of the research program. In the event that DAS elects to extend the research program beyond the initial three-year term, DAS will provide additional research funding. If DAS exercises its option to obtain a commercial license, we will be entitled to full payment of the $4.0 million in research milestones, a one-time exercise fee of $6.0 million, minimum annual payments of up to $25.25 million, development and commercialization milestone payments for each product, and royalties on sales of products. Furthermore, DAS will have the right to sublicense our ZFP technology to third parties for use in plant cells, plants, or plant cell cultures, and we will be entitled to 25% of any cash consideration received by DAS under such sublicenses.

We have agreed to supply DAS and its sublicensees with ZFP TFs and/or ZFNs for both research and commercial use. If DAS exercises its option to obtain a commercial license, DAS may request that we transfer, at DAS's expense, the ZFP manufacturing technology to DAS or to a mutually agreed-upon contract manufacturer.

The Research License and Commercial Option Agreement will terminate automatically if DAS fails to exercise its option for a commercial license by the end of the initial three-year research term. DAS may also terminate the agreement at the end of the second year of the initial research term if the joint committee overseeing the research determines that disappointing research results have made it unlikely that DAS will exercise the option; we are guaranteed to receive $4.0 million in research funding from DAS prior to such a termination. Following DAS's exercise of the option and payment of the exercise fee, DAS may terminate the agreement at any time. In addition, each party may terminate the agreement upon an uncured material breach of the other party. In the event of any termination of the agreement, all rights to use our ZFP technology will revert to us, and DAS will no longer be permitted to practice our ZFP technology or to develop or, except in limited circumstances, commercialize any products derived from our ZFP technology. Revenues related to the research license under the DAS agreement are being recognized ratably over the initial three-year research term of the agreement and were $625,000 during both the three months ended June 30, 2007 and 2006 and $1.3 million during both the six months ended June 30, 2007 and 2006. Revenues attributable to collaborative research and development performed under the DAS agreement were $500,000 during both the three months ended June 30, 2007 and 2006 and $1.0 million during both the six months ended June 30, 2007 and 2006. Revenues attributable to milestone payments were $290,000 during both the three and six month periods ended June 30, 2007. Related costs and expenses incurred under the DAS agreement were $500,000 during both the three months ended June 30, 2007 and 2006 and $1.0 million and $1.4 million during the six months ended June 30, 2007 and 2006, respectively.

Funding from Research Foundations

The Michael J. Fox Foundation

On January 23, 2007, Sangamo announced a partnership with the Michael J. Fox Foundation (MJFF) to provide financial support of Sangamo's ZFP TFs™ to activate the expression of glial cell line-derived neurotrophic factor (GDNF) that has shown promise in preclinical testing to slow or stop the progression of Parkinson's disease. Under the agreement with MJFF and subject to its terms and conditions, MJFF will pay the Company $950,000 award over a period of two years. Revenues attributable to research and development performed under the MJFF partnership were $134,000 and $184,000 during the three months and six months ended June 30, 2007, respectively. Related costs and expenses incurred under the MJFF partnership were $134,000 and $184,000 during the three month and six month periods ended June 30, 2007, respectively.

The Juvenile Diabetes Research Foundation International

On October 26, 2006, we announced a partnership with the Juvenile Diabetes Research Foundation International (JDRF) to provide financial support one of Sangamo's Phase 2 human clinical studies of SB-509, a ZFP Therapeutic that is in development for the treatment of diabetic neuropathy. Under the agreement with JDRF and subject to its terms and conditions, including the Company's achievement of certain milestones associated with the Company's Phase 2 clinical trial of SB-509 for the treatment of mild to moderate diabetic neuropathy, JDRF will pay the Company an aggregate amount of up to $3.0 million. After the first commercial launch of SB-509 in a major market, JDRF has the right to receive, subject to certain limitations, annual payments from us, until such time when the total amount paid to JDRF, including payments made on account of certain licensing arrangements, equals three times the amount received by us from JDRF.

Under the agreement, we are obligated to use commercially reasonable efforts to carry out the Phase 2 trial and, thereafter, to develop and commercialize, a product containing SB-509 for the treatment of diabetes and complications of diabetes. We are obligated to cover all costs of the Phase 2 trial that are not covered by JDRF's grant. If we fail to satisfy these obligations, JDRF may have the right, subject to certain limitations, to obtain an exclusive, sublicensable license, to the intellectual property generated by us in the course of the Phase 2 trial, to make and commercialize products containing SB-509 for the treatment of diabetes and complications of diabetes. If JDRF obtains such a license, it is obligated to pay us a percentage of its revenues from product sales and sublicensing arrangements. If JDRF fails to satisfy its obligations to develop and commercialize a product containing SB-509 under the Agreement, then their license rights will terminate and we will receive a non-exclusive, fully paid license, for any intellectual property developed during JDRF's use of the license, to research, develop and commercialize products containing SB-509 for the treatment of diabetes and complications of diabetes.

During the three months and six months ended June 30, 2007, the Company received $500,000 and $1.0 million from JDRF upon the achievement of two milestones. Revenues attributable to research and development performed under the JDRF partnership were $830,000 during the three months ended June 30, 2007. Related costs and expenses incurred under the Phase 2 clinical trial of SB-509 were $764,000 and $2.0 million during the three months and six months ended June 30, 2007, respectively.

NOTE 5-STOCKHOLDERS' EQUITY

In December 2006, Sangamo issued 1,000,000 shares of common stock to Edwards as partial consideration for the purchase of Edwards' angiogenesis program. The issuance was exempt for the registration requirement pursuant to Section 4(2) of the Securities Act of 1933, as amended and, Rule 506 of Regulation D promulgated pursuant to such Act. This transaction was valued at $5.8 million based on the fair value of our publicly traded stock at the closing date of the transaction less a discount for lack of marketability in the unregistered Common Stock and recorded as a research and development expense in 2006 consolidated statement of operations.

In June 2006, in an underwritten public offering and pursuant to an effective registration statement, we sold 3,100,000 shares of common stock at a public offering price of $6.75 per share, resulting in net proceeds of approximately $20.15 million after deducting underwriter's discount.

NOTE 6-INCOME TAXES

On January 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" ("FIN 48"). There was no impact on the Company's financial statements upon adoption. Because of the Company's historical significant net operating losses, it has not been subject to income tax since inception. There were no unrecognized tax benefits during all the periods presented.

We maintain deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets include net operating loss carryforwards, research credits and capitalized research and development. The net deferred tax asset has been fully offset by a valuation allowance because of the Company's history of losses. Utilization of operating losses and credits may be subject to substantial annual limitation due to ownership change provisions of the Internal Revenue Code of 1986, as amended and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

NOTE 7-SUBSEQUENT EVENT

On July 20, 2007, Sangamo completed a registered direct offering to a group of institutional investors, in which Sangamo sold an aggregate of 3,278,689 shares of common stock at a price of $9.15 per share to such investors, resulting in gross proceeds of approximately $30.0 million.

On July 10, 2007, Sangamo entered into a license agreement with Sigma-Aldrich Corporation ("Sigma"). Under the agreement, Sangamo will provide Sigma with access to Sangamo's proprietary zinc finger DNA-binding protein ("ZFP") technology and the exclusive right to use Sangamo ZFP technology to develop and commercialize products for use as research reagents and to offer services in the research field, excluding certain agricultural research uses that Sangamo previously licensed to Dow AgroSciences LLC. Pursuant to the agreement, Sangamo issued one million shares of common stock at a price of $7.75 per share to Sigma, resulting in gross proceeds of approximately $7.75 million and will receive an additional $5.75 million as an upfront license fee. Sangamo is also eligible to receive development and commercial milestone payments and royalties on product sales.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains trend analysis, estimates and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, without limitation, statements containing the words "believes," "anticipates," "expects," "continue," and other words of similar import or the negative of those terms or expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties, estimates and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those set forth in such forward-looking statements as a result of, but not limited to, the "Risk Factors" described below. You should read the following discussion and analysis along with the financial statements and notes attached to those statements included elsewhere in this report and in our annual report on Form 10-K for the year ended December 31, 2006 as filed with the SEC on March 1, 2007.

Overview

We were incorporated in June 1995. From our inception through June 30, 2007, our activities related primarily to establishing and operating a biotechnology research and development organization and developing relationships with our corporate collaborators. Our scientific and business development endeavors currently focus on the engineering of novel zinc finger DNA binding proteins (ZFPs) for the regulation and modification of genes. We have incurred net losses since inception and expect to incur losses in the future as we continue our research and development activities. To date, we have funded our operations primarily through the issuance of equity securities, borrowings, payments from research grants and from corporate collaborators and strategic partners. As of June 30, 2007, we had an accumulated deficit of $138.8 million.

Our revenues have consisted primarily of revenues from our corporate partners for ZFP TFs and ZFNs, contractual payments from strategic partners for research programs and research milestones, and research grant funding. We expect revenues will continue to fluctuate from period to period and there can be no assurance that new collaborations or partner fundings will continue beyond their initial terms.

Commencing in 2005, we have placed more internal emphasis on higher-value therapeutic product development and less emphasis on non therapeutic programs. We believe this shift in emphasis has the potential to increase the return on investment to our stockholders by allocating capital resources to higher value, therapeutic product development activities. At the same time, it may reduce our revenues over the next several years and it increases our financial risk by increasing expenses associated with product development. We have filed an Investigational New Drug (IND) application with the U.S. Food and Drug Administration (FDA) and have initiated two Phase 2 clinical trials of a ZFP Therapeutic in patients with diabetic neuropathy during the first six months of 2007. Development of novel therapeutic products is costly and is subject to a lengthy and uncertain regulatory process by the FDA. Our future products are nucleic acid-based therapeutics. Adverse events in both our own clinical program and other programs in gene therapy and RNAi may have a negative impact on regulatory approval, the willingness of potential commercial partners to enter into agreements and the perception of the public.

Research and development expenses consist primarily of salaries and related personnel expenses, including stock-based compensation, clinical trials and manufacturing cost, laboratory supplies, allocated facilities costs, subcontracted research expenses, trademark registration and technology licenses. Research and development costs incurred in connection with collaborator-funded activities are expensed as incurred. We believe that continued investment in research and development is critical to attaining our strategic objectives. We expect these expenses will increase significantly as we increase our focus on development of ZFP Therapeutics. The Company is also developing ZFNs for therapeutic gene correction and therapeutic gene modification as a treatment for certain monogenic and infectious diseases. Additionally, in order to develop ZFP TFs and ZFNs as commercially relevant therapeutics, we expect to expend additional resources for expertise in the manufacturing, regulatory affairs and clinical research aspects of biotherapeutic development.

General and administrative expenses consist primarily of salaries and related personnel expenses for executive, finance and administrative personnel, stock-based compensation, professional fees, patent prosecution expenses, allocated facilities costs and other general corporate expenses. As we pursue commercial development of our therapeutic leads we expect the business aspects of the Company to become more complex. We may be required in the future to add personnel and incur additional costs related to the maturity of our business.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are described in Note 1, Basis of Presentation and Summary of Significant Accounting Policies to the Unaudited Notes to Condensed Financial Statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources, and evaluates our estimates on an ongoing basis. Actual results could differ from those estimates under different assumptions or conditions. Sangamo believes the following critical accounting policies have significant effect in the preparation of our consolidated financial statements.

Revenue Recognition

In accordance with Staff Accounting Bulletin No. 104, “Revenue Recognition,” revenue from research activities made under strategic partnering collaborations is recognized as the services are provided when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Amounts received under such agreements are deferred until the above criteria are met and the research services are performed. Sangamo’s research grants are typically multi-year agreements and provide for the reimbursement of qualified expenses for research and development as defined under the terms of the grant agreement. Revenue under grant agreements is recognized when the related research expenses are incurred. Grant reimbursements are typically received on a quarterly basis and are subject to the issuing agency’s right of audit.

Sangamo recognizes revenue from its Therapeutic and Enabling Technology collaborations when ZFP-based products are delivered to the collaborators, persuasive evidence of an agreement exists, there are no unfulfilled obligations, the price is fixed and determinable, and collectibility is reasonably assured. Generally, Sangamo receives partial payments from these collaborations prior to the delivery of ZFP-based products and the recognition of these revenues is deferred until the ZFP-based products are delivered, the risk of ownership has passed to the collaborator and all performance obligations have been satisfied. Upfront or signature payments received upon the signing of an Enabling Technology agreement are generally recognized ratably over the applicable period of the agreement, which currently ranges between 12 and 15 months, or as ZFP-based products are delivered.

Milestone payments under research, partnering, or licensing agreements are recognized as revenue upon the achievement of mutually agreed upon milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no further significant performance obligations associated with the milestone payment.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," revenue arrangements entered into after June 15, 2003, that include multiple deliverables, are divided into separate units of accounting if the deliverables meet certain criteria, including whether the fair value of the delivered items can be determined and whether there is evidence of fair value of the undelivered items. In addition, the consideration is allocated among the separate units of accounting based on their fair values, and the applicable revenue recognition criterion is considered separately for each of the separate units of accounting.

Stock-Based Compensation

On January 1, 2006, we began accounting for employee stock-based compensation in accordance with FAS 123R. Under the provisions of FAS 123R, employee stock-based compensation is estimated at the date of grant based on the employee stock award's fair value using the Black-Scholes option-pricing model and is recognized as expense ratably over the requisite service period in a manner similar to other forms of compensation paid to employees. The Black-Scholes option-pricing model requires the use of certain subjective assumptions. The most significant of these assumptions are our estimates of the expected volatility of the market price of our stock and the expected term of the award. We primarily base our determination of expected volatility through our assessment of the historical volatility of our Common Stock. We do not believe that we are able to rely on our historical exercise and post-vested termination activity to provide accurate data for estimating our expected term for use in determining the fair value of these options. Therefore, as allowed by Staff Accounting Bulletin (SAB) No. 107, Share-Based Payment, we have opted to use the simplified method for estimating our expected term equal to the midpoint between the vesting period and the contractual term. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, our valuation assumptions used to value employee stock-based awards granted in future periods may change.

As of June 30, 2007, total compensation cost related to nonvested stock options to be recognized in future periods was $5.6 million, which is expected to be expensed over a weighted average period of 48 months.

RESULTS OF OPERATIONS

Three and six months ended June 30, 2007 and 2006

Revenues

	Three months ended June 30, (in thousands, except percentage values)				Six months ended June 30, (in thousands, except percentage values)			
	2007	2006	Change	%	2007	2006	Change	%
Revenues:								
Collaboration agreements	$ 1,461	$ 1,431	$ 30	2%	$ 2,611	$ 3,304	$ (693)	(21%)
Research grants	1,123	346	777	(225%)	1,395	609	786	129%
Total revenues	$ 2,584	$ 1,777	$ 807	(45%)	$ 4,006	$ 3,913	$ 93	2%

Total revenues increased to $2.6 million for the three months ended June 30, 2007 from $1.8 million in the corresponding period in 2006. The increase for the three months ended June 30, 2007 was principally due to revenues of $830,000 in connection with our JDRF grant. Total revenues increased to $4.0 million for the six months ended June 30, 2007 from $3.9 million in the corresponding period in 2006. The increase for the six months ended June 30, 2007 was principally due to revenues of $830,000 in connection with our JDRF grant, offset by decreased collaboration-related revenues of approximately $300,000, $257,000 and $158,000 from Johnson & Johnson, Pfizer and DAS, respectively. We anticipate continued revenues from collaboration agreements through the end of 2008, and we have applied for, and plan to continue to apply for, research grants in the future to support the development of applications of our technology platform. Although we have negotiated collaboration agreements and received research grants in the past, we cannot assure you that these efforts will be successful in the future.

Operating Expenses

	Three months ended June 30, (in thousands, except percentage values)				Six months ended June 30, (in thousands, except percentage values)			
	2007	2006	Change	%	2007	2006	Change	%
Operating Expenses:								
Research and development	$ 6,309	$ 4,028	$ 2,281	57%	$ 11,739	$ 7,617	$ 4,122	54%
General and administrative	2,113	1,821	292	16%	4,112	3,576	536	15%
Total expenses	$ 8,422	$ 5,849	$ 2,573	44%	$ 15,851	$ 11,193	$ 4,658	42%

Research and development

Over the past three fiscal years, research and development expenses have consisted primarily of salaries and related personnel expenses including stock-based compensation as well as clinical trials and manufacturing cost, laboratory supplies, allocated facilities costs, subcontracted research expenses, trademark registration and technology licenses. We expect to continue to devote substantial resources to research and development in the future and expect research and development expenses to increase in the next several years if we are successful in advancing our ZFP Therapeutic product candidates into and through clinical trials. To the extent we collaborate with others with respect to clinical trials, increases in research and development expenses may be reduced or avoided.

Research and development expenses for the second quarter of 2007 increased to $6.3 million compared to $4.0 million for the second quarter of 2006. The increase in research and development expenses for the three months ended June 30, 2007 was primarily attributable to increased external development expenses of $1.2 million, primarily associated with clinical trials and manufacturing cost of our diabetic neuropathy program, and increased personnel and laboratory supply expenses of $427,000 and $329,000, respectively, primarily due to increased headcount, and increased facility-related and licensing expenses of $124,000 and $114,000, respectively. Research and development expenses for the first six months of 2007 increased to $11.7 million compared to $7.6 million for the corresponding period of 2006. The increase in research and development expenses for the six months ended June 30, 2007 was primarily attributable to increased external development expenses of $2.3 million, primarily associated with clinical trials and manufacturing cost of our diabetic neuropathy program, increased personnel and laboratory supply expenses of $801,000 and $574,000, respectively, due to increased headcount, and increased facility-related expenses of $189,000.

General and administrative

General and administrative expenses consist primarily of salaries and related personnel expenses for executive, finance and administrative personnel, stock-based compensation, professional fees, patent prosecution expenses, allocated facilities costs, other general corporate expenses and stock-based compensation. As we pursue commercial development of our therapeutic leads, we expect the business aspects of the Company to become more complex. We may be required in the future to add personnel and incur additional costs related to the maturity of our business.

General and administrative expenses were $2.1 million for the three months ended June 30, 2007, as compared to $1.8 million during the corresponding period of 2006. This increase is primarily related to increased professional service-related expenses of $228,000. General and administrative expenses were $4.1 million for the six months ended June 30, 2007, as compared to $3.6 million during the corresponding period of 2006. This increase is primarily related to increased expenses related to professional services and employee stock-based compensation of $430,000 and $101,000, respectively.

Interest income, net

	Three months ended June 30, (in thousands, except percentage values)				Six months ended June 30, (in thousands, except percentage values)			
	2007	2006	Change	%	2007	2006	Change	%
Interest and other income, net	$ 657	$ 745	$ (88)	(12%)	$ 1,305	$ 1,208	$ 97	8%

Interest and other income, net, decreased to $657,000 for the three months ended June 30, 2007 from $745,000 in the corresponding period in 2006. The decrease was primarily related to a decrease of foreign currency translation gain of $59,000 during the quarter ended June 30, 2007. Interest and other income, net, increased to $1.3 million for the six months ended June 30, 2007 from $1.2 million in the corresponding period of 2006. The increase was primarily related to a increase interest income of $184,000 related to higher average investment balances during the six months ended June 30, 2007 from the June 2006 equity financing. This increase was partially offset by a decrease foreign currency translation gain of $86,000 during the six months ended June 30, 2007.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through the sale of equity securities, payments from corporate collaborators, research grants and financing activities such as a bank line of credit. As of June 30, 2007, we had cash, cash equivalents, investments and interest receivable totaling $44.6 million. On May 18, 2007, we entered into a sales agreement with Cantor Fitzgerald & Co., as sales agent, pursuant to which we may issue and sell, from time to time through Cantor Fitzgerald & Co, up to 3,000,000 shares of common stock. No shares of common stock have been sold under this agreement. On July 10, 2007, in connection with a license agreement with Sigma, Sangamo issued one million shares of common stock at a price of $7.75 per share to Sigma, resulting in gross proceeds of approximately $7.75 million and will receive an additional $5.75 million as an upfront license fee. On July 20, 2007, Sangamo completed a registered direct offering to a group of institutional investors, in which Sangamo sold an aggregate of 3,278,689 shares of common stock at a price of $9.15 per share to such investors, resulting in net proceeds of approximately $28.0 million.

Net cash used for operating activities was $10.4 million for the six months ended June 30, 2007. Net cash used consisted of the net loss for the six-month period of $10.5 million, amortization of premium on investment of $953,000 and a net change of $124,000 in operating assets and liabilities. This was partially offset by stock-based compensation charges of $1.1 million and depreciation and amortization of $110,000. Net cash used for operating activities was $8.2 million for the six months ended June 30, 2006. Net cash used consisted primarily of the net loss for the six-month period of $6.1 million, a net change of $3.1 million in operating assets and liabilities and amortization of premium on investment of $108,000. This was partially offset by stock-based compensation charges of $950,000 and depreciation and amortization of $92,000.

