AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 24, 2000

REGISTRATION NO. 333-30134

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

FORM S-1
REGISTRATION STATEMENT
UNDER

THE SECURITIES ACT OF 1933

SANGAMO BIOSCIENCES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	8731	68-0359556
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

501 CANAL BOULEVARD, SUITE A100
RICHMOND, CA 94804
(510) 970-6000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF THE REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

EDWARD O. LANPHIER II
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SANGAMO BIOSCIENCES, INC.
501 CANAL BOULEVARD, SUITE A100
RICHMOND, CA 94804
(510) 970-6000
(NAME AND ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

JOHN W. LARSON, ESQ.
ELIZABETH A. R. YEE, ESQ.
BROBECK, PHLEGER & HARRISON LLP
ONE MARKET
SPEAR STREET TOWER
SAN FRANCISCO, CA 94105
(415) 442-0900

WILLIAM J. CERNIUS, ESQ.
JOSEPH G. MCCARTHY, ESQ.
LATHAM & WATKINS
650 TOWN CENTER DRIVE, 20TH FLOOR
COSTA MESA, CA 92626
(714) 540-1235

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION

STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED FEBRUARY , 2000

PROSPECTUS

SHARES

[SANGAMO LOGO]

SANGAMO BIOSCIENCES, INC.

COMMON STOCK

This is our initial public offering of shares of common stock. We are offering shares. No public market currently exists for our shares.

We intend to apply to have our common stock approved for quotation on the Nasdaq National Market under the symbol "SGMO."

INVESTING IN THE SHARES INVOLVES RISK. "RISK FACTORS" BEGIN ON PAGE 5.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting discounts	$	$
Proceeds to Sangamo	$	$

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock on the same terms and conditions as set forth above solely to cover over-allotments, if any.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Lehman Brothers expects to deliver the shares on or about April , 2000.

LEHMAN BROTHERS

CHASE H&Q

ING BARINGS

WILLIAM BLAIR & COMPANY

, 2000

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

This preliminary prospectus is subject to completion prior to this offering. Among other things, this preliminary prospectus describes our company as we currently expect it to exist at the time of this offering.

Some of the statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this prospectus are "forward-looking statements." These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "anticipates," "believes," "continue," "could," "estimates," "expects," "intends," "may," "plans," "seeks," "should" or "will" or the negative of these terms or similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

Universal Gene Recognition(TM), Universal GeneTools(TM), ZFP-Diagnostics(TM), ZFP-Therapeutics(TM), ZFP-Transgenics(TM) and ZFP(TM) are our trademarks. We will apply to register Universal Gene Recognition, Universal GeneTools, ZFP-Diagnostics, ZFP-Therapeutics, ZFP-Transgenics and ZFP. All trademarks and trade names appearing elsewhere in this prospectus are the property of their respective holders.

Until , 2000, 25 days after the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights some of the information found in greater detail elsewhere in this prospectus. Unless otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their over-allotment option, assumes the conversion of all of our preferred stock into common stock upon completion of this offering and a 2-for-1 stock split to be effected prior to consummation of the offering.

Sangamo BioSciences, Inc. is a leader in the development of novel transcription factors for the regulation of gene expression. Transcription factors are proteins that turn genes on or off by recognizing specific DNA sequences. Our Universal Gene Recognition technology platform enables the engineering of a class of transcription factors known as zinc finger DNA binding proteins, or ZFPs. By engineering ZFPs so that they can selectively bind to and regulate a target gene, we have created ZFP transcription factors that can control gene expression and, consequently, cell function. We intend to establish Universal Gene Recognition as a broadly-used technology platform for commercial applications in pharmaceutical discovery, human therapeutics, DNA diagnostics, and agricultural and industrial biotechnology.

Enormous scientific and financial resources are being dedicated to the sequencing of the human genome through both private and public initiatives such as the Human Genome Project. This is creating significant opportunities for pharmaceutical and other life science companies. The challenge facing these companies is how to derive medically and commercially valuable knowledge from this large accumulation of new genomic information.

We believe our Universal Gene Recognition technology platform has the potential to address these challenges and has broad applicability to the sectors below, each of which represents a significant target market with unmet needs:

- Universal GeneTools for Pharmaceutical Discovery are ZFP transcription factors for the identification and validation of commercially relevant gene targets in human, animal or microbial cells and for improved efficiency in the screening of chemical compounds for pharmaceutical discovery;

- ZFP-Therapeutics are ZFP transcription factors developed as pharmaceutical product candidates to treat a broad spectrum of diseases through the direct therapeutic regulation of disease-related genes and for the production of protein pharmaceuticals;

- ZFP-Diagnostics for Pharmacogenomics and DNA Diagnostics are ZFPs used for the identification of genetic variations among individuals and for the detection of specific DNA sequences to determine an individual's potential susceptibility to disease or probable response to drug therapy; and

- ZFP Transcription Factors for Agricultural and Industrial Biotechnology are designed to be used for agricultural genomics, agrochemical discovery, creation of novel plants with improved properties and for the biological production of industrial chemicals.

We believe our engineered ZFP transcription factors have numerous advantages for the regulation of gene expression including:

- ZFP transcription factors normally and naturally regulate gene expression in the cells of virtually all higher organisms;

- ZFPs can be designed to recognize unique DNA sequences resulting in the ability to recognize a single gene within an entire genome;

- ZFP transcription factors can activate or repress a target gene, enhancing their versatility;

- ZFP transcription factors can be used to regulate gene expression in multiple organisms including humans, animals, plants, microbes and viruses; and

- ZFP transcription factors can themselves be "turned on" and "turned off" with molecular switches, allowing conditional and reversible regulation of a target gene.

To date, we have engineered hundreds of ZFP transcription factors and have tested their ability to bind to their target sequences and to function in cell-based models. In similar models, we have also demonstrated the ability of ZFP transcription factors to regulate a limited number of commercially important genes.

We intend to develop our Universal Gene Recognition technology platform for application in pharmaceutical discovery, human therapeutics, DNA diagnostics, and agricultural and industrial biotechnology. To establish Universal Gene Recognition as a broadly-used technology platform in life science industries, and to fund internal research and development activities, we have established and will continue to pursue collaborations with selected pharmaceutical and biotechnology companies. We have signed Universal GeneTools agreements, which we refer to as collaborations, with 17 pharmaceutical or biotechnology companies including the following companies or their subsidiaries: Pfizer Inc., SmithKline Beecham plc, Millennium Pharmaceuticals, Inc., AstraZeneca PLC, Schering AG, Bayer Corporation, Glaxo Wellcome plc, DuPont Pharmaceuticals Company, Japan Tobacco Inc., F. Hoffmann-La Roche Ltd., Immunex Corporation, Pharmacia & Upjohn Company, Genset SA, Warner-Lambert Company, Merck KGaA, Zaiya Incorporated and Johnson & Johnson.

We have also entered into a strategic partnership with Edwards LifeScience, Inc., formerly the CardioVascular Group of Baxter Healthcare Corporation, for the development and commercialization of ZFP-Therapeutics in cardiovascular and peripheral vascular diseases. We expect to enter into other strategic partnerships to accelerate the development of ZFP transcription factors as potential pharmaceutical candidates.

Sangamo was founded and incorporated in Delaware in 1995. Our principal offices are located at 501 Canal Boulevard, Suite A100, Richmond, CA 94804, and our telephone number is (510) 970-6000.

THE OFFERING

Common stock offered by Sangamo.....	shares
Common stock to be outstanding after the offering.....	shares
Use of proceeds.....	For research and development, repayment of a note and general corporate purposes. See "Use of Proceeds" for more information regarding our planned use of the proceeds from this offering.
Proposed Nasdaq National Market symbol.....	SGMO

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of December 31, 1999 adjusted to reflect the issuance of 666,666 shares of common stock in January 2000 and the issuance of a $5 million note which converts into common stock at the initial public offering price upon the consummation of the offering, and excludes:

- a total of 1,872,666 shares issuable upon the exercise of outstanding options at a weighted average exercise price of $0.15 per share;
- a total of 259,962 shares issuable upon the exercise of outstanding warrants at a weighted average exercise price of $2.00 per share; and
- a total of 2,400,000 shares available for future issuance under our stock plans.

SUMMARY FINANCIAL DATA

The following table sets forth summary financial data for our company. You should read this information together with the financial statements and the notes to those statements appearing elsewhere in this prospectus and the information under "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Please see the financial statements and the notes to the statements appearing elsewhere in this prospectus for the determination of the number of shares used in computing the basic and diluted and pro forma basic and diluted net loss per share.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF OPERATIONS DATA:			
Total revenues	$1,152	$ 2,038	$ 2,182
Operating expenses:			
Research and development	1,675	4,057	3,991
General and administrative	447	1,029	1,578
Amortization of deferred stock compensation	--	--	96
Total operating expenses	2,122	5,086	5,665
Loss from operations	(970)	(3,048)	(3,483)
Interest income, net	44	173	131
Net loss	$ (926)	$(2,875)	$(3,352)
Basic and diluted net loss per share	$(0.17)	$ (0.49)	$ (0.56)
Shares used in computing basic and diluted net loss per share	5,485	5,843	5,991
Pro forma basic and diluted net loss per share (unaudited)			$ (0.26)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)			13,102

The following table is a summary of our balance sheet as of December 31, 1999. The pro forma column reflects the issuance in January 2000 of 666,666 shares of common stock and the issuance and conversion into common stock of a $5 million note which converts into common stock at the initial public offering price upon consummation of the offering. The pro forma as adjusted column also reflects our receipt of the estimated net proceeds from the sale of the shares of common stock offered in this offering at an assumed initial public offering price of $ per share after deducting the estimated underwriting discount and offering expenses payable by us, and the repayment of $250,000 of long-term debt. See "Use of Proceeds" and "Capitalization" and Notes 1, 4, and 7 of Notes to Financial Statements.

	AS OF DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
BALANCE SHEET DATA:			
Cash, cash equivalents, and short-term investments	$7,503	$ 14,003	
Working capital	7,206	13,706	
Total assets	9,287	15,787	
Long-term debt	250	250	
Accumulated deficit	(7,478)	(7,478)	
Total stockholders' equity	8,007	14,507	

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the following risks, as well as the other information contained in this prospectus. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you might lose all or a part of your investment. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently see as immaterial, may also harm our business.

RISKS RELATED TO OUR BUSINESS

OUR GENE REGULATION TECHNOLOGY PLATFORM IS UNPROVEN, AND WE MAY BE UNABLE TO USE THIS TECHNOLOGY IN ALL OF OUR INTENDED APPLICATIONS.

Our technology platform involves new and unproven approaches to gene regulation. Although we have generated some ZFP transcription factors for some gene sequences, we have not created ZFP transcription factors for all gene sequences and we cannot assure you that we will be able to create ZFP transcription factors for all gene sequences. In addition, while we have demonstrated the function of engineered ZFP transcription factors in cell cultures, we have not done so in animals and humans and many other organisms, and the failure to do so could restrict our ability to develop commercially viable products. Furthermore, delivery of ZFP transcription factors into cells in these and other environments is limited by a number of technical challenges, which we may be unable to surmount.

Moreover, the utility of our ZFP transcription factors is in part based on the belief that the regulation of gene expression may help scientists better understand the role of human, animal, plant and microbial genes in drug discovery, as well as therapeutic, diagnostic, agricultural and industrial biotechnology applications. There is only a limited understanding of the role of genes in all these fields. Few products in any of these fields have been developed and commercialized based on results from genomic research or the ability to regulate gene expression. Our technology may not enable us, our Universal GeneTools collaborators or our strategic partners to identify and validate drug targets or other targets in order to develop commercial products. Even if our Universal GeneTools collaborators or strategic partners are successful in identifying drug targets or other targets based on discoveries made using our ZFP transcription factors, our collaborators or strategic partners may not be able to discover or develop commercially viable products or may determine to pursue products that do not use our technology.

Finally, no company has developed or commercialized any therapeutic, diagnostic, agricultural or industrial biotechnology products based on our technology. If our technology fails to provide safe, effective, useful or commercially viable approaches to the discovery and development of these products, the company and our business would be significantly adversely affected.

INITIAL EVALUATIONS OF OUR ENGINEERED ZFP TRANSCRIPTION FACTORS DELIVERED TO OUR UNIVERSAL GENETOOLS COLLABORATORS HAVE PRODUCED MIXED RESULTS.

Some of our Universal GeneTools collaborators have been able to confirm the potential utility of our gene regulation technology. Two of our collaborators, however, have not yet been able to regulate gene expression using our technology. These collaborators are continuing to evaluate our technology. Further, most of our collaborators have not yet started testing or have not yet generated the final results of their testing. We cannot assure you that the ZFP transcription factors that we have generated for our other collaborators or our strategic partner will function as intended or that

ZFP transcription factors engineered in the future for other collaborators or strategic partners will function as intended. If we are unsuccessful in engineering ZFP transcription factors that achieve positive results for our collaborators or strategic partners, our business will be significantly harmed.

IF OUR COMPETITORS DEVELOP, ACQUIRE OR MARKET TECHNOLOGIES OR PRODUCTS THAT ARE MORE EFFECTIVE THAN OURS, OUR COMMERCIAL OPPORTUNITY WILL BE REDUCED OR ELIMINATED.

Any products that we or our collaborators or strategic partners develop using our Universal Gene Regulation technology platform will participate in highly competitive markets. Even if we are able to generate ZFP transcription factors that achieve useful results, competing technologies may prove to be more effective or less expensive which would limit or eliminate our revenue opportunities. Competing technologies may include other methods of regulating gene expression. Our competitors include biotechnology companies with competing proprietary technology platforms, substantially greater capital resources, larger research and development staffs and facilities, greater experience in product development and in obtaining regulatory approvals and patent protection and greater manufacturing and marketing capabilities than we do. 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.

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 36 employees, 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 academic and other research 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. If we lose the services of personnel with these types of skills, it could impede significantly the achievement of our research and development objectives. If we fail to negotiate additional acceptable collaborations with academic and other research institutions and scientists, or if our existing collaborations were to be unsuccessful, our technology development programs may be delayed or may not succeed.

At present the scope of our needs is somewhat limited to the expertise of personnel who are able to engineer ZFP transcription factors and apply them to gene regulation. In the future, we will need to hire additional personnel and develop additional academic collaborations as we continue to expand our research and development activities and to work on some of our planned projects. In addition, if we are able to expand our relationships with Universal GeneTools collaborators and strategic partners, we will require additional expertise in disciplines applicable to the products we would develop with them. Further, our planned activities will require existing management to develop additional expertise. We do not know if we will be able to attract, retain or motivate the required personnel. The inability to acquire these services or to develop this expertise could impair our business.

WE MAY HAVE DIFFICULTY MANAGING OUR GROWTH, WHICH COULD HARM OUR BUSINESS.

We have recently experienced, and expect to continue to experience, growth in the number of our employees and the scope of our operating and financial systems. This growth has resulted in an increase in responsibilities for both existing and new management personnel. Our ability to manage growth effectively will require us to continue to implement and improve our operational, financial and management information systems and to recruit, train, motivate and manage our employees. We cannot assure you that we will be able to manage our growth and expansion, and the failure to do so would harm our business.

WE ARE AT AN EARLY STAGE OF DEVELOPMENT AND MAY NOT SUCCEED OR BECOME PROFITABLE.

We began operations in 1995 and are at an early stage of development. We have incurred significant losses to date and our revenues have been limited to federal government research grants and Universal GeneTools collaborators and a strategic partner. Our initial ZFP transcription factors delivered to our Universal GeneTools collaborators are being evaluated and may not provide sufficient value to those collaborators to convince them to continue in these relationships. This may also impair our ability to attract additional collaborators. As a result, our business is subject to all of the risks inherent in the development of a new technology, which includes the need to:

- attract additional new Universal GeneTools collaborators and strategic partners;

- attract and retain qualified scientific and technical staff and management, particularly scientific staff with expertise to further apply and develop our early stage technology;

- attract and enter into research collaborations with academic and other research institutions and scientists;

- obtain sufficient capital to support the expense of developing our technology platform and developing, testing and commercializing products;

- develop a market for our products; and

- successfully transition from a company with a research focus to a company capable of supporting commercial activities.

Our operations are likely to be affected by problems frequently encountered with research, development and commercialization of new technologies and products and by the competitive environment in which we operate.

IF WE CONTINUE TO INCUR OPERATING LOSSES FOR A PERIOD LONGER THAN ANTICIPATED, WE MAY BE UNABLE TO CONTINUE OUR OPERATIONS.

We have generated operating losses since we began operations in 1995. The extent of our future losses and the timing of profitability are highly uncertain, and we may not be profitable in the foreseeable future. We have been engaged in developing our Universal Gene Recognition technology platform since inception, which has and will continue to require significant research and development expenditures. To date, our revenues have primarily been generated by federal government research grants, Universal GeneTools collaboration agreements and a strategic partnership agreement. As of December 31, 1999, we had an accumulated deficit of approximately $7.5 million. Even if we succeed in increasing our current product and research revenue or develop additional commercial products, we expect to incur losses in the near future and may continue to incur losses for the next several years. These losses may increase as we expand our research and development activities. If the time required to generate significant product revenues and achieve profitability is longer than anticipated, we may not be able to continue our operations.

IF WE FAIL TO OBTAIN THE CAPITAL NECESSARY TO FUND OUR OPERATIONS, WE WILL BE UNABLE TO SUCCESSFULLY DEVELOP OUR TECHNOLOGY AND PRODUCTS.

Significant additional financing may be required to fund future operations. We do not know whether additional financing will be available when needed, or that, if available, it will be on terms favorable to our stockholders or us. We have consumed substantial amounts of cash to date and expect capital outlays and operating expenditures to increase over the next several years as we expand our infrastructure and research and development activities. We may raise this financing through public or private financings or additional Universal GeneTools collaborations, strategic partnerships or licensing arrangements.

We believe that the net proceeds from the offering, existing cash and investment securities will be sufficient to support our current operating plan through at least the end of 2002. We have based this estimate on assumptions that may prove to be wrong. Our future capital requirements depend on many factors that affect our research, development, collaboration and strategic partnering activities. If we fail to raise sufficient funds, we may have to curtail or cease operations.

OUR TECHNOLOGY INFRASTRUCTURE IS NOT YET COMPLETE AND ANY DELAY OR FAILURE TO COMPLETE IT COULD HARM OUR BUSINESS.

Part of our strategy involves building additional technology infrastructure to support our Universal Gene Recognition platform. This strategy includes the continued research and development of improved and automated processes for design and production of our ZFP transcription factors. In addition, we intend to continue to assemble ZFP libraries for use in pharmaceutical target discovery. Because this infrastructure is an important part of our platform, any delay or failure to complete it could harm our business.

OUR UNIVERSAL GENETOOLS COLLABORATION AGREEMENTS WITH COMPANIES ARE OF LIMITED SCOPE, AND IF WE ARE NOT ABLE TO EXPAND THE SCOPE OF OUR EXISTING COLLABORATIONS OR ENTER INTO NEW ONES, OUR BUSINESS WILL BE ADVERSELY AFFECTED.

Our Universal GeneTools collaborations are important to us as they permit us to introduce our technology to multiple companies by supplying them with a specified ZFP transcription factor for a payment without licensing any of our technology. The collaboration agreements are of limited scope, however. Under most of our current Universal GeneTools collaborations we receive a payment for supplying ZFP transcription factors for gene targets specified by the companies. These companies are not obligated to make continuing payments to us in connection with their research efforts or to pursue any product development program with us. As a result, we may not develop long-term relationships with these companies that could lead to additional revenues. If we are not able to expand the scope of our existing collaborations or enter into new ones, our business will be adversely affected.

COMMERCIALIZATION OF OUR TECHNOLOGIES DEPENDS ON STRATEGIC PARTNERING WITH OTHER COMPANIES, AND IF WE ARE NOT ABLE TO FIND STRATEGIC PARTNERS IN THE FUTURE, WE MAY NOT BE ABLE TO DEVELOP OUR TECHNOLOGIES OR PRODUCTS.

We expect to rely, to some extent, on our strategic partners to provide funding in support of our research and to perform some independent research, preclinical and clinical testing. We currently have only one strategic partner. Since we do not currently possess the resources necessary to develop and commercialize potential products that may result from our technologies, or the resources or capabilities to complete any approval processes that may be required for the products, we must enter into additional strategic partnerships to develop and commercialize products. If we do not enter into

additional strategic partnering agreements, our revenue will be reduced and our potential products may not be developed or commercialized. The loss of our current or any future strategic partnering agreement would not only delay or terminate the potential development or commercialization of any products we may derive from our technologies but also delay or terminate our ability to test ZFP transcription factors for specific gene targets. If our present strategic partner or any of our future strategic partners were to breach or terminate their agreement with us or otherwise fail 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. We cannot control the amount and timing of resources our present strategic partner or our future strategic partners will devote to our programs or potential products. In addition, we expect to rely on our strategic partners for commercialization of some of our products.

Our existing strategic partnering agreement is, and we would expect any future arrangement to be, milestone based. These are different from our Universal GeneTools agreements in that under the strategic partnering agreements we would receive revenue for the research and development of a therapeutic product based on achievement of specific milestones. Achieving these milestones will depend, in part, on the efforts of our strategic partner as well as our own. In contrast, under our current Universal GeneTools collaboration agreements we are paid only for supplying ZFP transcription factors for the collaborator's independent use, rather than for future results of the collaborator's efforts. If we or our present strategic partner or our future strategic partners fail to meet specific milestones, then the strategic partnership can be terminated. If we fail to maintain our existing strategic partnership or enter into more of these strategic partnering agreements, we will not be able to increase our revenues, and our business will be harmed.

OUR UNIVERSAL GENETOOLS COLLABORATIONS AND STRATEGIC PARTNERSHIPS MAY NOT LEAD TO COMMERCIALLY VIABLE PRODUCTS.

We cannot assure you that any current or future Universal GeneTools collaborations or strategic partnerships will ultimately succeed in delivering commercially viable products, and we cannot assure you that any products, if approved, will gain market acceptance. Significant time may be required to secure additional collaborations or strategic partners because of the need to effectively market the benefits of our technology to these future collaborators and strategic partners, including 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. We may expend substantial funds and management effort with no assurance that a collaboration or strategic partnership will result. Our quarterly operating results may fluctuate significantly depending on the initiation of new Universal GeneTools collaboration or strategic partnering agreements or the termination of existing collaboration and strategic partnering agreements.

Because many of our Universal GeneTools collaborators or strategic partners are likely to be working on more than one research project, they could choose to shift their resources to projects other than those they are working on with us. If they do so, that would delay our ability to test our technology and would delay or terminate the development of potential products based on our gene regulation 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. We cannot assure you that our collaborators or strategic partners will not adopt alternative technology of our competitors. If any of these events occur, we may not be able to develop our technologies or commercialize our products.

WE INTEND TO CONDUCT PROPRIETARY RESEARCH PROGRAMS TO DISCOVER THERAPEUTIC PRODUCT CANDIDATES. THESE PROGRAMS INCREASE OUR RISK OF PRODUCT FAILURE, MAY SIGNIFICANTLY INCREASE OUR RESEARCH EXPENDITURES, AND MAY INVOLVE CONFLICTS WITH OUR COLLABORATORS AND STRATEGIC PARTNERS.

An important part of our strategy involves conducting proprietary research programs. The implementation of this strategy will involve substantially greater business risks and the expenditure of significantly greater funds than our current research activities. In addition, these programs will require substantial commitments of time from our management and staff. Moreover, we have no experience in preclinical or clinical testing, obtaining regulatory approval or commercial-scale manufacturing and marketing of therapeutic products, and we currently do not have the resources 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, market and sell products. We do not have these capabilities, and we may not be able to develop or otherwise obtain the requisite preclinical, clinical, regulatory, manufacturing, marketing and sales capabilities.

In addition, disagreements with our Universal GeneTools 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.

BECAUSE IT IS DIFFICULT AND COSTLY TO PROTECT OUR PROPRIETARY RIGHTS, WE CANNOT ENSURE THEIR PROTECTION.

Our commercial success will depend in part on obtaining patent protection of our technology and successfully defending these patents against third party challenges. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and 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. We currently hold an exclusive sublicense for ZFP transcription factor technology which is limited to using the technology in human and animal healthcare. The scope of this license may be subject to dispute. We may need to license additional rights to commercialize our technology outside human and animal healthcare. We will seek to obtain a sublicense to these patent applications for use in our agricultural and industrial biotechnology efforts. If we are not able, however, to license these additional rights, it could harm our business. Similarly, our current licenses, and our future licenses will, contain performance obligations, and 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, our product development and research activities may be delayed or terminated.

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 generally do

not control the prosecution of patent applications that we license from third parties; therefore, the patent applications may not be prosecuted 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;
- 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 Universal GeneTools collaborators or strategic partners will provide a basis for commercially viable products or will provide us with any competitive advantages or will not be challenged and invalidated by third parties;
- we will develop additional products, processes or technologies that are patentable; or
- the patents of others will not have an adverse effect on our ability to do business.

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 which is based on the use of zinc finger DNA binding proteins. More particularly, we are aware of pending patent applications with claims directed to zinc finger libraries and methods of designing zinc finger DNA binding proteins. These applications are not issued patents. If the pending claims were granted in their present form, however, they could interfere with our right to commercialize our products and processes. 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 partner 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 our Universal GeneTools collaborators, strategic partners or we 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. While we believe that our proprietary intellectual property would give us substantial leverage to secure a cross-license, we cannot assure you that any license required under that patent or patents would be made available on commercially acceptable terms, if at all. We believe that 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.

We have received unsolicited invitations to license existing patented technology from a number of third parties, at least one of which contained an allegation of infringement. Upon careful analysis of each of these technologies, we have determined that we already own rights to these technologies or that our scientific and commercial interests would not benefit from the acquisition of rights to these technologies. Further, we believe that the making, using or selling of our products and processes need not infringe any claims in the proffered patents. Accordingly, we have declined to enter into license negotiations with these parties. We cannot assure you, however, that these parties will not bring future actions against us, our Universal GeneTools collaborators or our strategic partners alleging infringement of their patents. As detailed above, the outcome of any litigation, particularly lawsuits involving biotechnology patents, is difficult to predict and likely to be costly regardless of the

outcome. In these circumstances, the risks of a negative impact on our business can neither be clearly defined nor entirely eliminated.

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 Universal GeneTools 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 our ability to receive patent protection or protect our proprietary information will be imperiled. See "Business -- Intellectual Property and Technology Licenses."

OUR POTENTIAL THERAPEUTIC PRODUCTS ARE SUBJECT TO A LENGTHY AND UNCERTAIN REGULATORY PROCESS, AND IF THESE POTENTIAL PRODUCTS ARE NOT APPROVED, WE WILL NOT BE ABLE TO COMMERCIALIZE THOSE PRODUCTS.

The Food and Drug Administration, or FDA, must approve any therapeutic and some diagnostic products based on ZFP technology before it can be marketed in the United States. The process for receiving regulatory approval is long and uncertain, and we cannot assure you that if we had a potential product, this product would withstand the rigors of testing under the regulatory approval processes.

Before commencing clinical trials in humans, we must submit and receive approval from the FDA of an Investigational New Drug Application. Clinical trials are subject to oversight by institutional review boards and the FDA and these trials must meet particular conditions, such that they:

- must be conducted in conformance with the FDA's good clinical practice regulations;

- must meet requirements for institutional review board oversight;

- must meet requirements for informed consent;

- are subject to continuing FDA oversight;

- may require large numbers of test subjects; and

- may be suspended by us or the FDA 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 Investigational New Drug application or the conduct of these trials.

We must also demonstrate that the product is safe and effective in the patient population that will be treated. Data obtained from preclinical and clinical activities are susceptible to varying interpretations that could delay, limit or prevent regulatory clearances. In addition, delays or rejections may be encountered 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. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other regulatory action against our potential products or us. Additionally, we have no experience in conducting and managing the clinical trials necessary to obtain regulatory approval.

In addition, we may also require approval 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.

Even after investing significant time and expenditures, we may not obtain regulatory approval for our products. Even if we receive regulatory approval, this approval may entail limitations of the indicated use for which we can market a product. Further, once regulatory approval is obtained, a marketed product and its manufacturer are subject to continual review, and 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 certain countries, regulatory agencies also set or approve prices.

We have not submitted an application with the FDA or any other regulatory authority for any product candidate, and neither the FDA nor any other regulatory authority has approved any therapeutic, diagnostic, agricultural or industrial product candidate developed with our technology for commercialization in the United States or elsewhere.

Even if regulatory clearance of a product is granted, this clearance will be limited to those specific states and conditions for which the product is useful, demonstrated through clinical trials to be safe and effective. We cannot ensure that any 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.

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.

LAWS OR PUBLIC SENTIMENT MAY LIMIT OUR PRODUCTION OF GENETICALLY ENGINEERED AGRICULTURAL PRODUCTS IN THE FUTURE, AND THESE LAWS COULD REDUCE OUR ABILITY TO SELL THESE PRODUCTS.

We may develop genetically engineered agricultural products for ourselves or with our strategic partners. The field testing, production and marketing of genetically engineered 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 engineered 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 applied to foods developed through traditional plant breeding. Genetically engineered food products, however, will be subject to premarket review if these products raise safety questions or are deemed to be food additives. Our products may be subject to lengthy FDA reviews and unfavorable FDA determinations if they raise questions, are deemed to be food additives, or if the FDA changes its policy. Governmental authorities could also, for social or other purposes, limit the use of genetically engineered products created with our gene regulation technology.

The FDA has also announced in a policy statement that it will not require that genetically engineered agricultural products be labeled as such, provided that these products are as safe and have the same nutritional characteristics as conventionally developed products. The FDA may reconsider or change its labeling policies, or local or state authorities may enact labeling requirements. Any labeling requirements could reduce the demand for our products. Further, negative public reaction to genetically modified organisms and products could result in greater government regulation of genetic research and the resulting products, including stricter label requirements and could cause a decrease in the demand for our products.

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

IF CONFLICTS ARISE BETWEEN US AND OUR COLLABORATORS, STRATEGIC PARTNERS, SCIENTIFIC ADVISORS OR DIRECTORS, THESE PARTIES MAY ACT IN THEIR SELF-INTEREST, WHICH MAY BE ADVERSE TO YOUR BEST INTERESTS.

If conflicts arise between us and our corporate or academic collaborators, strategic partners or scientific advisors or directors, the other party may act in its self-interest and not in the interest of our stockholders. Some of our Universal GeneTools or academic collaborators or strategic partners are conducting multiple product development efforts within each area that is the subject of the collaboration with us. Generally, in each of our collaborations, we have agreed not to conduct independently, or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborations may have the effect of limiting the areas of research that we may pursue, either alone or with others. 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 their withdrawal of support for our product candidates.

Certain 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.

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.

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. 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 are subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations could be significant.

ANTI-TAKEOVER PROVISIONS IN OUR CERTIFICATE OF INCORPORATION AND DELAWARE LAW COULD ADVERSELY AFFECT THE RIGHTS OF OUR COMMON STOCKHOLDERS.

Anti-takeover provisions of Delaware law, in our certificate of incorporation and equity benefit plans may make a change in control of our company more difficult, even if a change in control would be beneficial to our stockholders. These provisions may allow our board of directors to prevent or make changes in the management and control of our company. In particular, our board of directors will be able to 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. Further, without any further vote or action on the part of the stockholders, the board of directors will 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 will 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.

A NATURAL DISASTER COULD ADVERSELY AFFECT OUR BUSINESS.

Our sole facility is located in Richmond, California. In the event that a fire or other natural disaster, such as an earthquake, prevents us from operating our business, our business would be materially, adversely affected. We maintain earthquake coverage for our facility, but we do not maintain the same coverage for personal property or resulting business interruption.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE MAY BE VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS PURCHASING SHARES IN THIS OFFERING.

Prior to this offering, you could not buy or sell our common stock publicly. An active public market for our common stock may not develop or be sustained after this offering. We will negotiate and determine the initial public offering price with the representatives of the underwriters based on several factors. You may be unable to sell your shares of common stock at or above the initial public offering price, which may result in substantial losses to you. In addition, the market price of our common stock may be highly volatile. The market prices of securities of other technology-based companies, particularly biotechnology companies, currently are highly volatile. The market price of our common stock may fluctuate significantly in response to the following factors, some of which are beyond our control:

- changes in market valuations of similar companies and stock market price and volume fluctuations generally;

- 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;

- deviations in our results of operations from the estimates of securities analysts;

- changes in securities analysts' estimates of our financial performance;

- variations in our quarterly operating results; and

- future sales of our common stock or other securities.

Our initial public offering price may not be indicative of the price of our stock that will prevail in the trading market. In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources.

OUR STOCK PRICE COULD BE ADVERSELY AFFECTED BY SHARES BECOMING AVAILABLE FOR SALE.

Sales of a substantial number of shares of our common stock, or the perception that these sales could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. In addition, we have entered into registration rights agreements with some investors that entitle these investors to have their shares registered for sale in the public market. The exercise of these rights could affect the market price of our common stock. See "Shares Eligible for Future Sale" for further information concerning potential sales of our shares after this offering.

PURCHASERS IN THIS OFFERING WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION.

We expect that the initial public offering price of our common stock will be substantially higher than the book value per share of the outstanding common stock. As a result, you will incur immediate and substantial dilution of $ per share in the net tangible book value per share of common stock from the initial public offering price. In the past, we issued options and warrants to acquire common stock at prices significantly below the initial public offering price. The exercise of options and warrants currently outstanding could cause additional, substantial dilution to you. See "Dilution" for more detailed information regarding the potential dilution you may incur.

INSIDERS WILL CONTINUE TO HAVE SUBSTANTIAL CONTROL OVER SANGAMO AFTER THIS OFFERING AND COULD DELAY OR PREVENT A CHANGE IN CORPORATE CONTROL.

The interest of management could conflict with the interest of our other stockholders. Upon completion of this offering, our executive officers, directors and principal stockholders will beneficially own, in the aggregate, approximately % of our outstanding common stock. As a result, these stockholders, if they choose to act together, will be able to exercise control over 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.

USE OF PROCEEDS

Our net proceeds from the sale of the shares of common stock we are offering are estimated to be $ million, or $ million if the underwriters' over-allotment option is exercised in full, based on an assumed initial offering price of $ per share, after deducting the estimated underwriting discount and commissions and the estimated offering expenses.

We currently expect to use the net proceeds of this offering for research and development, repayment of a loan and general corporate purposes. We also expect to repay the loan which bears interest at a rate of 6.5%. The loan matures in May 2003 and has a current balance of $250,000. We may also use a portion of the net proceeds to acquire or invest in businesses, products and technologies that are complementary to our own, although no acquisitions are planned or being negotiated as of the date of this prospectus, and no portion of the net proceeds has been allocated for any specific acquisition or for acquisitions generally. Pending these uses, the net proceeds will be invested in short term, investment grade, interest-bearing securities.

The principal purposes of the offering are to increase our capitalization and financial flexibility, to provide a public market for our common stock and to facilitate access to public equity markets. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds we will have upon completion of the offering. Accordingly, our management will have broad discretion in the application of net proceeds.

DIVIDEND POLICY

We have never paid dividends on our common or preferred stock. We currently intend to retain any future earnings to support the development of our business. Therefore, we do not currently anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999:

- on an actual basis

- on a pro forma basis to give effect to:

  - automatic conversion of all outstanding shares of preferred stock into 9,711,834 shares of common stock upon consummation of the offering;

  - the issuance of 666,666 shares of common stock in January 2000;

  - the issuance of a $5 million note in January 2000 which converts into shares of common stock at an assumed initial public offering price upon consummation of the offering of $.

- on a pro forma as adjusted basis to give effect to the sale of shares of our common stock at an assumed initial public offering price of $ per share in this offering, after deducting the estimated underwriting discounts and commissions and our estimated offering expenses, and the repayment of $250,000 of long-term debt.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Notes to the Financial Statements appearing elsewhere in this prospectus.

	AS OF DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Long-term debt, less current portion	$ 250	$ 250	$ --
Stockholders' equity:			
Preferred stock, $0.01 par value, 6,000,000 shares authorized, actual and pro forma, 5,000,000 shares authorized, as adjusted; 4,855,917 shares issued and outstanding, actual, no shares issued and outstanding, pro forma and pro forma as adjusted	15,088	--	--
Common stock, $0.01 par value, 15,000,000 authorized, actual, 80,000,000 shares authorized, pro forma and pro forma as adjusted; 6,132,060 shares issued and outstanding, actual, shares issued and outstanding, pro forma and shares issued and outstanding, pro forma as adjusted	1,700	23,288	
Deferred stock compensation	(1,386)	(1,386)	(1,386)
Accumulated deficit	(7,478)	(7,478)	(7,478)
Accumulated other comprehensive income	83	83	83
Total stockholders' equity	8,007	14,507	
Total capitalization	$ 8,257	$14,757	$

The number of shares of common stock outstanding excludes:

- 1,872,666 shares of common stock issuable upon exercise of stock options outstanding at a weighted average exercise price of $0.15 per share;

- 259,962 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $2.00 per share; and

- a total of 2,400,000 shares of common stock available for future issuance under our stock option plans.

DILUTION

The pro forma net tangible book value per share of our common stock as of December 31, 1999 was $. Pro forma net tangible book value per share represents total pro forma tangible assets less liabilities, divided by pro forma net common shares outstanding. Pro forma net tangible book value reflects our actual net tangible book value at December 31, 1999, and includes the pro forma effect of the conversion of all outstanding shares of preferred stock into 9,711,834 shares of common stock upon the consummation of the offering, the issuance in January 2000 of 666,666 shares of common stock and the issuance of a $5 million note which converts into shares of common stock at an assumed initial public offering price of $ upon consummation of the offering.

After giving effect to our sale of shares of common stock in this offering and after deducting the underwriting discounts and commissions and our estimated offering expenses, our pro forma net tangible book value as of December 31, 1999 would have been million, or per share. This represents an immediate increase in pro forma net tangible book value of per share to existing stockholders and an immediate dilution of per share to new investors. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately following this offering. The following table illustrates this per share dilution:

Initial public offering price per share.....		$
Pro forma net tangible book value per share as of December 31, 1999.....	$	
Increase per share attributable to the offering.....		
Pro forma net tangible book value per share after the offering.....		
Dilution per share to new investors.....		$

The following table summarizes on December 31, 1999, based on the same pro forma assumptions as above and assuming an initial public offering price of $, the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....		%	$	%	$
New investors.....					
Totals.....		%	$	%	

- ---

This table excludes the following shares as of December 31, 1999:

- 1,872,666 shares issuable upon exercise of outstanding options at a weighted average exercise price of $0.15 per share;
- 259,962 shares issuable upon exercise of outstanding warrants at a weighted average exercise price of $2.00 per share; and
- a total of 2,400,000 shares available for future issuance under our stock plans.

See "Management -- Stock Plans" and Note 4 of Notes to Financial Statements.

SELECTED FINANCIAL DATA

The following selected statement of operations data for the period from inception to December 31, 1995 and for the years ended December 31, 1996, 1997, 1998 and 1999, and the balance sheet data as of December 31, 1995, 1996, 1997, 1998 and 1999, are derived from the audited financial statements, which have been audited by Ernst & Young LLP. The diluted net loss per share computation excludes potential shares of common stock (preferred stock, options and warrants to purchase common stock and common stock subject to repurchase rights that we hold), since their effect would be antidilutive. See Note 4 of Notes to Financial Statements for a detailed explanation of the determination of the shares used to compute actual and pro forma basic and diluted net loss per share. Our historical results are not necessarily indicative of results to be expected for future periods. You should read the following selected financial data in conjunction with our Financial Statements and related Notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Total revenues	$ 183	$ 632	$1,152	$ 2,038	$ 2,182
Operating expenses:					
Research and development	150	628	1,675	4,057	3,991
General and administrative	50	322	447	1,029	1,578
Amortization of deferred stock compensation	--	--	--	--	96
Total operating expenses	200	950	2,122	5,086	5,665
Loss from operations	(17)	(318)	(970)	(3,048)	(3,483)
Interest income, net	--	10	44	173	131
Net loss	(17)	$ (308)	$ (926)	$(2,875)	$(3,352)
Basic and diluted net loss per share	$(0.00)	$(0.06)	$(0.17)	$ (0.49)	$ (0.56)
Shares used in computing basic and diluted net loss per share	5,000	5,143	5,485	5,843	5,991
Pro forma basic and diluted net loss per share (unaudited)					$ (0.26)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)					13,102

	AS OF DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	$243	$ 358	$ 6,314	$ 3,058	$ 7,503
Working capital	308	434	6,233	3,161	7,206
Total assets	346	539	6,896	4,219	9,287
Long-term debt	--	--	--	250	250
Accumulated deficit	(17)	(325)	(1,251)	(4,126)	(7,478)
Total stockholders' equity	308	434	6,409	3,591	8,007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the "Selected Financial Data" and the Financial Statements and Notes attached to those statements included elsewhere in this prospectus.

OVERVIEW

We were incorporated in June 1995. From our inception through December 31, 1999, our activities related primarily to establishing a research and development organization and developing relationships with our Universal GeneTools collaborators. We have incurred net losses since inception and expect to incur losses in the near future as we expand our research and development activities. To date, we have funded our operations primarily through the issuance of equity securities, borrowings, and payments from federal government research grants and from Universal GeneTools collaborators. As of December 31, 1999, we had an accumulated deficit of $7.5 million.

Our revenues consist primarily of federal government research grant funding and revenues from our Universal GeneTools collaborators. We expect that in the near future, our revenues will also include payments from strategic partners for technology access fees, committed research funding and research milestone payments.

In January 2000, we announced that we had entered into a strategic partner agreement with Edwards LifeScience, Inc., formerly the CardioVascular Group of Baxter Healthcare Corporation for the development of ZFPs in cardiovascular and peripheral vascular diseases. Under this agreement, Baxter has purchased a $5 million convertible note which will convert into common stock upon consummation of this offering, and we have received $1 million in initial research funding from Baxter. In the future, we may receive option fees, milestone payments, royalties and additional research funding from this agreement. See "Business -- Corporate Collaborations" and Note 16 of Notes to Financial Statements.

Research and development expenses consist primarily of salaries and related personnel expenses, subcontracted research expenses, and technology license expenses. As of December 31, 1999, all research and development costs have been 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 in the future as we continue to develop our Universal Gene Recognition technology platform.

General and administrative expenses consist primarily of salaries and related personnel expenses for executive, finance and administrative personnel, professional fees, and other general corporate expenses. As we add personnel and incur additional costs related to the growth of our business, general and administrative expenses will also increase.

STOCK COMPENSATION

During the year ended December 31, 1999, in connection with the grant of stock options to employees, we recorded deferred stock compensation totaling $1.5 million, representing the difference between the deemed fair value of our common stock for financial reporting purposes on the date such options were granted and the exercise price. This amount is included as a reduction of stockholders' equity and is being amortized over the vesting period of the individual options, generally four years, using the graded vesting method. The graded vesting method provides for vesting of portions of the overall award at interim dates and results in higher vesting in earlier years than straight-line vesting.

We recorded amortization of deferred stock compensation of $96,000 for the year ended December 31, 1999. At December 31, 1999, we had a total of $1.4 million remaining to be amortized over the vesting periods of the stock options. In January 2000, we recorded additional deferred stock compensation of $2.8 million and anticipate additional deferred stock compensation will be recorded for options granted prior to the closing of this offering. You should read Note 4 of Notes to Financial Statements for more information.

RESULTS OF OPERATIONS

Years Ended December 31, 1999 and 1998

Total revenues. Total revenues consist of revenues from collaboration agreements and federal government research grants. Revenues from our Universal GeneTools agreements were $1.0 million in 1999, compared with $150,000 during 1998, an increase of $850,000. The increase in 1999 was principally attributable to revenues recognized from collaboration agreements signed since the third quarter of 1998. We expect revenues from these agreements to continue to increase as additional agreements are signed or existing agreements are expanded. Federal government research grant revenues were $1.2 million in 1999, compared to $1.9 million in 1998, a decrease of $706,000. The decrease in 1999 was principally due to an increased focus on Universal GeneTools collaborations and strategic partners in 1999 as some existing federal research government grants ended. We plan to continue to apply for federal government research grants.

Research and development expenses. Research and development expenses were $4.0 million for 1999, compared with $4.1 million during 1998, a decrease of $66,000. Research and development expenses decreased as a result of a reduction in laboratory supplies and equipment expenses. We expect research and development expenses to increase significantly in future periods, particularly as we increase the scientific staff to continue to develop the Universal Gene Recognition technology platform and to meet the needs of our Universal GeneTools collaborators and strategic partners.

General and administrative expenses. General and administrative expenses increased by $549,000, from $1.0 million in 1998 to $1.6 million in 1999. This increase was primarily attributable to increased staffing to support our expanded research and development activities and development of our Universal Gene Recognition technology platform. We expect that general and administrative expenses will increase in the future to support continued growth of our research and development efforts.

Amortization of deferred stock compensation. Amortization of deferred stock compensation was $96,000 in 1999. There was no amortization of deferred stock compensation in 1998. We recorded aggregate deferred stock compensation of $1.5 million in 1999 for common stock options awarded to employees with exercise prices below the deemed fair value for financial reporting purposes on their respective grant dates.

Interest income, net. Interest income, net decreased by $42,000 from $173,000 in 1998 to $131,000 in 1999. The decrease in interest income, net resulted from lower average interest-bearing balances and higher debt balances during 1999.

Years Ended December 31, 1998 and 1997

Total revenues. Federal government research grant revenues increased by $736,000 from $1.2 million in 1997 to $1.9 million in 1998. This increase was principally attributable to revenue from new federal government research grants and by the Department of Commerce under the Advanced Technology Program initiated in late 1997.

Research and development expenses. Research and development expenses increased $2.4 million from $1.7 million in 1997 to $4.1 million in 1998. This increase was primarily attributable to increases in staffing as we added additional employees to invest in the development of our Universal Gene Recognition technology platform. In addition, we incurred additional expense from expanded laboratory facilities in 1998, our first full year in our new facility in Richmond, California.

General and administrative expenses. General and administrative expenses increased by $582,000 from $447,000 in 1997 to $1.0 million in 1998. This increase reflected increased administrative staffing in support of our expanding research and development activities.

Interest income, net. Interest income, net increased by $129,000 from $44,000 in 1997 to $173,000 in 1998. This increase was due primarily to higher interest-bearing balances as a result of preferred stock financings in late 1997.

We incurred net operating losses in 1997, 1998 and 1999 and consequently we did not pay any federal, state or foreign income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through the private placements of preferred stock, federal government research grants, payments from Universal GeneTools collaborators and a strategic partner and financing activities such as a bank line of credit. As of December 31, 1999, we had cash, cash equivalents and short-term investments totaling $7.5 million.

Net cash used in operating activities was $2.4 million for 1999, $3.2 million in 1998 and $818,000 in 1997. In all periods, net cash used in operating activities was primarily due to funding of net operating losses.

Net cash used in investing activities was $6.0 million in 1999, $2.2 million in 1998 and $124,000 in 1997. Cash was used during these periods to purchase short-term investments and property and equipment.

Net cash provided by financing activities during 1999 was $7.5 million as a result of the private placement of preferred stock. Net cash provided by financing activities in 1998 was $253,000 primarily representing the proceeds from a bank note payable used to finance equipment purchases. Net cash provided by financing activities in 1997 was $6.9 million primarily from proceeds from the private placement of preferred stock.

We believe that the net proceeds of this offering, together with available cash resources, funds received under federal government research grants and from Universal GeneTools collaborators and a strategic partner are sufficient to finance our operations through at least 2002. To date, we have been awarded research grants from the National Institute of Standards and Technology and the National Institutes of Health amounting to approximately $5.6 million, of which approximately $5.0 million has been used through December 31, 1999. We may need to raise substantial additional capital to fund subsequent operations. We cannot assure you, however, that funding will be available on favorable terms, if at all.

As of December 31, 1999, we had federal net operating loss carryforwards of approximately $7.9 million to offset future taxable income. We also had federal research and development tax credit carryforwards of approximately $100,000. If not used, net operating loss and credit carryforwards will begin to expire in 2010. Use of the net operating losses and credits may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code of 1986. The annual limitation may result in the expiration of our net operating losses and credits before

they can be used. Also, if we do not become profitable, we will not be able to use these net operating losses and credits.

DISCLOSURE ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and short-term investments. The short-term 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 short-term investments have a fixed interest rate and are carried at market value, which approximates cost. Our investment portfolio at December 31, 1999 has an average maturity of 104 days.

YEAR 2000 ISSUES

We did not experience any significant problems associated with Year 2000 issues, and we are not aware that any of our vendors or suppliers experienced any of these problems.

BUSINESS

OVERVIEW

Sangamo BioSciences, Inc. is a leader in the development of novel transcription factors for the regulation of gene expression. Transcription factors are proteins that turn genes on or off by recognizing specific DNA sequences. Our Universal Gene Recognition technology platform enables the engineering of a class of transcription factors known as zinc finger DNA binding proteins, or ZFPs. By engineering ZFPs so that they can selectively bind to and regulate a target gene, we have created ZFP transcription factors that can control gene expression and, consequently, cell function. We intend to establish Universal Gene Recognition as a broadly-used technology platform for commercial applications in pharmaceutical discovery, human therapeutics, DNA diagnostics, and agricultural and industrial biotechnology.

BACKGROUND

Genes and Gene Expression. Deoxyribonucleic acid, or DNA, is present in all living cells and is responsible for determining the inherited characteristics of all living organisms. DNA is arranged on chromosomes in individual units called genes. Genes encode proteins, which are assembled through the processes of transcription, whereby DNA is transcribed into ribonucleic acid, or RNA, and translation, whereby RNA is translated into protein. DNA, RNA, and proteins represent a large percentage of the targets for pharmaceutical drug discovery.

The human body is composed of specialized cells that perform different functions and are thus organized into tissues and organs. All cells in the human body contain the same set of genes. It is believed, however, that only about 10% of these genes are activated, or expressed, in an individual human cell. Genes are "turned on" or "turned off," or regulated, in response to a wide variety of stimuli and developmental signals. Different sets of genes are expressed in distinct cell types. It is this pattern of gene expression that determines the structure, biological function and health of all cells, tissues and organisms. Aberrant gene expression, or the under- or over-expression of certain genes, can lead to disease.

Transcription Factors. Regulation of gene expression is controlled by DNA binding proteins called transcription factors. A transcription factor regulates gene expression by recognizing and binding to a specific DNA sequence associated with a particular gene and by causing the activation or repression of that gene. In virtually all higher organisms, transcription factors consist of two components: the first is a DNA binding domain that recognizes a specific DNA sequence and thereby directs the transcription factor to the proper chromosomal location; and the second is a functional domain that determines whether the gene is activated or repressed.

The Genomics Revolution. Genomics refers to the mapping, sequencing and functional analysis of the complete set of genes of diverse organisms throughout the animal, plant and microbial world. Enormous scientific and financial resources are being dedicated to the sequencing of the human genome, including the Human Genome Project and other publicly and privately funded genomics initiatives. It is expected that a preliminary sequence of the human genome will be completed in the year 2000.