Net cash provided by investing activities was $6.7 million for the six months ended June 30, 2007 and was primarily comprised of proceeds associated with maturities of investments $43.7 million, partially offset by cash used to purchase investments and fixed assets of $36.4 million and $568,000, respectively. Net cash used in investing activities was $1.9 million for the six months ended June 30, 2006 and was primarily comprised of cash used to purchase investments and fixed assets of $16.0 million and $137,000, respectively, partially offset by cash proceeds associated with maturities of investments of $14.2 million.

Net cash provided by financing activities for the six-month period ended June 30, 2007 was $679,000. Proceeds were solely related to proceeds from the issuance of common stock related to stock option exercises. Net cash provided by financing activities for the six month period ended June 30, 2006 was $20.5 million. In June 2006, in an underwritten public offering and pursuant to an effective registration statement, we sold 3,100,000 shares of common stock at a price of $6.75 per share, resulting in net proceeds of approximately $20.15 million after deducting underwriter's discount. All other cash provided by financing activities for the first six months of 2006 were related to proceeds from the issuance of common stock related to stock option exercises.

While we expect our rate of cash usage to increase in the future, in particular, in support of our product development endeavors, we believe that the available cash resources, funds received from corporate collaborators, strategic partners and research grants will be sufficient to finance our operations through 2009. We may need to raise additional capital to fund our ZFP Therapeutic development activities. Additional capital may not be available in terms acceptable to us, or at all. If adequate funds are not available, our business and our ability to develop our technology and our ZFP Therapeutic products would be harmed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and investments. The investments are available-for-sale. We do not use derivative financial instruments in our investment portfolio. We attempt to ensure the safety and preservation of our invested funds by limiting default and market risks. Our cash and investments policy emphasizes liquidity and preservation of principal over other portfolio considerations. We select investments that maximize interest income to the extent possible within these guidelines. We satisfy liquidity requirements by investing excess cash in securities with different maturities to match projected cash needs and limit concentration of credit risk by diversifying our investments among a variety of high credit-quality issuers. We mitigate default risk by investing in only investment-grade securities. The portfolio includes marketable securities with active secondary or resale markets to ensure portfolio liquidity. All investments have a fixed interest rate and are carried at market value, which approximates cost.

Our market risks at June 30, 2007 have not changed materially from those discussed in Item 7A of our Form 10-K for the year ended December 31, 2006 on file with the Securities and Exchange Commission.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not party to any material pending legal proceedings, other than routine litigation incidental to our business.

ITEM 1A. RISKS FACTORS

This Form 10-Q contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements made by or on behalf of Sangamo, this section includes a discussion of important factors that could affect our actual future results, including, but not limited to, our revenues, expenses, net loss and loss per share.

We have increased the focus of our research and development programs on human therapeutics, which will increase operating expenditures and the uncertainty of our business. We are increasing the emphasis and focus of our internal research and development activities on ZFP Therapeutics and have fewer resources invested in non therapeutic programs. In the short term, this change may reduce our revenues and increase operating expenditures due to larger financial outlays to fund preclinical studies, manufacturing, and clinical research. The focus on ZFP Therapeutics will also increase the visibility of our lead therapeutic programs and the potential impact on the stock price of news releases relating to these programs.

We are conducting proprietary research to discover ZFP Therapeutic product candidates. These programs increase our financial risk of product failure, may significantly increase our research expenditures, and may involve conflicts with our collaborators and strategic partners. Our proprietary research programs consist of research which is funded largely by the Company and where the Company retains exclusive rights to therapeutic products generated by the research. This is in contrast to certain of our non therapeutic programs that may be funded by corporate partners and in which we may share in the value of any resulting products. We have conducted proprietary research since our inception; however, in the past several years, our strategy has shifted toward placing greater emphasis on proprietary research and therapeutic development and we expect this trend will continue in 2007 as we prosecute our first Phase 2 clinical trials and bring new ZFP Therapeutics into clinical trials. Conducting proprietary research programs may not generate corresponding revenue and may create conflicts with our collaborators or strategic partners. The implementation of this strategy will involve substantially greater business risks, the expenditure of significantly greater funds than our historic research activities and will require substantial commitments of time from our management and staff.

In addition, disagreements with our collaborators or strategic partners could develop over rights to our intellectual property with respect to our proprietary research activities. Any conflict with our collaborators or strategic partners could reduce our ability to enter into future collaboration or strategic partnering agreements and negatively impact our relationship with existing collaborators and strategic partners, which could reduce our revenue and delay or terminate our product development.

We have initiated two Phase 2 clinical trials in our lead ZFP Therapeutic program, and ZFP Therapeutics have undergone limited testing in humans. We have completed enrollment and treatment of the patients in a Phase 1 clinical trial of SB-509 for diabetic neuropathy and thus far have not observed any serious drug-related adverse events. However if our lead ZFP Therapeutic fails one of its initial safety studies, it could reduce our ability to attract new investors and corporate partners. In January 2005, we filed an IND with the FDA for SB-509, a ZFP TF activator of VEGF-A, for the treatment of mild to moderate diabetic neuropathy. We have completed enrollment and treatment of a Phase 1, single blind, dose-escalation trial to measure the laboratory and clinical safety of SB-509 and initiated a Phase 2 clinical trial for this indication. In addition, Phase 1 clinical trials of an identical ZFP TF has been carried out in subjects with peripheral artery disease. These early studies of a ZFP Therapeutic are a highly visible test of our ZFP Therapeutic approach. Since we have increased our focus on ZFP Therapeutic research and development, investors will increasingly assess the value of our technology based on the continued progress of ZFP Therapeutic products into and through clinical trials. If the initial safety study of our lead therapeutic was halted due to safety concerns or for other reasons, this would negatively affect the value of our stock.

The results of our Phase 1 trials are based on a small number of patients over a short period of time, and our progress may not be indicative of results in a large number of patients or of long-term efficacy. The results in early phases of clinical testing are based upon limited numbers of patients and a limited follow-up period. For example, the initial results from the Phase 1 clinical trial of our ZFP Therapeutic, SB-509, became available in the first half of 2006 and additional data were presented in June 2007. The primary end point of the trial was clinical and laboratory safety, however we collected some preliminary efficacy data that showed early evidence of clinical improvement in some subjects. Typically, our Phase 1 clinical trials for indications of safety enroll less than 50 patients. We have designed our initial Phase 2 clinical

trial for safety and efficacy to enroll approximately 100 patients. Actual results with more data points may not confirm the favorable results from earlier stage trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late stage clinical trials even after achieving promising results in earlier stage clinical trials. In addition, we do not yet know if early results will be reproducible. If a larger population of patients does not experience positive results, or if these results are not reproducible, our products may not receive approval from the FDA. Failure to demonstrate the safety and effectiveness of our ZFP Therapeutic products in larger patient populations could have a material adverse effect on our business that would cause our stock price to decline significantly.

We have limited experience in conducting clinical trials. Our ZFP Therapeutics may fail to show the desired safety and efficacy in initial clinical trials. We have completed a Phase 1 trial and begun two Phase 2 clinical trials, however, the FDA will require additional clinical testing which involves significantly greater resources, commitments and expertise that may require us to enter into a collaborative relationship with a pharmaceutical company that could assume responsibility for late-stage development and commercialization.

We may not be able to find acceptable patients or may experience delays in enrolling patients for our clinical trials. We or the FDA may suspend our clinical trials at any time if either believes that we are exposing the subjects participating in these trials to unacceptable health risks. The FDA or institutional review boards and/or institutional biosafety committees at the medical institutions and healthcare facilities where we sponsor clinical trials may suspend any trial indefinitely if they find deficiencies in the conduct of these trials. The FDA and institutional review boards may also require large numbers of patients, and the FDA may require that we repeat a clinical trial.

Our potential therapeutic products are subject to a lengthy and uncertain regulatory process, and we may encounter unanticipated toxicity or adverse events or fail to demonstrate efficacy, causing us to delay, suspend or terminate the the development of a ZFP Therapeutics. If these potential products are not approved, we will not be able to commercialize those products. The FDA must approve any human therapeutic product before it can be marketed in the United States. The process for receiving regulatory approval is long and uncertain, and a potential product may not withstand the rigors of testing under the regulatory approval processes.

Before commencing clinical trials in humans, we must submit an Investigational New Drug (IND) application to the FDA. The FDA has 30 days to comment on the IND. If the FDA does not comment on the IND, we or our commercial partner may begin clinical trials.

Clinical trials are subject to oversight by institutional review boards and the FDA. In addition, our proposed clinical studies will require review from the Recombinant DNA Advisory Committee, or RAC, which is the advisory board to the National Institutes of Health, or NIH, focusing on clinical trials involving gene transfer. We will typically submit a proposed clinical protocol and other product-related information to the RAC three to six months prior to the expected IND filing date.

Clinical trials:

- must be conducted in conformance with the FDA's good clinical practices, ICH guidelines and other applicable regulations;
- must meet requirements for institutional review board (IRB) oversight;
- must follow Institutional Biosafety Committee (IBC) and NIH RAC guidelines where applicable;
- must meet requirements for informed consent;
- are subject to continuing FDA oversight;
- may require large numbers of test subjects; and
- may be suspended by a commercial partner, the FDA, or us at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in the IND or the conduct of these trials.

Clinical trials are lengthy and are typically conducted in three sequential phases, but the phases may overlap or be combined. Each trial must be reviewed and approved by an independent ethics committee or institutional review board before it can begin. Phase 1 usually involves the initial introduction of the investigational drug into healthy volunteers or patients to evaluate certain factors, including its safety, dosage tolerance and, if possible, to gain an early indication of its effectiveness. Phase 2 usually involves trials in a limited patient population to evaluate dosage tolerance and appropriate dosage, identify possible adverse effects and safety risks, and evaluate preliminarily the efficacy of the drug for specific indications. Phase 3 trials usually further evaluate clinical efficacy and test further for safety by using the drug in its final form in an expanded patient population. Later clinical trials may fail to support the findings of earlier trials, which would delay, limit or prevent regulatory approvals.

While we have stated our intention to file additional IND applications and conduct additional clinical trial during the next several years, this is only a statement of intent, and we may not be able to do so because the associated product candidates may not meet the necessary preclinical requirements. In addition, there can be no assurance that, once filed, an IND application will result in the actual initiation of clinical trials.

We cannot predict whether or when we will obtain regulatory approval to commercialize our product candidates, therefore we cannot predict the timing of any future revenue from these product candidates. We cannot commercialize any of our ZFP Therapeutics to generate revenue until the appropriate regulatory authorities have reviewed and approved the applications for the product candidates. We cannot assure you that the regulatory agencies will complete their review processes in a timely manner or that we will obtain regulatory approval for any product candidate that we or our collaborators develop. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. Regulatory approval processes outside the United States include all of the risks associated with the FDA approval process. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review.

Our collaborators may control aspects of our clinical trials, which could result in delays and other obstacles in the commercialization of our proposed products. For some programs we may be dependent on third party collaborators to design and conduct our clinical trials. As a result, we may not be able to conduct these programs in the manner or on the time schedule we currently contemplate. In addition, if any of these collaborative partners withdraw support for our programs or proposed products or otherwise impair their development; our business could be negatively affected.

Our gene regulation and gene modification technology is relatively new, and if we are unable to use this technology in all our intended applications, it would limit our revenue opportunities. Our technology involves a relatively new approach to gene regulation and gene modification. Although we have generated ZFP TFs for thousands of gene sequences, we have not created ZFP TFs for all gene sequences and may not be able do so, which could limit the usefulness of our technology. In addition, while we have demonstrated the function of engineered ZFP TFs in mammalian cell culture, yeast, insects, plants, and animals, we have not yet definitively done so in humans, and the failure to do so could restrict our ability to develop commercially viable products. If we, and our collaborators or strategic partners, are unable to extend our results to new commercially important genes, experimental animal models, and human clinical studies, we may be unable to use our technology in all its intended applications. Also, delivery of ZFP TFs and ZFNs into cells and organisms, including humans, in these and other environments is limited by a number of technical hurdles, which we may be unable to surmount. This is a particular challenge for therapeutic applications of our technology that will require the use of gene transfer systems that may not be effective for the delivery of our ZFP TFs or ZFNs in a particular therapeutic application.

The expected value and utility of our ZFP TFs and ZFNs is in part based on our belief that the targeted or specific regulation of gene expression and targeted gene modification may enable us to develop a new therapeutic approach as well as to help scientists better understand the role of human, animal, and other genes in disease and to aid their efforts in drug discovery and development. We also believe that the regulation of gene expression and targeted gene addition will have utility in agricultural applications. There is only a limited understanding of the role of specific genes in all these fields. Life sciences companies have developed or commercialized only a few products in any of these fields based on results from genomic research or the ability to regulate gene expression. We, our collaborators, or our strategic partners, may not be able to use our technology to identify and validate drug targets or to develop commercial products in the intended markets.

We are currently engaged in the research and development of a new application of our technology platform: ZFP-mediated gene modification using ZFNs to effect gene disruption, gene correction or gene addition. Using this technique, Sangamo scientists have engineered ZFNs to cut DNA at a specific site within a target gene, and to rejoin the two ends of the break which frequently results in the disruption of the gene's function; to correct the adjacent sequences with newly synthesized DNA copied from an introduced DNA

template, resulting in gene correction; or to specifically add a new DNA sequence into a target site. ZFP-mediated gene modification is at an early stage of development. Our scientists have shown ZFP-mediated gene modification to work in isolated cells; however, a significant amount of additional research will be needed before this technique can be evaluated in animals or plants and subsequently tested for applications in human healthcare and plant agriculture.

We may be unable to license gene transfer technologies that we may need to commercialize our ZFP TF and ZFN technology. In order to regulate a gene in a cell, the ZFP TF or ZFN must be efficiently delivered to the cell. We have licensed certain gene transfer technologies for use with our non therapeutic programs, which are ZFP TFs and ZFNs used in pharmaceutical discovery research and protein production. We are evaluating these systems and other technologies that may need to be used in the delivery of ZFP TFs or ZFNs into cells for in vitro and in vivo applications, including ZFP Therapeutics. However, we may not be able to license the gene transfer technologies required to develop and commercialize our ZFP Therapeutics. We have not developed our own gene transfer technologies, and where necessary we rely on our ability to enter into license agreements to provide us with rights to the necessary gene transfer technology. The inability to obtain a license to use gene transfer technologies with entities which own such technology on reasonable commercial terms, if at all, could delay or prevent the preclinical evaluation, clinical testing, and/or commercialization of our therapeutic product candidates.

We do not currently have the infrastructure or capability to manufacture therapeutic products on a commercial scale . In order for us to commercialize these products directly, we would need to develop, or obtain through outsourcing arrangements, the capability to execute all of these functions. If we are unable to develop or otherwise obtain the requisite preclinical, clinical, regulatory, manufacturing, marketing, and sales capabilities, we would be unable to directly commercialize our therapeutics products which would limit our future growth.

Even if our technology proves to be effective, it still may not lead to commercially viable products. Even if our collaborators or strategic partners are successful in using our ZFP technology in research reagents, protein production, therapeutic development, or plant agriculture, they may not be able to commercialize the resulting products or may decide to use other methods competitive with our technology. To date, no company has received marketing approval or has developed or commercialized any therapeutic or agricultural products based on our technology. Should our technology fail to provide safe, effective, useful, or commercially viable approaches to the discovery and development of these products, this would significantly limit our business and future growth and would adversely affect our value.

Even if our product development efforts are successful and even if the requisite regulatory approvals are obtained, our ZFP Therapeutics may not gain market acceptance among physicians, patients, healthcare payers and the medical community. A number of additional factors may limit the market acceptance of products including the following:

- rate of adoption by healthcare practitioners;
- rate of a product's acceptance by the target population;
- timing of market entry relative to competitive products;
- availability of alternative therapies;
- price of our product relative to alternative therapies;
- availability of third-party reimbursement;
- extent of marketing efforts by us and third-party distributors or agents retained by us; and
- side effects or unfavorable publicity concerning our products or similar products.

Adverse events in the field of gene therapy and siRNA may negatively impact regulatory approval or public perception of our potential products. Our potential therapeutic products are delivered to patients as nucleic acid-based drugs. The clinical and commercial success of our potential products will depend in part on public acceptance of the use of gene therapy and siRNA for the prevention or treatment of human diseases. Public attitudes may be influenced by claims that gene therapy is unsafe or that siRNA is ineffective, and, consequently, our products may not gain the acceptance of the public or the medical community. Negative public reaction to gene therapy in general could result in greater government regulation and stricter labeling requirements of gene therapy products, including any of our products, and could cause a decrease in the demand for any products we may develop.

Our stock price is also influenced by public perception. Reports of serious adverse events in a retroviral gene transfer trial for infants with X-linked severe combined immunodeficiency (X-linked SCID) in France and subsequent FDA actions putting related trials on hold in the United States had a significant negative impact on the public perception and stock price of certain companies involved in gene therapy. Stock prices of these companies declined whether or not the specific company was involved with retroviral gene transfer for the treatment of infants with X-linked SCID, or whether the specific company's clinical trials were placed on hold in connection with these events. Other potential adverse events in the field of siRNA or gene therapy may occur in the future that could result in greater governmental regulation of our potential products and potential regulatory delays relating to the testing or approval of our potential products

We are at the development phase of operations and may not succeed or become profitable. We began operations in 1995 and are in the early phases of ZFP Therapeutic product development. We have incurred significant losses and our net losses for the past three fiscal years ended 2006, 2005 and 2004 were $17.9 million, $13.3 million and $13.8 million, respectively. To date, our revenues have been generated from non therapeutic collaborations, strategic partners, and research grants. Since 2005, we have placed more emphasis on higher-value therapeutic product development and related strategic partnerships. This shift in emphasis has the potential to increase the return on investment to our stockholders by allocating capital resources to higher value, therapeutic product development activities. At the same time, it increases our financial risk by increasing expenses associated with product development. In addition, the preclinical or clinical failure of any single product may have a significant effect on the actual or perceived value of our shares. Our business is subject to all of the risks inherent in the development of a new technology, which included the need to:

- attract and retain qualified scientific and technical staff and management, particularly scientific staff with expertise to develop our early-stage technology into therapeutic products;
- obtain sufficient capital to support the expense of developing our technology platform and developing, testing, and commercializing products;
- develop a market for our products;
- successfully transition from a company with a research focus to a company capable of supporting commercial activities; and
- attract and enter into research collaborations with research and academic institutions and scientists.

Commercialization of our technologies will depend, in part, on strategic partnering with other companies. If we are not able to find strategic partners in the future or our strategic partners do not diligently pursue product development efforts, we may not be able to develop our technologies or products, which could slow our growth and decrease our value. We expect to rely, to some extent, on our strategic partners to provide funding in support of our research and to perform independent research and preclinical and clinical testing. Our technology is broad based, and we do not currently possess the resources necessary to fully develop and commercialize potential products that may result from our technologies or the resources or capabilities to complete the lengthy marketing approval processes that may be required for the products. Therefore, we plan to rely on strategic partnerships to help us develop and commercialize ZFP Therapeutic products. If those partners are unable or unwilling to advance our programs, or if they do not diligently pursue product approval, this may slow our progress and defer our revenues. Our partners may sublicense or abandon development programs or we may have disagreements with our partners, which would cause associated product development to slow or cease. There can be no assurance that we will be able to establish strategic collaborations for ZFP Therapeutic product development. We may require significant time to secure collaborations or strategic partners because we need to effectively market the benefits of our technology to these future collaborators and strategic partners, which use the time and efforts of research and development personnel and our management. Further, each collaboration or strategic partnering arrangement will involve the negotiation of terms that may be unique to each collaborator or strategic partner. These business development efforts may not result in a collaboration or strategic partnership.

The loss of any future strategic partnering agreements would not only delay or terminate the potential development or commercialization of products we may derive from our technologies, but it may also delay or terminate our ability to test ZFP TFs for specific genes. If any strategic partner fails to conduct the collaborative activities successfully and in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates or research programs could be delayed or terminated.

If our competitors develop, acquire, or market technologies or products that are more effective than ours, this would reduce or eliminate our commercial opportunity. Any products that we or our collaborators or strategic partners develop by using our ZFP technology platform will enter into highly competitive markets. Even if we are able to generate ZFP Therapeutics that are safe and effective for their intended use, competing technologies may prove to be more effective or less expensive, which, to the extent these competing technologies achieve market acceptance, will limit our revenue opportunities. In some cases, competing technologies have proven to be satisfactorily effective and less expensive. ZFP TFs and ZFNs have broad application in the life sciences and compete with a broad array of new technologies and approaches being applied to genetic research by many companies. Competing proprietary technologies with our product development focus include:

- For ZFP Therapeutics:
  - small molecule drugs;
  - monoclonal antibodies;
  - recombinant proteins;
  - gene therapy /cDNAs;
  - antisense; and
  - siRNA approaches.
- For our non therapeutic Applications:
  - For protein production: gene amplification, meganucleases, insulator technology, mini-chromosomes;
  - For research reagents: antisense, siRNA; and
  - For plant agriculture: recombination approaches, mutagenesis approaches, meganucleases, mini-chromosomes.
- In addition to possessing competing technologies, our competitors include biotechnology companies with:
  - substantially greater capital resources than ours;
  - larger research and development staffs and facilities than ours; and
  - greater experience in product development and in obtaining regulatory approvals and patent protection.
- These organizations also compete with us to:
  - attract qualified personnel;
  - attract parties for acquisitions, joint ventures or other collaborations; and
  - license the proprietary technologies of academic and research institutions that are competitive with our technology, which may preclude us from pursuing similar opportunities.