Over the past decade, genomics research has produced a significant quantity of information on the chromosomal location, sequence and structure of thousands of genes. The human genome may contain upwards of 140,000 unique genes. The challenge facing the pharmaceutical and other life science industries is how to derive medically and commercially valuable knowledge about the function of these genes from this large accumulation of new genomic information.

Genome-Based Drug Discovery and Other Applications. The delivery of the entire human DNA sequence, with its bounty of new genes and potential drug discovery targets, simultaneously poses a competitive challenge and significant commercial opportunity to every pharmaceutical company to:

- accelerate the identification of novel drug targets from thousands of newly discovered genes whose functions are unknown;
- filter through the hundreds of potential drug targets to confirm those for which proprietary drugs may be successfully developed;
- increase the accuracy and efficiency of compound screening, the process by which pharmaceutical researchers screen large libraries of chemical compounds to identify those which have therapeutic activity; and
- discover new therapeutics that can control disease through the regulation of gene expression.

The genomics revolution poses a similar set of challenges and opportunities to agricultural biotechnology researchers, including identification of novel agrochemical targets among thousands of newly discovered genes, the assessment of which targets may be commercially viable and the efficient development of agrochemicals and crops optimized for yield, nutritional benefit or resistance to pathogenic organisms. In another application of genomics research, bacteria, yeast and plants may be used for the biological production of industrial chemicals.

Commercial Opportunities Based on the Regulation of Gene Expression. The ability to regulate the expression of target genes has the potential to enable far-reaching applications in the human healthcare, agricultural and industrial biotechnology sectors, including:

- discovery of new genes and analysis of how they function;
- therapeutic products for the regulation of disease-related genes;
- manufacture of protein pharmaceutical products;
- engineering cell lines for the screening of pharmaceutical compounds;
- DNA sequence detection for applications in pharmaceutical research and clinical diagnostics;
- engineering transgenic plants with improved properties; and
- manufacture of industrial chemicals using biological systems.

A technology platform enabling the design of novel transcription factors to regulate the expression of target genes could have significant commercial utility in each of the applications listed above.

SANGAMO'S UNIVERSAL GENE RECOGNITION TECHNOLOGY PLATFORM

Our Universal Gene Recognition platform is a proprietary technology for the regulation of gene expression that is enabled by the engineering of a class of transcription factors called zinc finger DNA binding proteins, or ZFPs. We believe that Universal Gene Recognition is a fundamentally enabling technology, widely applicable to pharmaceutical discovery, human therapeutics, DNA diagnostics, plant agriculture and industrial biotechnology. ZFP transcription factors have two distinct domains: a DNA recognition domain that directs the transcription factor to the proper chromosomal location by recognizing a specific DNA sequence and a functional domain that regulates the activation or repression of the target gene. This two-domain structure of our engineered ZFP transcription factors is modelled on the structure of naturally occurring transcription factors in virtually all higher organisms.

[FIGURE: ZFP-DBD TWO-DOMAIN PROTEIN]

[The figure is a "bar-bell" type structure identifying the DNA domain and the functional domains of the ZFP transcription factor. Also included is a list of functional domains.]

Consistent with this two-domain structure, we take a modular approach to the design of ZFP transcription factors, each of which includes a DNA recognition domain and a functional domain. The recognition domain is composed of one or more ZFPs. Each ZFP recognizes and binds to a three base pair sequence of DNA. Multiple ZFPs can be linked together to recognize longer stretches of DNA thereby increasing their specificity. By modifying those portions of a ZFP that interact with DNA, we believe we can create new ZFPs capable of recognizing DNA sequences in virtually any gene whose sequence is known.

The ZFP DNA recognition domain is coupled to a functional domain, which causes the ZFP transcription factor to control or regulate the gene in a desired manner. For instance, an activation domain can cause a target gene to be turned on. Alternatively, a repression domain can cause the gene to be turned off. Similarly, a detection domain could be used to identify or detect the target DNA sequence in a DNA diagnostic test. It is also possible to link the ZFP transcription factor with a molecular switch that permits a target gene to be temporarily activated or repressed. This conditional regulation of a gene allows the effects of gene expression to be controlled in a reversible fashion.

In order to regulate a target gene, the ZFP transcription factor must be delivered to a target cell. We have licensed gene transfer technology from Targeted Genetics, Inc. for use with our Universal GeneTools in pharmaceutical discovery. We are evaluating this and other available delivery technologies for pharmaceutical discovery and other applications.

To date, we have generated hundreds of ZFPs and have tested their affinity, or tightness of binding, to their DNA target, and specificity, or preference for their intended DNA target. We have developed software and standardized methods for the assembly of ZFPs capable of binding to a wide spectrum of DNA sequences. We have linked ZFPs to functional domains to create ZFP transcription factors and have demonstrated in cell-based models their ability to regulate

commercially important genes. We have also shown that engineered ZFPs can detect single-base changes in clinically interesting gene targets.

THE SANGAMO ADVANTAGE

We believe that the unique features of ZFP transcription factors will result in important technical advantages, as compared to alternative technologies, when applied to pharmaceutical discovery, human therapeutics, plant agriculture and industrial biotechnology. Among the advantages of our ZFP transcription factor-based approach to gene regulation are:

- ZFP transcription factors normally and naturally regulate gene expression in the cells of virtually all higher organisms;

- ZFPs can be designed to recognize unique DNA sequences resulting in the ability to recognize a single gene within the entire genome;

- ZFP transcription factors can activate or repress target genes, enhancing their versatility;

- ZFP transcription factors can be used to regulate gene expression in multiple organisms including humans, animals, plants, microbes and viruses; and

- ZFP transcription factors can themselves be "turned on" and "turned off" with molecular switches, allowing conditional and reversible regulation of a target gene.

We believe that the technical advantages of Universal Gene Recognition will create leverage across multiple applications, products, markets and commercial partners:

Pharmaceutical Discovery Research

- DISCOVERY OF NEW GENES AND TARGETS. ZFP transcription factors can be used to change patterns of gene expression in cells, to stimulate clinically interesting changes in these cells, and to determine the genes associated with these changes;

- VALIDATION OF GENE TARGETS. ZFP transcription factors can be used to target specific genes which is critical to researchers trying to confirm the function and validity of gene targets for drug development;

- TRANSGENIC ANIMAL MODELS. The conditional expression of ZFP transcription factors permits the reversible expression of a target gene, a desirable feature in animal models;

- ASSAY DEVELOPMENT. The coordinate regulation of multiple gene targets may be an effective approach to the engineering of proprietary cell lines for the screening and selection of pharmaceutical product candidates from large chemical libraries;

- SNP DETECTION. The single-base specificity of ZFPs permits the detection of single nucleotide polymorphisms, or SNPs, which are single base pair differences in the DNA of different individuals, and the study of their relationship to disease and drug response, also known as pharmacogenomics.

Human Therapeutics

- HUMAN THERAPEUTICS. Regulation of disease-related genes may provide targeted ZFP-Therapeutics for the potential treatment of a broad spectrum of diseases;

- MANUFACTURING OF PROTEIN PHARMACEUTICALS. We believe ZFP-engineered human cell lines can be used for production of commercially relevant protein pharmaceuticals;

DNA Diagnostics

- SNP DETECTION. The single-base specificity of ZFPs permits the detection of SNPs, which we believe are likely to become increasingly important in clinical diagnosis to determine an individual's susceptibility to disease or probable response to drug therapy;

- AUTOMATION. Unlike conventional DNA detection technologies, ZFPs recognize double-stranded genomic DNA, which may permit a proprietary and automated approach to the development of DNA diagnostic assays.

Agricultural and Industrial Biotechnology

- AGRICULTURAL BIOTECHNOLOGY. ZFP transcription factors can be used to regulate gene expression in plants, potentially leading to applications in agricultural genomics, agrochemical discovery and the development of new crops with enhanced nutritional properties;

- INDUSTRIAL BIOTECHNOLOGY. ZFP transcription factors may be used to regulate gene expression in yeast, other microbial production organisms and plants which may permit the expanded use of engineered organisms for the manufacture of industrial chemicals.

OUR STRATEGY

Our strategic objective is to be the worldwide leader in the research and development of ZFP gene regulation technology and to commercialize this technology broadly in pharmaceutical discovery, human therapeutics, DNA diagnostics, plant agriculture and industrial biotechnology. The key elements of our strategy are as follows:

Develop the Universal Gene Recognition Platform Across Multiple Applications. Our core competence, the generation of ZFP transcription factors for the regulation of target genes in multiple organisms, creates leverage across multiple commercial applications. We intend to establish ZFP gene regulation as a widely accepted technology with applications and competitive advantages in each of our target markets.

Build the Technical Infrastructure of ZFP Gene Regulation. Our objective is to establish ZFPs as a broadly used technology platform for the regulation of gene expression and DNA sequence detection. We are currently building an electronic "ZFP directory," or database that, when given a target gene or DNA sequence, is designed to select optimal sites for ZFP binding and the corresponding ZFPs. Because of the modular nature of our engineered ZFP transcription factors, these ZFPs can be efficiently combined with a variety of functional domains, gene expression systems, and methods of delivery to target cells. We also intend to automate the assembly and testing of engineered ZFP transcription factors.

Develop Proprietary Drug Targets and Therapeutics. As we continue to build our technology platform and expand our revenue base through Universal GeneTools collaborations and strategic partnerships, we plan to apply ZFP transcription factors to the identification and validation of drug targets, and to the generation of proprietary data on new drug targets that can form the basis for future strategic partnerships as well as internal product development (see "Universal GeneTools for Pharmaceutical Discovery"). We also intend to develop ZFP transcription factors as human therapeutics for the direct regulation of disease-related genes (see "ZFP-Therapeutics").

Multi-tiered Business Model. We intend to leverage the broad applicability of ZFP gene regulation into commercial opportunities across multiple product markets. We are currently selling our proprietary Universal GeneTools on a non-exclusive basis to collaborators engaged in target validation for pharmaceutical discovery. We also intend to develop ZFP transcription factors for

human therapeutics with pharmaceutical and biotechnology companies on an exclusive basis in milestone- and royalty-based strategic partnerships. We plan to enter into several similar strategic partnerships across the pharmaceutical discovery, human therapeutics, DNA diagnostics, plant agriculture and industrial biotechnology markets. We further intend to capture additional value through our proprietary programs, which we may commercialize directly or enter into partnerships at a later stage to increase the economic benefit we retain.

COMMERCIAL APPLICATIONS

We are pursuing commercial applications of our Universal Gene Recognition technology platform in pharmaceutical discovery, human therapeutics, DNA diagnostics, plant agriculture and industrial biotechnology.

[GRAPHIC]

[Graphic showing the four different commercial applications of our Universal Gene Recognition technology platform.]

Universal GeneTools for Pharmaceutical Discovery

We are applying Universal GeneTools to assist pharmaceutical researchers in their efforts to capitalize on the large accumulation of new gene sequence information being generated by the genomics revolution. Among the issues that researchers must address are:

- identifying disease-related genes;

- confirming the validity of these genes and their protein products as appropriate targets for drug discovery by determining the function and suitability of targets for therapeutic intervention;

- for validated drug targets, screening large chemical libraries to identify chemical leads for drug development; and

- identifying variations, or SNPs, in these gene sequences among patients and determining the relationship of these genetic variations with susceptibility to disease and probable response to drug therapy.

We believe that Universal GeneTools can accelerate the pace and quality of genome-based drug discovery at each of these critical steps.

Universal GeneTools for Validation of Drug Targets

As the number of genes identified as potential drug targets increases, the need to rapidly and efficiently confirm their role in disease increases as well. ZFP transcription factors are designed to regulate the expression of target genes in cell-based and animal models to determine their role in a particular disease. We and our Universal GeneTools collaborators have demonstrated the use of ZFP

transcription factors in gene regulation in several cell-based models of gene expression and our collaborators are applying the technology to target validation in animal models.

The use of ZFP transcription factors addresses a number of technical challenges associated with target validation studies in transgenic animal models. Typically, transgenic animal models are genetically engineered mice in which a target gene has been inactivated, or knocked out. Generating a knockout mouse is labor intensive and can take up to one year. We believe the generation time for mice which have been engineered with ZFP transcription factors, or ZFP-Transgenic mice, may be much faster than the generation time for standard knockouts. In addition, researchers should gain more information from ZFP-Transgenics because ZFP transcription factors can themselves be regulated thus permitting the activation or repression of the target gene in a reversible fashion. This conditional control of target genes in ZFP transcription factors should be a distinct advantage for the functional study of genes required in normal development. Typically, if an essential gene is knocked out, the knockout mouse will not grow to maturity. With ZFP gene regulation, however, we believe researchers can activate or repress essential genes at virtually any point in the animal's development. This enables the study of a gene's function in mature animals without altering the animal's normal development. We are working closely with some of our Universal GeneTools collaborators on ZFP-Transgenic models.

To date, we have entered into Universal GeneTools agreements with 17 leading pharmaceutical and biotechnology companies or their subsidiaries including Pfizer Inc., SmithKline Beecham plc, Millennium Pharmaceuticals, Inc., AstraZeneca PLC, Schering AG, Bayer Corporation, Glaxo Wellcome plc, DuPont Pharmaceuticals Company, Japan Tobacco Inc., F. Hoffmann-La Roche Ltd., Immunex Corporation, Pharmacia & Upjohn Company, Genset SA, Warner-Lambert Company, Merck KGaA, Zaiya Incorporated and Johnson & Johnson. These collaborators are applying our ZFP transcription factors to the validation of human gene targets for drug discovery. ZFP transcription factors are being incorporated into both cell-based and animal models for this purpose. We are working with many of these companies to lay the basis for additional and expanded collaborations and increased market acceptance of our Universal GeneTools. See "Corporate Collaborations -- Universal GeneTools Collaborations."

ZFP-Engineered Cells for Identification of Drug Candidates

We plan to incorporate ZFP transcription factors into appropriate cell lines for the purpose of screening chemical compounds for drug discovery. In particular, we plan to engineer cell lines that permit the activation or repression of validated gene targets. Activation of a target may allow pharmaceutical researchers to increase the sensitivity, or responsiveness, to a given concentration of test compound in an assay. In addition, if a response is observed when the target is both activated and repressed, it can be concluded that the test compound is not acting through the target and may be showing a false positive result.

We intend to commercialize ZFP-engineered cell lines for identification of therapeutic product candidates by developing relationships with strategic partners in our Universal GeneTools business. Cell lines will be engineered and optimized by Sangamo scientists and transferred to our partners for use in their drug screening operations.

ZFP Libraries for Target Discovery

Pharmaceutical researchers are also interested in accelerating an important step in the first stages of genome-based drug discovery: the initial identification of new drug targets.

ZFP transcription factors can be used to change patterns of gene expression in cells, to stimulate clinically interesting changes in these cells, and to determine the genes associated with these changes. ZFP libraries are large collections of ZFP transcription factors that can be incorporated into populations of cells such that each cell receives one ZFP transcription factor. In any given cell, the ZFP transcription factor may change the function or health of the cell, causing it to change in appearance. The ZFP transcription factor that triggers this change can be purified, and its gene target identified. In this manner, these genes could be identified as potential targets for further study, validation, and drug screening.

We intend to commercialize our ZFP libraries by establishing strategic partnerships. We anticipate that ZFP libraries will be optimized by Sangamo scientists and used to identify targets in our partners' drug discovery programs. We also plan to use ZFP libraries to discover novel gene targets in our future, proprietary product development programs.

ZFP-Therapeutics

The promise of genome-based drug discovery includes the increasing supply of new drug targets. ZFP transcription factors may offer a highly specific approach to therapeutic gene regulation. We are developing ZFP transcription factors for human therapeutics, or ZFP-Therapeutics, for cardiovascular, viral, and ophthalmic diseases and cancer.

Cardiovascular Disease

Cardiovascular disease is the leading cause of death in the United States with nearly one million deaths annually. Approximately 400,000 Americans undergo angioplasty, or opening, of coronary blood vessels each year due to cardiovascular disease. Approximately 35% of these patients suffer from restenosis, or partial reclosing of treated blood vessels, and require a second procedure or more invasive surgery such as coronary bypass.

There is increasing interest in the development of therapeutic approaches to cardiovascular disease that might stimulate the human body's natural ability to form new blood vessels. This natural process is called angiogenesis. In partnership with Edwards LifeScience, Inc., formerly the Cardiovascular Group of Baxter Healthcare Corporation, or Baxter, we are developing ZFP transcription factors designed to activate the expression of vascular endothelial growth factors, or VEGFs, and VEGF receptors in heart muscle cells.

ZFP transcription factors for therapeutic angiogenesis may also be used in peripheral vascular diseases. We believe an advantage of the ZFP-Therapeutic approach is the potential ability to activate multiple genes as necessary to provide effective biological stimulation of angiogenesis. Our experiments on VEGF activation are ongoing.

Hepatitis B Viral Disease

Hepatitis B Virus, or HBV, is a worldwide health problem and is endemic in many regions of Asia and Africa. Although HBV infection can generally be prevented by vaccination, HBV remains a major clinical problem. It is estimated that there are more than 350 million chronic HBV carriers worldwide. The consequences of HBV infection include chronic active hepatitis and liver cirrhosis, the latter of which is a major cause of mortality. The risk of liver cancer in HBV carriers is estimated to be 100 times greater than in uninfected individuals.

In 1998, we initiated a research collaboration with Dr. Alan McLachlan of The Scripps Research Institute. The purpose of the collaboration is to evaluate our ZFP transcription factors designed to

repress the expression of HBV genes and viral replication in liver cells. Dr. McLachlan is an expert in the regulation of HBV gene expression and has developed several biological assays for the measurement of HBV gene expression and viral replication. Preliminary data suggest that our ZFP transcription factors can repress the expression of HBV genes in cell models. We are continuing these studies to confirm and extend these results.

HIV Disease

HIV is the causative agent of AIDS, a disease that killed approximately 17,000 patients in the United States in 1998. Despite advances in pharmaceutical therapy, there are currently approximately 400,000 HIV-infected individuals in the United States and over 30 million people carrying the virus worldwide. The new combination therapies, known as cocktail therapies, have been demonstrated to be effective in clinical trials; however, the complexity of these regimens often results in poor patient compliance and, with the virus' ability to mutate, reduced efficacy.

In collaboration with Dr. Leonid Stamatatos of the Aaron Diamond AIDS Research Center, we are testing our ZFP transcription factors designed to repress HIV gene expression in human cells. These transcription factors could provide the basis for the inhibition of HIV proliferation in patients infected with HIV. Preliminary data suggest these ZFP transcription factors can repress HIV gene expression in cell models. Further experiments are ongoing.

In collaboration with Dr. Jeremy Berg of the Johns Hopkins University School of Medicine, we are also testing ZFP transcription factors designed to repress the expression of the human CCR5 gene, which encodes a protein used by HIV to gain entry into cells of the immune system. Repression of CCR5 expression in immune system cells may prevent HIV infection of these cells. Preliminary data suggest that our ZFP transcription factors can repress CCR5 gene expression in cell models. Further experiments are ongoing.

Repression of Angiogenesis for Diabetic Retinopathy and Cancer

In contrast to cardiovascular disease, there are diseases that might benefit from the inhibition of angiogenesis. Diabetic retinopathy, the leading cause of blindness among diabetics, is the result of uncontrolled vascularization of the retina and appears to be due to the secretion of angiogenic factors such as VEGF. We believe that ZFP transcription factors designed to repress the expression of VEGF and other angiogenic factors may reverse this process.

Solid tumors require the ingrowth of new blood vessels if they are to grow beyond even a few millimeters in diameter. Tumor cells frequently signal for additional blood supply by secreting VEGF. Repression of VEGF expression in tumor cells with ZFP-Therapeutics may prevent this angiogenesis and slow or halt solid tumor growth.

We have designed multiple ZFP transcription factors designed to repress the expression of the VEGF gene. These ZFP transcription factors have shown inhibition of VEGF in cultured human cells. We intend to test this same approach in animal models of angiogenesis and cancer and, if successful, to enter into human clinical trials with a future strategic partner.

Commercialization of ZFP-Therapeutics

We plan to develop and commercialize ZFP-Therapeutics in partnership with pharmaceutical and biotechnology companies. We intend to negotiate partnerships with terms that will provide partners with exclusive rights to the regulation of specific genes, delineating in exact terms the

clinical indications and geographic areas covered under the agreement. We intend to commence additional therapeutic programs and may retain commercial rights to some of these products.

ZFP-Engineered Cell Lines for the Production of Protein Pharmaceuticals

Protein pharmaceuticals manufactured with genetically modified cells now account for approximately $10 billion in annual worldwide sales. By using ZFP transcription factors to activate the expression of genes encoding therapeutic proteins in human cells, we are able to genetically engineer cells for production of protein pharmaceuticals. We plan to develop ZFP-engineered cell lines for production of commercially relevant proteins in partnership with pharmaceutical and biotechnology companies.

ZFPs for Pharmacogenomics and DNA Diagnostics

Single nucleotide polymorphisms, or SNPs, are single base differences at specific chromosomal sites in the DNA sequences of individuals. SNPs have been the subject of increasing research in recent years. It is now believed that some SNPs may be strongly associated with some disease states, providing indicators of disease susceptibility and as to how individual patients might respond to a particular drug therapy. The pharmaceutical industry is investing in technology to monitor and record patient SNPs in clinical trials and to correlate clinical outcomes with SNP status.

We have shown that ZFPs can effectively detect single nucleotide differences and therefore may be used to detect SNPs in clinical samples. In addition, ZFPs bind to double-stranded DNA, permitting simplified preparation of DNA for analysis. Further, ZFPs are stable proteins and therefore amenable to the types of assays and instrumentation used in standard clinical and molecular biology laboratories. Combined with sensitive detection technologies, ZFPs have the potential to eliminate the amplification of patient DNA samples, reducing the time and cost, and increasing the accuracy of diagnostic assays.

We intend to commercialize ZFPs for SNP detection and DNA diagnostics in conjunction with partners engaged in the development of SNP diagnostic technology or the manufacturing and marketing of clinical diagnostics.

ZFP Transcription Factors for Agricultural and Industrial Biotechnology

Agricultural Biotechnology

The multibillion-dollar agrochemical industry is undergoing a transition to genomics-based product discovery that is parallel to that of the worldwide pharmaceutical industry. In a relatively recent development, the genomics revolution has been applied to the sequencing of plant genomes for some of the world's largest commercial crops. We believe that the genomes of most commercially important plants will be sequenced over the next several years. Similar to trends in pharmaceutical research, discovery of thousands of plant genes is creating enormous demand for technologies that can help ascertain gene function, identify important gene and agrochemical targets and regulate those gene targets through improved transgenic plants.

ZFP transcription factors are a central mode of gene regulation in plants. The ability to identify and subsequently regulate the expression of target genes with ZFP transcription factors could lead to the creation of transgenic plants that may increase yields, lower production costs, resist herbicides, pesticides and plant pathogens, and permit the development of branded agricultural products with unique nutritional and processing characteristics. In addition, ZFP transcription factors may be used

to confirm the role of newly discovered genes in plant growth, metabolism and resistance to pathogens.

Modification of fatty acid composition in soybean seed oil is an example of this approach. Soybean seed oil accounts for approximately 70% of the 14 billion pounds of edible oil consumed annually in the United States. This oil is low in monounsaturated fatty acids as compared with the oil extracted from other seeds, and has reduced value because it must be chemically modified for some applications. Therefore, a genetically modified strain of soybean that yielded a higher mix of monounsaturated fatty acids in its seed oil would be highly desirable. FAD2-1 is a soybean gene that encodes an enzyme responsible for lowering the levels of monounsaturated fatty acids. We have generated ZFP transcription factors designed to bind the FAD2-1 gene and repress its expression in soybean seed. We have initiated studies of FAD2-1 repression in soybeans.

To commercialize ZFP transcription factors in agricultural biotechnology, we intend to seek strategic relationships with corporate partners having capabilities in research, development and commercialization of agricultural products.

Industrial Biotechnology

The U.S. chemical industry is undertaking a major strategic initiative to develop bacterial, fungal and plant biological systems for the production of industrial chemicals. This initiative is motivated by considerations of product performance, capital costs, environmental impact and dependence on fossil fuels, which provide the raw material for the production of many chemical feedstocks in the United States and around the world.

A principal challenge in harnessing biological systems for this purpose is engineering microbial cells and plants to achieve predictable, specific, inducible and coordinate regulation of multiple gene targets. We believe ZFP transcription factors are well suited to this task because of their natural ability to discriminate among closely related genes and their ability to regulate gene expression in a conditional fashion.

We believe that ZFP transcription factors will prove to be a commercially feasible approach for the engineering of microbial cells and plants for the biological production of industrial chemicals and food additives. We intend to seek strategic relationships with corporate partners in the chemical and food processing industries to develop and commercialize applications of Universal Gene Recognition in industrial biotechnology.

CORPORATE COLLABORATIONS

We intend to apply the ZFP technology platform in several commercial applications where the products provide our strategic partners and collaborators with technical and economic advantages. We have established and will continue to pursue Universal GeneTools collaborations and strategic partnerships with selected pharmaceutical and biotechnology companies to fund internal research and development activities and to assist in product commercialization.

Baxter CardioVascular Group Strategic Partnership

In January 2000, we announced the initiation of a multiyear, therapeutic product development collaboration with Edwards LifeScience, Inc., formerly the CardioVascular Group of Baxter Healthcare Corporation. Under the agreement, we have licensed to Baxter on a worldwide, exclusive basis our ZFP-Therapeutics for the activation of VEGFs and VEGF receptors in cardiovascular and peripheral vascular diseases. Baxter has an option to purchase a three-year right of first refusal to

negotiate a license for additional ZFP-Therapeutics regulating gene targets other than VEGF and VEGF receptor genes for applications in cardiovascular and peripheral vascular diseases. We will be responsible for advancing product candidates into preclinical animal efficacy testing. Baxter will be responsible for preclinical development, regulatory affairs, clinical development and the sales and marketing of the ZFP-Therapeutic products. Under this agreement, Baxter has purchased a $5 million convertible note which will convert into common stock upon consummation of this offering, and we have received $1 million in initial research funding from Baxter. In the future, we may receive option fees, milestone payments, royalties and additional research funding from this agreement.

Universal GeneTools Collaborations

We began marketing our Universal GeneTools products to the pharmaceutical and biotechnology industry in 1998. Our Universal GeneTools business is based upon the delivery of an engineered ZFP transcription factor which is capable of regulating the expression of a gene for which it is specifically designed and targeted. Our collaborators, which consist of pharmaceutical and large biotechnology companies, provide us with the gene target they wish to study and we design and deliver at least two ZFP transcription factors designed specifically for that collaborator's gene target.

Our Universal GeneTools agreements generally contain the following terms:

- ZFP transcription factors are provided for the collaborator's internal research purposes only;

- we retain all ZFP intellectual property rights, including the rights to make, use, develop and sell any product or service utilizing ZFPs, ZFP transcription factors and the genes that encode them; and

- we do not disclose to any third party a specific collaborator's confidential gene target.

To date, we have not licensed any intellectual property rights to our current Universal GeneTools collaborators. Our Universal GeneTools collaborators are under no obligation to pursue product development programs with us, to use our technology, or to purchase any additional product from us. See "Risk Factors -- Commercialization of our technologies depends on strategic partnering with other companies, and if we are not able to find strategic partners in the future, we may not be able to develop our technologies or products."

We have entered into 17 Universal GeneTools collaborations with the following pharmaceutical or biotechnology companies or their subsidiaries: Pfizer Inc., SmithKline Beecham plc, Millennium Pharmaceuticals, Inc., AstraZeneca PLC, Schering AG, Bayer Corporation, Glaxo Wellcome plc, DuPont Pharmaceuticals Company, Japan Tobacco Inc., F. Hoffmann-La Roche Ltd., Immunex Corporation, Pharmacia & Upjohn Company, Genset SA, Warner-Lambert Company, Merck KGaA, Zaiya Incorporated and Johnson & Johnson.

RESEARCH GRANTS

We have received awards and government grants during the past several years that have totaled approximately $5.6 million. These grants have provided non-dilutive research funding to develop our technology platform for specific applications, primarily in the areas of diagnostics and anti-viral therapeutics.

SUMMARY OF MAJOR U.S. GOVERNMENT GRANTS

AREA OF GRANT	GRANTING AGENCY	DESCRIPTION	GRANT DATE	DOLLAR AMOUNT
DNA Diagnostics	National Institute of Standards and Technology	Generation and development of novel nucleic acid binding proteins and their use as DNA diagnostics	August 1995 (completed)	$2,000,000
Antiviral Therapeutics	National Institute of Standards and Technology	Development of novel DNA binding proteins as antiviral therapeutics targeting HIV and Hepatitis B	May 1997	$2,000,000
HIV	National Institutes of Health	Designer DNA binding proteins targeting HIV genes	May 1999	$ 533,000
Agriculture	U.S. Department of Agriculture	Demonstrating commercial potential of ZFPs for generating value added crops	September 1999	$ 220,000

INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSES

Our success and ability to compete is dependent in part on the protection of our proprietary technology and information. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing agreements, to establish and protect our proprietary rights. We have licensed intellectual property covering the design, composition and use of ZFPs and ZFP transcription factors for the recognition and regulation of genes. To date, Sangamo has licensed rights to three issued U.S. patents and five U.S. and four Patent Cooperation Treaty, or P.C.T., patent applications covering the design, generation and use of ZFPs. We have also licensed five issued U.S. patents covering the linking of DNA recognition domains to additional functional domains that provide various DNA-related functions such as detection and inactivation. We have also filed 11 U.S. and two P.C.T. patent applications covering improvements in the design and use of ZFPs and ZFP transcription factors. We plan to continue to license and to generate internally intellectual property covering the design, selection, generation and composition of ZFPs, the genes encoding these proteins and the application of ZFPs and ZFP transcription factors in pharmaceutical discovery, human therapeutics, DNA diagnostics, plant agriculture and industrial biotechnology applications.

Although we have filed for patents on some aspects of our technology, we cannot assure you that patents will issue as a result of these pending applications or that any patent that has or may be issued will be upheld. Despite our efforts to protect our proprietary rights, existing patent, copyright, trademark and trade secret laws afford only limited protection, and we cannot assure you that our intellectual property rights, if challenged, will be upheld as valid or will be adequate to protect our proprietary technology and information. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our technology or to obtain and use information that we regard as proprietary. Our patent filings may be subject to interferences. Litigation or opposition proceedings may be necessary in the future to enforce or uphold our intellectual property rights, to determine the scope of our licenses, or determine the validity and scope of the proprietary rights of others. The defense and prosecution of intellectual property suits, United States Patent and Trademark Office interference proceedings and related legal and administrative proceedings in the United States and internationally involve complex legal and factual questions. As a result, these proceedings are costly and time-consuming to pursue, and result in diversion of resources. The outcome of these proceedings is uncertain and could significantly harm our business.

We have received unsolicited invitations to license existing patented technology from a number of third parties, at least one of which contained an allegation of infringement. Upon careful analysis of each of these technologies, we have determined that we already own rights to these technologies or

that our scientific and commercial interests would not benefit from the acquisition of rights to these technologies. Further, we believe that the making, using or selling of our products and processes need not infringe any claims in the proffered patents. Accordingly, we have declined to enter into license negotiations with these parties. We cannot assure you, however, that these parties that own patents with claims directed to nucleic acid binding approaches other than ZFPs will not bring future actions against us, our collaborators or strategic partners alleging infringement of their patents. As detailed above, the outcome of any litigation, particularly lawsuits involving biotechnology patents, is difficult to predict and likely to be costly regardless of the outcome. In these circumstances, litigation, the risks of a negative impact on our business can neither be clearly defined nor entirely eliminated.

In the future, however, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business. Any claims asserting that our products infringe or may infringe proprietary rights of third parties, if determined adversely to us, could significantly harm our business. Any claims, with or without merit, could result in costly litigation, divert the efforts of our technical and management personnel or require us to enter into or modify existing royalty or licensing agreements, any of which could significantly harm our business. Royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all. See "Risk Factors -- Because it is difficult and costly to protect our proprietary rights, we cannot ensure their protection."

COMPETITION

We believe that we are a leader in the field of ZFP gene regulation. We are aware that there are many companies focused on other methods for regulating gene expression and a limited number of commercial and academic groups pursuing the development of ZFP gene regulation technology. The field of regulation of gene expression is highly competitive, and we expect competition to persist and intensify in the future from a number of different sources, including pharmaceutical and biotechnology companies, academic and research institutions, and government agencies that will seek to develop technologies that will compete with our Universal Gene Recognition technology platform.

Any products that we develop using our Universal Gene Recognition technology platform will participate in highly competitive markets. Many of our potential competitors in these markets, either alone or with their collaborative partners, may have substantially greater financial, technical and personnel resources than we do, and they may succeed in developing technologies and products that would render our technology obsolete or noncompetitive. In addition, many of those competitors have significantly greater experience than we do in their respective fields.

Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or commercializing ZFP transcription factors or other competitive products before us. If we commence commercial product sales, we will be competing against companies with greater marketing and manufacturing capabilities, areas in which we have limited or no experience. In addition, any product candidate that we successfully develop may compete with existing products that have long histories of safe and effective use.

Competition may also arise from other drug development technologies and methods of preventing or reducing the incidence of disease, small molecule therapeutics, or other classes of therapeutic agents.

We expect to face intense competition from other companies for collaborative arrangements with pharmaceutical, biotechnology, agricultural and chemical companies, for establishing relationships with academic and research institutions, and for licenses to proprietary technology. These competitors,

either alone or with their collaborative partners, may succeed in developing technologies or products that are more effective or less costly than ours.

Our ability to compete successfully will depend, in part, on our ability to:

- develop proprietary products;
- develop and maintain products that reach the market first, are technologically superior to or are of lower cost than other products in the market;
- attract and retain scientific and product development personnel;
- obtain and enforce patents, licenses or other proprietary protection for our products and technologies;
- obtain required regulatory approvals; and
- manufacture, market and sell any product that we develop.

GOVERNMENT REGULATION

We have not applied for any regulatory approvals with respect to any of our technology or products under development. We anticipate that the production and distribution of any therapeutic or diagnostic products developed, either alone or with our strategic partners or collaborators, will be subject to extensive regulation in the United States and other countries. We intend to pursue therapeutic, diagnostic, agricultural and industrial biotechnology products, some of which may be subject to different government regulation.

Before marketing in the United States, any pharmaceutical, therapeutic or diagnostic products developed by us must undergo rigorous preclinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA under the federal Food, Drug and Cosmetic Act. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. The regulatory review and approval process, which includes preclinical testing and clinical trials of each product candidate, is lengthy, expensive and uncertain. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish a product candidate's safety and efficacy. The approval process takes many years, requires the expenditure of substantial resources, involves post-marketing surveillance, and may involve ongoing requirements for post-marketing studies. Before commencing clinical investigations in humans, we must submit to, and receive approval from, the FDA of an Investigational New Drug application. We expect to rely on some of our strategic partners to file Investigational New Drug applications and generally direct the regulatory approval process for some products developed using our Universal Gene Recognition technology platform.

Clinical testing must meet requirements for:

- institutional review board oversight;
- informed consent;
- good clinical practices; and
- FDA oversight.

Before receiving FDA clearance to market a product, we must demonstrate that the product is safe and effective on the patient population that will be treated. If regulatory clearance of a product is granted, this clearance will be limited to those specific states and conditions for which the product is useful, as demonstrated through clinical studies. Marketing or promoting a drug for an unapproved indication is generally prohibited. Furthermore, clearance may entail ongoing requirements for post-

marketing studies. Even if this regulatory clearance is obtained, a marketed product, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the FDA. Discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on this product or manufacturer, including costly recalls or withdrawal of the product from the market.

The length of time necessary to complete clinical trials varies significantly and may be difficult to predict. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Additional factors that can cause delay or termination of our clinical trials, or the costs of these trials to increase, include:

- slow patient enrollment due to the nature of the protocol, the proximity of patients to clinical sites, the eligibility criteria for the study or other factors;

- inadequately trained or insufficient personnel at the study site to assist in overseeing and monitoring clinical trials;

- delays in approvals from a study site's review board;

- longer treatment time required to demonstrate effectiveness or determine the appropriate product dose;

- lack of sufficient supplies of the product candidate;

- adverse medical events or side effects in treated patients; and

- lack of effectiveness of the product candidate being tested.

In addition, the field testing, production and marketing of genetically engineered plants and plant products are subject to federal, state, local and foreign governmental regulation. Regulatory action or private litigation could also 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 applied to foods developed through traditional plant breeding. Genetically engineered food products, however, will be subject to premarket review if these products raise safety questions or are deemed to be food additives. Our products or those of our strategic partners may be subject to lengthy FDA reviews and unfavorable FDA determinations.

International Biosafety Protocols were recently announced in which signatory states may require that genetically engineered food products be labeled as such. Additional and more restrictive international or foreign policies may be developed which further limit our ability to pursue our business plan in relation to agricultural biotechnology.

Outside the United States, our ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Community registration procedures are available to companies wishing to market a product in more than one EC member state. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, a marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA clearance discussed above.

We intend to consult with, and when appropriate, to hire personnel with expertise in regulatory affairs to assist us in obtaining appropriate regulatory approvals as required. We also intend to work with our strategic partners and collaborators that have experience in regulatory affairs to assist us in

obtaining regulatory approvals for collaborative products. See "Risk Factors -- Our potential therapeutic products are subject to a lengthy and uncertain regulatory process, and if these potential products are not approved, we will not be able to commercialize those products."

EMPLOYEES

As of January 31, 2000, we had 36 full-time employees, 9 of whom hold Ph.D. degrees and 25 of whom hold other graduate or technical degrees. Of our total workforce, 30 are engaged in research and development activities and six are engaged in business development, finance and administration. None of our employees is represented by a collective bargaining agreement, nor have we experienced work stoppages. We believe that our relations with our employees are good.

FACILITIES

We lease approximately 15,000 square feet of research and office space located at 501 Canal Boulevard in Richmond, California under two separate leases. The leases expire in 2004. We believe that the facilities we currently lease are sufficient for approximately the next 24 months.

LEGAL PROCEEDINGS

We are not a party to any material litigation.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth information regarding our executive officers, directors and key employees as of January 31, 2000:

NAME	AGE	POSITION
Edward O. Lanphier II	43	President, Chief Executive Officer and Director
Casey C. Case, Ph.D.	44	Vice President, Research
Peter Bluford	45	Vice President, Corporate Development
Shawn K. Johnson	32	Director of Finance
Eric T. Rhodes	39	Director of Commercial Development
S. Kaye Spratt, Ph.D.	47	Director of Delivery Technology
Herbert W. Boyer, Ph.D.	63	Director
William G. Gerber, M.D.	53	Director
John W. Larson	64	Director
William J. Rutter, Ph.D.	71	Director
Michael C. Wood	47	Director

Edward O. Lanphier II, the founder of Sangamo BioSciences, Inc., has served as President, Chief Executive Officer and as a member of the board of directors since inception. Mr. Lanphier has eighteen years of experience in the pharmaceutical and biotechnology industry. From June 1992 to May 1997, he held various positions at Somatix Therapy Corporation, a gene therapy company, including Executive Vice President, Commercial Development and Chief Financial Officer. Prior to Somatix, Mr. Lanphier was President and Chief Executive Officer of BioGrowth, Inc., a biotechnology company that merged with Celtrix Laboratories to form Celtrix Pharmaceuticals, Inc. in 1991. From 1986 to 1987, Mr. Lanphier served as Vice President of Corporate Development at Biotherapeutics, Inc. From 1984 to 1986 he served as Vice President of Corporate Development at Synergen Inc. Prior to Synergen, he was employed by Eli Lilly and Company, a pharmaceutical company, in the strategic business planning-biotechnology group. Mr. Lanphier is a member of the Biotechnology Industry Organization (BIO) Emerging Companies Section and the BIO board of directors. Mr. Lanphier has a B.A. in biochemistry from Knox College.

Casey C. Case, Ph.D. has served as Vice President, Research since November 1997. From June 1993 to November 1997, Dr. Case served as Director, Cell Biology at Tularik, Inc., a pharmaceutical company focusing on gene regulating drugs, where he was part of the team that established Tularik's cell-based, high throughput screening of small molecule modulators of specific transcription factors. From June 1989 to June 1993, Dr. Case was Director of Transcriptional Research at Oncogene Science, Inc., a pharmaceutical company, where he led Oncogene's research efforts in the development of mammalian cell-based assays for gene transcription and the automation of these assays for selection of therapeutic targets and compounds. Dr. Case earned a Ph.D. in biochemistry from the University of California, Davis and a B.S. in biology from San Diego State University.

Peter Bluford has served as Vice President, Corporate Development since December 1997 and since joining us has had operating responsibility for Sangamo's licensing, intellectual property and business planning activities. Mr. Bluford also served as Senior Director, Corporate Development, from October 1996 to November 1997. From October 1992 to September 1996, Mr. Bluford served as Director, Commercial Development at Somatix Therapy Corporation, where he was responsible for Somatix's strategic business planning activities while also serving as Project Team Leader, Oncology from 1995 to 1996. From 1991 to 1992, Mr. Bluford was with Celtrix Pharmaceuticals, Inc. as Manager, Strategic Market Planning. From 1990 to 1991, he was Manager of Strategic Planning with

BioGrowth, Inc. Mr. Bluford received an M.B.A. and a B.S. in biochemistry from the University of California, Berkeley.

Shawn K. Johnson has served as Director of Finance since December 1997. From July 1995 to October 1997, Mr. Johnson was Director of Finance at Neurobiological Technologies, Inc., a neuroscience company developing drugs. From July 1993 to June 1995, he managed various accounting functions for Glycomed, Inc., a pharmaceutical company. Prior to Glycomed, Mr. Johnson was the Controller for Cognitive Systems, Inc., a software technology company. He holds an M.B.A. from the University of California, Berkeley and a B.S. in accounting from City University in Bellevue, Washington.

Eric T. Rhodes has served as Director of Commercial Development since July 1998 and has primary responsibility for management of our Universal GeneTools business. Prior to joining Sangamo, Mr. Rhodes served in a variety of capacities at Incyte Pharmaceuticals, Inc., a genomic database and data management software company, from March 1994 to July 1998. He initially served as part of the team responsible for expansion of Incyte's high throughput sequencing capabilities and later worked in the business development group where his primary focus was the evaluation and acquisition of new technologies. From 1991 to 1994, Mr. Rhodes directed the molecular biology group at Anergen, Inc., a biotechnology company focusing on treatment of autoimmune disease and prior to that he was with BioGrowth, Inc., from 1989 to 1991 and Triton BioSciences, a biotechnology company, as a molecular biologist from 1987 to 1989. Mr. Rhodes received a B.S. in microbiology and immunology from the University of California, Berkeley.

S. Kaye Spratt, Ph.D. has served as Director of Delivery Technology since January 1998 and is currently directing Sangamo's cell biology and gene therapy efforts for the evaluation and delivery of engineered zinc finger proteins. From June 1997 to January 1998, Dr. Spratt was employed by Acacia Biosciences, a biotechnology research company, as Project Manager. From June 1992 to June 1997, Dr. Spratt was employed by Somatix Therapy Corporation as Section Manager and Senior Scientist responsible for the design, development and production of research and clinical grade gene therapy vectors. From 1987 to 1992, Dr. Spratt was Senior Scientist and Project Leader for BioGrowth Inc. Dr. Spratt received a Ph.D. in microbial genetics from Meharry Medical College and a B.S. in biology from Langston University.

Herbert W. Boyer, Ph.D. has served as a Director since July 1997. Dr. Boyer is the co-inventor of recombinant DNA technology with Dr. Stanley Cohen and founded Genentech, Inc., a biopharmaceutical company, in 1976. Dr. Boyer is currently Professor Emeritus at the University of California, San Francisco. Dr. Boyer has served as a director of Genentech since 1976 and was Vice President of Research from 1976 to 1990. Dr. Boyer was also a Professor of biochemistry and biophysics at the University of California, San Francisco from 1966 to 1991 where he retains the position of Professor Emeritus. He was also an Investigator for the Howard Hughes Medical Institute from 1976 to 1983. He has authored over 100 scientific publications and is a member of the National Academy of Sciences. Dr. Boyer has received numerous research awards including the National Medal of Science, the National Medal of Technology and the Albert Lasker Basic Medical Research Award. Dr. Boyer is Chairman of the Board of Directors of Allergan, Inc., a pharmaceutical company and a trustee of the Scripps Research Institute. Dr. Boyer received a Ph.D. in microbiology from the University of Pittsburgh and a B.A. in biology from St. Vincent College.

William G. Gerber, M.D. has served as a member of our board of directors since June 1997. Dr. Gerber is currently Chief Executive Officer and a Director of Epoch Pharmaceuticals, Inc., a biomedical company, where he has been since September 1999. From April 1998 to July 1999, he was President of diaDexus LLC, a pharmacogenomics company. Previous to his appointment at diaDexus, he was Chief Operating Officer of Onyx Pharmaceuticals. Before joining Onyx in 1995,

Dr. Gerber was with Chiron Corporation, a biopharmaceutical, vaccine and blood testing company, where he was President of the Chiron Diagnostics business unit after Chiron's merger with Cetus Corporation in December 1991. He joined Cetus in 1987 as senior director of corporate ventures and was named Vice President and General Manager of the PCR (Polymerase Chain Reaction) Division in November 1988. Dr. Gerber earned his B.S. and M.D. degrees from the University of California, San Francisco School of Medicine.

John W. Larson has served as a member of our board of directors since January 1996. Mr. Larson has served as senior partner at the law firm of Brobeck, Phleger & Harrison LLP since March 1996. From 1988 until March 1996, Mr. Larson was Chief Executive Officer of the firm. He has been a partner with the firm since 1969, except for the period from July 1971 to September 1973 when he was in government service as Assistant Secretary of the United States Department of the Interior and Counselor to George P. Shultz, Chairman of the Cost of Living Council. Mr. Larson holds an L.L.B. and a B.A., with distinction, in Economics, from Stanford University.

William J. Rutter, Ph.D. has served as a member of our board of directors since January 2000. He is the co-founder of Chiron Corporation, a biopharmaceutical, vaccine and blood testing company, and served as its Chairman of the Board of Directors from Chiron's inception in 1981 until May 1999. From August 1983 through April 1989, in addition to his responsibilities at Chiron, Dr. Rutter was the Director of the Hormone Research Institute at UCSF, and he became a Professor Emeritus in 1991. In 1969, Dr. Rutter joined the faculty of the University of California, San Francisco as a Herzstein Professor, and served as the chairman of the Department of Biochemistry and Biophysics at UCSF from 1969 to 1982. Dr. Rutter has also served on the Board of Overseers at Harvard University since 1992, on the Board of Trustees at the Carnegie Institution of Washington since 1995 and several private company boards. Dr. Rutter received his Ph.D. in biochemistry from the University of Illinois, an M.S. in biochemistry from the University of Utah and a B.A. in biochemistry from Harvard University.

Michael C. Wood has served as a member of our board of directors since our inception. Mr. Wood is currently President of Knowledge Kids Enterprises, Inc., an educational company which he founded in January 1995. Mr. Wood has 15 years of experience in the corporate legal representation of high technology firms and venture capital partnerships. From 1991 through 1994, he was a partner of the emerging technology companies group at Cooley Godward LLP. From 1979 to 1991, Mr. Wood practiced corporate law in the high technology practice of Crosby Heafy Roach & May. Mr. Wood received a J.D. from the Hastings College of Law, an M.B.A. from the University of California, Berkeley and his B.A. in political science from Stanford University.

SCIENTIFIC ADVISORY BOARD

We use scientists and physicians to advise us on scientific matters as a part of our Scientific Advisory Board, including experts in molecular biology, structural biology, biophysics, biochemistry, cell biology, and gene expression. Generally, our scientific advisors have received options to purchase our common stock as compensation for their consulting services.

The following individuals are members of our Scientific Advisory Board:

Carl Pabo, Ph.D. (Chairman) is a professor of biophysics and structural biology at the Massachusetts Institute of Technology and an investigator in the Howard Hughes Medical Institute. Dr. Pabo is a pioneer in the structural analysis and modification of zinc finger DNA binding proteins and has made many of the fundamental observations as to how ZFPs interact with their DNA binding sites. Dr. Pabo received a Ph.D. in biochemistry and molecular biology from Harvard

University and a B.S. in molecular biophysics and biochemistry from Yale College. He is a member of the National Academy of Sciences and of the American Academy of Arts and Sciences.

Jeremy M. Berg, Ph.D. is Professor and Director of the Department of Biophysics and Biophysical Chemistry at The Johns Hopkins University School of Medicine, where he has been since 1990. He is a leader in the field of ZFPs, and the Berg laboratory was one of the first to demonstrate the use of designed zinc finger arrays for the generation of novel, sequence-specific ZFPs. From 1986 to 1990, Dr. Berg was an associate professor in the Department of Chemistry at The Johns Hopkins University, and a postdoctoral fellow in the School of Medicine from 1984 to 1986. Dr. Berg received his Ph.D. in chemistry from Harvard University and a B.S. and M.S. degrees in chemistry from Stanford University.

Judith Campisi, Ph.D. is Head, Center for Research and Education in Aging Life Sciences Division of the Berkeley National Laboratory, where she has been conducting aging and cancer research since 1990. From 1984 to 1990, Dr. Campisi held professorships within the Department of Biochemistry at the Boston University School of Medicine. Dr. Campisi received her Ph.D. in biochemistry and a B.A. in chemistry from the State University of New York, Stony Brook.

Srinivasan Chandrasegaran, Ph.D. is an associate professor at The Johns Hopkins University School of Hygiene and Public Health, and a leading expert on the molecular biology, structure and function of type IIs restriction endonucleases. He has collaborated with Sangamo on the development of our DNA diagnostic program. Dr. Chandrasegaran received his Ph.D. in chemistry from Georgetown University, and B.S. and M.S. degrees in chemistry from Madras University.

George N. ("Joe") Cox, Ph.D. is President and Chief Scientific Officer of Bolder Biotech, a protein delivery biotechnology company. Dr. Cox was Vice President, Research and Development at Sangamo from March 1995 to June 1998. He spent the previous 12 years of his career at Synergen, Inc., in various positions including Group Leader, Discovery Research, Chairman of Synergen's science counsel, Director of Animal Health Care, and Senior Scientist. He received a Ph.D. in biology from the University of California, Santa Cruz and a B.S. in biology from Wesleyan University.

Hamilton O. Smith, M.D. is currently a Professor Emeritus of molecular biology and genetics at The Johns Hopkins University School of Medicine and Director of DNA Resources at Celera Genomics Corporation. Dr. Smith received the 1978 Nobel Prize in Medicine for his co-discovery of type IIs restriction enzymes. Dr. Smith has gone on to publish extensively on the genetic and genomic analysis of haemophilus influenzae and its natural transformation system. Dr. Smith is an American Cancer Society Research Professor and member of the National Academy of Sciences. He received his M.D. from The Johns Hopkins University School of Medicine, an A.B. in mathematics from the University of California, Berkeley, and a B.S. from the University of Illinois, Urbana.

Kevin Struhl, Ph.D. is the David Wesley Gaiser Professor of Biological Chemistry in the Department of Biological Chemistry and Molecular Pharmacology at Harvard Medical School. Dr. Struhl has established many of the principles involved in the molecular mechanisms of transcriptional activation and repression in eukaryotic cells including the recruitment of gene-specific and general transcription factors as well as histone deacetylases. Dr. Struhl received his Ph.D. in biochemistry from Stanford University, and S.M. and S.B. degrees from the Massachusetts Institute of Technology.