Accordingly, our competitors may succeed in obtaining patent protection or commercializing products before us. In addition, any products that we develop may compete with existing products or services that are well established in the marketplace.

Our collaborators or strategic partners may decide to adopt alternative technologies or may be unable to develop commercially viable products with our technology, which would negatively impact our revenues and our strategy to develop these products. Our collaborators or strategic partners may adopt alternative technologies, which could decrease the marketability of ZFP technology. Additionally, because many of our collaborators or strategic partners are likely to be working on more than one development project, they could choose to shift their resources to projects other than those they are working on with us. If they do so, this would delay our ability to test our technology and would delay or terminate the development of potential products based on our ZFP technology. Further, our collaborators and strategic partners may elect not to develop products arising out of our collaborative and strategic partnering arrangements or to devote sufficient resources to the development, manufacturing, marketing, or sale of these products. If any of these events occur, we may not be able to develop our technologies or commercialize our products.

We anticipate continuing to incur operating losses for the next several years. If material losses continue for a significant period, we may be unable to continue our operations. We have incurred operating losses since we began operations in 1995. The extent of our future losses and the timing of profitability are uncertain, and we expect to incur losses for the foreseeable future. We have been engaged in developing our ZFP TF technology since inception, which has and will continue to require significant research and development expenditures. In July 2007, we completed a registered direct offering to a group of institutional investors, in which we sold an aggregate of 3,278,689 shares of common stock at a price of $9.15 per share to such investors, resulting in net proceeds of approximately $28.0 million. In June 2006, in an underwritten public offering and pursuant to an effective registration statement, we sold 3,100,000 shares of common stock at a public offering price of $6.75 per share, resulting in net proceeds of approximately $20.15 million after deducting underwriter's discount. In November 2005, we completed a registered direct offering to institutional and strategic investors for a total of 5,080,000 shares of common stock at a price of $3.85 per share to the investors, resulting in net proceeds to Sangamo of approximately $18.2 million. To date, we have generated all other revenue from non therapeutic collaborations, ZFP Therapeutic, strategic partnering agreements, research grants and grants awarded by research foundations. As of June 30, 2007, we had an accumulated deficit of approximately $138.8 million. We expect to incur losses for the foreseeable future. These losses will increase as we expand and extend our research and development activities into human therapeutic product development. If the time required to generate significant product revenues and achieve profitability is longer than we currently anticipate or if we are unable to generate liquidity through equity financing, we may not be able to sustain our operations.

We may be unable to raise additional capital, which would harm our ability to develop our technology and products. We have incurred significant operating losses and negative operating cash flows since inception and have not achieved profitability. We expect capital outlays and operating expenditures to increase over the next several years as we expand our infrastructure and research and ZFP Therapeutic product development activities. While we believe our financial resources will be adequate to sustain our current operations at least through 2009, we may seek additional sources of capital through equity or debt financing. In addition, as we focus our efforts on proprietary human therapeutics, we will need to seek FDA approval of potential products, a process that could cost in excess of $100 million per product. We cannot be certain that we will be able to obtain financing on terms acceptable to us, or at all. If adequate funds are not available, our business and our ability to develop our technology and ZFP Therapeutic products would be harmed.

Our stock price has been volatile and may continue to be volatile, which could result in substantial losses for investors. During the quarter ended June 30, 2007, our stock price range from a low of $6.57 to high of $8.54. During the past two years, our common stock price has fluctuated significantly, ranging from a low of $4.10 to a high of $8.00 during the year ended December 31, 2006, and a low of $3.54 to a high of $5.81 during the year ended December 31, 2005. Volatility in our common stock could cause stockholders to incur substantial losses. An active public market for our common stock may not be sustained, and the market price of our common stock may continue to be highly volatile. The market price of our common stock has fluctuated significantly in response to the following factors, some of which are beyond our control:

- announcements by us about the development and commercialization status of ZFP Therapeutics;
- changes in market valuations of similar companies;
- deviations in our results of operations from the guidance given by us or estimates of securities analysts;
- announcements by us or our competitors of new or enhanced products, technologies or services or significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments;
- regulatory developments;
- additions or departures of key personnel;
- future sales of our common stock or other securities by the Company, management or directors; future sale or liquidation of our common stock by institutional investors with large holding of our stock; and
- decreases in our cash balances.

Our common stock is relatively thinly traded, which means large transactions in our common stock may be difficult to conduct in a short time frame. We have a relatively low volume of daily trades in our common stock on the Nasdaq Global Market. For example, the average daily trading volume in our common stock on the Nasdaq Global Market over the ten-day trading period prior to July 27, 2007 was approximately 591,390 shares per day. Any large transactions in our common stock may be difficult to conduct and may cause significant fluctuations in the price of our common stock.

Failure to attract, retain, and motivate skilled personnel and cultivate key academic collaborations will delay our product development programs and our research and development efforts. We are a small company with 80 full-time employees as of July 31, 2007 and our success depends on our continued ability to attract, retain, and motivate highly qualified management and scientific personnel and our ability to develop and maintain important relationships with leading research and academic institutions and scientists. Competition for personnel and academic and other research collaborations is intense. The success of our technology development programs depends on our ability to attract and retain highly trained personnel. We have experienced a rate of employee turnover that we believe is typical of emerging biotechnology companies. If we lose the services of personnel with the necessary skills, it could significantly impede the achievement of our research and development objectives. We are not presently aware of any plans of specific employees to retire or otherwise leave the company. If we fail to negotiate additional acceptable collaborations with academic and other research institutions and scientists, or if our existing collaborations are unsuccessful, our ZFP Therapeutic development programs may be delayed or may not succeed.

If conflicts arise between us and our collaborators, strategic partners, scientific advisors, or directors, these parties may act in their self-interest, which may limit our ability to implement our strategies. If conflicts arise between our corporate or academic collaborators, strategic partners, or scientific advisors or directors and us, the other party may act in its self-interest, which may limit our ability to implement our strategies. Some of our academic collaborators and strategic partners are conducting multiple product development efforts within each area that is the subject of the collaboration with us. Our collaborators or strategic partners, however, may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by the collaborators or strategic partners or to which the collaborators or strategic partners have rights, may result in the withdrawal of partner support for our product candidates.

Some of our collaborators or strategic partners could also become competitors in the future. Our collaborators or strategic partners could develop competing products, preclude us from entering into collaborations with their competitors, fail to obtain timely regulatory approvals, terminate their agreements with us prematurely, or fail to devote sufficient resources to the development and commercialization of products. Any of these developments could harm our product development efforts.

Because it is difficult and costly to protect our proprietary rights, and third parties have filed patent applications that are similar to ours, we cannot ensure the proprietary protection of our technologies and products. Our commercial success will depend in part on obtaining patent protection of our technology and successfully defending any of our patents that may be challenged. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and can involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the breadth of claims allowed in patents we own or license.

We are a party to various license agreements that give us rights under specified patents and patent applications. Our current licenses, as our future licenses frequently will, contain performance obligations. If we fail to meet those obligations, the licenses could be terminated. If we are unable to continue to license these technologies on commercially reasonable terms, or at all, we may be forced to delay or terminate our product development and research activities.

With respect to our present and any future sublicenses, since our rights derive from those granted to our sublicensor, we are subject to the risk that our sublicensor may fail to perform its obligations under the master license or fail to inform us of useful improvements in, or additions to, the underlying intellectual property owned by the original licensor.

We are unable to exercise the same degree of control over intellectual property that we license from third parties as we exercise over our internally developed intellectual property. We do not control the prosecution of certain of the patent applications that we license from third parties; therefore, the patent applications may not be prosecuted exactly as we desire or in a timely manner.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- we or our licensors were the first to make the inventions covered by each of our pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;
- the patents of others will not have an adverse effect on our ability to do business;
- others will not independently develop similar or alternative technologies or reverse engineer any of our products, processes or technologies;
- any of our pending patent applications will result in issued patents;
- any patents issued or licensed to us or our collaborators or strategic partners will provide a basis for commercially viable products or will provide us with any competitive advantages;
- any patents issued or licensed to us will not be challenged and invalidated by third parties; or
- we will develop additional products, processes or technologies that are patentable.

Others have filed and in the future are likely to file patent applications that are similar to ours. We are aware that there are academic groups and other companies that are attempting to develop technology that is based on the use of zinc finger and other DNA binding proteins, and that these groups and companies have filed patent applications. Several patents have been issued, although we have no current plans to use the associated inventions. If these or other patents issue, it is possible that the holder of any patent or patents granted on these applications may bring an infringement action against our collaborators, strategic partners, or us claiming damages and seeking to enjoin commercial activities relating to the affected products and processes. The costs of litigating the claim could be substantial. Moreover, we cannot predict whether we, our collaborators, or strategic partners would prevail in any actions. In addition, if the relevant patent claims were upheld as valid and enforceable and our products or processes were found to infringe the patent or patents, we could be prevented from making, using, or selling the relevant product or process unless we could obtain a license or were able to design around the patent claims. We can give no assurance that such a license would be available on commercially reasonable terms, or at all, or that we would be able to successfully design around the relevant patent claims. There may be significant litigation in the genomics industry regarding patent and other intellectual property rights, which could subject us to litigation. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources.

Third parties have challenged some of our intellectual property and we expect they will continue to do so. We may not be successful in defending all of our intellectual property that is challenged which could impede our ability to conduct our business and exclude potential competitors from using our technology. One of our licensed patents, European Patent No. 0 682 699, entitled “Functional Domains in Flavobacterium Okeanokoites Restriction Endonuclease” was granted on May 7, 2003 and contained claims covering technologies used in our programs in targeted recombination, targeted integration and gene correction. In December 2005, an interlocutory decision revoking this patent was issued by the European Patent Office and in March 2007, the European Patent Office upheld its decision. We do not believe this decision will have a material impact on our ongoing ability, both in Europe and the United States, to exclude potential competitors in the fields of ZFNs and to develop, partner and commercialize our ZFP technology.

We rely on trade secrets to protect technology where we believe patent protection is not appropriate or obtainable. Trade secrets, however, are difficult to protect. While we require employees, academic collaborators, and consultants to enter into confidentiality agreements, we may not be able to adequately protect our trade secrets or other proprietary information or enforce these confidentiality agreements.

Our collaborators, strategic partners, and scientific advisors have rights to publish data and information in which we may have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations and strategic partnerships, then we may not be able to receive patent protection or protect our proprietary information.

If we do not successfully commercialize ZFP based research reagents under our agreement with Sigma, Sigma may terminate our agreement and Sangamo's ability to generate revenue under the license agreement may be limited. On July 10, 2007, we entered into a license agreement with Sigma to collaborate in the application and development of ZFP-based products for use in the laboratory research reagents markets. The license agreement provides Sigma with access to Sangamo's proprietary zinc finger DNA-binding protein ("ZFP") technology and the exclusive right to use Sangamo's ZFP technology to develop and commercialize products for use as research reagents and to offer services in related research fields. In addition to an upfront payment of $13.5 million, Sangamo may also receive additional license fees, shared sublicensing revenues, royalty payments and milestone payments depending on the success of the development and commercialization of the licensed products and services. The commercial milestones and royalties are based upon net sales of licensed products. We believe that the last commercial milestone payment may not be received before 2011. Royalties for the longer of (i) the expiration of the last to expire valid claim of such licensed product and (ii) the 15th anniversary of the effective date. We cannot be certain that Sigma and Sangamo will succeed in the development of commercially viable products in these fields of use, and there is no guarantee that Sangamo and Sigma will achieve the milestones set forth in the license agreement. To the extent Sangamo and Sigma do not succeed in developing and commercializing products or if Sangamo and Sigma fail to achieve such milestones, Sangamo's revenues and benefits under the license agreement will be limited. In addition, the license agreement may be terminated by Sigma at any time by providing us with a 90-day notice. In the event Sigma decides to terminate the license agreement, our ability to generate revenue under the license agreement will cease.

If we do not successfully commercialize certain ZFP Therapeutic programs relating to diabetic neuropathy under our agreement with JDRF, JDRF may have the right to continue to advance the program and we may lose control of the intellectual property generated in the collaboration and development of the product and may only receive a portion of the revenue generated if commercialization by JDRF is successful. On October 24, 2006, we entered into a Research, Development and Commercialization Agreement with JDRF. Under the agreement and subject to its terms and conditions, including our achievement of certain milestones associated with our Phase 2 clinical trial of SB-509 for the treatment of mild to moderate diabetic neuropathy, JDRF will pay us up to $3,000,000. We are obligated to cover the costs of the Phase 2 trial that are not covered by JDRF's grant.

Under the agreement, we are obligated to use commercially reasonable efforts to carry out the Phase 2 trial and, thereafter, to develop and commercialize, a product containing SB-509 for the treatment of diabetes and complications of diabetes. If we fail to satisfy these obligations, JDRF may have the right, subject to certain limitations, to obtain an exclusive, sublicensable license, to the intellectual property generated by us in the course of the Phase 2 trial, to make and commercialize products containing SB-509 for the treatment of diabetes and complications of diabetes. If JDRF obtains such a license, it is obligated to pay us a percentage of its revenues from product sales and sublicensing arrangements. If JDRF fails to satisfy its obligations to develop and commercialize a product containing SB-509 under the Agreement, then their license rights will terminate, all rights will be returned to Sangamo and we will receive a non-exclusive, fully paid license, for any intellectual property developed during JDRF's use of the license, to research, develop and commercialize products containing SB-509 for the treatment of diabetes and complications of diabetes. There is no guarantee that we will be successful in commercializing a product containing SB-509 in the future. If we fail to do so under the agreement with JDRF, we may lose control of the intellectual property generated in the development of the product and may only receive a portion of the revenue generated if commercialization by JDRF is successful.

Regulatory approval, if granted, may be limited to specific uses or geographic areas, which could limit our ability to generate revenues. Regulatory approval will be limited to the indicated use for which we can market a product. Further, once regulatory approval for a product is obtained, the product and its manufacturer are subject to continual review. Discovery of previously unknown problems with a product or manufacturer may result in restrictions on the product, manufacturer, and manufacturing facility, including withdrawal of the product from the market. In Japan and Europe, regulatory agencies also set or approve prices.

Even if regulatory clearance of a product is granted, this clearance is limited to those specific states and conditions for which the product is useful, as demonstrated through clinical trials. We cannot ensure that any ZFP Therapeutic product developed by us, alone or with others, will prove to be safe and effective in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing clearance in a given country.

Outside the United States, our ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities, so we cannot predict whether or when we would be permitted to commercialize our product. These foreign regulatory approval processes include all of the risks associated with FDA clearance described above.

Our collaborations with outside scientists may be subject to change, which could limit our access to their expertise. We work with scientific advisors and collaborators at academic research institutions. These scientists are not our employees and may have other commitments that would limit their availability to us. Although our scientific advisors generally agree not to do competing work, if a

conflict of interest between their work for us and their work for another entity arises, we may lose their services. Although our scientific advisors and academic collaborators sign agreements not to disclose our confidential information, it is possible that some of our valuable proprietary knowledge may become publicly known through them.

Laws or public sentiment may limit the production of genetically modified agricultural products in the future, and these laws could reduce our partner's ability to sell these products. Genetically modified products are currently subject to public debate and heightened regulatory scrutiny, either of which could prevent or delay production of agricultural products. Effective as of October 1, 2005, we entered into a Research License and Commercial Option Agreement with DAS. Under this agreement, we will provide DAS with access to our proprietary ZFP technology and the exclusive right to use our ZFP technology to modify the genomes or alter the nucleic acid or protein expression of plant cells, plants, or plant cell cultures. The field-testing, production, and marketing of genetically modified plants and plant products are subject to federal, state, local, and foreign governmental regulation. Regulatory agencies administering existing or future regulations or legislation may not allow production and marketing of our genetically modified products in a timely manner or under technically or commercially feasible conditions. In addition, regulatory action or private litigation could result in expenses, delays, or other impediments to our product development programs or the commercialization of resulting products.

The FDA currently applies the same regulatory standards to foods developed through genetic engineering as those applied to foods developed through traditional plant breeding. Genetically engineered food products, however, will be subject to pre-market review if these products raise safety questions or are deemed to be food additives. Governmental authorities could also, for social or other purposes, limit the use of genetically modified products created with our gene regulation technology.

Even if we are able to obtain regulatory approval for genetically modified products, our success will also depend on public acceptance of the use of genetically modified products including drugs, plants, and plant products. Claims that genetically modified products are unsafe for consumption or pose a danger to the environment may influence public attitudes. Our genetically modified products may not gain public acceptance. The subject of genetically modified organisms has received negative publicity in the United States and particularly in Europe, and such publicity has aroused public debate. The adverse publicity in Europe could lead to greater regulation and trade restrictions on imports of genetically altered products. Similar adverse public reaction in the United States to genetic research and its resulting products could result in greater domestic regulation and could decrease the demand for our technology and products.

If we use biological and hazardous materials in a manner that causes injury or violates laws, we may be liable for damages. Our research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals, and various radioactive compounds typically employed in molecular and cellular biology. We routinely use cells in culture and gene delivery vectors, and we employ small amounts of radioisotopes in trace experiments. Although we maintain up-to-date licensing and training programs, we cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling, or disposal of these materials. In the event of contamination or injury, we could be held liable for damages that result, and any liability could exceed our resources. We currently carry insurance covering claims arising from our use of these materials. However, if we are unable to maintain our insurance coverage at a reasonable cost and with adequate coverage, our insurance may not cover any liability that may arise. We are subject to federal, state, and local laws and regulations governing the use, storage, handling, and disposal of these materials and specified waste products. To date, we have not experienced significant costs in complying with regulations regarding the use of these materials.

Anti-takeover provisions in our certificate of incorporation and Delaware law could make an acquisition of the Company more difficult and could prevent attempts by our stockholders to remove or replace current management. Anti-takeover provisions of Delaware law, our certificate of incorporation and our bylaws may discourage, delay or prevent a change in control of our company, even if a change in control would be beneficial to our stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. In particular, under our certificate of incorporation our board of directors may issue up to 5,000,000 shares of preferred stock with rights and privileges that might be senior to our common stock, without the consent of the holders of the common stock. Moreover, without any further vote or action on the part of the stockholders, the board of directors would have the authority to determine the price, rights, preferences, privileges, and restrictions of the preferred stock. This preferred stock, if it is ever issued, may have preference over, and harm the rights of, the holders of common stock. Although the issuance of this preferred stock would provide us with flexibility in connection with possible acquisitions and other corporate purposes, this issuance may make it more difficult for a third party to acquire a majority of our outstanding voting stock. Similarly, our authorized but unissued common stock is available for future issuance without stockholder approval.

In addition, our certificate of incorporation:

- states that stockholders may not act by written consent but only at a stockholders' meeting;
- establishes advance notice requirements for nominations for election to the board of directors or proposing matters that can be acted upon at stockholders' meetings; and
- limits who may call a special meeting of stockholders.

We are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to certain exceptions, that if a person acquires 15% of our voting stock, the person is an "interested stockholder" and may not engage in "business combinations" with us for a period of three years from the time the person acquired 15% or more or our voting stock.

Insiders have substantial control over Sangamo and could delay or prevent a change in corporate control. The interest of management could conflict with the interest of our other stockholders. Our executive officers and directors beneficially own, in the aggregate, approximately 16% of our outstanding common stock. As a result, these stockholders, if they choose to act together, will be able to have a material impact on all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could have the effect of delaying or preventing a change of control of Sangamo, which in turn could reduce the market price of our stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As of June 30, 2007, Sangamo has used the net proceeds from its initial public offering, registered direct offering and underwritten public offering of common stock to invest in short-term and long-term, interest bearing, investment-grade securities and has used its existing cash balances to fund general operations. The proceeds are being used for general corporate purposes, including working capital and product development. A portion of the net proceeds will also be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. Sangamo has no agreements or commitments with respect to any such acquisition and is not currently engaged in any material negotiations with respect to any such transaction.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on June 7, 2007. Two matters were voted on and each was approved. The results are as follows:

PROPOSAL I

The following directors were elected at the meeting to serve until our annual meeting following the end of fiscal year 2007 or until their successors are duly elected and qualified:

NOMINEE	VOTES FOR	VOTES WITHHELD
Edward O. Lanphier, II	29,366,806	308,236
William G. Gerber, M.D.	29,395,465	279,577
John W. Larson	26,929,253	2,745,789
Margaret A. Liu, M.D.	29,431,946	243,096
Steven J. Mento, Ph.D.	29,435,046	239,996
H. Ward Wolff	29,429,216	245,826
Michael C. Wood	29,324,941	350,101

PROPOSAL II

The proposal to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007 was approved.