Elton T. ("Ted") Young, Ph.D. is a professor of biochemistry and genetics at the University of Washington in Seattle. Dr. Young has published numerous articles in the field of transcription factors and this remains a focus of his ongoing research at the University of Washington. Dr. Young has served as an editor for the Journal of Molecular and Cellular Biology since 1983. He received his

Ph.D. in biophysics from the California Institute of Technology and has a B.A. in chemistry from the University of Colorado at Boulder.

Alan P. Wolffe, Ph.D. is Chief, Laboratory of Molecular Embryology at the National Institutes of Health. His research has focused on chromatin structure and its role in the regulation of gene expression. Dr. Wolffe's work has been fundamental to the understanding of the importance of histone acetylation and deacetylation in the regulation of gene expression. Dr. Wolffe received a Ph.D. in molecular biology from the Medical Research Council and a B.A. in biochemistry from Oxford University.

BOARD COMMITTEES

Audit Committee. We have established an audit committee composed of independent directors that review and supervise our financial controls, including the selection of our auditors, reviews our books and accounts, meets with our officers regarding our financial controls, acts upon recommendations of our auditors and takes further actions as the audit committee deems necessary to complete an audit of our books and accounts, as well as other matters that may come before it or as directed by the board. The audit committee currently consists of Dr. Gerber, Dr. Rutter and Mr. Wood.

Compensation Committee. We have also established a compensation committee that reviews and approves the compensation and benefits for our executive officers, administers our compensation and stock plans, makes recommendations to the board of directors regarding such matters and performs other duties as may from time-to-time be determined by the board. The compensation committee currently consists of Dr. Boyer and Mr. Larson.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee of the board of directors are Dr. Boyer and Mr. Larson. None of our compensation committee members has been an officer or employee of Sangamo at any time. Mr. Larson is a senior partner at Brobeck, Phleger & Harrison LLP, our legal counsel. None of our executive officers serves on the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board or our compensation committee.

COMPENSATION OF DIRECTORS

Other than expenses in connection with attendance at meetings and other customary expenses, we currently do not compensate any non-employee member of the board. Directors who are also employees do not receive additional compensation for serving as directors.

Under our 2000 Stock Incentive Plan, non-employee directors will receive automatic option grants upon becoming directors each of which is determined by the board of directors and 10,000 shares on the date of each annual meeting of stockholders. The 2000 Stock Incentive Plan also contains a director fee option grant program. Should this program be activated in the future, each non-employee board member will have the opportunity to apply all or a portion of any annual retainer fee otherwise payable in cash to the acquisition of an option with an exercise price below the then fair market value of our shares. Non-employee directors will also be eligible to receive discretionary option grants and direct stock issuances under our 2000 Stock Incentive Plan. See "Management -- Stock Plans."

EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation earned during the fiscal year ended December 31, 1999 by our Chief Executive Officer and our other executive officers whose total annual compensation exceeded $100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION SALARY($)	ANNUAL COMPENSATION BONUS($)	LONG-TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS	OTHER COMPENSATION($)
Edward O. Lanphier II....., President and Chief Executive Officer	1999	$195,000	$73,788	--	$12,500
Casey C. Case, Ph.D. ....., Vice President, Research	1999	131,250	10,000	30,000	--
Peter Bluford....., Vice President, Corporate Development	1999	120,750	10,000	40,000	--

On January 4, 1998, Mr. Lanphier received a loan from us in the principal amount of $250,000. The loan bears interest at a rate of 6% per year. As a special bonus program for Mr. Lanphier the balance of the loan will be forgiven in forty-eight equal monthly installments of principal, together with accrued interest for the year, upon completion of each month of employment with us over the forty-eight month period measured from the date the loan was made. Accordingly, Mr. Lanphier's reported bonus amount represents the $73,788 of loan forgiveness which occurred on December 31, 1999.

Other compensation for Mr. Lanphier consists of an insurance premium paid by Sangamo on a split dollar life insurance policy. Sangamo will be reimbursed for these insurance premiums out of the cash surrender value of its policy paid by Mr. Lanphier during his lifetime or out of the proceeds paid under the policy upon his death.

OPTION GRANTS

The following table sets forth summary information regarding the option grants made to our Chief Executive Officer and the other executive officers whose total annual compensation exceeded $100,000 for 1999. Options granted under our 1995 Stock Option Plan are generally immediately exercisable for all the option shares by the optionee but exercised shares are subject to a right of repurchase according to the vesting schedule of each specific grant. In the event that a purchaser ceases to provide service to Sangamo, we have the right to repurchase any of that person's unvested shares of common stock at the original option exercise price. The exercise price per share is equal to the fair market value of our common stock on the date of grant as determined by our board of directors. Twenty-five percent of the option shares vest on the one year anniversary of employment and the remainder vest in a series of equal monthly installments beginning on the one year anniversary of employment and continuing over the next three years of service. The percentage of total options was calculated based on options to purchase an aggregate of 305,500 shares of common stock granted to employees under our 1995 Stock Option Plan in 1999. The potential realizable value

was calculated based on the ten-year term of the options and assumed rates of stock appreciation of 5% and 10%, compounded annually from the date the options were granted to their expiration date based on the fair market value of the common stock on the date of grant.

OPTION GRANTS IN 1999

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1999	EXERCISE PRICE (PER SHARE)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
					5%	10%
Edward O. Lanphier II.....	--	--%	$ --	--	$ --	$ --
Casey C. Case, Ph.D.	30,000	9.8	0.225	12/8/09	4,245	10,758
Peter Bluford.....	40,000	13.1	0.225	12/8/09	5,660	14,343

FISCAL YEAR-END 1999 OPTION VALUES

The following table sets forth summary information regarding the number and value of options held as of December 31, 1999 for our Chief Executive Officer and our most highly compensated executive officers whose total annual compensation exceeded $100,000. Our Chief Executive Officer and our most highly compensated executive officers did not acquire any shares upon exercise of options in 1999. Amounts shown in the value of unexercised in-the-money options at December 31, 1999 column are based on $0.225, the fair market value of the common stock as of December 31, 1999, multiplied by the number of shares underlying the option, less the aggregate exercise price payable for these shares.

1999 OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Edward O. Lanphier II.....	400,000	--	$24,000	$--
Casey C. Case, Ph.D.	210,000	--	13,500	--
Peter Bluford.....	260,000	--	31,500	--

STOCK PLANS

2000 STOCK INCENTIVE PLAN. The 2000 Stock Incentive Plan is intended to serve as the successor program to our 1995 Stock Option Plan. The 2000 Stock Incentive Plan was adopted by the board in February 2000 and was approved by the stockholders in 2000. The 2000 Stock Incentive Plan will become effective when the underwriting agreement for this offering is signed. At that time, all outstanding options under our 1995 Stock Option Plan will be transferred to the 2000 Stock Incentive Plan, and no further option grants will be made under the 1995 Stock Option Plan. The transferred options will continue to be governed by their existing terms, unless our compensation committee decides to extend one or more features of the 2000 Stock Incentive Plan to those options. Except as otherwise noted below, the transferred options from the 2000 Stock Incentive Plan have substantially the same terms as will be in effect for grants made under the discretionary option grant program of our 2000 Stock Incentive Plan.

Authorized shares

A total of 4,161,666 shares of our common stock have been authorized for issuance under the 2000 Stock Incentive Plan. This share reserve consists of the number of shares we estimate will be carried over from the 1995 Stock Option Plan including the shares subject to outstanding options thereunder, plus an additional increase of approximately 1,129,926 shares. The number of shares authorized for issuance under our 2000 Stock Incentive Plan will automatically increase on the first trading day of the fiscal year, beginning in 2001, by an amount equal to three and one-half percent of the total number of shares of our common stock outstanding on the last trading day immediately preceding fiscal year, but in no event will this annual increase exceed 2,000,000 shares. In addition, the 2000 Stock Incentive Plan prohibits stock option grants or direct stock issuances for more than 2,000,000 shares of common stock in total in any calendar year.

Stock Options

Our 2000 Stock Incentive Plan has five separate programs:

- the discretionary option grant program, under which eligible individuals in our employ may be granted options to purchase shares of our common stock at an exercise price not less than the fair market value of those shares on the grant date;

- the stock issuance program, under which eligible individuals may be issued shares of common stock directly through the purchase of such shares at a price not less than 100% of the then fair market value at time of issuance or as a bonus tied to the attainment of performance milestones or the completion of a specified period of services;

- the salary investment option grant program, under which our executive officers and other highly compensated employees may be given the opportunity to apply a portion of their base salary each year to the acquisition of special below market stock option grants;

- the automatic option grant program, under which option grants will automatically be made at periodic intervals to eligible non-employee members of our board of directors to purchase shares of common stock at an exercise price equal to the fair market value of those shares on the grant date; and

- the director fee option grant program, under which non-employee members of our board of directors may be given the opportunity to apply a portion of any retainer fee otherwise payable to them in cash each year to the acquisition of special below-market option grants.

The individuals eligible to participate in our 2000 Stock Incentive Plan include our officers and other employees, our board members and any consultants we hire.

Plan Administration

The discretionary option grant and stock issuance programs will be administered by our compensation committee. This committee will determine which eligible individuals are to receive option grants or stock issuances under those programs, the time or times when the grants or issuances are to be made, the number of shares subject to each grant or issuance, the status of any granted option as either an incentive stock option or a non-statutory stock option under the federal tax laws, the vesting schedule to be in effect for the option grant or stock issuance and the maximum term for which any granted option is to remain outstanding. The compensation committee will also have the authority to select the executive officers and other highly compensated employees who may participate in the salary investment option grant program if that program is put into effect for one or more calendar years.

Our 2000 Stock Incentive Plan will include the following features:

- The exercise price for any options granted under the 2000 Stock Incentive Plan may be paid in cash or in shares of our common stock valued at fair market value on the exercise date. The option may also be exercised through a same-day sale program without any cash outlay by the optionees. The compensation committee may provide financial assistance to one or more optionees in the exercise of their options by allowing such individuals to deliver full-recourse interest-bearing promissory notes in payment of the exercise price and any associated withholding taxes.

- The compensation committee will have the authority to cancel outstanding options under the discretionary option grant program, including any transferred options from our 1995 Stock Option Plan, in return for the grant of new options for the same or a different number of option shares with an exercise price per share based upon the fair market value of our common stock on the new grant date.

- Stock appreciation rights may be issued under the discretionary option grant program. These rights will provide the holders with the election to surrender their outstanding options for a payment from us equal to the fair market value of the shares subject to the surrendered options less the exercise price payable for those shares. We may make the payment in cash or in shares of our common stock. None of the options under our 1995 Stock Option Plan have any stock appreciation rights.

Changes in Control

The 2000 Stock Incentive Plan will include the following change in control provisions which may result in the accelerated vesting of outstanding option grants and stock issuances:

- If we are acquired by merger or asset sale, each outstanding option under the discretionary option grant program which is not to be assumed by the successor corporation will immediately become exercisable for all the option shares, and all outstanding unvested shares will immediately vest, except to the extent our repurchase rights with respect to those shares are to be assigned to the successor corporation.

- The compensation committee will have complete discretion to grant one or more options that will become exercisable for all the option shares if those options are assumed in the acquisition but the optionee's service with us or the acquiring entity is subsequently terminated. The vesting of any outstanding shares under the stock issuance programs may be accelerated upon similar terms and conditions. The compensation committee will also have the authority to grant options which will immediately vest in the event we are acquired, whether or not those options are assumed.

- The compensation committee may grant options and structure repurchase rights so that the shares subject to those options or repurchase rights will immediately vest in connection with a successful tender offer for more than 50% of our outstanding voting stock or a change in the majority of our board through one or more contested elections. This accelerated vesting may occur either at the time of this type of transaction or upon the subsequent termination of the individual's service.

- If we are acquired by merger or asset sale, the options currently outstanding under the 1995 Stock Option Plan will accelerate in full if the options are not assumed by the acquiring entity and the optionee's employment with us is involuntarily terminated within 12 months following the acquisition. If the options are not so assumed, they will accelerate and become exercisable for fully vested shares immediately before the acquisition and will terminate upon the completion of the acquisition.

Salary Investment Option Grant Program

If the compensation committee decides to put the salary investment option grant program into effect for one or more calendar years, each of our executive officers and other highly compensated employees may elect to reduce his or her base salary for the calendar year by an amount not less than $10,000 nor more than $50,000. Each selected individual who makes this election will automatically be granted, on the first trading day in January of the calendar year for which his or her salary reduction is to be in effect, an option to purchase that number of shares of common stock determined by dividing the salary reduction amount by two-thirds of the fair market value per share of our common stock on the grant date. The option will have an exercise price per share equal to one-third of the fair market value of the option shares on the grant date. As a result, the option will be structured so that the fair market value of the option shares on the grant date less the exercise price payable for those shares will be equal to the amount of the salary reduction. The option will become exercisable in a series of twelve equal monthly installments over the calendar year for which the salary reduction is to be in effect.

Automatic Option Grant Program

Under the automatic option grant program, each individual who first becomes a non-employee board member at any time after the effective date of this offering will receive an option grant to purchase the number of shares of common stock as determined by the board on the date the individual joins the board. In addition, on the date of each annual stockholders meeting held in 2001 and thereafter, each non-employee board member who is to continue to serve as a non-employee board member, including each of our current non-employee board members, will automatically be granted an option to purchase 10,000 shares of common stock, provided the individual has served on the board for at least six months.

Each automatic grant will have an exercise price per share equal to the fair market value per share of our common stock on the grant date and will have a term of 10 years, subject to earlier termination following the optionee's cessation of board service. The option will be immediately exercisable for all of the option shares; however, we may repurchase, at the exercise price paid per share, any shares purchased under the option which are not vested at the time of the optionee's cessation of board service. The shares subject to each initial option grant will vest in a series of 36 equal monthly installments upon the optionee's completion of each month of board service measured from the grant date. The shares subject to each 10,000 share annual option grant will vest in a series of 12 equal monthly installments upon completion of each month of board service over the 12-month period measured from the grant date. The shares subject to each option will immediately vest in full over the 36-month period upon the optionee's death or disability while a board member.

Director Fee Option Grant Program

If the director fee option grant program is put into effect in the future, then each non-employee board member may elect to apply all or a portion of any cash retainer fee for the year to the acquisition of a below-market option grant. The option grant will automatically be made on the first trading day in January in the year for which the retainer fee would otherwise be payable in cash. The option will have an exercise price per share equal to one-third of the fair market value of the option shares on the grant date, and the number of shares subject to the option will be determined by dividing the amount of the retainer fee applied to the program by two-thirds of the fair market value per share of our common stock on the grant date. As a result, the option will be structured so that the fair market value of the option shares on the grant date less the exercise price payable for those shares will be equal to the portion of the retainer fee applied to that option. The option will become

exercisable in a series of 12 equal monthly installments over the calendar year for which the election is in effect. The option, however, will become immediately exercisable for all the option shares upon the death or disability of the optionee while serving as a board member.

Our 2000 Stock Incentive Plan will also have the following features:

- Outstanding options under the salary investment option grant program and the automatic and director fee option grant programs will immediately vest if we are acquired by a merger or asset sale or if there is a successful tender offer for more than 50% of our outstanding voting stock or a change in the majority of our board through one or more contested elections.

- Limited stock appreciation rights will automatically be included as part of each grant made under the salary investment option grant program and the automatic and director fee option grant programs, and these rights may also be granted to one or more officers as part of their option grants under the discretionary option grant program. Options with this feature may be surrendered to us upon the successful completion of a hostile tender offer for more than 50% of our outstanding voting stock. In return for the surrendered option, the optionee will be entitled to a cash distribution from us in an amount per surrendered option share based upon the highest price per share of our common stock paid in that tender offer.

- The board may amend or modify the 2000 Stock Incentive Plan at any time, subject to any required stockholder approval. The 2000 Stock Incentive Plan will terminate no later than February 7, 2010.

EMPLOYEE STOCK PURCHASE PLAN. Our Employee Stock Purchase Plan was adopted by the board in February 2000 and approved by the stockholders in , 2000. The Employee Stock Purchase Plan will become effective immediately upon the signing of the underwriting agreement for this offering. The plan is designed to allow our eligible employees and the eligible employees in our participating subsidiaries, if any, to purchase shares of common stock, at semi-annual intervals, with their accumulated payroll deductions.

Authorized Shares

A total of 400,000 shares of our common stock will initially be reserved for issuance under our Employee Stock Purchase Plan. The reserve will automatically increase on the first trading day of the second fiscal quarter each year, beginning in the year 2001, by an amount equal to one percent of the total number of outstanding shares of our common stock on the last trading day of the immediately preceding first fiscal quarter. In no event will any annual reserve increase exceed 600,000 shares.

Plan Administration

The plan will have a series of successive overlapping offering periods, with a new offering period beginning on the first business day of May and November of each year. Each offering period will continue for a period of 24 months, unless otherwise determined by our compensation committee. The initial offering period, however, will start on the date the underwriting agreement for this offering is signed and will end on the last business day of April 2002. The next offering period will start on the first business day of November 2000.

Individuals scheduled to work more than 20 hours per week for more than five calendar months per year may join an offering period on the start date of that period. Employees may participate in only one offering period at any time.

A participant may contribute up to 15% of his or her cash earnings through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual

purchase date. Semi-annual purchase dates will occur on the last business day of April and October each year, with the first purchase to occur on the last business day of October 2000. The purchase price per share on each semi-annual purchase date will be equal to 85% of the fair market value per share on the start date of the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date. A participant, however, may not purchase more than 2,000 shares on any purchase date, and not more than 200,000 shares may be purchased in total by all participants on any purchase date. Our compensation committee will have the authority to change these limitations for any subsequent offering period.

Changes in Control

If the fair market value per share of our common stock on any purchase date is less than the fair market value per share on the start date of the 24-month offering period, then that offering period will automatically terminate, and all participants in the terminated offering will be transferred to the new offering period commencing immediately thereafter.

Should we be acquired by merger or sale of substantially all of our assets or more than 50% of our voting securities, then all outstanding purchase rights will automatically be exercised immediately prior to the effective date of the acquisition. The purchase price will be equal to 85% of the market value per share on the start date of the offering period in which the acquisition occurs or, if lower, 85% of the fair market value per share immediately prior to the acquisition.

The following provisions will also be in effect under the Employee Stock Purchase Plan:

- The plan will terminate no later than the last business day of January 2010.

- The board may at any time amend, suspend or discontinue the Employee Stock Purchase Plan. Some amendments may require stockholder approval.

TERMINATION OF EMPLOYMENT ARRANGEMENT AND CHANGE IN CONTROL ARRANGEMENTS

In May 1997, we entered into an agreement with Edward O. Lanphier II, our current President and Chief Executive Officer. Under the terms of the agreement, Mr. Lanphier will receive an annual salary, an optional bonus payment and common stock and stock options based on the achievement of some milestones. If Mr. Lanphier is terminated without cause, he will be entitled to his base salary for a period of twelve months plus customary benefits for that period. In the event of a change in control, the unvested portion of his options will vest.

On January 4, 1998, Mr. Lanphier received a loan from us in the principal amount of $250,000. The loan bears interest at a rate of 6% per year and will be forgiven in forty-eight equal monthly installments of principal together with all accrued interest upon his completion of each month of employment with us over the forty-eight month period measured from the date the loan was made. If Mr. Lanphier is terminated without cause, the balance of the loan will be forgiven. A change of control will be deemed a termination without cause.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Our certificate of incorporation eliminates, to the maximum extent allowed by the Delaware General Corporation Law, directors' personal liability to us or our stockholders for monetary damages or breaches of fiduciary duties. The certificate of incorporation of Sangamo does not, however, eliminate or limit the personal liability of a director for the following:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our bylaws provide that we shall indemnify our directors and executive officers to the fullest extent permitted under the Delaware General Corporation Law and may indemnify our other officers, employees and other agents as set forth in the Delaware General Corporation Law. In addition, we have entered into an indemnification agreement with each of our directors and executive officers. The indemnification agreements contain provisions that require us, among other things, to indemnify our directors and executive officers against liabilities (other than liabilities arising from intentional or knowing and culpable violations of law) that may arise by reason of their status or service as directors or executive officers of Sangamo or other entities to which they provide service at our request and to advance expenses they may incur as a result of any proceeding against them as to which they could be indemnified. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified directors and officers.

Prior to the consummation of the offering, we will obtain additional insurance which covers directors and officers for claims they may otherwise be required to pay or for which we are required to indemnify them and which will become effective upon consummation of the offering.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification will be required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

RELATED PARTY TRANSACTIONS

Since October 23, 1995, we have issued shares of our preferred stock and warrants to purchase our preferred stock to investors in private placement transactions as follows: a total of 791,250 shares of Series A preferred stock at a price of $1.00 per share and warrants to purchase 65,000 shares of Series A preferred stock at a price of $1.00 from October 1995 to June 1996; a total of 2,398,000 shares of Series B preferred stock at a price of $3.00 per share and warrants to purchase 64,981 shares of Series B preferred stock at an exercise price of $3.00 per share from November 1997 to February 1998; and a total of 2,000,000 shares of Series C preferred stock at a price of $4.50 per share from August 1999 to January 2000. The following table summarizes the shares of preferred stock purchased by, and warrants to purchase shares of preferred stock issued to our executive officers, directors and 5% stockholders and persons and entities associated with them in these private placement transactions. Shares and warrants held by affiliated persons and entities have been aggregated. See "Principal Stockholders." In connection with the above transactions, we entered into and agreement with the investors providing for registration rights with respect to these shares. See "Description of Capital Stock -- Registration Rights."

	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES B PREFERRED STOCK WARRANTS	SERIES C PREFERRED STOCK
DIRECTORS				
John W. Larson	75,000	84,548	12,682	--
William J. Rutter, Ph.D.	--	--	--	333,333
5% STOCKHOLDERS				
Entities affiliated with JAFCO Co., Ltd.	--	1,000,000	--	222,223
Lombard Odier & Cie	--	1,000,000	--	222,222
Stephens-Sangamo BioSciences LLC	--	--	--	1,000,000

AGREEMENTS WITH OFFICERS AND DIRECTORS

In May 1997, we entered into an agreement with Edward O. Lanphier II, our current President and Chief Executive Officer. Under the terms of the agreement, Mr. Lanphier will receive an annual salary, an optional bonus payment, and forgiveness of twenty-five percent of an outstanding loan, and common stock and stock options based on the achievement of some milestones.

On January 4 , 1998, Mr. Lanphier received a loan from us in the principal amount of $250,000. The loan bears interest at a rate of 6% per year and will be forgiven in forty-eight equal monthly installments of principal, together with all accrued interest, upon his completion of each month of employment with us over the forty-eight month period measured from the date the loan was made. $73,788 of the loan was forgiven in 1999. The loan is secured by 500,000 shares of our common stock. If Mr. Lanphier is terminated without cause, the balance of the loan will be forgiven. A change of control will be deemed a termination without cause.

Mr. Larson, a Director, is also a partner at Brobeck, Phleger & Harrison LLP, Sangamo's legal counsel.

We believe that all of the transactions set forth above were made on terms no less favorable to us than could have been otherwise obtained from unaffiliated third parties. All future transactions, including loans, if any, between us and our officers, directors and principal stockholders and their affiliates and any transactions between us and any entity with which our officers, directors or 5% stockholders are affiliated, will be approved by a majority of the board of directors, including a majority of the independent and disinterested outside directors of the board of directors and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The table below sets forth information regarding the beneficial ownership of our common stock as of January 31, 2000, and as adjusted for this offering, by:

- each person or entity who is known by us to own beneficially more than 5% of our outstanding stock;
- our Chief Executive Officer and our other executive officers whose total annual compensation exceeded $100,000;
- each of our directors; and
- all directors and executive officers as a group.

Each stockholder's percentage ownership in the following table is based on 15,843,894 shares of common stock outstanding as of December 31, 1999. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Sangamo BioSciences, Inc., 501 Canal Boulevard, Suite A100, Richmond, CA 94804. Except as otherwise indicated, and subject to applicable community property laws, except to the extent authority is shared by both spouses under applicable law, we believe the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO OFFERING	AFTER THE OFFERING
Entities Affiliated with JAFCO Co., Ltd.(1)..... 1-8-2 Marunouchi, Chiyoda-ku Tokyo 100, Japan	2,444,446	15.4%	
Lombard Odier & Cie..... Toedistrasse 36, CH-8027 Zurich, Switzerland	2,444,444	15.4	
Stephens-Sangamo BioSciences LLC.....	2,000,000	12.6	
Edward O. Lanphier II(2).....	4,030,000	24.7	
Casey C. Case, Ph.D.(3).....	210,000	1.3	
Peter Bluford(4).....	260,000	1.6	
Herbert W. Boyer, Ph.D.(5).....	100,000	*	
William G. Gerber, M.D.(6).....	100,000	*	
John W. Larson(7).....	484,460	3.0	
William J. Rutter, Ph.D.(8).....	766,666	4.8	
Michael C. Wood(9).....	1,550,000	9.8	
All directors and executive officers as a group (11 persons)(10).....	7,711,126	44.5%	

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* Less than one percent.

(1) Represents 844,446 shares held by JAFCO Co., Ltd; 246,574 shares held by JAFCO G-6(A) Investment Enterprise Partnership; 246,574 shares held by JAFCO G-6(B) Investment Enterprise Partnership; 334,246 shares held by JAFCO G-7(A) Investment Enterprise Partnership; 334,246 shares held by JAFCO G-7(B) Investment Enterprise Partnership; 164,388 shares held by JAFCO JS-3 Investment Enterprise Partnership; and 273,972 shares held by JAFCO R-3 Investment Enterprise Partnership.