FOR	AGAINST	ABSTAINED	NON VOTES
29,368,082	247,564	59,396	0

ITEM 6. EXHIBITS

(a) Exhibits:

10.1(+) Research and License Agreement dated April 27, 2007 between Genentech, Inc., and Sangamo BioSciences, Inc.

10.2 Sales Agreement by and between Sangamo BioSciences, Inc. and Cantor Fitzgerald & Co. dated May 18, 2007. (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 18, 2007.

31.1 Rule 13a — 14(a) Certification by President and Chief Executive Officer

31.2 Rule 13a — 14(a) Certification by Principal Financial and Accounting Officer

32.1 Certification Pursuant to 18 U.S.C. Section 1350.

(+) Confidential Treatment has been requested for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 8, 2007

SANGAMO BIOSCIENCES, INC.

/s/ Greg S. Zante

Greg S. Zante
Vice President, Finance and Administration (Principal Financial and Accounting Officer)

Exhibit 10.1

NOTE: Portions of this Exhibit are the subject of a Confidential Treatment Request by the Registrant to the Securities and Exchange Commission (the "Commission"). Such portions have been redacted and are marked with a "[***]" in place of the redacted language. The redacted information has been filed separately with the Commission.

Research and License Agreement

Between

Genentech, Inc.

And

Sangamo BioSciences, Inc.

TABLE OF CONTENTS

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

Research and License Agreement

This Research and License Agreement ("Agreement") is made and entered into, effective as of April 27, 2007 ("Effective Date"), by and between Genentech, Inc., having a principal place of business at 1 DNA Way, South San Francisco, California 94080, ("Genentech") and Sangamo BioSciences, Inc., having a principal place of business at Point Richmond Tech Center, 501 Canal Boulevard, Suite A100, Richmond, California 94804 ("Sangamo"), (collectively, the "Parties" or individually, a "Party").

Recitals

Whereas, Genentech discovers, develops, manufactures, markets and sells human pharmaceuticals on a worldwide basis;

Whereas, Sangamo has certain proprietary technology for modifying genes, which is of interest to Genentech; and

Whereas, the Parties desire that Sangamo perform certain research using Sangamo's proprietary technology and one of Genentech's proprietary cell lines in accordance with the research plan under this Agreement.

Agreement

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Genentech and Sangamo agree as follows:

Article 1. Definitions

Capitalized terms used in this Agreement, whether used in the singular or plural, shall have the meanings set forth below, unless otherwise specifically indicated herein.

1.1 "**Accept the** [***] **Evidence**" (and grammatical variations thereof) is defined in the first paragraph under the heading "Genentech Responsibilities (Research Stage 2)" in the Research Plan. "Accept the [***] Evidence" includes those cases in which Genentech is deemed to Accept the [***] Evidence (including, without limitation, under Section 2.3).

1.2 "**Affiliate**" means, with respect to a particular Party, a person, corporation, partnership, or other entity that controls, is controlled by or is under common control with such Party. For the purposes of this definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under the common control with") means (a) the direct or indirect ownership of fifty percent (50%) or more of the stock having the right to vote for directors thereof; or (b) the actual power, either directly or indirectly through one or more intermediaries, to direct the management and policies of such entity, whether by the ownership of at least fifty percent (50%) of the voting stock of such entity, or by contract or otherwise.

1.3 "[***] **Gene**" means a gene or genomic region whose translation product contains a portion that is greater than 60% identical to a portion, consisting of contiguous residues of at

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

least 30% of the total length, of one or more of the [***] sequences provided in Exhibit B, and any intronic, transcriptional, or regulatory sequences that modulate the expression of such gene or genomic region. For the purposes of this definition, alignment shall be performed by Sangamo using tBLASTn (*i.e.*, Basic Local Alignment Search Tool with a protein query and translated nucleotide database) and default parameters. Notwithstanding the foregoing, but only for the purposes of the Research Plan, the research milestone payments (under Section 3.4) and the Success Milestone Payment (under Section 3.5), [***] Gene means only the CHO gene whose cDNA coding sequence is provided to Sangamo in the Genentech Deliverables (at beginning of Research Stage 1).

1.4 "[***] **Gene**" means a gene or genomic region whose translation product contains a portion that is greater than 60% identical to a portion, consisting of contiguous residues of at least 30% of the total length, of one or more of the [***] sequences provided in Exhibit B, and any intronic, transcriptional, or regulatory sequences that modulate the expression of such gene or genomic region. For the purposes of this definition, alignment shall be performed by Sangamo using tBLASTn (*i.e.*, Basic Local Alignment Search Tool with a protein query and translated nucleotide database) and default parameters. Notwithstanding the foregoing, but only for the purposes of the Research Plan, the research milestone payments (under Section 3.4) and the Success Milestone Payment (under Section 3.5), [***] Gene means only the CHO gene whose cDNA coding sequence is provided to Sangamo in the Genentech Deliverables (at beginning of Research Stage 1).

1.5 "**BLA**" means a Biologics License Application or other such application (other than a supplemental application) filed with the U.S. Food and Drug Administration (or any successor entity thereto performing similar functions) for the purpose of obtaining Marketing Approval for a Licensed Product in the United States.

1.6 "**Caltech Agreement**" means the Third Party License between Sangamo and the California Institute of Technology, dated November 1, 2003, as amended as of the Effective Date, and prior to any amendments after the Effective Date.

1.7 "**CHO**" means Chinese hamster ovary.

1.8 "**Collaboration Partner**" means, with respect to a given Licensed Product, a Third Party to which Genentech has granted a license to use, sell, offer for sale and/or import such Licensed Product, whether or not such license includes the right to make such Licensed Product.

1.9 "**Commercially Diligent Efforts**" means, (a) with respect to Sangamo, efforts and resources comparable to those expended by Sangamo on its projects for a Third Party of a similar nature (*i.e.*, protein production projects) and (b) with respect to Genentech, efforts and resources comparable to those expended by Genentech on its internal process development projects of comparable value to Genentech.

1.10 "**Confidential Information**" means a Party's nonpublic information that is disclosed to the other Party in connection with this Agreement (including, without limitation, information regarding such Party's research, technology, assays, protocols, methods, processes,

data, products and business information or objectives), provided that any such information disclosed in written, electronic or other tangible form is marked as "confidential" or with a similar legend. Nonpublic information of a Party that is disclosed other than in tangible form (*e.g.*, disclosed orally or by observation of the other Party) shall be considered Confidential Information of such Party only if so identified in writing to the other Party within thirty (30) days after initial disclosure and such writing identifies such Confidential Information with particularity. Notwithstanding the foregoing marking requirement, Genentech's Confidential Information shall include (a) the identity of the Designated Genes as the focus of this Agreement; (b) Genentech's interest in the Designated Genes as potential targets for modification to enhance the protein production of cell lines; (c) the Research Plan; (d) the Research Results; and (e) all information in the Genentech Deliverables, whether or not any of the foregoing information in (a) through (e) is so marked. The terms and conditions of this Agreement (including, without limitation, the financial terms) shall be the Confidential Information of both Parties.

1.11 "**Confidentiality Agreement**" is defined in Section 6.5.

1.12 "**Controlled by**" means the rightful possession by a Party of the ability to grant a license, sublicense or other right to exploit, as provided in this Agreement, without violating the terms of any agreement with any Third Party.

1.13 "**Covering**" (and grammatical variations thereof) means that, with respect to a given Licensed Product, a protein contained in such Licensed Product was expressed by a Modified Cell Line and (a) the making or use of such Modified Cell Line fell within the scope of a Valid Claim (in the country of such making or use) at the time of such making or use; and/or (b) if such Modified Cell Line is a ZFN Modified Cell Line, the making or use of a ZFN Reagent used to create such Modified Cell Line fell within the scope of a Valid Claim (in the country of such making or use) at the time of such making or use.

1.14 "[***] **Evidence**" is defined under the heading "Sangamo Deliverables (at end of Research Stage 2)" in the Research Plan.

1.15 "**Delivery Days to Genentech**" means the number of days in the period starting on the Effective Date and ending on the date on which Genentech has received *all* of the [***] Evidence for both Designated Genes (regardless of how much time lapses before Genentech Accepts the [***] Evidence). If Genentech does not ultimately Accept the [***] Evidence for both Designated Genes, the Delivery Days to Genentech shall be deemed to be zero.

1.16 "**Designated Gene**" means [***].

1.17 "**Donor Sequence**" means, with respect to a given Designated Gene, a DNA sequence sharing homology with sequences upstream and downstream of a ZFN cutting site in such Designated Gene, where such sequences are of sufficient length [***] to allow homologous recombination to occur at an efficiency of [***]. The Donor Sequence for a given Designated Gene shall also contain a DNA sequence for insertion into such Designated Gene via homologous recombination, and such DNA sequence may contain [***], as agreed to by the Liaisons.

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

1.18 "**Executive**" means, in the case of Sangamo, its Chief Executive Officer and, in the case of Genentech, a Senior Vice President, or their respective designees. Notwithstanding the foregoing, in the event of a dispute arising under Section 2.3(c), "Executive" means, in the case of Sangamo, its Chief Scientific Officer and, in the case of Genentech, its Senior Vice President of Research Drug Discovery or its Executive Vice President of Research.

1.19 "**Existing Third Party Licenses**" means the Caltech Agreement, the JHU Agreement, the MIT Agreement, the Scripps Agreement and the Utah Agreement.

1.20 "**First Commercial Sale**" means the first bona fide commercial sale of a product in a country following Marketing Approval for such product in such country by or under authority of Genentech or its sublicensees.

1.21 "**Functional** [***]" (and grammatical variations thereof) means the targeted alteration of DNA sequences in [***] of a Designated Gene, where such alteration [***].

1.22 "**Genentech CHO Cell Line**" means the CHO cell line provided to Sangamo in the Genentech Deliverables.

1.23 "**Genentech CHO DNA Extract**" means the extract of purified genomic DNA from the Genentech CHO Cell Line that is provided to Sangamo in the Genentech Deliverables.

1.24 "**Genentech Deliverables**" means those materials, information, reports and other items that Genentech provides to Sangamo under this Agreement including, without limitation, those identified under the heading "Genentech Deliverables" in the various Research Stages of the Research Plan.

1.25 "**Genentech License**" is defined in Section 5.1(a).

1.26 "**Genentech Materials**" means tangible materials included in the Genentech Deliverables including, without limitation, the Genentech CHO Cell Line and the Genentech CHO DNA Extract. Genentech Materials also include tangible biological materials derived physically from Genentech Materials including, without limitation, ZFN Modified Cell Lines derived from the Genentech CHO Cell Line or from another Genentech proprietary cell line.

1.27 "**Identified Patents**" means those patents and patent applications identified on Exhibit C (including those owned and those in-licensed by Sangamo).

1.28 "**Improved ZFN Reagent**" means a ZFN Reagent that incorporates or is made using an Improvement.

1.29 "**Improvement**" means any improvement made by or on behalf of Sangamo during the term of the Agreement (whether or not such improvement is patentable) to ZFNs and associated reagents (including, without limitation, expression plasmids and Donor Sequences) and/or Sangamo Know-How (including methodologies/protocols for creating ZFN Modified Cell Lines), where such improvement would improve by [***] the (a) efficiency of creating ZFN Modified Cell Lines; (b) time taken to create ZFN Modified Cell Lines; and/or (c) activity of any ZFN Reagent. For purposes of this definition, "efficiency" refers to: (i) transfer

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

efficiency, in terms of percent of cells that uptake ZFN Reagents by transfection or comparable procedure; or (ii) frequency of targeted alteration in a Designated Gene within a population of cells, after delivery of ZFN Reagent(s) to such population. For purposes of this definition, "time taken" refers to the time taken from delivery of a ZFN Reagent(s) to a cell line to the identification of a clone in which a Designated Gene has been Functionally [***]. For purposes of this definition, "activity" refers to: (i) DNA binding activity or strength of the DNA binding domain of a ZFN; (ii) DNA cleavage activity of the nuclease domain of a ZFN Reagent; (iii) *in vivo* activity in terms of percent of cells in which a Designated Gene has been Functionally [***], after delivery of ZFN Reagent(s) to such cells; or (iv) frequency of homologous recombination with Donor Sequences.

1.30 "**Invention**" is defined in Section 4.1.

1.31 "**JHU Agreement**" means the Third Party License between Sangamo and Johns Hopkins University, dated June 29, 1995, as amended as of the Effective Date, and prior to any amendments after the Effective Date.

1.32 "**Know-How**" means information or materials including, without limitation, sequence information, data, assays, protocols, methods, processes, techniques, models, designs, libraries and trade secrets.

1.33 "**Liaison**" is defined in Section 2.1.

1.34 "**Licensed Product**" means a product that contains a protein expressed by a Modified Cell Line.

1.35 "**Marketing Approval**" means all approvals, licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacturing, use, storage, import, transport and sale of a product in a regulatory jurisdiction. For countries where governmental approval is required for pricing or reimbursement for such product to be reimbursed by national health insurance, "Marketing Approval" shall not be deemed to occur until such pricing or reimbursement approval is obtained.

1.36 "**Milestone Event**" means a milestone event identified in the table in Section 3.6(b).

1.37 "**Milestone Payment**" means a milestone payment identified in the table in Section 3.6(b).

1.38 "**MIT Agreement**" means the Third Party License between Sangamo and the Massachusetts Institute of Technology, dated May 9, 1996, as amended as of the Effective Date, and prior to any amendments after the Effective Date.

1.39 "**Modified Cell Line**" means a ZFN Modified Cell Line or an Other Modified Cell Line.

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

1.40 "**Modified Genentech CHO Cell Line**" means a ZFN Modified Cell Line derived from the Genentech CHO Cell Line.

1.41 "**Other Modified Cell Line**" means a cell line that contains one or more targeted alterations in the genomic DNA (when compared with the parental cell line from which it was derived) of either or both of the Designated Genes, where no alterations in the genomic DNA of such cell line are the result of using ZFN Reagents.

1.42 "**Patents**" means all United States and foreign patents and patent applications and any patents issuing therefrom, and any reissues, extensions, registrations, continuations, divisions, continuations-in-part, reexaminations, substitutions or renewals thereof, and supplementary protection certificates based thereon.

1.43 "**Phase I Clinical Trial**" means a human clinical trial, the principal purpose of which is preliminary determination of safety in healthy individuals or patients as described in 21 C.F.R. §312.21, or a similar clinical study in a country other than the United States.

1.44 "**Phase III Clinical Trial**" means a human clinical trial that is prospectively designed to demonstrate statistically whether a product is safe and effective for use in humans in a manner sufficient to obtain regulatory approval to market such product in patients having the disease or condition being studied as described in 21 C.F.R. §312.21, or a similar clinical study in a country other than the United States.

1.45 "**Research**" means the research activities set forth in the Research Plan.

1.46 "**Research Period**" means the period during which research activities under the Research Plan are ongoing.

1.47 "**Research Plan**" means the plan for the research activities to be performed by the Parties under this Agreement, as outlined in Exhibit A.

1.48 "**Research Results**" means all (a) data (including, without limitation, the underlying data, summarized data and reports); and (b) Know-How related specifically to the Genentech Materials, in each case, generated in the course of and/or drawn from the Research by either Party.

1.49 "**Research Stage**" means a particular stage of the Research, as identified in the Research Plan.

1.50 "**Sangamo Deliverables**" means those materials, information, reports and other items that Sangamo provides to Genentech under this Agreement including, without limitation, those identified under the heading of "Sangamo Deliverables" in the various Research Stages of the Research Plan.

1.51 "**Sangamo IP Rights**" means Sangamo's intellectual property rights in the Sangamo Know-How and the Sangamo Patents.

1.52 "**Sangamo Know-How**" means Know-How that is Controlled by Sangamo, existing as of the Effective Date or thereafter, to the extent necessary or reasonably useful to make or use (including for validation purposes) ZFN Reagents and/or ZFN Modified Cell Lines.

1.53 "**Sangamo Patents**" means Patents that are Controlled by Sangamo, existing as of the Effective Date or thereafter, having one or more claims that encompass (a) ZFN Reagents and/or ZFN Modified Cell Lines; and/or (b) the making and/or use of ZFN Reagents and/or ZFN Modified Cell Lines. Sangamo Patents include, without limitation, the Identified Patents.

1.54 "**Scripps Agreement**" means the Third Party License between Sangamo and the Scripps Research Institute, dated March 14, 2000, prior to any amendments after the Effective Date.

1.55 "**Select Sangamo Licensors**" means the Massachusetts Institute of Technology and its trustees, directors, officers, employees and affiliates, and Johns Hopkins University and its trustees, officers, employees, students and affiliates.

1.56 "**Sublicense Agreement**" is defined in Section 5.1(c).

1.57 "**Success Milestone Payment**" is defined in Section 3.5.

1.58 "**Third Party**" means any entity other than Sangamo or Genentech.

1.59 "**Third Party License**" is defined in Section 5.4(a).

1.60 "**Utah Agreement**" means the Third Party License between Sangamo and the University of Utah Research Foundation, dated September 8, 2004, as amended as of the Effective Date, and prior to any amendments after the Effective Date.

1.61 "**Valid Claim**" means a claim of an issued and unexpired patent that (a) is within the Sangamo Patents; and (b) has not been found to be unpatentable, invalid or unenforceable by a decision of a court or other authority in the country of the patent, from which decision no appeal is taken or can be taken.

1.62 "**ZFN**" means a (a) zinc-finger nuclease protein or (b) nucleic acid coding sequence that encodes such a nuclease.

1.63 "**ZFN Modified Cell Line**" means a cell line that contains one or more targeted alterations in the genomic DNA (when compared with the parental cell line from which it was derived) of either or both of the Designated Genes, where at least one (1) of such alterations in such Designated Genes is the result of using ZFN Reagents.

1.64 "**ZFN Reagent**" means, with respect to a given Designated Gene, (a) a ZFN that specifically targets such Designated Gene; and/or (b) any Donor Sequence for such Designated Gene, in each case, where such ZFN and/or Donor Sequence is one that is provided by Sangamo to Genentech under this Agreement. ZFN Reagents also include Improved ZFN Reagents and copies of ZFN Reagents, whether made by Sangamo, Genentech or a Third Party.

Article 2. Research Program

2.1 Liaisons. Promptly following the Effective Date, each Party shall designate an individual to act as the primary contact for such Party for matters related to this Agreement (referred to in this Agreement as such Party's "Liaison"), unless another contact is expressly provided herein. Until the completion of the activities in Research Stage 2, the Liaisons shall schedule teleconferences or meetings at least every four (4) weeks or as otherwise agreed. In addition, at any time during the Research Period, upon Genentech's reasonable request, the Parties shall discuss the results of activities under the Research Plan thus far obtained by telephone or as otherwise agreed.

2.2 Diligence; Decision Making; Research Plan. Each Party shall perform its respective obligations under the Research Plan using Commercially Diligent Efforts. Sangamo's Liaison shall have final decision making authority with respect to [***]; Genentech's Liaison shall have final decision making authority with respect to [***]. No change in the Research Plan or funding shall be permitted without the prior written agreement of the Parties. In the event of any conflict or inconsistency between the main body of this Agreement and the Research Plan, the terms and conditions of the main body shall prevail.

2.3 [***] **Evidence.**

(a) Review and Notice. As set forth under the heading "Genentech Responsibilities (Research Stage 2)" in the Research Plan, Genentech shall review the [***] Evidence for a given Designated Gene. Within three (3) weeks after receipt of such [***] Evidence (for purposes of this Section 2.3, the "Review Period"), Genentech shall notify Sangamo as to whether or not Genentech Accepts such [***] Evidence. If Genentech does not notify Sangamo as to whether or not it Accepts such [***] Evidence by the end of such Review Period, Sangamo shall send a reminder notice to Genentech that a response is due, and the initial Review Period shall be automatically extended until the date that is one (1) week from the date Sangamo's reminder notice is received by Genentech. If Genentech does not notify Sangamo as to whether or not it Accepts such [***] Evidence by the end of such *extended* Review Period, Genentech shall be deemed to Accept such [***] Evidence.

(b) Rejection of [***] **Evidence.** If Genentech notifies Sangamo under Section 2.3(a) that Genentech does *not* Accept such [***] Evidence, Genentech's notice shall specifically identify the reason(s) for the rejection. If such rejection is because Sangamo did not provide *all* of the required [***] Evidence, and Sangamo does not dispute such rejection, Sangamo shall provide the missing [***]Evidence and the initial Review Period (and review procedures under Section 2.3(a)) shall begin again upon Genentech's receipt of such additional [***] Evidence.