(2) Includes 400,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999. Also includes 400,000 shares held by Mr. Lanphier's minor children.

(3) Includes 210,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(4) Includes 260,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(5) Includes 100,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(6) Includes 100,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(7) Includes 50,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999. Also includes warrants to purchase 25,364 shares of common stock.

(8) Includes 100,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(9) Includes 50,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

(10) Includes 1,470,000 shares of common stock issuable upon exercise of immediately exercisable options within 60 days of December 31, 1999.

DESCRIPTION OF CAPITAL STOCK

At the closing of this offering, we will be authorized to issue 80,000,000 shares of common stock, $0.01 par value, and 5,000,000 shares of undesignated preferred stock, $0.01 par value, following the conversion of our existing preferred stock. The following description of capital stock gives effect to the amended and restated certificate of incorporation to be filed prior to the closing of this offering. Immediately following the completion of this offering, and assuming no exercise of the underwriters' over-allotment option, a total of shares of common stock will be issued and outstanding, and no shares of preferred stock will be issued and outstanding. As of January 31, 2000, there were 88 stockholders.

The following description of our capital stock is subject to and qualified by our amended and restated certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the provisions of the applicable Delaware law.

COMMON STOCK

The holders of our common stock are entitled to one vote per share on all matters to be voted upon by our stockholders. Subject to preferences that may apply to any outstanding preferred stock that we may issue, the holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for dividends. See "Dividend Policy." In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock outstanding upon completion of this offering will be fully paid and nonassessable.

PREFERRED STOCK

Our board of directors is authorized to issue, from time-to-time, without stockholder authorization, in one or more designated series, any or all of our authorized but unissued shares of preferred stock with any dividend, redemption, conversion and exchange provisions as may be provided in the particular series. Any series of preferred stock may possess voting, dividend, liquidation and redemption rights superior to those of the common stock.

The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. Issuance of a new series of preferred stock, while providing desirable flexibility in connection with financing possible acquisitions and other corporate purposes, could have the effect of entrenching our board of directors and making it more difficult for a third-party to acquire, or discourage a third-party from acquiring, a majority of our outstanding voting stock. We have no present plans to issue any shares of or designate any series of preferred stock.

WARRANTS

At December 31, 1999, there were warrants outstanding to purchase a total of 259,962 shares of our common stock, all of which will remain outstanding after the completion of this offering and have various expiration dates. Some of these warrants have net exercise provisions under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrant after deduction of the total exercise price.

REGISTRATION RIGHTS

Pursuant to the Amended and Restated Investors Rights Agreement dated January 20, 2000, some of our current stockholders and warrantholders have registration rights for 5,697,948 shares of common stock held by them, or issuable upon exercise of their warrants. Six months after the effective date of this offering, the stockholders may demand that we file a registration statement under the Securities Act covering all or a portion of the investors' registrable securities. The stockholders demanding a registration must hold at least 40% of the then outstanding registrable securities with an aggregate offering price, net of underwriting discounts and commissions, of at least $7.5 million. These registration rights are subject to our right to delay the filing of a registration statement for a period not to exceed 120 days after receiving the registration demand, although we cannot delay more than once in a twelve-month period. In addition, the managing underwriter, if any, of the offering has the right to limit the number of the registrable securities proposed to be included in the registration. We are only obligated to effect one such demand registration. However, stockholders with registration rights may require us to file additional registration statements on Form S-3, subject to conditions and limitations.

These stockholders also have "piggyback" registration rights. Subject to exceptions, if we propose to register our securities under the Securities Act other than pursuant to the stockholders' demand registration rights noted above, the stockholders may require us to include all or a portion of their registrable securities in the registration. Again, the managing underwriter has the right to limit the number of the registrable securities proposed to be included in the registration.

We will bear all registration expenses incurred in connection with a registration effected pursuant to the rights described in the two foregoing paragraphs, though limited to two registrations on Form S-3. The expenses for all subsequent registrations on Form S-3 will be paid by the selling stockholders pro rata in proportion to the number of securities sold. In any registration, each selling stockholder will pay all underwriting discounts and selling commissions applicable to the sale of its registrable securities.

These registration rights terminate on the earlier of two years after the close of this offering or the date that all of its registrable securities may be sold during any 90-day period under Rule 144 of the Securities Act. The registration rights of each investor will also terminate when it owns less than 1% of our common stock.

ANTITAKEOVER EFFECTS OF PROVISIONS OF THE DELAWARE LAW AND FUTURE ISSUANCE OF PREFERRED STOCK

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

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

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by:

(i) persons who are directors and also officers; and

(ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to 2000 Employee Stock Purchase Plan will be tendered in a tender or exchange offer; or

- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to some exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

Our amended and restated certificate of incorporation authorizes our board of directors to issue blank check preferred stock to increase the amount of outstanding shares.

Delaware law and the issuance of preferred stock in certain circumstances may have the effect of deterring hostile takeovers or delaying changes in control of our management, which could depress the market price of our common stock.

TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar for our common stock is Equiserve L.P. Its telephone number is (781) 575-2469.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could reduce prevailing market prices. Furthermore, since no shares will be available for sale shortly after this offering because of contractual and legal restrictions on resale as described below, sales of substantial amounts of our common stock in the public market after these restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding an aggregate of shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants issued after December 31, 1999. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by affiliates. The remaining shares of common stock held by existing stockholders are restricted securities. Restricted securities may be sold in the public market only if registered for resale or if they qualify for an exemption from registration described below under Rules 144, 144(k) or 701 promulgated under the Securities Act.

Pursuant to the contractual restrictions described below and the provisions of Rules 144, 144(k) and 701, the restricted shares will be available for sale in the public market as follows:

- unless held by affiliates, the shares sold in the public offering will be freely tradable upon completion of this offering;

- shares will be eligible for sale beginning 90 days after the date of this prospectus;

- shares will be eligible for sale upon the expiration of the lock-up agreements, described below, beginning 180 days after the date of this prospectus; and

- shares will be eligible for sale upon the exercise of vested options 180 days after the date of this prospectus.

Lock-Up Agreements. All of our executive officers and directors, and stockholders holding an aggregate of at least 90% of the shares of our capital stock, have agreed under lock-up agreements that, without the prior written consent of Lehman Brothers Inc., they will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities which may be converted into or exchanged for any such shares for the period ending 180 days after the date of this prospectus. Transfers or dispositions can be made sooner only with the prior written consent of Lehman Brothers Inc. See "Underwriting".

Rule 144. In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus a person or persons whose shares are aggregated, who has beneficially owned restricted securities for at least one year, including the holding period of any prior owner except an affiliate, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after the offering; or

- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about Sangamo.

Rule 144(k). Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner except an affiliate, is entitled to sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.
shares of our common stock will qualify as "144(k) shares" within 180 days after the date of this prospectus.

Rule 701. In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants or advisors, other than affiliates, who purchase or receive shares from us in connection with a compensatory stock purchase plan or option plan or other written agreement will be eligible to resell their shares beginning 90 days after the date of this prospectus, subject only to the manner of sale provisions of Rule 144, and by affiliates under Rule 144 without compliance with its holding period requirements.

Registration Rights. Upon completion of this offering, the holders of
shares of our common stock, or their transferees, will be entitled to rights with respect to the registration of their shares for resale under the Securities Act. Registration of their shares for resale under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of that registration statement.

Stock Options. Following the offerings, we intend to file a registration statement on Form S-8 under the Securities Act covering the shares of common stock reserved for issuance under our 1995 Stock Option Plan, 2000 Stock Incentive Plan and 2000 Employee Stock Purchase Plan that will become effective upon filing. Accordingly, shares registered under that registration statement will, subject to Rule 144 volume limitations applicable to affiliates, be available for sale in the open market after the filing, except those shares subject to lockup agreements and unvested shares.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, the underwriters named below, for whom Lehman Brothers Inc., Chase Securities Inc., ING Barings LLC, William Blair & Company, L.L.C. and Fidelity Capital Markets, a division of National Financial Services Corporation, are acting as representatives, have each agreed to purchase from us the respective number of shares of common stock shown opposite its name below:

UNDERWRITER	NUMBER OF SHARES
Lehman Brothers Inc.	
Chase Securities Inc.	
ING Barings LLC	
William Blair & Company, L.L.C	
Fidelity Capital Markets, a division of National Financial Services Corporation	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement. It also provides that, if any of the shares of common stock are purchased by the underwriters under the underwriting agreement, all of the shares of common stock that the underwriters have agreed to purchase under the underwriting agreement, must be purchased. The conditions contained in the underwriting agreement include the requirement that:

- the representations and warranties made by us to the underwriters are true;
- that there is no material change in the financial markets; and
- we deliver to the underwriters customary closing documents.

The representatives have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus, and to dealers, who may include the underwriters, at this public offering price less a selling concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a concession not in excess of $ per share to brokers and dealers. After completion of the offering, the underwriters may change the offering price and other selling terms.

We have granted the underwriters an option to purchase up to additional shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discount shown on the cover page of this prospectus. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. If this option is exercised, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to the underwriter's initial commitment as indicated in the table above, and we will be obligated, under the over-allotment option, to sell the shares of common stock to the underwriters.

We have agreed not to, without the prior consent of Lehman Brothers Inc., directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities which may be

converted into or exchanged for any such shares of common stock for a period of 180 days from the date of this prospectus. All of our executive officers and directors, and some of our stockholders holding an aggregate of at least 90% of the shares of our capital stock, have agreed under lock-up agreements that, without the prior written consent of Lehman Brothers Inc., they will not, directly or indirectly, offer, sell or otherwise dispose of any shares of common stock or any securities which may be converted into or exchanged for any such shares for the period ending 180 days after the date of this prospectus. See "Shares Eligible for Future Sale."

Prior to the offering, there has been no public market for the shares of common stock. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of the common stock, the representatives will consider, among other things and in addition to prevailing market conditions:

- our historical performance and capital structure;

- estimates of our business potential and earning prospects;

- an overall assessment of our management; and

- the consideration of the above factors in relation to market valuations of companies in related businesses.

We intend to apply to have our common stock approved for quotation on the Nasdaq National Market under the symbol "SGMO."

We have agreed to indemnify the underwriters against liabilities, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and selling group members to bid for and purchase shares of common stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of the common stock. These transactions may consist of bids or purchases for the purposes of pegging, fixing or maintaining the price of the common stock.

The underwriters may create a short position in the common stock in connection with the offering, which means that they may sell more shares than are set forth on the cover page of this prospectus. If the underwriters create a short position, then the representatives may reduce that short position by purchasing common stock in the open market. The representatives also may elect to reduce any short position by exercising all or part of the over-allotment option. The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares of common stock offered by them.

The representatives also may impose a penalty bid on underwriters and selling group members. This means that, if the representatives purchase shares of common stock in the open market to reduce the underwriters' short position or to stabilize the price of the common stock, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of these purchases. The imposition of a penalty bid might have an effect on the price of a security to the extent that it may discourage resales of the security by purchasers in an offering.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any offers in Canada will be made only under an exemption from the requirements to file a prospectus in the relevant province of Canada in which the sale is made.

Purchasers of the shares of common stock offered in this prospectus may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover of this prospectus.

Fidelity Capital Markets, a division of National Financial Services Corporation, is acting as a selling group member in this offering and will be facilitating electronic distribution of information through the Internet, intranet and other proprietary electronic technology.

At our request, the underwriters have reserved up to shares of the common stock offered by this prospectus for sale to our officers, directors, employees and their family members and to our business associates at the initial public offering price set forth on the cover page of this prospectus. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares.

Lehman Brothers Inc. and one of its affiliates are stockholders of Sangamo. Together they own an aggregate of less than one percent of the issued and outstanding shares of our common stock. In addition, we have entered into a consulting agreement with an affiliate of Lehman Brothers Inc. that provides for annual payments to the affiliate of $20,000.

LEGAL MATTERS

The validity of the common stock offered will be passed upon for us by Brobeck, Phleger & Harrison LLP, San Francisco, California. John W. Larson, one of our directors, is a senior partner of Brobeck, Phleger & Harrison LLP and beneficially owns an aggregate of 484,460 shares of our common stock. Latham & Watkins is acting as counsel for the underwriters in connection with selected legal matters relating to the shares of common stock offered by this prospectus.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our financial statements at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, as set forth in their report. We have included our financial statements in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on the authority of such firm as experts in accounting and auditing.

The statements in this prospectus in the sections entitled "Risk Factors -- Because it is difficult and costly to protect our proprietary rights, we cannot ensure their protection" and "Business -- Intellectual Property and Technology Licenses" have been passed upon, as to patent matters, by Townsend and Townsend and Crew LLP, patent counsel to us, and experts on such matters, and are included in this prospectus in reliance upon its review and approval.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, under the Securities Act a registration statement on Form S-1 relating to the common stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and its exhibits and schedules. For further information with respect to us and the shares we are offering by this prospectus, you should refer to the registration statement and its exhibits and schedules. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and you should refer to the copy of that contract or other document filed as an exhibit to the registration statement. You may read or obtain a copy of the registration statement, including exhibits, at the commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. You may obtain information on the operation of the public reference room by calling the commission at 1-800-SEC-0330. The commission maintains a Web site that contains reports, proxy information statements and other information regarding registrants that file electronically with the commission. The address of this Web site is http://www.sec.gov.

As a result of the offering, the information and reporting requirements of the Securities Exchange Act of 1934 will apply to us. We intend to furnish holders of our common stock with annual reports containing, among other information, audited financial statements certified by an independent public accounting firm and quarterly reports containing unaudited condensed financial information for the first three quarters of each fiscal year. We intend to furnish other reports as we may determine or as may be required by law.

SANGAMO BIOSCIENCES, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Sangamo BioSciences, Inc.

We have audited the accompanying balance sheets of Sangamo BioSciences, Inc. as of December 31, 1998 and 1999, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sangamo BioSciences, Inc. at December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Palo Alto, California
January 28, 2000,
except for Note 7, as to which the date is
February , 2000.

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The foregoing opinion is in the form that will be signed upon the completion of the stock split described in Note 7 to the financial statements.

/s/ Ernst & Young LLP

Palo Alto, California

February 24, 2000

SANGAMO BIOSCIENCES, INC.

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 31,		PRO FORMA STOCKHOLDERS' EQUITY DECEMBER 31,
	1998	1999	1999
			(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,250	$ 251	
Short-term investments	1,808	7,252	
Accounts receivable	384	562	
Prepaid expenses	97	171	
Total current assets	3,539	8,236	
Property and equipment, net	436	612	
Other assets	244	439	
Total assets	$ 4,219	$ 9,287	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 182	$ 348	
Accrued compensation and employee benefits	196	182	
Deferred revenue	--	500	
Total current liabilities	378	1,030	
Note payable	250	250	
Commitments			
Stockholders' equity:			
Preferred stock, $0.01 par value; 6,000,000 shares authorized, issuable in series, 3,148,000 and 4,855,917 shares issued and outstanding at December 31, 1998 and 1999, respectively (none pro forma); aggregate liquidation preference of $15,485 at December 31, 1999	7,644	15,088	$ --
Common stock, $0.01 par value; 15,000,000 shares authorized, 5,931,018 and 6,132,060 shares issued and outstanding at December 31, 1998 and 1999, respectively, at amount paid-in (15,843,894 shares issued and outstanding, pro forma)	18	1,700	16,788
Deferred stock compensation	--	(1,386)	(1,386)
Accumulated deficit	(4,126)	(7,478)	(7,478)
Accumulated other comprehensive income	55	83	83
Total stockholders' equity	3,591	8,007	$ 8,007
Total liabilities and stockholders' equity	$ 4,219	$ 9,287	

See accompanying notes.

SANGAMO BIOSCIENCES, INC.

STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Revenues:			
Federal government research grants	$1,152	$ 1,888	$ 1,182
Collaboration agreements	--	150	1,000
Total revenues	1,152	2,038	2,182
Operating expenses:			
Research and development	1,675	4,057	3,991
General and administrative	447	1,029	1,578
Amortization of deferred stock compensation	--	--	96
Total operating expenses	2,122	5,086	5,665
Loss from operations	(970)	(3,048)	(3,483)
Interest income	44	185	148
Interest expense	--	(12)	(17)
Net loss	$ (926)	$(2,875)	$(3,352)
Basic and diluted net loss per share	$(0.17)	$ (0.49)	$ (0.56)
Shares used in computing basic and diluted net loss per share	5,485	5,843	5,991
Pro forma basic and diluted net loss per share (unaudited)			$ (0.26)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)			13,102

See accompanying notes.

SANGAMO BIOSCIENCES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		DEFERRED STOCK		ACCUMULATED OTHER	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	COMPENSATION	ACCUMULATED DEFICIT	COMPREHENSIVE INCOME	STOCKHOLDERS' EQUITY
Balances at December 31, 1996	750,000	$ 750	5,472,500	$ 9	$ --	$ (325)	$--	$ 434
Issuance of common stock for services rendered at $0.01 per share	--	--	303,800	2	--	--	--	2
Issuance of common stock upon exercise of options at $0.05 per share	--	--	100,000	5	--	--	--	5
Issuance of Series B convertible preferred stock for cash at $3.00 per share, net of issuance costs of $180	2,358,000	6,894	--	--	--	--	--	6,894
Net loss and comprehensive loss	--	--	--	--	--	(926)	--	(926)
Balances at December 31, 1997	3,108,000	7,644	5,876,300	16		(1,251)	--	6,409
Issuance of common stock upon exercise of options at $0.01 and $0.05 per share, net of repurchases	--	--	54,718	2	--	--	--	2
Issuance of Series B convertible preferred stock for services related to the issuance of preferred stock at $0.01 per share	40,000	--	--	--	--	--	--	--
Unrealized gain on investments	--	--	--	--	--	--	55	55
Net loss	--	--	--	--	--	(2,875)	--	(2,875)
Comprehensive loss								(2,820)
Balances at December 31, 1998	3,148,000	7,644	5,931,018	18	--	(4,126)	55	3,591
Issuance of common stock upon exercise of options at $0.01 to $0.15 per share	--	--	191,042	12	--	--	--	12
Issuance of common stock and options to purchase common stock for services rendered	--	--	10,000	188	--	--	--	188
Issuance of Series A convertible preferred stock upon exercise of warrants at $0.01 per share	41,250	--	--	--	--	--	--	--
Issuance of Series C convertible preferred stock for cash at $4.50 per share, net of issuance costs of $56	1,666,667	7,444	--	--	--	--	--	7,444
Deferred stock compensation	--	--	--	1,482	(1,482)	--	--	--
Amortization of deferred stock compensation	--	--	--	--	96	--	--	96
Unrealized gain on investments	--	--	--	--	--	--	28	28
Net loss	--	--	--	--	--	(3,352)	--	(3,352)
Comprehensive loss								(3,324)
Balances at December 31, 1999	4,855,917	$15,088	6,132,060	$1,700	$(1,386)	$(7,478)	$83	$ 8,007

See accompanying notes.

SANGAMO BIOSCIENCES, INC.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
OPERATING ACTIVITIES:			
Net loss	$ (926)	$(2,875)	$(3,352)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2	86	164
Deferred stock compensation	--	--	96
Issuance of common stock and options to purchase common stock for technology and services rendered	2	--	188
Changes in operating assets and liabilities:			
Accounts receivable	(226)	20	(178)
Prepaid expenses and other assets	(53)	(284)	(14)
Accounts payable and accrued liabilities	383	(305)	166
Accrued compensation and employee benefits	--	196	(14)
Deferred revenue	--	--	500
Net cash used in operating activities	(818)	(3,162)	(2,444)
INVESTING ACTIVITIES:			
Purchases of short-term investments	--	(2,921)	(8,242)
Maturities to and other changes in short-term investments	--	1,166	2,571
Purchases of property and equipment	(124)	(400)	(340)
Net cash used in investing activities	(124)	(2,155)	(6,011)
FINANCING ACTIVITIES:			
Proceeds from issuance of convertible preferred stock	5,934	--	7,444
Proceeds from issuance of common stock	5	3	12
Borrowings under note payable	--	250	--
Proceeds from issuance of convertible promissory notes	960	--	--
Net cash provided by financing activities	6,899	253	7,456
Net increase in cash and cash equivalents	5,957	(5,064)	(999)
Cash and cash equivalents, beginning of period	357	6,314	1,250
Cash and cash equivalents, end of period	$6,314	$ 1,250	$ 251
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest	$ --	$ 12	$ 17
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Deferred compensation related to stock options	$ --	$ --	$ 1,482
Conversion of convertible promissory notes to convertible preferred stock	$ 960	$ --	$ --

See accompanying notes.

SANGAMO BIOSCIENCES, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SANGAMO AND BASIS OF PRESENTATION

Sangamo BioSciences, Inc. ("Sangamo") was incorporated in the State of Delaware on June 22, 1995 and is focused on the development and commercialization of novel transcription factors for the regulation of gene expression. Sangamo's Universal Gene Recognition technology platform enables the engineering of a class of transcription factors known as zinc finger DNA binding proteins ("ZFPs"). Through December 31, 1998, Sangamo was considered to be in the development stage. During 1999, Sangamo entered into several Universal GeneTools collaborations and recognized revenues associated with these agreements, and expects to continue to receive revenues under these, similar and other agreements in the future. Consequently, Sangamo is no longer considered to be in the development stage. Sangamo will require additional financial resources to complete the development and commercialization of its products.

Sangamo anticipates working on a number of long-term development projects that will involve experimental and unproven technology. The projects may require several years and substantial expenditures to complete and ultimately may be unsuccessful. Sangamo plans to finance its operations with available cash resources, funds received under federal government research grants and Universal GeneTools collaborations and strategic partnerships (see Note 7), and from the issuance of equity or debt securities. To date, Sangamo has been awarded research grants from the National Institute of Standards and Technology and the National Institutes of Health amounting to approximately $5,600,000 of which approximately $5,000,000 has been used through December 31, 1999. Sangamo believes that its available cash, cash equivalents and short-term investments of $7,503,000 as of December 31, 1999, along with expected federal government research grant reimbursements and revenues from Universal GeneTools collaborations and strategic partnerships, will be adequate to fund its operations through at least fiscal 2000. Sangamo will need to raise substantial additional capital to fund subsequent operations. Sangamo intends to seek funding through the issuance of equity securities, including this offering, through additional Universal GeneTools collaborations, strategic partnerships, and federal government research grants. Sangamo may seek to raise additional capital when conditions permit. We cannot assure you that funding will be available on favorable terms, if at all.

INITIAL PUBLIC OFFERING

In February 2000, the Board of Directors authorized the management of Sangamo to file a registration statement with the Securities and Exchange Commission permitting Sangamo to sell shares of its common stock to the public. If the initial public offering is closed under the terms presently anticipated, all of the convertible preferred stock outstanding will automatically convert into common stock (see Note 7). Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the preferred stock, is set forth on the balance sheet.

USE OF ESTIMATES

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.

SANGAMO BIOSCIENCES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Sangamo considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Sangamo's cash and cash equivalents are maintained with two financial institutions. Cash equivalents of $1,236,000 and $249,000 at December 31, 1998 and December 31, 1999, respectively, consist of a certificate of deposit and deposits in a money market investment account.

SHORT-TERM INVESTMENTS

Sangamo classifies its short-term investments as "available-for-sale" and records its investments at market value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Available-for-sale securities are carried at amounts that approximate fair market value based on quoted market prices. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. Interest on securities classified as available-for-sale is also included in interest income. Through December 31, 1999, Sangamo has experienced no losses on its short-term investments.

At December 31, 1998 short-term investments consisted of US Treasury bills and commercial notes with an amortized cost of $1,753,000 and a fair value of $1,808,000. These investments matured during 1999. At December 31, 1999, short-term investments consisted of commercial notes and a certificate of deposit with a cost and fair market value of $7,252,000 that mature at various dates through May 2000.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets (generally three to five years). For leasehold improvements, amortization is calculated using the straight-line method based on the shorter of the useful life or the lease term. Certain property and equipment acquired in 1998 and 1999 were reimbursed under federal government research grants. For equipment acquired under grant agreements, the reimbursement has been recorded as an offset to the cost of the property and equipment at the time of purchase and no depreciation expense has been recognized. Sangamo has not internally developed any software for use in its research activities.

COMPREHENSIVE INCOME

In 1998, Sangamo adopted SFAS No. 130, "Reporting Comprehensive Income," which established new rules for the reporting and display of comprehensive income and its components. Comprehensive income includes all changes in equity during a period from non-owner sources. These items include unrealized gains and losses on investments.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Sangamo recognizes revenue from its Universal GeneTools agreements as earned when ZFPs are delivered to the Universal GeneTools collaborators. Generally, Sangamo receives up-front payments from these collaborations prior to the delivery of ZFPs and the revenues from these payments are deferred until the ZFPs are delivered.

Sangamo's federal government research grants 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 received on a quarterly or monthly basis and are subject to the issuing agency's right of audit.

RESEARCH AND DEVELOPMENT COSTS

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 and are expensed as incurred.

STOCK-BASED COMPENSATION

Sangamo accounts for employee stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25 ("APB No. 25") and has adopted the disclosure-only alternative of SFAS No. 123, "Accounting for Stock-Based Compensation."

INCOME TAXES

Sangamo uses the liability method to account for income taxes as required by SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

NET LOSS PER SHARE

Basic and diluted net loss per share information for all periods is presented under the requirements of SFAS No. 128, "Earnings per Share." Basic net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of options, warrants, and convertible securities. Potential dilutive securities have also been excluded from the computation of diluted net loss per share as their inclusion would be antidilutive.