(c) Disputed Rejection of [***] **Evidence.** In the event that Sangamo believes that Genentech's rejection (for any reason) of given [***] Evidence is not justified, the Parties shall attempt to resolve such dispute through amicable discussions between the Parties' respective Liaisons. In the event that the Liaisons are unable to resolve such dispute within [***] weeks after Genentech's notice of rejection, [***].

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

(d) Other Research Stage 2 Sangamo Deliverables. Unless and until Genentech Accepts the [***] Evidence with respect to a given Designated Gene, Sangamo shall not have any obligation to provide to Genentech those ZFN Reagents and Modified Genentech CHO Cell Lines for such Designated Gene, or any Sangamo Know-How or training, as described under the heading "Sangamo Deliverables (at end of Research Stage 2)" in the Research Plan for such Designated Gene.

2.4 Non-Exclusive Relationship.

(a) ZFN Reagents and ZFN Modified Cell Lines. Excluding Modified Genentech CHO Cell Lines, and subject to this Section 2.4 and other provisions of this Agreement, Sangamo retains the right to (i) make and use ZFN Reagents and ZFN Modified Cell Lines for itself and others; (ii) sell or otherwise transfer ZFN Reagents and ZFN Modified Cell Lines to Third Parties; and (iii) grant licenses to Third Parties with respect to ZFN Reagents and ZFN Modified Cell Lines.

(b) Delivery Times to Third Parties. With respect to ZFN Reagents *other than* Improved ZFN Reagents, Sangamo shall not provide such ZFN Reagents to any Third Party [***]. Further, Sangamo shall not provide Improved ZFN Reagents to any Third Party [***]; after the end of such period, Sangamo may provide Improved ZFN Reagents to Third Parties at any time. For clarity, in the event that Genentech does not ultimately Accept the [***] Evidence for [***], this Section 2.4(b) shall place no restriction on Sangamo's ability to provide ZFN Reagents (including Improved ZFN Reagents) to Third Parties.

(c) [***]**.** Sangamo shall not provide any ZFN Reagents and/or grant licenses under the Sangamo IP Rights with respect to the Designated Genes that are [***]. Any election to make such substitution shall be made by Genentech (if at all) in writing within thirty (30) days after Genentech receives such notice. If such substitution results in [***], the amount of [***] within thirty (30) days after Sangamo's receipt of Genentech's written election to make such substitution. If [***] the amount of [***] shall be [***] under this Agreement.

2.5 Improvements.

(a) Notices; Payments to Third Parties. During the Research Period, Sangamo shall notify Genentech of any Improvements at least on a [***] basis; thereafter, such notice shall be at least on a [***] basis. Such notice for a given Improvement shall (i) identify the [***] and (ii) include, if applicable, the same notice that Sangamo would provide under Section 2.5(d). Thereafter, Genentech may request that Sangamo provide Improvements to Genentech by notifying Sangamo of the particular Improvement(s) being requested. [***]. Nothing in this Section 2.5 shall be interpreted as obligating Sangamo to take any action that would constitute a breach of any agreement with any Third Party.

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(b) Provision of Improvements. If Sangamo makes an Improvement to a ZFN Reagent for a Designated Gene, Sangamo shall provide the applicable Improved ZFN Reagent to Genentech ([***]). If Sangamo makes an Improvement that is not to a ZFN Reagent for a Designated Gene, [***]. If Sangamo makes an Improvement to methodologies/protocols for using ZFN Reagents, Sangamo shall provide such methodologies/protocols to Genentech. Sangamo shall also provide to Genentech any and all Sangamo Know-How that is necessary to enable Genentech to use Improved ZFN Reagents to create ZFN Modified Cell Lines. Other than [***] agreed to by Genentech under Section 2.5(a), any Improved ZFN Reagents, materials or Sangamo Know-How provided to Genentech under this Section 2.5(b) shall be [***] to Genentech and shall be provided promptly after Genentech's request for a particular Improvement under Section 2.5(a).

(c) Training. If requested by Genentech, for each Improvement, Sangamo shall provide to Genentech researcher(s) (at Sangamo's research site in Richmond, CA) up to [***] of training in the making and use of Improved ZFN Reagents at Sangamo's then current FTE (*i.e.*, full time equivalent) rates.

(d) Notice of Third Party IP. Sangamo shall promptly notify Genentech if Sangamo learns of any Third Party intellectual property that, in Sangamo's reasonable opinion, could potentially be infringed by the making or use of an Improvement or an Improved ZFN Reagent provided to Genentech under Section 2.5(b).

Article 3. Fees and Milestone Payments

3.1 Payments Generally. Each payment due under this Article 3 (including, without limitation, Milestone Payments) shall be paid to Sangamo within [***] days of receipt of an invoice from Sangamo to be sent to Genentech following the achievement of the event triggering such payment. All invoices shall identify the event triggering the payment being invoiced and, unless otherwise requested by Genentech in writing, shall be sent to Genentech at the address in the preamble of this Agreement, to the attention of Group Controller, [***]. All payments due under this Agreement shall be paid in U.S. dollars in immediately available funds by wire transfer to an account to be identified by the payee and shall be non-refundable and non-creditable against any other payment due Sangamo under this Agreement, except as provided under Section 2.4(c).

3.2 Up-Front Fee. Upon the signing of this Agreement by both Parties, Genentech shall pay to Sangamo an up-front fee of $[***].

3.3 Technology Access Fees. Three (3) months after the Effective Date, Genentech shall pay to Sangamo an initial technology access fee of $[***]. Thereafter, on each anniversary of the Effective Date (starting with the first anniversary) prior to the First Commercial Sale of the first Licensed Product, Genentech shall pay to Sangamo an annual technology access fee of $[***].

3.4 Research Milestone Payments. For *each* Designated Gene, if Genentech (a) [***] for such Designated Gene; (b) [***] for such Designated Gene; and (c) [***] for such Designated Gene, Genentech shall notify Sangamo (within [***] days of the achievement of all

of such events) and pay to Sangamo a research milestone payment of $[***]. Notwithstanding the payment provisions of Section 3.1, if the [***], such payment shall not be due until [***] days after Genentech's receipt of replacement ZFN Reagents that are not defective.

3.5 Success Milestone Payment. Upon Genentech's successful in-house generation [***], Genentech shall notify Sangamo (within [***] days of the achievement of such event) and pay to Sangamo a success milestone payment of $[***] ("Success Milestone Payment"); if Genentech, despite its Commercially Diligent Efforts, does not [***], no Success Milestone Payment shall be due.

3.6 Development and Commercial Milestone Payments.

(a) Payments Generally. Upon the *first* achievement of each Milestone Event with respect to a *given* Licensed Product by or on behalf of Genentech (or a Collaboration Partner), Genentech shall notify Sangamo (within [***] days of when Genentech becomes aware of the achievement of such event) and pay (or cause to be paid) to Sangamo the corresponding Milestone Payment, subject to the other provisions of this Section 3.6. For purposes of this Agreement, a *given* Licensed Product shall be treated as different from another Licensed Product if the marketing of each of such Licensed Products in the United States would require separate BLA submissions.

(b) Milestone Events and Milestone Payments.

Milestone Event	Milestone Payment
(#1)[***]	$[***]
(#2) [***]	$[***]
(#3) [***]	$[***]
(#4) [***]	$[***]
(#5) [***]	$[***]
(#6) [***]	$[***]

(c) Term of Milestone Payment Obligation. Genentech's obligation to make Milestone Payments for a given Licensed Product under this Section 3.6 shall be in accordance with the following:

(i) [***]; or

(ii) [***].

(d) Retroactive Payments. [***]

(e) Single Milestone Payment. In no event shall a particular Milestone Payment be due to Sangamo more than once with respect to a given Licensed Product, even if

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such Licensed Product contains more than one (1) protein expressed by a Modified Cell Line or is Covered by more than one Valid Claim.

3.7 Taxes. Each Party shall comply with applicable laws and regulations regarding filing and reporting for income tax purposes. Neither Party shall treat their relationship under this Agreement as a pass through entity for tax purposes. All payments made under this Agreement shall be free and clear of any and all taxes, duties, levies, fees or other charges, except for withholding taxes. Each Party shall be entitled to deduct from its payments to the other Party under this Agreement the amount of any withholding taxes required to be withheld, to the extent paid to the appropriate governmental authority on behalf of the other Party (and not refunded or reimbursed). Each Party shall deliver to the other Party, upon request, proof of payment of all such withholding taxes. Each Party shall provide reasonable assistance to the other Party in seeking any benefits available to such Party with respect to government tax withholdings by any relevant law, regulation or double tax treaty.

Article 4. Intellectual Property

4.1 Disclosure of Inventions. "Invention" means any invention or discovery (including any Know-How), whether or not patentable, that is discovered, conceived or reduced to practice in the course of performing activities under the Research Plan. Sangamo shall promptly disclose to Genentech Inventions that are discovered, conceived or reduced to practice by or on behalf of Sangamo (whether solely or jointly with another party).

4.2 Ownership of Inventions; Cooperation. Except as otherwise expressly provided in this Agreement, ownership of Inventions will follow inventorship, as determined by the respective patent counsel of the Parties in accordance with United States patent law. Each Party shall reasonably cooperate with and assist the other Party, at such other Party's request, in connection with the filing and prosecution of patent applications for Inventions owned by such other Party including, without limitation, by making scientists and scientific records reasonably available to such other Party.

4.3 Obtaining Patents. Sangamo shall, at its expense, use commercially reasonable efforts to obtain patent protection covering (a) the ZFN Reagents (other than Improved ZFN Reagents); (b) the use of such ZFN Reagents in CHO cell lines to create ZFN Modified Cell Lines; and (c) ZFN Modified Cell Lines. Sangamo may, at its sole discretion, use the Research Results to fulfill its obligations under the preceding sentence. Further, in consultation with Genentech, Sangamo shall, at its expense, use commercially reasonable efforts to file a patent application that specifically claims [***]. Sangamo shall assign any such application to Genentech, and Genentech shall control prosecution of such application.

4.4 Other Genentech Owned Inventions. If Sangamo files any patent application that claims an invention that is specifically related to the Genentech CHO Cell Line or the Genentech CHO DNA Extract (including sequence information derived therefrom), and such invention is not generally applicable to CHO cells or CHO DNA, Sangamo shall (a) cancel any claims to such invention in such patent application; (b) file such claims in a subsequent divisional or continuation application; (c) assign such subsequent application to Genentech; and (d) transfer control of prosecution of such subsequent application to Genentech. If the Parties

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disagree, Genentech shall bear the burden of demonstrating that such invention is specifically related to the Genentech CHO Cell Line or the Genentech CHO DNA Extract and is not generally applicable to CHO cells or CHO DNA.

4.5 Enforcement of Sangamo Patents. If either Party learns of any alleged infringement of any Sangamo Patents by a Third Party's making of Licensed Products for commercial purposes, that Party shall promptly notify the other Party of such alleged infringement. Sangamo shall retain the sole right, at its sole discretion, to enforce the Sangamo Patents against such alleged Third Party infringers. However, if Sangamo fails to abate any such alleged infringement of the Sangamo Patents involving modification of the genomic DNA of either or both of the Designated Genes in a manufacturing cell line within [***] after receipt of notice (by either Party) under this Section 4.5, Genentech shall be entitled to reduce the Milestone Payments by [***] of the payments that would otherwise be due until such time as Sangamo abates such infringement or until a final determination regarding such alleged infringement has been reached (*i.e.*, a final non-appealable court action or settlement).

Article 5. Licenses

5.1 License to Genentech.

(a) Genentech License. Sangamo hereby grants to Genentech a non-exclusive, worldwide, sublicensable (in accordance with Section 5.1(b)) license, under the Sangamo IP Rights, (i) to make, use and import ZFN Reagents (and any associated expression plasmids provided by Sangamo to Genentech under this Agreement) solely for the purpose of altering the genomic DNA of either or both of the Designated Genes in a cell line to create ZFN Modified Cell Lines; (ii) to alter the genomic DNA of either or both of the Designated Genes in a cell line to create Modified Cell Lines; and (iii) to make, use and import Modified Cell Lines created under clauses (i) and (ii) solely for the purpose of making Licensed Products. The foregoing license is referred to in this Agreement as the "Genentech License." Notwithstanding anything to the contrary in this Agreement, the Genentech License does not include a license to alter any genomic DNA other than the genomic DNA of a Designated Gene. The Genentech License is subject to the provisions of Section 5.4(a).

(b) Right to Grant Sublicenses. Subject to Section 5.1(d), Genentech has the right to grant sublicenses under the Genentech License to a Third Party(ies) if (i) such sublicense is related to particular Licensed Product(s) that were the subject of Genentech's research and/or development or were in-licensed by Genentech (and not related to Licensed Products in general); and (ii) Genentech has previously granted or concurrently grants (*i.e.*, together with the grant of such sublicense) to such Third Party a license, under intellectual property rights *other than* the Genentech License, related to such particular Licensed Product(s) or to product(s) that contain the same protein(s) as such particular Licensed Product(s). Subject to Section 5.1(d), any such sublicense may be further sublicensed by a sublicensee to multiple tiers of sublicensees, subject to the same requirement regarding a previously or concurrently granted license by such sublicensee. In addition, Genentech has the right to grant sublicenses under the Genentech License to a Third Party(ies) if Genentech receives the prior written consent of Sangamo, which shall not be unreasonably withheld.

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(c) Requirements for Sublicense Agreements. Each agreement granting a sublicense under the Genentech License (each such agreement, a "Sublicense Agreement") shall require that the relevant sublicensee agrees in writing that the sublicense granted in such Sublicense Agreement is subject to those terms and conditions of the Third Party Licenses that are set forth in Exhibit E *mutatis mutandis* (*e.g.*, as if applicable references to Genentech, "this Agreement" and the "Genentech License" were, respectively, references to such sublicensee, such Sublicense Agreement and such sublicense) with respect to each Third Party License sublicensed thereunder. Genentech shall provide to Sangamo copies of any Sublicense Agreements (which shall be deemed to be the Confidential Information of Genentech, whether or not so marked) promptly after execution thereof; provided, however, Genentech may redact such copies to delete any provisions that are not relevant to this Agreement or a Third Party License. Sangamo may disclose such copies of Sublicense Agreements (or summaries of their terms) to the applicable Third Party licensor, in accordance with Section 6.4.

(d) Caltech IP. Sangamo hereby notifies Genentech that, pursuant to Section 2.3 of the Caltech Agreement, Genentech does not have the right to grant sublicenses under the intellectual property licensed to Sangamo pursuant to the Caltech Agreement. Upon Genentech's written request, Sangamo shall promptly grant (not subject to any additional terms and conditions including, without limitation, any additional payments or other consideration) a non-exclusive license, under the intellectual property licensed to Sangamo pursuant the Caltech Agreement, to any Third Party to which Genentech is permitted under Section 5.1(b) of this Agreement to grant a sublicense. The scope of such license shall satisfy the requirement set forth in Section 5.1(b)(i) and shall in no event be greater than the scope of the Genentech License.

(e) Exercise of License Rights by a Third Party. Third Parties may exercise the "make" and/or "use" license rights granted to Genentech (or a sublicensee) under the Genentech License on Genentech's (or such sublicensee's) behalf without the grant of a sublicense of such rights.

(f) Materials. Genentech shall not modify the ZFN Reagents in any way or create any derivatives or sequence variants thereof (other than for the purpose of creating Improved ZFN Reagents); provided, however, Genentech may transfer the ZFNs from ZFN Reagents into different expression plasmids. As between Genentech and Sangamo, Genentech shall own any ZFN Reagents and ZFN Modified Cell Lines made by Genentech, a sublicensee under the Genentech License or a Third Party on behalf of Genentech or such sublicensee; provided, however, such ownership is with respect to the tangible materials and does not imply ownership of intellectual property pertaining to or embodied in such tangible materials, which shall be in accordance with the other provisions of this Agreement.

(g) Fully Paid. Upon the expiration of Genentech's obligation to make Milestone Payments for a given Licensed Product, the Genentech License (including any sublicenses granted thereunder) with respect to such Licensed Product shall be fully-paid and irrevocable.

(h) No Non-Permitted Use. Genentech hereby covenants that it shall not willfully, nor shall it expressly cause or permit any Third Party, (i) to make, use, import, modify

or reverse engineer ZFN Reagents and any associated expression plasmids for any purpose other than creating ZFN Modified Cell Lines; or (ii) to practice any invention claimed in a Sangamo Patent for the purpose of altering genomic DNA other than the genomic DNA of a Designated Gene.

5.2 License to Sangamo. Genentech hereby grants to Sangamo a non-exclusive, non-sublicensable license, under intellectual property rights Controlled by Genentech, solely for the purpose of performing Sangamo's activities under the Research Plan.

5.3 No Implied Licenses. Except to the limited extent necessary for a Party to perform its obligations under this Agreement, or as otherwise expressly provided herein, this Agreement does not grant any right or license under any intellectual property rights of a Party, or otherwise, and no other right or license is to be inferred from any provision of this Agreement or by the conduct of the Parties.

5.4 Third Party Licenses.

(a) Performance Under Third Party Licenses. The Genentech License includes sublicenses under Sangamo IP Rights licensed (as of the Effective Date or thereafter) to Sangamo pursuant to agreements with Third Parties (each such agreement, a "Third Party License"). As a result, this Agreement and the Genentech License are subject to those terms and conditions of the Third Party Licenses that are set forth in Exhibit E. Except to the extent set forth in Exhibit E, Sangamo shall be responsible for performing all obligations under the Third Party Licenses including, without limitation, any payment obligations, even if such payment arises as a result of Genentech's (or its sublicensees') activities under this Agreement.

(b) Maintenance. With respect to each Third Party License, Sangamo shall not (i) commit any acts or omissions that reasonably could cause a breach of such Third Party License; (ii) amend or terminate such Third Party License; or (iii) exercise or waive any rights it may have under such Third Party License, in each of the foregoing cases, in any way that reasonably could adversely affect the Genentech License (including any sublicenses granted thereunder) or impose additional obligations on Genentech. In the event that Sangamo receives a notice of a breach of a Third Party License that reasonably could adversely affect the Genentech License, Genentech shall reasonably cooperate with Sangamo to cure such breach.

(c) Notices. With respect to each Third Party License, Sangamo shall notify Genentech within ten (10) business days after Sangamo first obtains knowledge or any information regarding any events or circumstances relating to such Third Party License that reasonably could adversely affect the Genentech License including, without limitation, (i) any notice of breach or termination, or any threat of breach or termination, of such Third Party License; and (ii) any communication regarding the scope of the rights granted in such Third Party License.

Article 6. Confidential Information

6.1 Obligations. Each Party agrees (a) to use the other Party's Confidential Information solely for the purposes of, and in accordance with, this Agreement; and (b) except as

otherwise expressly permitted in this Agreement, to not disclose the other Party's Confidential Information to any Third Party without the other Party's prior written consent. Sangamo hereby consents that Sangamo's Confidential Information may be disclosed to Third Parties to which a sublicense (under the Genentech License) is granted under Section 5.1(b) or Third Parties that may exercise license rights (under the Genentech License) under Section 5.1(e), provided that any such Third Party has a need to know such Confidential Information and is subject to obligations of confidentiality and limitations on use to substantially the same extent as required by the provisions of this Article 6.

6.2 General Exceptions. The obligations under Section 6.1 do not pertain to any Confidential Information that a Party establishes by documentary evidence (a) was already known to such Party, other than under an obligation of confidentiality, at the time of disclosure by the other Party; (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to such Party; (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of such Party in breach of this Agreement; (d) was disclosed to such Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the other Party not to disclose such information to others; or (e) was independently developed by or on behalf of such Party without use of the other Party's Confidential Information.

6.3 Disclosures Required by Law. Notwithstanding any other provision of this Agreement, a Party may disclose Confidential Information of the other Party if such disclosure is required by law, rule or regulation (including, without limitation, to comply with any court order or governmental regulation, including the duty to disclose Confidential Information material to patentability under 37 CFR §1.56), provided that the Party making such disclosure shall give reasonable advance written notice to the other Party of such requirement and, at such other Party's request, shall cooperate with such other Party's efforts to limit such disclosure or to secure confidential treatment of such Confidential Information through protective orders or otherwise.

6.4 Disclosures to Third Party Licensors. Notwithstanding any other provision of this Agreement, Sangamo may disclose this Agreement or a Sublicense Agreement (or a summary of their terms) to a Third Party licensor with respect to a given Third Party License, provided that (a) such disclosure is limited to the extent required by such Third Party License (*e.g.*, financial provisions are redacted to the extent possible); (b) the identity of the Designated Genes, the Research Plan and information about the intellectual property licensed under this Agreement or a Sublicense Agreement (other than the intellectual property licensed under such Third Party License) are not disclosed; and (c) such Third Party licensor is subject to obligations of confidentiality and limitations on use to substantially the same extent as required by the provisions of this Article 6. Prior to making any disclosure under this Section 6.4, Sangamo shall notify Genentech of its intent to make such disclosure and provide to Genentech a copy of any summary of terms provided to such Third Party licensor.