Pro forma net loss per share has been computed as described above and also gives effect, under Securities and Exchange Commission guidance, to the conversion of preferred shares not included above that will automatically convert to common shares upon completion of the Company's initial public offering, using the if-converted method.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table presents the calculation of historical basic and diluted net loss per share and pro forma basic and diluted net loss per share (in thousands, except per share data):

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Historical:			
Net loss	$ (926)	$(2,875)	$(3,352)
Basic and diluted:			
Weighted-average shares of common stock outstanding	5,519	5,919	6,053
Less: weighted-average shares subject to repurchase	(34)	(76)	(62)
Shares used in computing basic and diluted net loss per share	5,485	5,843	5,991
Basic and diluted net loss per share	$(0.17)	$ (0.49)	$ (0.56)
Pro forma:			
Net loss			$(3,352)
Weighted-average shares of common stock outstanding (from above)			5,991
Adjustment to reflect the weighted average effect of the assumed conversion of convertible preferred stock from the date of issuance (unaudited)			7,111
Shares used in computing pro forma basic and diluted net loss per share (unaudited)			13,102
Pro forma basic and diluted net loss per share (unaudited)			$ (0.26)

If Sangamo had reported net income, the calculation of historical and pro forma diluted earnings per share would have included approximately an additional 122,915, 284,994 and 927,652 common equivalent shares related to outstanding stock options and warrants not included above (determined using the treasury stock method) for 1997, 1998 and 1999, respectively.

SEGMENT REPORTING

As of January 1, 1998, Sangamo adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS 131 establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas, and major customers. Sangamo has determined that it operates in only one segment. Accordingly, the adoption of this statement had no impact on its financial statements.

MAJOR CUSTOMERS

During 1999, Sangamo entered into Universal GeneTools agreements with 13 pharmaceutical and biotechnology companies and earned revenue of $1,000,000 under seven of these agreements. At December 31, 1999, Sangamo's accounts receivable consisted of amounts due from two of these pharmaceutical companies. These agreements generally require Sangamo to apply its research

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
expertise and technology to develop unique transcription factors, which are delivered to the pharmaceutical companies for use in their research.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which will be effective for fiscal 2001. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. Sangamo believes the adoption of SFAS 133 will not have a material effect on the financial statements, since it currently does not hold derivative instruments or engage in hedging activities.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
Laboratory equipment	$137	$ 436
Furniture and fixtures	209	227
Leasehold improvements	178	201
	524	864
Less accumulated depreciation and amortization	(88)	(252)
	$436	$ 612

3. COMMITMENTS AND NOTES PAYABLE

Sangamo occupies office and laboratory space under operating leases in Richmond, California that expire in 2004. Rent expense for 1997, 1998 and 1999 was $74,000, $314,000, and $336,000, respectively. Future minimum payments under non-cancelable operating leases at December 31, 1999 consist of the following:

	AMOUNT
	(IN THOUSANDS)
2000	$ 304
2001	304
2002	306
2003	308
2004	206
	$1,428

3. COMMITMENTS AND NOTES PAYABLE (CONTINUED)

In May 1998, Sangamo entered into a Loan and Security Agreement with a financial institution that provides for notes payable totaling up to $500,000 for purchases of equipment. Outstanding notes payable bear interest at 6.5% per annum and interest payments are due monthly. The outstanding balance at December 31, 1998 and 1999 was $250,000. Principal under the note is due on May 2003. Included in other assets in the accompanying balance sheets is $250,000 pledged in the form of a certificate of deposit used to collateralize the notes payable.

4. STOCKHOLDERS' EQUITY

CONVERTIBLE PREFERRED STOCK

Convertible preferred stock consists of the following, by series:

		SHARES ISSUED AND OUTSTANDING DECEMBER 31,	
	DESIGNATED	1998	1999
Series			
A	856,250	750,000	791,250
B	2,462,981	2,398,000	2,398,000
C	2,000,000	--	1,666,667
	5,319,231	3,148,000	4,855,917

The holders of Series A, B and C convertible preferred stock are entitled to receive noncumulative dividends at the rate of 8% per share per year, if declared, prior to and in preference to the payment of dividends to holders of common stock. As of December 31, 1999, no dividends had been declared. Holders of Series A, B and C convertible preferred stock are entitled to a liquidation preference equal to $1.00, $3.00 and $4.50 per share, respectively, plus all declared but unpaid dividends. In a liquidation, any assets remaining following the payment of these amounts would be distributed to common stockholders.

Convertible preferred stock is convertible into common stock at the option of the holder, initially at an exchange ratio of one-to-one (see Note 7). Convertible preferred shares are automatically converted into common stock immediately upon the closing of an underwritten public offering that is at a price to the public of at least $6.00 per share and that results in aggregate proceeds to Sangamo of at least $7,500,000. All convertible preferred shares have voting rights equal to common stock on an as-if-converted basis.

COMMON STOCK

At December 31, 1999, 45,500 shares of outstanding common stock were subject to the Company's contractual right of repurchase at a weighted average price of $0.05 which rights generally lapse over periods not exceeding four years.

4. STOCKHOLDERS' EQUITY (CONTINUED)

WARRANTS

At December 31, 1999, warrants to purchase 65,000 shares of Series A convertible preferred stock were outstanding at an exercise price of $1.00 per share, which are exercisable through September 2000, and warrants to purchase 64,981 shares of Series B convertible preferred stock were outstanding at an exercise price of $3.00 per share, which are exercisable through August 2002. Sangamo has reserved both preferred and common stock for issuance upon exercise of the warrants.

STOCK OPTION PLAN

Sangamo's 1995 Stock Option Plan (the "1995 Option Plan") provides for the issuance of common stock and grants of options for common stock to employees, officers, directors and consultants. The exercise price per share will be no less than 85% of the fair value per share of common stock on the option grant date, and the option term will not exceed ten years. If the person to whom the option is granted is a 10% stockholder, then the exercise price per share will not be less than 110% of the fair value per share of common stock on the option grant date, and the option term will not exceed five years. Options granted under the 1995 Option Plan generally vest over four years at a rate of 25% one year from the grant date and one thirty-sixth per month thereafter and expire ten years after the grant, or earlier upon employment termination. Options granted pursuant to the 1995 Option Plan may be exercised prior to vesting, with the related shares subject to Sangamo's right to repurchase the shares if the option holder terminates employment. The right of repurchase lapses over the original option vesting period, as described above. At December 31, 1999, a total of 3,700,000 options were reserved for issuance pursuant to the 1995 Option Plan. 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
Balance at December 31, 1996	785,500	392,000	$0.04
Options granted	(816,000)	816,000	$0.08
Options exercised	--	(100,000)	$0.05
Options canceled	125,000	(125,000)	$0.04
Balance at December 31, 1997	94,500	983,000	$0.08
Additional shares authorized	1,200,000	--	--
Options granted	(828,000)	828,000	$0.16
Options exercised	--	(101,750)	$0.03
Shares repurchased	47,032	--	$0.01
Options canceled	35,250	(35,250)	$0.08
Balance at December 31, 1998	548,782	1,674,000	$0.12
Additional shares authorized	1,000,000	--	--
Options granted	(459,500)	459,500	$0.22
Options exercised	--	(191,042)	$0.06
Options canceled	69,792	(69,792)	$0.10
Balance at December 31, 1999	1,159,074	1,872,666	$0.15

4. STOCKHOLDERS' EQUITY (CONTINUED)

Options outstanding at December 31, 1999 have a weighted average remaining contractual life of 7.4 years and may be immediately exercised; however, 1,061,472 shares issued pursuant to these options would be subject to Sangamo's right of repurchase. Vested options at December 31, 1999 total 811,194 and have a weighted average remaining contractual life of 6.3 years. The weighted-average fair value per share of options granted during 1998 and 1999 was $0.05 and $5.06, respectively.

As permitted by SFAS No. 123, Sangamo accounts for its stock option and stock incentive plans in accordance with APB No. 25 and recognizes no deferred stock compensation expense for options granted with exercise prices equal to the fair market value of Sangamo's common stock at the date of grant. In 1999, Sangamo granted certain options to employees with exercise prices below the deemed fair value of Sangamo's common stock for accounting purposes and recognized deferred stock compensation of $1,482,000, which is being amortized to expense over the vesting term of the option.

SFAS No. 123 requires the disclosure of pro forma information regarding net loss and net loss per share determined as if Sangamo had accounted for its stock options under the fair value method. For purposes of this pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Pro forma net loss (in thousands)	$ (930)	$(2,886)	$(3,366)
Pro forma basic and diluted net loss per share	$(0.17)	$ (0.49)	$ (0.56)

Because the SFAS No. 123 method of accounting has not been applied to options granted prior to 1996 and the vesting period of option grants is four years, the above pro forma effect may not be representative of that to be expected in future years. The fair value for all options granted in 1997, 1998 and 1999 were estimated at the date of grant using the minimum value method with the following weighted-average assumptions:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Risk-free interest rate	5.8%	5.0%	6.0%
Expected life of option	5 yrs	5 yrs	5 yrs
Expected dividend yield of stock	0%	0%	0%

In 1998 and 1999, respectively, Sangamo granted 80,000 and 154,000, nonqualified common stock options to consultants at exercise prices that range from $0.15 to $0.23 per share for services rendered. The options generally vest over four years at a rate of 25% one year from the grant date and one thirty-sixth per month thereafter and expire ten years after the grant date. Expense of $128,000 was recognized in 1999 related to these transactions. Options granted to consultants are periodically re-valued for financial reporting purposes and charged to expense as they vest using a Black-Scholes option-pricing model.

5. LOAN TO AN OFFICER

Sangamo advanced its President and Chief Executive Officer $250,000 under a Note Receivable Agreement (the "Note"). The Note bears interest at 6.02% per annum and is being forgiven one forty-eighth each month beginning January 1, 1998. As of December 31, 1998 and 1999, $187,000 and $125,000, respectively, of this Note was outstanding, which is included in other assets in the accompanying balance sheets. The loan is secured on 500,000 shares of common stock owned by the Officer.

6. INCOME TAXES

There has been no provision for U.S. federal, U.S. state, or foreign income taxes for any period because Sangamo has incurred operating losses in all periods and for all jurisdictions. Deferred income taxes 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. Significant components of deferred tax assets are as follows:

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
Deferred tax assets:		
Net operating loss carryforwards	$ 1,600	$ 2,500
Research and development credit carryforwards	--	100
Other reserves and accruals	--	100
	1,600	2,700
Valuation allowance	(1,600)	(2,700)
Net deferred tax assets	$ --	$ --

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $1,100,000 each in 1998 and 1999. As of December 31, 1999, Sangamo had net operating loss carryforwards for federal and state income tax purposes of approximately $7,900,000. Sangamo also had federal research and development credit carryforwards of approximately $100,000. The net operating loss and credit carryforwards will expire at various dates beginning in 2010 through 2019, if not used. Use of the net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before use.

7. SUBSEQUENT EVENTS

CONVERTIBLE PREFERRED STOCK SALE

In January 2000, Sangamo sold 333,333 shares of its Series C convertible preferred stock to a member of its Board of Directors for net proceeds of approximately $1,500,000. Subsequent to the commencement of the initial public offering process, Sangamo re-evaluated the deemed fair value of its common stock as of January 2000 and determined it to be $12 per share. Accordingly, the

7. SUBSEQUENT EVENTS (CONTINUED)
incremental fair value of $6.5 million is deemed to be the equivalent of a preferred stock dividend. Sangamo recorded the deemed dividend at the date of issuance by offsetting charges and credits to preferred stock, without any effect on total stockholders' equity. The preferred stock dividend increases the loss applicable to common stockholders in the calculation of basic net loss per share for the year ended December 31, 2000.

GRANT OF STOCK OPTIONS

During January 2000, Sangamo granted to directors options to purchase a total of 250,000 shares of common stock at an exercise price of $0.625 per share. Sangamo will record additional deferred stock compensation of $2,884,000 with regard to these grants.

STRATEGIC PARTNERSHIP

In January 2000, Sangamo announced that it had entered into a strategic partner agreement with Edwards LifeScience, Inc., formerly the CardioVascular Group of Baxter Healthcare Corporation for the development of ZFPs in cardiovascular and peripheral vascular diseases. Under this agreement, Baxter has purchased a $5 million convertible note which will convert into common stock upon consummation of this offering, and Sangamo has received $1 million in initial research funding from Baxter. In the future, Sangamo may receive option fees, milestone payments, royalties and additional research funding from this agreement.

EMPLOYEE STOCK PURCHASE PLAN

The Board of Directors adopted the 2000 Employee Stock Purchase Plan in February 2000, pending stockholder approval, to be effective upon the completion of Sangamo's initial public offering of its common stock. Sangamo has reserved a total of 400,000 shares of common stock for issuance under the plan. Eligible employees may purchase common stock at 85% of the lesser of the fair market value of Sangamo's common stock on the first day of the applicable two-year offering period or the last day of the applicable six-month purchase period.

STOCK INCENTIVE PLAN

In February 2000, the Board of Directors adopted the 2000 Stock Incentive Plan (the "2000 Plan") and reserved 2,000,000 shares for grant under the 2000 Plan (including shares available under the 1995 Option Plan). The terms of the 2000 Plan are substantially similar to the 1995 Option Plan. The 2000 Plan also provides for automatic grants to non-employee directors.

STOCK SPLIT

In February 2000, Sangamo's Board of Directors approved a two-for-one stock split of its common stock, effected as a common stock dividend, that will be effective prior to the completion of its initial public offering. As a result of the common stock split, the conversion ratio of Sangamo's convertible preferred stock was automatically amended to two-to-one in accordance with the Company's articles of incorporation. All common share and options and per share amounts in the accompanying financial statements have been adjusted retroactively to reflect the stock split.

SHARES

[LOGO]

SANGAMO BIOSCIENCES, INC.

COMMON STOCK

PROSPECTUS

, 2000

LEHMAN BROTHERS

CHASE H&Q

ING BARINGS

WILLIAM BLAIR & COMPANY

LOGO

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fees and the Nasdaq National Market listing fee.

SEC Registration Fee	$27,800
NASD Filing Fee	10,500
Nasdaq National Market Listing Fee	*
Printing and Engraving Expenses	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Transfer Agent Fees	*
Miscellaneous	*
Total	*

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* To be provided by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's board of directors to grant indemnification to directors and officers in terms sufficiently broad to permit the indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act"). Article VII, Section 6 of our bylaws provides for mandatory indemnification of our directors and officers and permissible indemnification of employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. Our certificate of incorporation provides that, subject to Delaware law, our directors will not be personally liable for monetary damages for breach of the directors' fiduciary duty as directors to Sangamo BioSciences, Inc. and its stockholders. This provision in the certificate of incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to Sangamo or our stockholders for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. We have entered into indemnification agreements with our officers and directors, a form of which will be filed with the Securities and Exchange Commission as an exhibit to our registration statement on Form S-1. The indemnification agreements provide our officers and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. Reference is also made to the underwriting agreement contained in exhibit 1.1 hereto, indemnifying our officers and directors against specific liabilities, and our Second Amended and Restated Registration Rights Agreement contained in Exhibit 10.4 hereto, indemnifying the parties thereto, including controlling stockholders, against liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, the registrant has issued unregistered securities to a limited number of persons as described below:

1. Since inception through December 31, 1999, we have granted a total of 2,818,000 options and stock purchase rights to purchase our common stock, excluding options returned to our stock plans, with a weighted average price of $.30 to a number of our employees, directors and consultants.

2. From October 31, 1995 to June 28, 1996, we issued warrants to purchase 106,250 shares of Series A Preferred Stock at an exercise price of $1.00 per share to several investors.

3. From October 1995 to August 1999, we issued 791,250 shares of Series A Preferred Stock to several investors for a total cash consideration of $750,413.

4. In March 1996, we issued 40,000 shares of Common Stock to Colorado Bio/Medical Venture Center, Inc. in connection with a sublease of space.

5. In June 1996, we issued 75,000 shares of Common Stock to The Johns Hopkins University in connection with the License Agreement with us.

6. In July 1996, we issued 35,000 shares of Common Stock to Frederick Frank as compensation for consulting services.

7. In August 1997, we issued convertible promissory notes in the principal amount of $960,000 and warrants to purchase 64,981 shares of Series B Preferred Stock at an exercise price of $3.00 per share to several investors. The notes were cancelled and converted into shares of Series B Preferred Stock on November 6, 1997.

8. In September 1997, we issued 3,800 shares of common stock to John Colin Cahill as compensation for consulting services.

9. From September 1997 to December 1997, we issued 2,358,000 shares of Series B Preferred Stock to several investors for a total cash consideration of $7,074,000, which includes conversion of the convertible promissory notes and accrued interest thereon described in Item 7 above into a total of 324,666 shares of Series B Preferred Stock.

10. In December 1997, we issued 300,000 shares of Common Stock to Edward O. Lanphier II pursuant to the terms of his employment agreement with us.

11. In February 1998, we issued 40,000 shares of Series B Preferred Stock to Lehman Brothers, Inc. as compensation for a finder's fee.

12. From August 1999 to January 2000, we issued 2,000,000 shares of Series C Preferred Stock to several investors for a total cash consideration of $9,000,000.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and we believe that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 with respect to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients in each transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and

instruments issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER		DESCRIPTION OF DOCUMENT
1.1	*	Form of Underwriting Agreement.
3.1	*	Amended and Restated Certificate of Incorporation.
3.2	*	Amended and Restated Bylaws.
4.1	*	Form of Specimen Common Stock Certificate.
5.1	*	Opinion of Brobeck, Phleger & Harrison LLP regarding the legality of the common stock being registered.
10.1		2000 Stock Incentive Plan.
10.2		2000 Employee Stock Purchase Plan.
10.3	*	Second Amended and Restated Investors' Rights Agreement, among Sangamo and certain of its stockholders, dated January 20, 2000.
10.4		Form of Indemnification Agreement to be entered into between Sangamo and each of its directors and executive officers.
10.5		Triple Net Laboratory Lease, between Sangamo and Point Richmond R&D Associates II, LLC, dated May 23, 1997.
10.6		Form of collaboration agreement.
10.7+		License Agreement, between Sangamo and Baxter Healthcare Corporation, dated January 11, 2000.
10.8+		Sublicense Agreement, by and between Sangamo and Johnson & Johnson, dated May 9, 1996.
10.9+		ZFP Material Transfer Agreement, between Sangamo and Japan Tobacco Inc., dated March 8, 1999.
10.10		Financial Assistance Award from U.S. Department of Commerce, dated March 31, 1997.
10.11		Notice of Grant Award from National Institute of Allergy and Infectious Diseases, dated August 9, 1999.
23.1		Consent of Ernst & Young LLP, Independent Auditors.
23.2	*	Consent of Brobeck, Phleger & Harrison LLP (contained in their opinion filed as Exhibit 5.1).
23.3++		Consent of Townsend and Townsend and Crew LLP.
24.1++		Power of Attorney. (see Page II-5)
27.1++		Financial Data Schedule.

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* To be filed by amendment.

+ Confidential treatment requested as to portions of this exhibit.

++ Previously filed.

(b) FINANCIAL STATEMENT SCHEDULE

ITEM 17. UNDERTAKINGS

We undertake to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

To the extent indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons according to the Delaware General Corporation Law, our certificate of incorporation or our bylaws, indemnification agreements entered into between us and our officers and directors, the underwriting agreement, or otherwise, we have been advised that in the opinion of the commission this indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. If a claim for indemnification against these liabilities (other than the payment by us of expenses incurred or paid by any of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether this indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of the issue.

The undersigned registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of Prospectus filed by us under Rule 424(b)(1) or (4) or 497(h) of the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective;

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Under the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on February 24, 2000.

SANGAMO BIOSCIENCES, INC.

By: /s/ SHAWN K. JOHNSON

Shawn K. Johnson

Director of Finance

Under the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
*	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2000
Edward O. Lanphier II		
/s/ SHAWN K. JOHNSON	Director of Finance (Principal Accounting Officer)	February 24, 2000
Shawn K. Johnson		
	Director	February 24, 2000
Herbert W. Boyer, Ph.D.		
*	Director	February 24, 2000
William G. Gerber, M.D.		
*	Director	February 24, 2000
John W. Larson		
*	Director	February 24, 2000
William J. Rutter, Ph.D.		
*	Director	February 24, 2000
Michael C. Wood		

*By: /s/ Shawn K. Johnson
Shawn K. Johnson
Attorney-in-Fact

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION OF DOCUMENT
1.1	*	Form of Underwriting Agreement.
3.1	*	Amended and Restated Certificate of Incorporation.
3.2	*	Amended and Restated Bylaws.
4.1	*	Form of Specimen Common Stock Certificate.
5.1	*	Opinion of Brobeck, Phleger & Harrison LLP regarding the legality of the common stock being registered.
10.1		2000 Stock Incentive Plan.
10.2		2000 Employee Stock Purchase Plan.
10.3	*	Second Amended and Restated Investors' Rights Agreement, among Sangamo and certain of its stockholders, dated January 20, 2000.
10.4		Form of Indemnification Agreement to be entered into between Sangamo and each of its directors and executive officers.
10.5		Triple Net Laboratory Lease, between Sangamo and Point Richmond R&D Associates II, LLC, dated May 23, 1997.
10.6		Form of collaboration agreement.
10.7+		License Agreement, between Sangamo and Baxter Healthcare Corporation, dated January 11, 2000.
10.8+		Sublicense Agreement, by and between Sangamo and Johnson & Johnson, dated May 9, 1996.
10.9+		ZFP Material Transfer Agreement, between Sangamo and Japan Tobacco Inc., dated March 8, 1999.
10.10		Financial Assistance Award from U.S. Department of Commerce, dated March 31, 1997.
10.11		Notice of Grant Award from National Institute of Allergy and Infectious Diseases, dated August 9, 1999.
23.1		Consent of Ernst & Young LLP, Independent Auditors.
23.2	*	Consent of Brobeck, Phleger & Harrison LLP (contained in their opinion filed as Exhibit 5.1).
23.3++		Consent of Townsend and Townsend and Crew LLP.
24.1++		Power of Attorney. (see Page II-5)
27.1++		Financial Data Schedule.

* To be filed by amendment.

+ Confidential treatment requested as to portions of this exhibit.

++ Previously filed.

EXHIBIT 10.1

SANGAMO BIOSCIENCES, INC.

2000 STOCK INCENTIVE PLAN

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 2000 Stock Incentive Plan is intended to promote the interests of Sangamo BioSciences, Inc., a Delaware corporation, by providing eligible persons in the Corporation's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such service.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

A. The Plan shall be divided into five separate equity incentives programs:

- the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock,

- the Salary Investment Option Grant Program under which eligible employees may elect to have a portion of their base salary invested each year in special option grants,

- the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary),

- the Automatic Option Grant Program under which eligible non-employee Board members shall automatically receive option grants at designated intervals over their period of continued Board service, and

- the Director Fee Option Grant Program under which non-employee Board members may elect to have all or any portion of their annual retainer fee otherwise payable in cash applied to a special stock option grant.

B. The provisions of Articles One and Seven shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. The Primary Committee shall have sole and exclusive authority to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders. Administration of the Discretionary Option Grant and Stock Issuance Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Primary Committee or a Secondary Committee, or the Board may retain the power to administer those programs with respect to all such persons. However, any discretionary option grants or stock issuances for members of the Primary Committee must be authorized by a disinterested majority of the Board.

B. Members of the Primary Committee or any Secondary Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

C. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs under its jurisdiction or any stock option or stock issuance thereunder.

D. The Primary Committee shall have the sole and exclusive authority to determine which Section 16 Insiders and other highly compensated Employees shall be eligible for participation in the Salary Investment Option Grant Program for one or more calendar years. However, all option grants under the Salary Investment Option Grant Program shall be made in accordance with the express terms of that program, and the Primary Committee shall not exercise any discretionary functions with respect to the option grants made under that program.

E. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

F. Administration of the Automatic Option Grant and Director Fee Option Grant Programs shall be self-executing in accordance with the terms of those programs, and no Plan Administrator shall exercise any discretionary functions with respect to any option grants or stock issuances made under those programs.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

(i) Employees,

(ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

(iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Only Employees who are Section 16 Insiders or other highly compensated individuals shall be eligible to participate in the Salary Investment Option Grant Program.

C. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine, (i) with respect to the option grants under the Discretionary Option Grant Program, which eligible persons are to receive such grants, the time or times when those grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive such issuances, the time or times when the issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration for such shares.

D. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

E. The individuals who shall be eligible to participate in the Automatic Option Grant Program shall be limited to (i) those individuals who first become non-employee Board members on or after the Underwriting Date, whether through appointment by the Board or election by the Corporation's stockholders, and (ii) those individuals who continue to serve as non-employee Board members at one or more Annual Stockholders Meetings held after the Underwriting Date. A non-employee Board member who has previously been in the employ of the Corporation (or any Parent or Subsidiary) shall not be eligible to receive an option grant

under the Automatic Option Grant Program at the time he or she first becomes a non-employee Board member, but shall be eligible to receive periodic option grants under the Automatic Option Grant Program while he or she continues to serve as a non-employee Board member.

F. All non-employee Board members shall be eligible to participate in the Director Fee Option Grant Program.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The number of shares of Common Stock initially reserved for issuance over the term of the Plan shall not exceed 4,161,666 shares. Such reserve shall consist of (i) the number of shares estimated to remain available for issuance, as of the Plan Effective Date, under the Predecessor Plan as last approved by the Corporation's stockholders, including the shares subject to outstanding options under the Predecessor Plan, (ii) plus an additional increase of approximately 1,129,926 shares to be approved by the Corporation's stockholders prior to the Underwriting Date.

B. The number of shares of Common Stock available for issuance under the Plan shall automatically increase on the first trading day of each fiscal year of the Corporation during the term of the Plan, beginning with fiscal year 2001, by an amount equal to three and one-half percent (3.5%) of the total number of shares of Common Stock outstanding on the last trading day of the immediately preceding fiscal year, but in no event shall any such annual increase exceed 2,000,000 shares.