6.5 Termination of Prior Agreement. As of the Effective Date, this Agreement supersedes and terminates the Mutual Confidentiality Agreement between the Parties, effective as of January 20, 2005 ("Confidentiality Agreement"). All "INFORMATION" (as defined in the

Confidentiality Agreement) exchanged between the Parties there under shall be deemed Confidential Information hereunder and shall be subject to the provisions of this Article 6.

6.6 Continuing Obligation. The provisions of this Article 6 shall continue for a period of fifteen (15) years after termination or expiration of this Agreement.

Article 7. Genentech Materials and Related Information

7.1 Ownership. Genentech shall own the Genentech Materials and all tangible materials included in the Sangamo Deliverables. The ownership of any tangible materials (including, without limitation, ZFN Modified Cell Lines derived from the Genentech CHO Cell Line) is with respect to such tangible materials and does not imply ownership of intellectual property pertaining to or embodied in such tangible materials, which shall be in accordance with the other provisions of this Agreement.

7.2 Use. Sangamo agrees that it shall use the Genentech Materials solely for the purpose of performing activities under the Research Plan and it shall not transfer any Genentech Materials to any Third Party without Genentech's prior written consent. Genentech hereby consents that Sangamo may transfer the Genentech CHO DNA Extract to a Third Party solely to enable such Third Party to perform [***] on Sangamo's behalf, for the benefit of Genentech. Sangamo agrees that any Third Party for which Genentech consents to the transfer of Genentech Materials shall be contractually bound in writing (a) to limitations on the use of such Genentech Materials at least as restrictive as those set forth in this Section 7.2; (b) to not further transfer such Genentech Materials; and (c) to confidentiality and limitation on use obligations at least as restrictive as those set forth in Article 6 with respect to any information generated or otherwise acquired by such Third Party as a result of its possession or use of such Genentech Materials (and any such information shall be included in the Research Results). Sangamo shall be jointly and severally liable for any misuse by a Third Party of Genentech Materials received from Sangamo.

7.3 Return or Destruction. Within thirty (30) days following the end of the Research Period or the expiration or termination of this Agreement, Sangamo shall promptly return or destroy, as instructed by Genentech, all (a) Genentech Materials remaining in Sangamo's possession or the possession of any Third Party that received such Genentech Materials from Sangamo hereunder; and (b) Know-How and other information provided to Sangamo in the Genentech Deliverables (at beginning of Research Stage 1) and any other information related to the Genentech Materials provided by Genentech to Sangamo. After such return or destruction, Sangamo shall provide written certification to Genentech that all such remaining Genentech Materials and all such information have been returned or destroyed (as applicable).

Article 8. Term and Termination

8.1 Term. This Agreement shall be effective as of the Effective Date. Unless sooner terminated as provided in this Article 8, this Agreement shall remain in effect until Sangamo is no longer entitled (in fact or potentially) to receive Milestone Payments from Genentech pursuant to Section 3.6.

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8.2 Termination by Either Party for Cause. Either Party may terminate this Agreement for a material breach by the other Party of the provisions hereof. Any such termination shall be effective sixty (60) days after written notice to such other Party specifying such breach if the specified breach is not cured before the effective date of termination. In addition, Genentech may terminate the Research (but not the entire Agreement) if the specified breach is not cured before the effective date of termination. Sangamo agrees that any breach of this Agreement that materially adversely affects the Genentech License (including, without limitation, a material breach of Section 5.4(b)) is a material breach of this Agreement.

8.3 Termination of Research by Genentech for Cause. Genentech may terminate the Research (but not the entire Agreement) effective immediately, by providing written notice to Sangamo at any time, if Sangamo has not provided to Genentech all of the Sangamo Deliverables due under Research Stage 2 (other than the training of Genentech's researcher(s)) within twelve (12) months of the Effective Date. If Genentech terminates the Research pursuant to this Section 8.3, no further payments under Sections 3.4 or 3.5 shall be due.

8.4 Termination by Genentech for Convenience. Genentech may terminate this Agreement for its own convenience, effective on or after three (3) months following the Effective Date, by providing thirty (30) days written notice to Sangamo.

8.5 Licenses.

(a) Research Results License. Sangamo agrees to grant and hereby grants Genentech a non-exclusive, worldwide, sublicensable, fully-paid, perpetual, irrevocable license, under Research Results Patents, to make, use, sell, offer for sale and import Other Modified Cell Lines solely for the purpose of making, using, offering for sale, selling and importing Licensed Products; provided, however, the foregoing license shall only be effective upon the expiration or termination of this Agreement for any reason. For purposes of this Section 8.5(a), a patent shall be considered a "Research Results Patent" only if Sangamo reproduced any of the Research Results in the specification of a patent application for such patent or if Sangamo submitted any of the Research Results to the applicable patent authority in connection with the filing or prosecution of patent applications for such patent.

(b) Retention of Rights. In the event Sangamo seeks or is involuntarily placed under the protection of the "Bankruptcy Code" (*i.e.*, Title 11, U.S. Code), and the trustee in bankruptcy, or Sangamo as a debtor-in-possession, rejects this Agreement, Genentech hereby elects, pursuant to Section 365(n) of the Bankruptcy Code, to retain all licenses of rights to "intellectual property" (as defined under the Bankruptcy Code) granted to it under this Agreement to the extent permitted by law.

(c) Survival of Sublicenses. Following the Research Period, upon the termination of this Agreement by either Party under Section 8.2, a given existing sublicense granted to a sublicensee under the Genentech License, if any, shall continue, provided that such sublicensee is in good standing at the time of such termination and such sublicensee agrees in writing to pay directly to Sangamo (i) in the case of a Collaboration Partner, all Milestone Payments due from such Collaboration Partner related to such sublicense; and (ii) in all cases,

any annual technology access fees due under Section 3.3, if such fees have not previously been paid by Genentech or another sublicensee.

(d) Fully-Paid Genentech License. In the event that Genentech terminates this Agreement under Section 8.2 due to a Materially Adverse Breach (as defined in the next sentence), the Genentech License (including any sublicenses granted thereunder) with respect to all Licensed Products shall be fully-paid and irrevocable. For purposes of this Section 8.5(d), a "Materially Adverse Breach" means (i) a material breach by Sangamo of Sections [***]; or (ii) a breach of Sangamo's representations and warranties under Section [***], in each case of (i) or (ii), that results or is reasonably likely to result in a material adverse effect upon the Genentech License (unless Genentech is fully compensated for such material adverse effect by Sangamo, under Section 9.1(c) or otherwise). In the event that Genentech is awarded economic damages pursuant to an action against Sangamo for a material breach of this Agreement that is a Materially Adverse Breach, Genentech shall be required to either (A) accept such damage award, in which event the milestones due under in this Agreement shall be reinstated, the Genentech License shall cease to be fully-paid and irrevocable, and Genentech shall pay Sangamo any past due milestones or (B) forgo such damage award, in which event the Genentech License shall continue to be fully-paid and irrevocable. Genentech shall choose between the remedies described in clauses (A) and (B) of the preceding sentence, and provide Sangamo with written notice of such choice along with any payments that may be due under clause (A), no later than one hundred and eighty (180) days after such damages are awarded.

8.6 Effects of Termination. Except as otherwise expressly provided herein, termination of this Agreement shall not affect the rights and obligations of the Parties that accrued prior to the effective date of such termination.

8.7 Survival. The provisions of Sections 4.2 and 4.4; Article 6; Article 7; Sections 8.5, 8.6 and 8.7; Article 9; Article 10 (except for Section 10.4); Article 11; Section 12.2; Article 13 and Article 14 (as applicable) shall survive any termination or expiration of this Agreement.

Article 9. Indemnification; Limitation on Liability

9.1 Indemnification.

(a) Claims Defined. For purposes of this Section 9.1, the term "Claims" means any and all liabilities, obligations, penalties, claims, judgments, demands, actions, disbursements of any kind and nature, suits, losses, damages, costs and expenses (including, without limitation, reasonable attorney's fees).

(b) Indemnification by Genentech. Genentech shall indemnify, defend and hold harmless Sangamo and its directors, officers and employees, and the Select Sangamo Licensors, from and against any Third Party Claims (i) arising from any injury or damage arising out of or in connection with the negligence or willful misconduct of Genentech or its consultants, subcontractors or agents related to the performance of this Agreement or the breach by Genentech of its obligations under this Agreement, except to the extent that such Claims arise from the negligence or willful misconduct of the foregoing indemnified parties or the breach by

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Sangamo of its obligations under this Agreement; (ii) [***]; (iii) arising from the manufacture, use, handling, storage, importation, exportation, or other transportation of Modified Cell Line(s) by Genentech or its sublicensees, subcontractors or agents, except to the extent that such Claims arise from Sangamo's breach of its representations and warranties under Article 12; (iv) arising from the manufacture, use, handling, storage, importation, exportation, offer for sale, sale, or other disposition of Licensed Product(s) by Genentech or its sublicensees, subcontractors or agents, except to the extent that such Claims arise from Sangamo's breach of its representations and warranties under Article 12; or (v) arising from the use by a Third Party of any Licensed Product sold or otherwise provided by Genentech or its sublicensees, subcontractors or agents.

(c) Indemnification by Sangamo. Sangamo shall indemnify, defend and hold harmless Genentech and its directors, officers and employees from and against any Third Party Claims (i) arising from any injury or damage arising out of or in connection with the negligence or willful misconduct of Sangamo or its consultants, subcontractors or agents related to the performance of this Agreement or the breach by Sangamo of its obligations under this Agreement, except to the extent that such Claims arise from the negligence or willful misconduct of the foregoing indemnified parties or the breach by Genentech of its obligations under this Agreement; (ii) that the technology and materials (other than the Genentech Deliverables) used by Sangamo in performing activities under the Research Plan or the use of such technology and materials (other than the Genentech Deliverables) in performing such activities infringes or misappropriates the intellectual property rights of such Third Party; or (iii) that ZFN Reagents or their use by Genentech or its sublicensees, subcontractors or agents under the Genentech License infringes or misappropriates the intellectual property rights of such Third Party, except to the extent that such infringement or misappropriation is due to the identity, sequence or other characteristics of either Designated Gene or is due to an Improvement that is incorporated in or used to make an Improved ZFN Reagent.

(d) Indemnification Procedures. In the event that a Party seeks indemnification under this Section 9.1, such Party shall (i) promptly notify the other Party as soon as it becomes aware of a claim or suit for which indemnification may be sought pursuant hereto, (ii) cooperate as reasonably requested (at the expense of the indemnifying Party) with the indemnifying Party in the defense of such claim or suit; and (iii) permit the indemnifying Party to control the defense of such claim or suit with counsel mutually satisfactory to the Parties. In no event, however, may the indemnifying Party compromise or settle any claim or suit in a manner that admits fault or negligence on the part of the indemnified Party without the prior written consent of the indemnified Party. The indemnifying Party shall have no liability under this Section 9.1 with respect to claims or suits settled or compromised without its prior written consent, which consent shall not be unreasonably withheld.

9.2 Limitation on Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR LOSS OF PROFITS, LOSS OF GOODWILL OR ANY CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES OF ANY KIND, EXCEPT TO THE EXTENT THAT SUCH DAMAGES (A) ARE AN ELEMENT OF THE DAMAGES AWARDED BY A COURT OF COMPETENT JURISDICTION TO A THIRD PARTY IN CONNECTION WITH A CLAIM WITH RESPECT TO WHICH A PARTY IS ENTITLED TO INDEMNIFICATION PURSUANT TO SECTION 9.1; OR (B) ARISE FROM THE MISUSE OR

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

MISAPPROPRIATION OF THE OTHER PARTY'S CONFIDENTIAL INFORMATION OR THE GENENTECH MATERIALS.

Article 10. Dispute Resolution

10.1 Internal Resolution. Except as otherwise expressly provided in this Agreement, in the event of any controversy, claim or other dispute arising out of or relating to any provision of this Agreement or the interpretation, enforceability, performance, breach, termination or validity hereof, such dispute shall be first referred to the Executives of each Party for resolution, prior to proceeding under the following provisions of this Article 10. A dispute shall be referred to the Executives upon one Party providing the other Party with written notice that such dispute exists, and the Executives shall attempt to resolve such dispute through good faith discussions. In the event that the Executives cannot resolve such dispute within thirty (30) days of such other Party's receipt of such written notice, either Party may initiate the dispute resolution procedures set forth in Section 10.2.

10.2 Arbitration. Except as otherwise expressly provided in this Agreement, the Parties agree that any dispute not resolved internally by the Parties pursuant to Section 10.1, shall be resolved through binding arbitration in accordance with the then prevailing Commercial Arbitration Rules of the American Arbitration Association, except as modified in this Agreement, applying the substantive law specified in Section 14.1. A Party may initiate an arbitration by written notice to the other Party of its intention to arbitrate, and such demand notice shall specify in reasonable detail the nature of the dispute. Each Party shall select one (1) arbitrator, and the two (2) arbitrators so selected shall choose a third arbitrator, and all three (3) shall serve as neutrals. If a Party fails to nominate its arbitrator, or if the Parties' arbitrators cannot agree on the third arbitrator, the necessary appointments shall be made in accordance with the then prevailing Commercial Arbitration Rules. Within three (3) months of the conclusion of an arbitration proceeding, the arbitration decision shall be rendered in writing and shall specify the basis on which the decision was made. The award of the arbitration tribunal shall be final and judgment upon such an award may be entered in any competent court or application may be made to any competent court for judicial acceptance of such an award and order of enforcement. Unless otherwise agreed upon by the Parties, the arbitration proceedings shall be conducted in San Francisco, California. The Parties agree that they shall share equally the cost of the arbitration filing and hearing fees, and the cost of the three (3) arbitrators. Each Party shall bear its own attorneys' fees and associated costs and expenses.

10.3 Patent Disputes. Notwithstanding the other provisions of this Article 10, any dispute that involves the validity, infringement or claim interpretation of a patent (a) that is issued in the United States shall be subject to actions before the United States Patent and Trademark Office and/or submitted exclusively to a federal court having jurisdiction; and (b) that is issued in any other country shall be brought before an appropriate regulatory or administrative body or court in that country, and the Parties hereby consent to the jurisdiction and venue of such courts and bodies. For the sake of clarity, such patent disputes shall not be subject to the provisions of Section 10.2.

10.4 Continued Performance. Provided the Agreement has not terminated, the Parties agree to continue performing under the Agreement in accordance with its provisions, pending the final resolution of any dispute.

Article 11. Public Disclosures; Use of Names

11.1 Publicity and Other Public Disclosures.

(a) Generally. Subject to the other provisions of this Section 11.1, neither Party shall issue press releases or make any other public disclosures relating to this Agreement for any purpose whatsoever without the other Party's prior written approval. Each Party agrees that the other Party shall have no less than five (5) business days to review and provide comments regarding any such proposed public disclosure (even if such disclosure is required by law, rule or regulation), unless a shorter review time is agreed to by both Parties. If the disclosing Party requests a shorter review time, the other Party shall agree to such requested shorter review time if (i) such shorter review time is necessitated by an applicable disclosure law, rule or regulation; and (ii) the disclosing Party made such request and provided such proposed public disclosure for review as soon as reasonably practicable after the disclosing Party knew of the event necessitating such shorter review time. The provisions of this Section 11.1 are in addition to the provisions of Article 6.

(b) Approved Public Disclosures. Genentech hereby approves of the following public disclosures by Sangamo: (i) issuing the press release set forth in Exhibit D, following the signing of this Agreement by both Parties; (ii) including Genentech on a list of Sangamo's partners or licensees/licensors, without identifying any subject matter of this Agreement; and (iii) including the text set forth in Exhibit D in Sangamo's Form 8-K filings. Sangamo hereby approves of the following public disclosures by Genentech (i) including Sangamo on a list of Genentech's partners or licensees/licensors and (ii) disclosing that Sangamo is providing technology to Genentech for the improvement of protein production.

(c) Public Disclosures Required by Law. In the event that one Party reasonably concludes that a public disclosure relating to this Agreement is required by law, rule or regulation (including, without limitation, the disclosure requirements of the Securities and Exchange Commission or the securities exchange or other stock market on which such Party's securities are traded (for purposes of this Section 11.1, collectively, an "Exchange")) and the other Party would prefer not to make such disclosure, the Party seeking such disclosure shall either (i) limit such disclosure to address the concerns of the other Party or (ii) provide a written explanation from counsel stating why such limited disclosure is not sufficient to comply with the applicable law, rule or regulation. Provided that the Party seeking such disclosure complies with the preceding sentence, such Party shall be permitted to make such disclosure. Each Party agrees that it shall obtain its own legal advice with regard to its compliance with securities laws, rules and regulations, and will not rely on any statements made by the other Party relating to such securities laws, rules and regulations.

(d) Filing of Agreement. With respect to complying with the disclosure requirements of an Exchange, in connection with any required filing of this Agreement with such Exchange, the filing Party shall, at the request of the other Party, seek confidential treatment of

portions of this Agreement from such Exchange and shall provide the other Party with the opportunity, for at least fifteen (15) days, to review and comment on any such proposed filing, and shall thereafter provide reasonable advance notice and opportunity for comment on any subsequent changes to such filing. Sangamo shall, whether or not requested by Genentech, redact and request confidential treatment for (i) all references to the identity of the Designated Genes; (ii) the sequences in Exhibit B; and (iii) any financial terms, other than those disclosed in accordance with Section 11.1(c).

11.2 Use of Names. Except as expressly provided herein, no right, express or implied, is granted by the Agreement to use in any manner the name of "Sangamo," "Genentech" or any other trade name or trademark of the other Party in connection with the performance of this Agreement.

Article 12. Warranties

12.1 Mutual Warranties. Each Party represents and warrants to the other Party that: (a) it has full corporate authority to execute this Agreement and to perform its obligations under this Agreement; (b) in performing hereunder it will not violate any other agreement to which it is a party or subject; (c) in performing hereunder it will not violate any federal, state or local laws, requirements or regulations; and (d) it shall provide personnel, as necessary, to perform its obligations hereunder.

12.2 Sangamo Warranties. Sangamo represents and warrants to Genentech that:

(a) as of the Effective Date, all Patents owned by Sangamo that have one or more claims that encompass (i) ZFN Reagents and/or ZFN Modified Cell Lines and/or (ii) the making and/or use of ZFN Reagents and/or ZFN Modified Cell Lines are, in all cases, Controlled by Sangamo;

(b) as of the Effective Date, all of the Identified Patents (other than those Identified Patents with a status of "Revoked" on Exhibit C) are Controlled by Sangamo, and Sangamo will not, during the term of this Agreement, grant (or purport to grant) any rights or take any other actions that are inconsistent with the Genentech License;

(c) all Sangamo employees and any Third Parties working on its behalf that perform activities under the Research Plan are obligated (or will be obligated, prior to commencing such activities) to assign any Inventions to Sangamo and to cooperate with Sangamo in connection with obtaining patent protection therefor;

(d) Genentech has the right to grant sublicenses under the Genentech License to one or more Third Parties, subject to Sections 5.1(b), 5.1(c) and 5.1(d); and

(e) with respect to rights sublicensed to Genentech by Sangamo under each of the Caltech Agreement, the MIT Agreement and the Utah Agreement, Genentech's sublicense to such rights (including any further sublicenses thereunder) shall survive (as a direct license from the applicable Third Party licensor or otherwise) in the event that the applicable Third Party

licensor terminates Sangamo's license to such rights for any reason, subject to any provisions related to such direct license that are set forth in Exhibit E.

12.3 Disclaimers. EXCEPT AS OTHERWISE EXPRESSLY STATED IN THE AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND AND EXPRESSLY DISCLAIMS ALL IMPLIED OR STATUTORY WARRANTIES INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

Article 13. Notices

Except as otherwise expressly provided in the Agreement, any notice required under this Agreement shall be in writing and shall specifically refer to this Agreement. Notices shall be sent via one of the following means and will be effective (a) on the date of delivery, if delivered in person; (b) on the date of receipt, if sent by a facsimile (with delivery confirmed); or (c) on the date of receipt, if sent by private express courier or by first class certified mail, return receipt requested (or its equivalent). Any notice sent via facsimile shall be followed by a copy of such notice by private express courier or by first class mail. Notices shall be sent to the other Party at the addresses set forth below. Either Party may change its addresses for purposes of this Article 13 by sending written notice to the other Party.

To Sangamo:

Sangamo BioSciences, Inc.
Point Richmond Tech Center II
501 Canal Blvd, Suite A100
Richmond, CA 94804
Attn: Chief Executive Officer
Telephone: (510) 970-6000
Facsimile: (510) 236-8951

To Genentech:

Genentech, Inc.
1 DNA Way
South San Francisco, CA 94080
Attn: Corporate Secretary
Telephone: (650) 225-1000
Facsimile: (650) 467-9146

with a required copy to:

Genentech, Inc.
1 DNA Way
South San Francisco, CA 94080
Attn: VP, Alliance Management and
Pipeline Strategy Support
Telephone: (650) 225-1000
Facsimile: (650) 467-3294

Article 14. General Provisions

14.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California and the United States without regard to the conflict of laws provisions thereof.

14.2 Assignment. During the Research Period, Sangamo shall not assign or delegate any of its rights or obligations under this Agreement without the prior written consent of Genentech. After the Research Period, Sangamo may, without Genentech's consent, assign this Agreement and its rights and obligations hereunder to (a) any successor in interest by way of merger, acquisition or sale of all or substantially all of its assets to which this Agreement relates; or (b) an Affiliate of Sangamo. At any time, Genentech may, without Sangamo's consent, assign this Agreement and its rights and obligations hereunder to (a) any successor in interest by way of merger, acquisition or sale of all or substantially all of its assets to which this Agreement relates; or (b) an Affiliate of Genentech. Any attempt to assign or delegate any portion of this Agreement in violation of this Section 14.2 shall be void. Subject to the foregoing provisions of this Section 14.2, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

14.3 Entire Agreement. This Agreement, including all Exhibits attached hereto, which are hereby incorporated by reference, contains the entire understanding between the Parties hereto with respect to the subject matter hereof and supersedes and terminates all prior agreements, understandings and arrangements between the Parties (including any prior representations or warranties made by either Party), whether written or oral with respect to such subject matter including, without limitation, the Confidentiality Agreement.

14.4 Amendment; Waiver. Except as otherwise expressly provided herein, no alteration of or modification to this Agreement shall be effective unless made in writing and executed by an authorized representative of each Party. No course of dealing or failure of either Party to strictly enforce any term, right or condition of this Agreement in any instance shall be construed as a general waiver or relinquishment of such term, right or condition. The observance of any provision of this Agreement may be waived (either generally or any given instance and either retroactively or prospectively) only with the written consent of the Party granting such waiver.

14.5 Severability. The Parties do not intend to violate any rule, law or regulation. If any of the provisions of this Agreement are held to be void or unenforceable, then such void or unenforceable provisions shall be replaced by valid and enforceable provisions that will achieve as far as possible the economic business intentions of the Parties.

14.6 Construction. The Parties mutually acknowledge that they and their attorneys have participated in the negotiation and preparation of this Agreement. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have drafted the Agreement or authorized the ambiguous provision.

14.7 Captions. Titles, headings and other captions are for convenience only and are not to be used for interpreting this Agreement.

14.8 Relationship of the Parties. The Parties hereto are independent contractors and nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, employment, franchise, agency or fiduciary relationship between the Parties.

14.9 Force Majeure. Failure of either Party to perform under this Agreement shall not subject such Party to any liability to the other if such failure is caused by acts of God, acts of terrorism, earthquake, fire, explosion, flood, drought, war, riot, sabotage, embargo, compliance with any order or regulation of any government entity, or by any cause beyond the reasonable control of the affected Party, whether or not foreseeable, provided that written notice of such event is promptly given to the other Party.

14.10 Counterparts; Facsimiles. This Agreement may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. For purposes hereof, a facsimile copy of this Agreement, including the signature pages hereto, will be deemed to be an original. Notwithstanding the foregoing, the Parties shall deliver original execution copies of this Agreement to one another as soon as practicable following execution thereof.

In agreement with the foregoing, the Parties have caused this Agreement to be signed by their respective duly authorized representatives as set forth below.

Genentech, Inc.

By: /s/ Susan Desmond - Hellmann
Name: Susan Desmond - Hellmann
Title: President of Product Development

Sangamo BioSciences, Inc.

By: /s/ Edward O. Lanphier II
Name: Edward O. Lanphier II
Title: President and Chief Executive Officer

Exhibit A

Research Plan

[***]

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

[***]

*** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION

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***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

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***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

Exhibit B

Designated Gene Sequences

[***]

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

[***]

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

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***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

[***]

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

Exhibit C

Identified Patents
(Sangamo Owned and In-Licensed)

SANGAMO OWNED

Serial No.	Filing date	Title	Status
AU 32291/95	Aug. 17, 1995	Improvements in binding proteins for recognition of DNA	AU Pat. No. 698152 (2/4/99)
AU 10037/99	Jan. 6, 1999	Improvements in binding proteins for recognition of DNA	AU Pat. No. 726759 (3/8/01)
CA 2,196,419	Aug. 17, 1995	Improvements in binding proteins for recognition of DNA	Pending
EP 95928576.8	Aug. 17, 1995	Improvements in binding proteins for recognition of DNA	Pending
JP 507857/1996	Aug. 17, 1995	Improvements in binding proteins for recognition of DNA	Pending
US 09/139,762	Aug. 25, 1998	Binding proteins for recognition of DNA	US Pat. No. 6,013,453 (1/11/00)
US 10/033,129	Dec. 27, 2001	Relating to Binding proteins for recognition of DNA	US Pat. No. RE 39,229 (8/8/06)
US 10/309,578	Dec. 3, 2002	Design of binding proteins for recognition of DNA	Pending
US 10/397,930	Mar. 25, 2003	Relating to Binding proteins for recognition of DNA	Pending
US 10/400,017	Mar. 25, 2003	Relating to Binding proteins for recognition of DNA	Pending
AU 2001 226935	Jan. 19, 2001	Nucleic Acid Binding Polypeptides (2-finger modules)	Allowed

Serial No.	Filing date	Title	Status
CA 2,398,155	Jan. 19, 2001	Nucleic Acid Binding Polypeptides (2-finger modules)	Pending
EP 01 901 276.4	Jan. 19, 2001	Nucleic Acid Binding Polypeptides (2-finger modules)	Allowed
US10/198,677	Jan. 19, 2001	Nucleic Acid Binding Polypeptides (2-finger modules)	Pending
US 10/222,614	Aug. 15, 2002	Cells comprising zinc finger nucleases	Allowed
US 10/395,816	Mar. 20, 2003	Methods and compositions for using zinc finger endonucleases to enhance homologous recombination	Pending
AU 2003 218382	Mar. 20, 2003	Methods and compositions for using zinc finger endonucleases to enhance homologous recombination	Pending
CA 2,479,858	Mar. 20, 2003	Methods and compositions for using zinc finger endonucleases to enhance homologous recombination	Pending
EP 03 714 379.9	Mar. 20, 2003	Methods and compositions for using zinc finger endonucleases to enhance homologous recombination	Pending
US 10/912,932	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
US 11/304,981	Dec. 15, 2005	Targeted deletion of cellular DNA Sequences	Pending

Serial No.	Filing date	Title	Status
AU 2004 263865	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
CA 2,534,296	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
EP 04 780 272.3	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
IL 173460	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
JP 2006-523239	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
KR 2006-7002703	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
SG 2006 00748-8	Aug. 6, 2004	Methods and compositions for targeted cleavage and recombination	Pending
AU 2005 220148	Feb. 3, 2005	Methods and compositions for targeted cleavage and recombination	Pending
CA 2,534,296	Feb. 3, 2005	Methods and compositions for targeted cleavage and recombination	Pending
EP 05 756 438.7	Feb. 3, 2005	Methods and compositions for targeted cleavage and recombination	Pending
[***]	[***]	[***]	[***]
US 11/221,683	Sept. 8, 2005	Compositions and methods for protein production	Pending

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Serial No.	Filing date	Title	Status
PCT US05/32157	Sept. 8, 2005	Compositions and methods for protein production	WO 06/033859 (3/30/06)
US 11/493,423	July 26, 2006	Targeted integration and expression of exogenous nucleic acid sequences	Pending
PCT US06/29027	July 26, 2006	Targeted integration and expression of exogenous nucleic acid sequences	Pending
[***]	[***]	[***]	[***]

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

IN-LICENSED*

Caltech = in-licensed under the Caltech Agreement
JHU = in-licensed under the JHU Agreement
MIT = in-licensed under the MIT Agreement
Scripps = in-licensed under the Scripps Agreement
Utah = in-licensed under the Utah Agreement

Serial No. (*Third Party License)	Filing date	Title	Status
US 07/862,831 (JHU)	Apr. 3, 1992	Functional domains in FokI restriction endonuclease	US Pat. No. 5,356,802 (10/18/94)
US 08/126,564 (JHU)	Sept. 27, 1993	Functional domains in FokI restriction endonuclease	US Pat. No. 5,436,150 (7/25/95)
US 08/346,293 (JHU)	Nov. 23, 1994	Insertion & Deletion Mutants of FokI restriction endonuclease	US Pat. No. 5,487,994 (1/30/96)
CA 2,154,581 (JHU)	Feb. 10, 1994	Functional domains in FokI restriction endonuclease	Pending
EP 94 909 526.9 (JHU)	Feb. 10, 1994	Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
CH (JHU)		Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
DE (JHU)		Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
FR (JHU)		Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
GB (JHU)		Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
IE (JHU)		Functional domains in FokI restriction endonuclease	Europ. Pat. No. 0 682 699 (5/7/03) Revoked
EP 03 010009.3 (JHU)	Feb. 10, 1994	Functional domains in FokI restriction endonuclease	Pending

Serial No. (*Third Party License)	Filing date	Title	Status
JP 7-510290 (JHU)	Aug.23, 1994	Functional domains in FokI restriction endonuclease	Pending
JP 2006-143294 (JHU)	Aug. 23, 1994	Functional domains in FokI restriction endonuclease	Pending
US 08/575,361 (JHU)	Dec. 20, 1995	General method to clone hybrid restriction endonucleases using *lig* gene	US Pat. No. 5,792,640 (8/11/98) Reexamination Requested
US 08/647,449 (JHU)	May 7, 1996	Methods for inactivating target DNA and for detecting conformational change in a nucleic acid	US Patent No. 5,916,794 (Jun. 29, 1999)
US 09/281,792 (JHU)	Mar. 31, 1999	Methods for inactivating target DNA and for detecting conformational change in a nucleic acid	US Patent No. 6,265,196 (Jul. 24, 2001) Reexamination Requested
US 08/676,318 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	U.S. Patent No. 6,242,568 (6/5/01)
US 08/863,813 (Scripps)	May 27, 1997	Zinc finger protein derivatives and methods therefor	U.S. Patent No. 6,140,466 (10/31/00)
US 09/500,700 (Scripps)	Feb. 9, 2000	Zinc finger protein derivatives and methods therefor	U.S. Patent No. 6,790,941 (9/14//04)
AU 16865/95 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	AU Patent No. 704601 (4/29/99)
CA 2,181,548 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Pending
EP 95 908 614.1 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Europ. Pat. No. 0 770 129 (11/23/05)
FR (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Europ. Pat. No. 0 770 129 (11/23/05)

Serial No. (*Third Party License)	Filing date	Title	Status
GB (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Europ. Pat. No. 0 770 129 (11/23/05)
FI 962879 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Pending
JP 07-519231 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Pending
NO 1996 2991 (Scripps)	Jan. 18, 1995	Zinc finger protein derivatives and methods therefor	Pending
AU 2002 300619 (Scripps)	May 27, 1998	Zinc finger protein derivatives and methods therefor	Pending
CA 2,291,861 (Scripps)	May 27, 1998	Zinc finger protein derivatives and methods therefor	Pending
EP 98 926 088.0 (Scripps)	May 27, 1998	Zinc finger protein derivatives and methods therefor	Pending
JP 11-500870 (Scripps)	May 27, 1998	Zinc finger protein derivatives and methods therefor	Pending
US 09/260,629 (MIT)	Mar. 1, 1999	Poly-Zinc Finger Proteins with improved linkers	U.S. Pat. No. 6,479,626 (Nov. 12, 2002)
US 10/146,221 (MIT)	May 13, 2002	Poly-Zinc Finger Proteins with improved linkers	U.S. Pat. No. 6,903,185 (June 7, 2005)
US 11/110,594 (MIT)	April 20,2005	Poly-Zinc Finger Proteins with improved linkers	US Patent No 7,153,949 (Dec. 26, 2006)
US 11/639,363 (MIT)	Dec. 14, 2006	Poly-Zinc Finger Proteins with improved linkers	Pending
AU 28849/99 (MIT)	Mar. 1, 1999	Poly-Zinc Finger Proteins with improved linkers	AU Pat. No. 746454 (August 15, 2002)
CA 2,321,938 (MIT)	Mar. 1, 1999	Poly-Zinc Finger Proteins with improved linkers	Pending

Serial No. (*Third Party License)	Filing date	Title	Status
EP 99909701.7 (MIT)	Mar. 1, 1999	Poly-Zinc Finger Proteins with improved linkers	Pending
JP 2000-534663 (MIT)	Mar. 1, 1999	Poly-Zinc Finger Proteins with improved linkers	Pending
AU 2003 25128 (Utah)	Jan. 22, 2003	Targeted chromosomal mutagenesis using zinc finger nucleases	Pending
CA 2,474,486 (Utah)	Jan. 22, 2003	Targeted chromosomal mutagenesis using zinc finger nucleases	Pending
EP 03 746 527.5 (Utah)	Jan. 22, 2003	Targeted chromosomal mutagenesis using zinc finger nucleases	Allowed
US 10/502,565 (Utah)	Jan. 22, 2003	Targeted chromosomal mutagenesis using zinc finger nucleases	Pending
US 10/656,531 (Caltech)	Sept. 5, 2003	Use of chimeric nucleases to stimulate gene targeting	Pending
AU 2003 298574 (Caltech)	Sept. 5, 2003	Use of chimeric nucleases to stimulate gene targeting	Pending
CA 2,497,913 (Caltech)	Sept. 5, 2003	Use of chimeric nucleases to stimulate gene targeting	Pending
EP 03 796 324.6 (Caltech)	Sept. 5, 2003	Use of chimeric nucleases to stimulate gene targeting	Pending
JP 2005-501601 (Caltech)	Sept. 5, 2003	Use of chimeric nucleases to stimulate gene targeting	Pending

Exhibit D

Press Release and Form 8-K Text

Exhibit E

Certain Agreements Relating to Third Party Licenses

Sangamo hereby notifies Genentech that (except as otherwise noted) a full and complete copy of each of the provisions explicitly referenced below in this Exhibit E is set forth in Exhibit F:

1. **Caltech Agreement.** Genentech acknowledges and agrees that Genentech does not have the right to grant sublicenses under the intellectual property licensed to Sangamo pursuant to the Caltech Agreement. The Parties acknowledge and agree that, as of the date of any termination of the Caltech Agreement (a) the California Institute of Technology ("Caltech") shall be a third party beneficiary of this Agreement as of the date of such termination and thereafter; (b) Sangamo shall remain responsible for all obligations to Genentech (other than those requiring Sangamo to hold a license under the Caltech Agreement, unless Caltech (at its discretion) elects to assume such obligations); and (c) Sangamo shall inform Genentech in writing (with a copy to Caltech) that Genentech's obligations pursuant to (a) and (b) are in effect as a result of such termination.

2. **JHU Agreement.** The obligations to Johns Hopkins University of Articles II, VIII, IX, X, XIII and XV and Paragraphs 5.1 and 5.2 of the JHU Agreement are binding upon Genentech and any of Genentech's sublicensees under the rights licensed to Sangamo under the JHU Agreement as if each were a party to the JHU Agreement. The Parties agree that, in the event that the JHU Agreement is amended after the Effective Date, the provisions of this paragraph shall apply only to the extent required in any such amendment.

3. **MIT Agreement.** The provisions of Article 2 (other than Paragraph 2.8), Article 9 and Article 10 of the MIT Agreement are hereby incorporated by reference into this Agreement and are binding upon Genentech and any of Genentech's sublicensees under the rights licensed to Sangamo under the MIT Agreement (but in each case solely to the extent such provisions are applicable to the rights granted in this Agreement) as if each were a party to the MIT Agreement. Any sublicense granted by Sangamo to Genentech will survive as a direct license from the Massachusetts Institute of Technology ("MIT") to Genentech pursuant to Paragraph 13.6 of the MIT Agreement provided that Genentech is not then in default under this Agreement and agrees to assume the rights and obligations of such direct license. If Genentech agrees to assume such rights and obligations, (a) such direct license shall be subject to the same non-financial terms and conditions as those in the MIT Agreement and (b) Genentech (or if there is at such time more than one sublicensee under the MIT Agreement, Genentech and all other sublicensees severally and jointly) shall pay any annual fees due pursuant to Paragraph 4.1(b) of the MIT Agreement. If Genentech becomes a direct licensee of MIT, Genentech shall make any monetary payment(s) that, had the MIT Agreement not been terminated, Sangamo would have been required to make under the MIT Agreement as a result of the activities of Genentech. The Parties agree that, in the event that the MIT Agreement is amended after the Effective Date, the provisions of this paragraph shall apply only to the extent required in any such amendment.

4. **Scripps Agreement.** Genentech acknowledges and agrees that any sublicense granted by Sangamo to Genentech shall be subject in all respects to the restrictions, exceptions, royalty obligations, reports, termination provisions and other provisions contained in the Scripps Agreement (but not including the payment of the license fee pursuant to Section 2.2 of the Scripps Agreement). The Parties agree that, in the event that the Scripps Agreement is amended after the Effective Date, the provisions of

this paragraph shall apply only to the extent required in any such amendment. *[NOTE: Section 2.2 of the Scripps Agreement is* not *included in Exhibit F.]*

5. **Utah Agreement.** [***] of the Utah Agreement as a result of any sublicenses granted by Genentech under the Genentech License or any further sublicenses under the Genentech License granted by Genentech's sublicensees. [***] prior to the applicable deadlines set forth in Section [***] of the Utah Agreement. Any sublicense granted by Sangamo to Genentech will survive as a direct license from the University of Utah ("Utah") to Genentech pursuant to Section 13.4 of the Utah Agreement provided that Genentech is in good standing under this Agreement and agrees to assume the rights and obligations of such direct license. If Genentech agrees to assume such rights and obligations, (a) such direct license shall be subject to the same non-financial terms and conditions as those in the Utah Agreement and (b) Genentech (or if there is at such time more than one sublicensee under the Utah Agreement, Genentech and all other sublicensees severally and jointly) shall make any annual maintenance payments due pursuant to Section 6.2 of the Utah Agreement. If Genentech becomes a direct licensee of Utah, Genentech shall make any monetary payment(s) that, had the Utah Agreement not been terminated, Sangamo would have been required to make under the Utah Agreement as a result of the license to, or activities of, Genentech, including without limitation the annual sublicensee fees due pursuant to Section 4.3(ii) of the Utah Agreement with respect to Genentech (which for clarity shall continue notwithstanding the conversion of Genentech's sublicense to a direct license from Utah). The Parties agree that, in the event that the Utah Agreement is amended after the Effective Date, the provisions of this paragraph shall apply only to the extent required in any such amendment.

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

Exhibit F

Certain Provisions of Third Party Licenses

Copy of Selected Provisions from the JHU Agreement

ARTICLE II — GRANT

2.1 JOHNS HOPKINS hereby grants to LICENSEE the exclusive worldwide right and license to make, have made, use, lease and sell the Licensed Products, and to practice the Licensed Processes, including the right to grant sublicenses, subject to 35USC200-211 and the regulations promulgated thereunder, to the end of the term for which the Patent Rights are granted by the applicable governmental authority, unless sooner terminated as hereinafter provided (the "Term"). JOHNS HOPKINS reserves the non-transferable royalty-free right to practice the subject matter of any claim within the Patent Rights for its own internal purposes. If Dr. Chandrasegaran leaves JOHNS HOPKINS, he shall have the non-transferable, royalty-free right to practice any claim within the Patent Rights for his own academic purposes.

2.2 In order to establish a period of exclusivity for LICENSEE, JOHNS HOPKINS hereby agrees that it shall not grant any other license to make, have made, use, lease or sell Licensed Products or to practice Licensed Processes except for its internal research activities during the period of time (the "Exclusive Period") commencing with the Effective Date of this Agreement and terminating with expiration of the last-to-expire patent licensed under this Agreement, unless converted earlier to a nonexclusive license pursuant to Paragraph 4.4 hereof or pursuant to a requirement by the United States Government in accordance with 35USC200-211.

2.3 LICENSEE shall have the right to sublicense all or any part of this license. LICENSEE agrees that any sublicenses granted by it shall provide that the obligations to JOHNS HOPKINS of Articles II, VIII, IX, X, XIII, XV, and Paragraphs 5.1 and 5.2 of this Agreement shall be binding upon the sublicensees as if it were a party to this Agreement. LICENSEE further agrees to attach copies of these Articles to sublicense agreements.

2.4 LICENSEE agrees to forward to JOHNS HOPKINS a copy of any and all fully executed sublicense agreements, and further agrees to forward to JOHNS HOPKINS, quarterly, pursuant to Paragraph 5.2 a copy of such reports received by LICENSEE from its sublicensees during the preceding twelve (12) month period under the sublicenses as shall be pertinent to a royalty accounting under said sublicense agreements.

2.5 Subject to Sections 2.6, 2.7 and 15.7 below, the license granted hereunder shall not be construed to confer any rights upon LICENSEE by implication, estoppel or otherwise as to any technology not specifically set forth in Appendix A, Appendix B, Appendix C, and Appendix D hereof.

2.6 JOHNS HOPKINS hereby also grants to LICENSEE a right of first negotiation at then commercially reasonable terms, to obtain an exclusive license to any Inventions, as previously defined,

developed during the term of this Agreement and any extension thereof and pursuant to any Research Agreement between the parties hereto (Appendix D). JOHNS HOPKINS shall promptly give LICENSEE written notice of any such Inventions, as defined, and LICENSEE shall have one hundred and twenty (120) days from the date of receipt of such notice to give JOHNS HOPKINS written notice of its intent to exercise such option and complete negotiations. JOHNS HOPKINS shall not negotiate with any third party regarding these Inventions during the period of LICENSEE'S right to negotiate. During the term of this Agreement and any extension thereof, Dr. Chandrasegaran shall be free to pursue any scientific investigations of his choice through collaboration with colleagues. Should any such collaboration involve a Licensed Product or Licensed Process, JOHNS HOPKINS will take the initiative of promptly communicating with these colleagues for the purpose of using its reasonable best efforts to have such colleagues agree to be bound by the terms of this Agreement with regard to Licensed Products and Licensed Processes.

2.7 Appendix B attached hereto contains ideas conceived by Dr. Chandrasegaran for developing laboratory reagents, diagnostics, and pharmaceuticals relating to chimeric restriction endonucleases. Dr. Chandrasegaran shall give written notice of any Invention resulting under the Advanced Technology Program within sixty (60) days of the completion of the funding of such program. Any Invention resulting in whole or in part from said ideas which are made pursuant to an award under the Advanced Technology Program where a grant application was filed on March 29, 1995 (Appendix C) shall be assigned to LICENSEE pursuant to Section 15.7 below and Dr. Chandrasegaran will be named as sole inventor unless another individual makes a creative input to said Invention. LICENSEE shall have the first right of negotiation, under then commercially reasonable terms, to obtain an exclusive, royalty-bearing license under any Invention resulting from said ideas in Appendix B made by Dr. Chandrasegaran with funding from a source other than the Advanced Technology Program grant.

PARAGRAPHS 5.1 AND 5.2

5.1 LICENSEE shall keep full, true and accurate books of account containing all particulars that may be necessary for the purpose of showing the amounts payable to JOHNS HOPKINS hereunder. Said books of account shall be kept at LICENSEE's principal place of business or the principal place of business of the appropriate Division of LICENSEE to which this Agreement relates. Said books and the supporting data shall be open at all reasonable times for five (5) years following the end of the calendar year to which they pertain, to the inspection of JOHNS HOPKINS or its agents for the purpose of verifying LICENSEE's royalty statement or compliance in other respects with this Agreement.

5.2 Commencing with the first commercial sale of a Licensed Product, LICENSEE, within sixty (60) days after March 31, June 30, September 30 and December 31, of each year, shall deliver to JOHNS HOPKINS true and accurate reports, giving such particulars of the business conducted by LICENSEE, its Subsidiaries and its sublicensees during the preceding three-month period under this Agreement as shall be pertinent to a royalty accounting hereunder. These shall include at least the following:

(a) All Licensed Products manufactured and sold.

(b) Total billings for Licensed Products sold.

(c) Accounting for all Licensed Processes used or sold.

(d) Deductions applicable as provided in Paragraph 1.6.

(e) Total royalties due.

(f) Names and addresses of all sublicensees of LICENSEE.

Where reasonably practical, LICENSEE shall, to the best of its knowledge, subcategorize the Licensed Products sold so as to assign the royalties paid to individual patent(s) of Appendix A. Such subcategorization shall be for JOHNS HOPKINS administrative purposes only and shall in no way affect any obligations of any part or the amounts of royalties to be paid under this Agreement. Until there has been a first commercial sale of a Licensed Product, the LICENSEE shall give an annual report of LICENSEE's efforts to achieve a first commercial sale.

ARTICLE VIII — LIABILITY

8.1 Inasmuch as JOHNS HOPKINS will not, under the provisions of this Agreement or otherwise, have control over the manner in which LICENSEE, or its Subsidiaries or its agents or its sublicensees or those operating for its account, or third parties who purchase Licensed Products from any of the foregoing entities, practice any invention encompassed by the license granted herein, LICENSEE shall defend and hold JOHNS HOPKINS, it trustees, officers, employees, students, and affiliates harmless as against any judgments, fees, expenses or other costs (including reasonable attorneys' fees) arising from or incidental to any product liability or other lawsuit brought as a consequence of the practice of said invention by any of the foregoing entities, whether or not JOHNS HOPKINS is named as party defendant in any such lawsuit. LICENSEE shall have the right to defend such a product liability lawsuit with counsel of its own choosing and JOHNS HOPKINS will cooperate in the defense of such action at LICENSEE's expense. Practice of the Invention encompassed by the license granted herein by a Subsidiary or an agent or a sublicensee, or a third party on behalf of or for the account of LICENSEE or by a third party who purchases Licensed Products from any of the foregoing shall be considered LICENSEE's practice of said invention for purposes of this Paragraph 8.1. The provisions of this Paragraph 8.1 shall survive termination of this Agreement.

8.2 LICENSEE shall maintain or cause to be maintained, prior to the first planned use of Licensed Products or Licensed Processes in humans, product liability insurance or other protection reasonably acceptable to JOHNS HOPKINS which shall protect LICENSEE and JOHNS HOPKINS in regard to events covered by Paragraph 8.1 above. LICENSEE will disclose to JOHNS HOPKINS the amount and kind of product liability insurance it obtains, will give JOHNS HOPKINS a copy of the certificate of insurance, and will increase or change the kind of insurance at the reasonable request of JOHNS HOPKINS, provided such insurance is available to LICENSEE at commercially reasonable rates.

8.3 Except as otherwise expressly set forth in this Agreement, JOHNS HOPKINS makes no representations and extend no warranties of any kind, either express or implied, including but not limited to warranties of merchantability, fitness for a particular purpose, and validity of Patent Rights claims, issued or pending.

8.4 No liability under this Agreement shall result to a party from delay in performance caused by force majeure, that is, circumstances beyond the reasonable control of the party affected

thereby, including, without limitation, acts of God, earthquake, fire, flood, war, government regulations, labor unrest, or shortage of or an inability to obtain material or equipment.

ARTICLE IX — EXPORT CONTROLS

It is understood that JOHNS HOPKINS is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended and the Export Administration Act of 1979), and that their obligations hereunder are contingent on compliance with applicable United States export laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE shall not export data or commodities to certain foreign countries without prior approval of such agency. JOHNS HOPKINS neither represents that a license shall not be required nor that, if required, it shall be issued.

ARTICLE X — NON-USE OF NAMES

LICENSEE shall not use the name of JOHNS HOPKINS, nor any of its employees, or any adaptation thereof, in any advertising, promotional or sales literature without prior written consent obtained from JOHNS HOPKINS in each case, except that LICENSEE may state that it is licensed by JOHNS HOPKINS under one or more of the patents and/or applications comprising the Patent Rights.

ARTICLE XIII — TERMINATION

13.1 This Agreement shall terminate if LICENSEE dissolves, unless this Agreement has been assigned prior to the date of dissolution.

13.2 Should LICENSEE fail to pay JOHNS HOPKINS royalties due and payable hereunder, JOHNS HOPKINS shall have the right to terminate this Agreement on sixty (60) days' written notice, unless LICENSEE shall pay JOHNS HOPKINS within the sixty (60) day period, all such royalties and interest due and payable. Upon the expiration of the sixty (60) day period, if LICENSEE shall not have paid all such royalties and interest due and payable, the rights, privileges and license granted hereunder shall terminate.

13.3 Upon any material breach or default of this Agreement by LICENSEE other than those occurrences set out in Paragraphs 13.1 and 13.2 hereinabove, which shall always take precedence in that order over any material breach or default referred to in this Paragraph 13.3, JOHNS HOPKINS shall have the right to terminate this Agreement and the rights, privileges and license granted hereunder by giving ninety (90) days' notice to LICENSEE. Such termination shall become effective unless LICENSEE shall have cured any such breach or default prior to the expiration of the ninety (90) day period.

13.4 LICENSEE shall have the right to terminate this Agreement at any time on six (6) months' notice to JOHNS HOPKINS and upon payment of all amounts due JOHNS HOPKINS.

13.5 Upon termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination. LICENSEE and any Subsidiary and sublicensee thereof may, however, after the effective date of such termination, sell all Licensed Products, and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided that LICENSEE shall pay to JOHNS HOPKINS the royalties thereon as required by Article IV of this Agreement and shall submit the reports required by Article V hereof on the sales of Licensed Products.

13.6 Upon termination of this Agreement for any reason during the Exclusive Period, any sublicensee not then in default shall have the right to seek a license from JOHNS HOPKINS under the same terms and conditions as set forth hereunder.

13.7 *[NOTE: As amended in Amendment No. 1 to the JHU Agreement.]* The provisions of Paragraph 8.1, Article IX and Article X, Paragraph 4.5 and Paragraph 6.6 shall survive termination of this Agreement.

ARTICLE XV — MISCELLANEOUS PROVISIONS

15.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of Maryland, U.S.A., except that questions affecting the validity, construction and effect of any patent licensed hereunder, shall be determined by the law of the country in which the patent was granted.

15.2 The parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the parties hereto.

15.3 The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or unenforceable under any controlling body of the law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

15.4 LICENSEE agrees to mark the Licensed Products sold in the United States with all applicable United States patent numbers. All Licensed Products shipped to or sold in other countries shall be marked in such a manner as to conform with the patent laws and practice of the country of manufacture or sale.

15.5 The failure of any party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

15.6 Claims, disputes, or controversies concerning the validity, construction, or effect of any patent licensed hereunder shall be resolved in any court having jurisdiction thereof.

15.7 A grant application under the Advanced Technology Program was filed on March 29, 1995 (Appendix C). If a grant is awarded, any Invention made pursuant thereto where an investigator at JOHNS HOPKINS is the sole inventor or a coinventor shall be assigned to LICENSEE. Such Invention shall be assigned hereunder and shall thereafter fall within the definition of Patent Rights and therefore shall be subject to Sections 3.2, 3.3 and 3.4 hereof and to the royalty payments required by Sections 4.1(c)(i), 4.1(d) and 4.4 hereof as part of the rights licensed hereunder.

15.8 *[NOTE: As amended in Amendment No. 1 to the JHU Agreement.]* With respect to "Methods for Inactivating Target DNA and For Detecting Conformation Change in a Nucleic Acid", Inventor, Srinivasan Chandrasegaran, US Patent Application SN 08/647,449, Filed 5/7/96 (JHU Docket: C-1288), LICENSEE hereby acknowledges and agrees that Dr. Chandrasegaran is the sole inventor of this property.

Copy of Selected Provisions from the MIT Agreement

2 — GRANT

2.1 M.I.T. hereby grants to LICENSEE the right and license in the TERRITORY to practice under the PATENT RIGHTS and, to the extent not prohibited by other patents, to make, have made, use, lease, sell and import LICENSED PRODUCTS and to practice the LICENSED PROCESSES, until the expiration of the last to expire of the PATENT RIGHTS, unless this Agreement shall be sooner terminated according to the terms hereof.

2.2 LICENSEE agrees that LICENSED PRODUCTS leased or sold in the United States shall be manufactured substantially in the United States.

2.3 In order to establish exclusivity in the FIELDS OF USE for LICENSEE, M.I.T. hereby agrees that it shall not grant any other license to make, have made, use, lease, sell and import LICENSED PRODUCTS or to utilize LICENSED PROCESSES subject to the royalty-free, nonexclusive license rights of the United States Government per FAR 52.227-11, in the TERRITORY for the FIELDS OF USE.

2.4 *[NOTE: As amended in the First Amendment to the MIT Agreement.]* LICENSEE and M.I.T. agree that neither party shall assert the Patent Rights against not-for-profit institutions in their conduct of research, provided, however, that if a not-for-profit institution practices under the Patent Rights to conduct high throughput drug screening on behalf of a commercial entity, then the Patent Rights may be asserted against that institution.

2.5 M.I.T. reserves the right to practice under the PATENT RIGHTS and to allow third parties to practice under the PATENT RIGHTS in all fields of use for noncommercial research purposes.

2.6 LICENSEE shall have the right to enter into sublicensing agreements for the rights, privileges and licenses granted hereunder only in the FIELDS OF USE. Upon any termination of this Agreement, sublicensees' rights shall also terminate, subject to Paragraph 13.6 hereof.

2.7 *[NOTE: As amended in the Eighth Amendment to the MIT Agreement.]* With respect to each sublicense agreement [in the Reagent Field], LICENSEE agrees to do the following:

(a) incorporate the language of Article 2 (other than Paragraph 2.8), Article 9, Article 10, and Paragraph 15.4 into each sublicense agreement (but in each case solely to the extent such language is applicable to the rights granted in such sublicense agreement), so that these Articles shall be binding upon the applicable sublicensee as if they were a party to this Agreement;

(b) include in each such sublicense agreement language that is reasonably sufficient to enable LICENSEE to comply with its obligations under Paragraph 2.8 and Articles 5, 7, 12, 13 and 15 (other than Paragraph 15.4);

(c) use commercially reasonable effort to obtain a indemnity from the applicable sublicensee in favor of LICENSEE that is substantially similar in scope of the indemnity set forth in

Article 8, and include M.I.T. as an indemnified party under any such indemnity on the same terms as LICENSEE.

2.8 *[NOTE: Intentionally omitted.]*

2.9 Nothing in this Agreement shall be construed to confer any rights upon LICENSEE by implication, estoppel or otherwise as to any technology or patent rights of M.I.T. or any other entity other than the PATENT RIGHTS, regardless of whether such patent rights shall be dominant or subordinate to any PATENT RIGHTS.

PARAGRAPH 4.1(b)

4.1 *[NOTE: As amended in the Fifth Amendment to the MIT Agreement.]* For the rights, privileges and license granted hereunder, LICENSEE shall pay royalties to M.I.T. in the manner hereinafter provided to the end of the term of the PATENT RIGHTS or until this Agreement shall be terminated:

b. License Maintenance Fees of (i) $[***] per year on January 1, 2002 and each January 1 thereafter until the January 1 following the issuance of the first protein DNA claims and; (ii) $[***] per year beginning the January 1 following the issuance of the first of the protein-DNA claims and every January 1 thereafter; provided, however, License Maintenance Frees may be credited to Running Royalties subsequently due on NET SALES for each said year, if any. License Maintenance Fees paid in excess of Running Royalties shall not be creditable to Running Royalties for future years.

9 — EXPORT CONTROLS

LICENSEE acknowledges that it is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended and the United States Department of Commerce Export Administration Regulations). The transfer of such items may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE shall not export data or commodities to certain foreign countries without prior approval of such agency. M.I.T. neither represents that a license shall not be required nor that, if required, it shall be issued.

10 — NON-USE OF NAMES

LICENSEE shall not use the names or trademarks of the Massachusetts Institute of Technology or Lincoln Laboratory, nor any adaptation thereof, nor the names of any of their employees, in any advertising, promotional or sales literature without prior written consent obtained from M.I.T., or said employee, in each case, except that LICENSEE may state that it is licensed by M.I.T. under one or more of the patents and/or applications comprising the PATENT RIGHTS.

PARAGRAPH 13.6

13.6 *[NOTE: As amended in the Eighth Amendment to the MIT Agreement.]* Upon termination of this Agreement for any reason, any sublicensee not then in default shall have the right to seek a

***** CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION**

license from M.I.T. M.I.T. agrees to negotiate such licenses in good faith under reasonable terms and conditions. In addition, in the event that M.I.T. terminates this Agreement pursuant to Paragraph 13.1, 13.2, or 13.3, each sublicense granted by LICENSEE to a sublicensee not then in default will survive such termination (as a direct license from M.I.T.), provided that such direct license shall be subject to the same non-financial terms and conditions as those in this Agreement and such sublicensee (or if there is at such time more than one such sublicensee, such sublicensees severally and jointly) shall be required to make any annual fees due pursuant to Paragraph 4.1(b) and each such sublicensee shall be required to make any monetary payment(s) that, had this Agreement not been terminated, LICENSEE would have been required to make under this Agreement as a result of the activities of such sublicensee. Each such sublicensee shall be an intended third-party beneficiary of the preceding sentence.

Copy of Selected Provisions from the Utah Agreement

4.3 For each SUBLICENSE granted by LICENSEE under the terms of this AGREEMENT, LICENSEE shall pay to LICENSOR (i) a sublicense fee of twenty thousand dollars ($20,000) within thirty (30) days of execution of each sublicense and (ii) an annual sublicense fee of ten thousand dollars ($10,000) for each year (excluding the first year) that such sublicense is in effect, payable within thirty (30) days of each anniversary of the effective date of such sublicense agreement.

6.2 As consideration for the license under this AGREEMENT, LICENSEE shall pay to LICENSOR an annual maintenance fee of twenty thousand dollars ($20,000) on or before each anniversary of the EFFECTIVE DATE of this AGREEMENT.

13.1 If LICENSEE should: (a) fail to deliver to LICENSOR any statement or report required hereunder when due (except where such payment is being contested in good faith); (b) fail to make any payment at the time that the same should be due; (c) violate or fail to perform any covenant, condition, or undertaking of the AGREEMENT to be performed by it hereunder; or (d) file a bankruptcy action, or have a bankruptcy action against it (which action remains undismissed for a period of sixty (60) days), or become insolvent; enter into a composition with creditors or have a receiver appointed for it; then LICENSOR may give written notice of such default, and its intent to terminate this AGREEMENT, to LICENSEE. If LICENSEE should fail to cure such default within thirty (30) days of such notice, the rights, privileges, and license granted hereunder shall automatically terminate; provided, however, that the cure period may be extended by sixty (60) days if LICENSEE conveys a written statement of its intent and plan to cure such default, and such plan is accepted by the LICENSOR, within thirty (30) days of the automatic termination date.

13.2 If LICENSEE shall cease to carry on its business with respect to the rights granted in this AGREEMENT, this AGREEMENT shall terminate upon thirty (30) days written notice by LICENSOR.

13.4 *[NOTE: As amended in the (first) Amendment (dated February 22, 2007) to the Utah Agreement.]* Notwithstanding anything to the contrary in this AGREEMENT, in the event that LICENSOR terminates this AGREEMENT pursuant to Section 13.1 or 13.2, each sublicense granted by LICENSEE to a SUBLICENSEE then in good standing under the terms of its sublicense agreement will survive such termination (as a direct license from LICENSOR), provided that (a) such direct license shall be subject to the same non-financial terms and conditions as those in this AGREEMENT, and LICENSOR shall not have any obligations to such SUBLICENSEE other than LICENSOR's obligations to LICENSEE as set forth herein; (b) such SUBLICENSEE (or if there is at such time more than one such SUBLICENSEE, such SUBLICENSEES severally and jointly) shall be required to make any annual maintenance payments due pursuant to Section 6.2; and (c) each such SUBLICENSEE shall be required to make any monetary payment(s) that, had this AGREEMENT not been terminated, LICENSEE would have been required to make under this AGREEMENT as a result of the license to, or activities of, such SUBLICENSEE, including without limitation the annual sublicensee fees due pursuant to Section 4.3(ii) with respect to such SUBLICENSEE (which for clarity shall continue notwithstanding the conversion of such SUBLICENSEE's sublicense to a direct license from LICENSOR). Each such SUBLICENSEE shall be an intended third-party beneficiary of this Section 13.4.

Exhibit 31.1

CERTIFICATION

I, Edward O. Lanphier II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sangamo BioSciences, Inc. (the "registrant")

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15(f) and 15d — 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or the persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Edward O. Lanphier II
Edward O. Lanphier II
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Greg S. Zante, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sangamo BioSciences, Inc. (the "registrant")

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15(f) and 15d — 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or the persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Greg S. Zante
Greg S. Zante
Vice President, Finance and Administration (Principal Financial and Accounting Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 in his capacity as an officer of Sangamo BioSciences, Inc. (the "Company"), that:

(1) the Quarterly Report of the Company on Form 10-Q for the quarterly period ended June 30, 2007, as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Edward O. Lanphier II
Edward O. Lanphier II
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2007

/s/ Greg S. Zante
Greg S. Zante
Vice President, Finance and Administration (Principal Financial and Accounting Officer)

Date: August 8, 2007