C. No one person participating in the Plan may receive stock options, separately exercisable stock appreciation rights and direct stock issuances for more than 2,000,000 shares of Common Stock in the aggregate per calendar year.

D. Shares of Common Stock subject to outstanding options (including options incorporated into this Plan from the Predecessor Plan) shall be available for subsequent issuance under the Plan to the extent (i) those options expire or terminate for any reason prior to exercise in full or (ii) the options are cancelled in accordance with the cancellation-regrant provisions of Article Two. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation at the original issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan. However, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced by the gross number of shares for which the option is exercised or which vest under the stock issuance, and not by the net number of shares of Common Stock issued to the holder of such option or stock

issuance. Shares of Common Stock underlying one or more stock appreciation rights exercised under Section IV of Article Two, Section III of Article Three, Section II of Article Five or Section III of Article Six of the Plan shall NOT be available for subsequent issuance under the Plan.

E. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under the Plan per calendar year, (iii) the number and/or class of securities for which grants are subsequently to be made under the Automatic Option Grant Program to new and continuing non-employee Board members, (iv) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan, (v) the number and/or class of securities and exercise price per share in effect under each outstanding option incorporated into this Plan from the Predecessor Plan and (vi) the maximum number and/or class of securities by which the share reserve is to increase automatically each fiscal year pursuant to the provisions of Section V.B of this Article One. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO
DISCRETIONARY OPTION GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. EXERCISE PRICE.

1. The exercise price per share shall be fixed by the Plan Administrator but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of Section I of Article Seven and the documents evidencing the option, be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation,

(ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. EXERCISE AND TERM OF OPTIONS. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the

Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. EFFECT OF TERMINATION OF SERVICE.

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option held by the Optionee at the time of death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options under this Article Two, then all those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. STOCKHOLDER RIGHTS. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. REPURCHASE RIGHTS. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. LIMITED TRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death. Non-Statutory Options shall be subject to the same restriction, except that a Non-Statutory Option may be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's family or to a trust established exclusively for one or more such family members or to Optionee's former spouse, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. Notwithstanding the foregoing, the Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Seven shall be applicable to Incentive Options. Options which are specifically designated as Non- Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. ELIGIBILITY. Incentive Options may only be granted to Employees.

B. DOLLAR LIMITATION. The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

C. 10% STOCKHOLDER. If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. CORPORATE TRANSACTION/CHANGE IN CONTROL

A. In the event of any Corporate Transaction, each outstanding option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. However, an outstanding option shall NOT become exercisable on such an accelerated basis if and to the extent: (i) such option is, in connection with the Corporate Transaction, to be assumed by the successor corporation (or parent thereof) or (ii) such option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Corporate Transaction on any shares for which the option is not otherwise at that time exercisable and provides for subsequent payout in accordance with the same exercise/vesting schedule applicable to those option shares or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant.

B. All outstanding repurchase rights shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

C. Immediately following the consummation of the Corporate Transaction, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments to reflect such Corporate Transaction shall also be made to (i) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and (iii) the maximum number and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under the Plan per calendar year and (iv) the maximum number and/or class of securities by which the share reserve is to increase automatically each fiscal year. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Corporate Transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Discretionary Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Corporate Transaction.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall, immediately prior to the effective date of such Corporate Transaction, become exercisable for all the shares of Common Stock at the time subject to those options and may be exercised for any or all of those shares as fully vested shares of Common Stock, whether or not those options are to be assumed in the Corporate Transaction. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall not be assignable in connection with such Corporate Transaction and shall accordingly terminate upon the consummation of such Corporate Transaction, and the shares subject to those terminated rights shall thereupon vest in full.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall become exercisable for all the shares of Common Stock at the time subject to those options in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Corporate Transaction in which those options are assumed and do not otherwise accelerate. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of his or her Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

The Plan Administrator shall have the discretionary authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall, immediately prior to the effective date of a Change in Control, become exercisable for all the shares of Common Stock at the time subject to those options and may be exercised for any or all of those shares as fully vested shares of Common Stock. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall terminate automatically upon the consummation of such Change in Control, and the shares subject to those terminated rights shall thereupon vest in full. Alternatively, the Plan Administrator may condition the automatic acceleration of one or more outstanding options under the Discretionary Option Grant Program and the termination of one or more of the Corporation's outstanding repurchase rights under such program upon the subsequent termination of the Optionee's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of such Change in Control.

H. The portion of any Incentive Option accelerated in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Nonstatutory Option under the Federal tax laws.

I. The outstanding options shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

IV. CANCELLATION AND REGRANT OF OPTIONS

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Discretionary Option Grant Program (including outstanding options incorporated from the Predecessor Plan) and to grant in substitution new options covering the same or a different number of shares of Common Stock but with an exercise price per share based on the Fair Market Value per share of Common Stock on the new grant date.

V. STOCK APPRECIATION RIGHTS

A. The Plan Administrator shall have full power and authority to grant to selected Optionees tandem stock appreciation rights and/or limited stock appreciation rights.

B. The following terms shall govern the grant and exercise of tandem stock appreciation rights:

(i) One or more Optionees may be granted the right, exercisable upon such terms as the Plan Administrator may establish, to elect between the exercise of the underlying option for shares of Common Stock and

the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (a) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (b) the aggregate exercise price payable for such shares.

(ii) No such option surrender shall be effective unless it is approved by the Plan Administrator, either at the time of the actual option surrender or at any earlier time. If the surrender is so approved, then the distribution to which the Optionee shall be entitled may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

(iii) If the surrender of an option is not approved by the Plan Administrator, then the Optionee shall retain whatever rights the Optionee had under the surrendered option (or surrendered portion thereof) on the option surrender date and may exercise such rights at any time prior to the later of (a) five (5) business days after the receipt of the rejection notice or (b) the last day on which the option is otherwise exercisable in accordance with the terms of the documents evidencing such option, but in no event may such rights be exercised more than ten (10) years after the option grant date.

C. The following terms shall govern the grant and exercise of limited stock appreciation rights:

(i) One or more Section 16 Insiders may be granted limited stock appreciation rights with respect to their outstanding options.

(ii) Upon the occurrence of a Hostile Take-Over, each individual holding one or more options with such a limited stock appreciation right shall have the unconditional right (exercisable for a thirty (30)-day period following such Hostile Take-Over) to surrender each such option to the Corporation. In return for the surrendered option, the Optionee shall receive a cash distribution from the Corporation in an amount equal to the excess of (A) the Take-Over Price of the shares of Common Stock at the time subject to such option (whether or not the option is otherwise at that time exercisable for those shares) over (B) the aggregate exercise price payable for those shares. Such cash distribution shall be paid within five (5) days following the option surrender date.

(iii) At the time such limited stock appreciation right is granted, the Plan Administrator shall pre-approve any subsequent exercise of that right in accordance with the terms of this Paragraph C. Accordingly, no further approval of the Plan Administrator or the Board shall be required at the time of the actual option surrender and cash distribution.

ARTICLE THREE
SALARY INVESTMENT OPTION GRANT PROGRAM

I. OPTION GRANTS

The Primary Committee shall have the sole and exclusive authority to determine the calendar year or years (if any) for which the Salary Investment Option Grant Program is to be in effect and to select the Section 16 Insiders and other highly compensated Employees eligible to participate in the Salary Investment Option Grant Program for such calendar year or years. Each selected individual who elects to participate in the Salary Investment Option Grant Program must, prior to the start of each calendar year of participation, file with the Plan Administrator (or its designate) an irrevocable authorization directing the Corporation to reduce his or her base salary for that calendar year by an amount not less than Ten Thousand Dollars ($10,000.00) nor more than Fifty Thousand Dollars ($50,000.00). Each individual who files such a timely authorization shall automatically be granted an option under the Salary Investment Grant Program on the first trading day in January of the calendar year for which the salary reduction is to be in effect.

II. OPTION TERMS

Each option shall be a Non-Statutory Option evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below.

A. EXERCISE PRICE.

1. The exercise price per share shall be thirty-three and one-third percent (33-1/3%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. NUMBER OF OPTION SHARES. The number of shares of Common Stock subject to the option shall be determined pursuant to the following formula (rounded down to the nearest whole number):

X = A / (B x 66-2/3%), where

X is the number of option shares,

A is the dollar amount by which the Optionee's base salary is to be reduced for the calendar year pursuant to his or her election under the Salary Investment Option Grant Program, and

B is the Fair Market Value per share of Common Stock on the option grant date.

C. EXERCISE AND TERM OF OPTIONS. The option shall become exercisable in a series of twelve (12) successive equal monthly installments upon the Optionee's completion of each calendar month of Service in the calendar year for which the salary reduction is in effect. Each option shall have a maximum term of ten (10) years measured from the option grant date.

D. EFFECT OF TERMINATION OF SERVICE. Should the Optionee cease Service for any reason while holding one or more options under this Article Three, then each such option shall remain exercisable, for any or all of the shares for which the option is exercisable at the time of such cessation of Service, until the earlier of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of such cessation of Service. Should the Optionee die while holding one or more options under this Article Three, then each such option may be exercised, for any or all of the shares for which the option is exercisable at the time of the Optionee's cessation of Service (less any shares subsequently purchased by Optionee prior to death), by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the designated beneficiary or beneficiaries of the option. Such right of exercise shall lapse, and the option shall terminate, upon the earlier of (i) the expiration of the ten (10)-year option term or (ii) the three (3)-year period measured from the date of the Optionee's cessation of Service. However, the option shall, immediately upon the Optionee's cessation of Service for any reason, terminate and cease to remain outstanding with respect to any and all shares of Common Stock for which the option is not otherwise at that time exercisable.

III. CORPORATE TRANSACTION/ CHANGE IN CONTROL/ HOSTILE TAKE-OVER

A. In the event of any Corporate Transaction while the Optionee remains in Service, each outstanding option held by such Optionee under this Salary Investment Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. Each such outstanding option shall terminate immediately following the Corporate Transaction, except to the extent assumed by the successor corporation (or parent thereof) in such Corporate Transaction. Any option so assumed and shall remain exercisable for the fully vested shares until the earlier of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of the Optionee's cessation of Service.

B. In the event of a Change in Control while the Optionee remains in Service, each outstanding option held by such Optionee under this Salary Investment Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. The option shall remain so exercisable until the earliest to occur of (i) the expiration of the ten (10)-year option term, (ii) the expiration of the three (3)-year period measured from the date of the Optionee's cessation of Service, (iii) the termination of the option in connection with a Corporate Transaction or (iv) the surrender of the option in connection with a Hostile Take-Over.

C. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each outstanding option granted him or her under the Salary Investment Option Grant Program. The Optionee shall in return be entitled to a cash distribution from the Corporation in an amount equal to the excess of (i) the Take-Over Price of the shares of Common Stock at the time subject to the surrendered option (whether or not the option is otherwise at the time exercisable for those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation. The Primary Committee shall, at the time the option with such limited stock appreciation right is granted under the Salary Investment Option Grant Program, pre-approve any subsequent exercise of that right in accordance with the terms of this Paragraph C. Accordingly, no further approval of the Primary Committee or the Board shall be required at the time of the actual option surrender and cash distribution.

D. Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Corporate Transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Salary Investment Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Corporate Transaction.

E. The grant of options under the Salary Investment Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

IV. REMAINING TERMS

The remaining terms of each option granted under the Salary Investment Option Grant Program shall be the same as the terms in effect for option grants made under the Discretionary Option Grant Program.

ARTICLE FOUR
STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated performance goals.

A. PURCHASE PRICE.

1. The purchase price per share shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the issuance date.

2. Subject to the provisions of Section I of Article Seven, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

(i) cash or check made payable to the Corporation, or

(ii) past services rendered to the Corporation (or any Parent or Subsidiary).

B. VESTING PROVISIONS.

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated performance goals.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or

other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

5. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

6. Outstanding share right awards under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the performance goals established for such awards are not attained. The Plan Administrator, however, shall have the discretionary authority to issue shares of Common Stock under one or more outstanding share right awards as to which the designated performance goals have not been attained.

II. CORPORATE TRANSACTION/CHANGE IN CONTROL

A. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. The Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event the Participant's Service should subsequently terminate by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Corporate Transaction in which those repurchase rights are assigned to the successor corporation (or parent thereof).

C. The Plan Administrator shall also have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event the Participant's Service should subsequently terminate by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control.

III. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

ARTICLE FIVE
AUTOMATIC OPTION GRANT PROGRAM

I. OPTION TERMS

A. GRANT DATES. Option grants shall be made on the dates specified below:

1. Each individual who is first elected or appointed as a non-employee Board member at any time on or after the Underwriting Date shall automatically be granted, on the date of such initial election or appointment, a Non-Statutory Option to purchase 50,000 shares of Common Stock, provided that individual has not previously been in the employ of the Corporation or any Parent or Subsidiary.

2. On the date of each Annual Stockholders Meeting held after the Underwriting Date, each individual who is to continue to serve as a non-employee Board member, whether or not that individual is standing for re-election to the Board at that particular Annual Meeting, shall automatically be granted a Non-Statutory Option to purchase 10,000 shares of Common Stock, provided such individual has served as a non-employee Board member for at least six (6) months. There shall be no limit on the number of such 10,000-share option grants any one non-employee Board member may receive over his or her period of Board service, and non-employee Board members who have previously been in the employ of the Corporation (or any Parent or Subsidiary) or who have otherwise received one or more stock option grants from the Corporation prior to the Underwriting Date shall be eligible to receive one or more such annual option grants over their period of continued Board service.

B. EXERCISE PRICE.

1. The exercise price per share shall be equal to one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

C. OPTION TERM. Each option shall have a term of ten (10) years measured from the option grant date.

D. EXERCISE AND VESTING OF OPTIONS. Each option shall be immediately exercisable for any or all of the option shares. However, any unvested shares purchased under the option shall be subject to repurchase by the Corporation, at the exercise price paid per share, upon the Optionee's cessation of Board service prior to vesting in those shares. The shares subject to each initial 50,000-share grant shall vest, and the Corporation's repurchase right shall

lapse, in a series of thirty-six (36) successive equal monthly installments upon the Optionee's completion of each month of service as a Board member over the thirty-six (36)-month period measured from the option grant date. The shares subject to each annual 10,000-share option grant shall vest in a series of twelve (12) successive equal monthly installments upon the Optionee's completion of each month of service as a Board member over the twelve (12)-month month period measured from the grant date.

E. LIMITED TRANSFERABILITY OF OPTIONS. Each option under this Article Five may be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's family or to a trust established exclusively for one or more such family members or to Optionee's former spouse, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. The Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Five, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

F. TERMINATION OF BOARD SERVICE. The following provisions shall govern the exercise of any options held by the Optionee at the time the Optionee ceases to serve as a Board member:

(i) The Optionee (or, in the event of Optionee's death, the personal representative of the Optionee's estate or the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or the designated beneficiary or beneficiaries of such option) shall have a twelve (12)-month period following the date of such cessation of Board service in which to exercise each such option.

(ii) During the twelve (12)-month exercise period, the option may not be exercised in the aggregate for more than the number of vested shares of Common Stock for which the option is exercisable at the time of the Optionee's cessation of Board service.

(iii) Should the Optionee cease to serve as a Board member by reason of death or Permanent Disability, then all shares at the time subject to the option shall immediately vest so that such option may, during the twelve (12)-month exercise period following such cessation of Board service, be exercised for all or any portion of those shares as fully vested shares of Common Stock.

(iv) In no event shall the option remain exercisable after the expiration of the option term. Upon the expiration of the twelve (12)-month exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Board service for any reason other than death or Permanent Disability, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

II. CORPORATE TRANSACTION/ CHANGE IN CONTROL/ HOSTILE TAKE-OVER

A. In the event of any Corporate Transaction while the Optionee remains a Board member, the shares of Common Stock at the time subject to each outstanding option under this Automatic Option Grant Program but not otherwise vested shall automatically vest in full so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become exercisable for all the option shares as fully vested shares of Common Stock and may be exercised for any or all of those vested shares. Immediately following the consummation of the Corporate Transaction, each automatic option grant shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

B. In connection with any Change in Control while the Optionee remains a Board member, the shares of Common Stock at the time subject to each outstanding option under this Automatic Option Grant Program but not otherwise vested shall automatically vest in full so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the option shares as fully vested shares of Common Stock and may be exercised for any or all of those vested shares. Each such option shall remain exercisable for such fully vested option shares until the expiration or sooner termination of the option term or the surrender of the option in connection with a Hostile Take-Over.

C. All outstanding repurchase rights under this Automatic Option Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction or Change in Control.

D. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each of his or her outstanding options under this Automatic Option Grant Program. The Optionee shall in return be entitled to a cash distribution from the Corporation in an amount equal to the excess of (i) the Take-Over Price of the shares of Common Stock at the time subject to each surrendered option (whether or not the Optionee is otherwise at the time vested in those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation. No approval or consent of the Board or any Plan Administrator shall be required at the time of the actual option surrender and cash distribution.

E. Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Corporate Transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Automatic Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Corporate Transaction.

F. The grant of options under the Automatic Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

III. REMAINING TERMS

The remaining terms of each option granted under the Automatic Option Grant Program shall be the same as the terms in effect for option grants made under the Discretionary Option Grant Program.

ARTICLE SIX
DIRECTOR FEE OPTION GRANT PROGRAM

I. OPTION GRANTS

The Primary Committee shall have the sole and exclusive authority to determine the calendar year or years for which the Director Fee Option Grant Program is to be in effect. For each such calendar year the program is in effect, each non-employee Board member may irrevocably elect to apply all or any portion of the annual retainer fee otherwise payable in cash for his or her service on the Board for that year to the acquisition of a special option grant under this Director Fee Option Grant Program. Such election must be filed with the Corporation's Chief Financial Officer prior to the first day of the calendar year for which the annual retainer fee which is the subject of that election is otherwise payable. Each non-employee Board member who files such a timely election shall automatically be granted an option under this Director Fee Option Grant Program on the first trading day in January in the calendar year for which the annual retainer fee which is the subject of that election would otherwise be payable in cash.

II. OPTION TERMS

Each option shall be a Non-Statutory Option governed by the terms and conditions specified below.

A. EXERCISE PRICE.

1. The exercise price per share shall be thirty-three and one-third percent (33-1/3%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. NUMBER OF OPTION SHARES. The number of shares of Common Stock subject to the option shall be determined pursuant to the following formula (rounded down to the nearest whole number):

X = A divided by (B x 66-2/3%), where

X is the number of option shares,

A is the portion of the annual retainer fee subject to the non-employee Board member's election under this Director Fee Option Grant Program, and

B is the Fair Market Value per share of Common Stock on the option grant date.

C. EXERCISE AND TERM OF OPTIONS. The option shall become exercisable in a series of twelve (12) equal monthly installments upon the Optionee's completion of each calendar month of Board service during the calendar year for which the retainer fee election is in effect. Each option shall have a maximum term of ten (10) years measured from the option grant date.

D. LIMITED TRANSFERABILITY OF OPTIONS. Each option under this Article Six may be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's family or to a trust established exclusively for one or more such family members or to Optionee's former spouse, to the extent such assignment is in connection with Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. The Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Six, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

E. TERMINATION OF BOARD SERVICE. Should the Optionee cease Board service for any reason (other than death or Permanent Disability) while holding one or more options under this Director Fee Option Grant Program, then each such option shall remain exercisable, for any or all of the shares for which the option is exercisable at the time of such cessation of Board service, until the earlier of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of such cessation of Board service. However, each option held by the Optionee under this Director Fee Option Grant Program at the time of his or her cessation of Board service shall immediately terminate and cease to remain outstanding with respect to any and all shares of Common Stock for which the option is not otherwise at that time exercisable.

F. DEATH OR PERMANENT DISABILITY. Should the Optionee's service as a Board member cease by reason of death or Permanent Disability, then each option held by such Optionee under this Director Fee Option Grant Program shall immediately become exercisable for all the shares of Common Stock at the time subject to that option, and the option may be exercised for any or all of those shares as fully vested shares until the earlier of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from

the date of such cessation of Board service. To the extent such option is held by the Optionee at the time of his or her death, that option may be exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the designated beneficiary or beneficiaries of such option.

Should the Optionee die after cessation of Board service but while holding one or more options under this Director Fee Option Grant Program, then each such option may be exercised, for any or all of the shares for which the option is exercisable at the time of the Optionee's cessation of Board service (less any shares subsequently purchased by Optionee prior to death), by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the designated beneficiary or beneficiaries of such option. Such right of exercise shall lapse, and the option shall terminate, upon the earlier of (i) the expiration of the ten (10)-year option term or (ii) the three (3)-year period measured from the date of the Optionee's cessation of Board service.

III. CORPORATE TRANSACTION/CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Corporate Transaction while the Optionee remains a Board member, each outstanding option held by such Optionee under this Director Fee Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. Each such outstanding option shall terminate immediately following the Corporate Transaction, except to the extent assumed by the successor corporation (or parent thereof) in such Corporate Transaction. Any option so assumed and shall remain exercisable for the fully vested shares until the earlier of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of the Optionee's cessation of Board service.

B. In the event of a Change in Control while the Optionee remains in Service, each outstanding option held by such Optionee under this Director Fee Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. The option shall remain so exercisable until the earliest to occur of (i) the expiration of the ten (10)-year option term, (ii) the expiration of the three (3)-year period measured from the date of the Optionee's cessation of Board service, (iii) the termination of the option in connection with a Corporate Transaction or (iv) the surrender of the option in connection with a Hostile Take-Over.

C. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each outstanding option granted him or her under the Director Fee Option Grant Program. The Optionee shall in return be

entitled to a cash distribution from the Corporation in an amount equal to the excess of (i) the Take-Over Price of the shares of Common Stock at the time subject to each surrendered option (whether or not the option is otherwise at the time exercisable for those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation. No approval or consent of the Board or any Plan Administrator shall be required at the time of the actual option surrender and cash distribution.

D. Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Corporate Transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Director Fee Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Corporate Transaction.

E. The grant of options under the Director Fee Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

IV. REMAINING TERMS

The remaining terms of each option granted under this Director Fee Option Grant Program shall be the same as the terms in effect for option grants made under the Discretionary Option Grant Program.

ARTICLE SEVEN
MISCELLANEOUS

I. FINANCING

The Plan Administrator may permit any Optionee or Participant to pay the option exercise price under the Discretionary Option Grant Program or the purchase price of shares issued under the Stock Issuance Program by delivering a full-recourse, interest-bearing promissory note payable in one or more installments. The terms of any such promissory note (including the interest rate and the terms of repayment) shall be established by the Plan Administrator in its sole discretion. In no event may the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased shares (less the par value of such shares) plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

II. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all holders of Non-Statutory Options or unvested shares of Common Stock under the Plan (other than the options granted or the shares issued under the Automatic Option Grant or Director Fee Option Grant Program) with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes to which such holders may become subject in connection with the exercise of their options or the vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

Stock Withholding: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the exercise of such Non-Statutory Option or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the holder.

Stock Delivery: The election to deliver to the Corporation, at the time the Non-Statutory Option is exercised or the shares vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the holder.

III. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective immediately on the Plan Effective Date. However, the Salary Investment Option Grant Program and the Director Fee Option Grant Program shall not be implemented until such time as the Primary Committee may deem appropriate. Options may be granted under the Discretionary Option Grant at any time on or after the Plan Effective Date, and the initial option grants under the Automatic Option Grant Program shall also be made on the Plan Effective Date to any non-employee Board members eligible for such grants at that time. However, no options granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the Plan Effective Date, then all options previously granted under this Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further option grants or direct stock issuances shall be made under the Predecessor Plan after the Plan Effective Date. All options outstanding under the Predecessor Plan on the Plan Effective Date shall be incorporated into the Plan at that time and shall be treated as outstanding options under the Plan. However, each outstanding option so incorporated shall continue to be governed solely by the terms of the documents evidencing such option, and no provision of the Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such incorporated options with respect to their acquisition of shares of Common Stock.

C. One or more provisions of the Plan, including (without limitation) the option/vesting acceleration provisions of Article Two relating to Corporate Transactions and Changes in Control, may, in the Plan Administrator's discretion, be extended to one or more options incorporated from the Predecessor Plan which do not otherwise contain such provisions.

D. The Plan shall terminate upon the earliest to occur of (i) February 7, 2010, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully vested shares or (iii) the termination of all outstanding options in connection with a Corporate Transaction. Should the Plan terminate on February 7, 2010, then all option grants and unvested stock issuances outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

IV. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws or regulations.

B. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant and Salary Investment Option Grant Programs and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

V. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VI. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

VII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

A. AUTOMATIC OPTION GRANT PROGRAM shall mean the automatic option grant program in effect under Article Five of the Plan.

B. BOARD shall mean the Corporation's Board of Directors.

C. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through either of the following transactions:

(i) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders, or

(ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

D. CODE shall mean the Internal Revenue Code of 1986, as amended.

E. COMMON STOCK shall mean the Corporation's common stock.

F. CORPORATE TRANSACTION shall mean either of the following stockholder-approved transactions to which the Corporation is a party:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation.

G. CORPORATION shall mean Sangamo BioSciences, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of Sangamo BioSciences, Inc. which shall by appropriate action adopt the Plan.

H. DIRECTOR FEE OPTION GRANT PROGRAM shall mean the special stock option grant in effect for non-employee Board members under Article Six of the Plan.

I. DISCRETIONARY OPTION GRANT PROGRAM shall mean the discretionary option grant program in effect under Article Two of the Plan.

J. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. EXERCISE DATE shall mean the date on which the Corporation shall have received written notice of the option exercise.

L. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) For purposes of any option grants made on the Underwriting Date, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is to be sold in the initial public offering pursuant to the Underwriting Agreement.

M. HOSTILE TAKE-OVER shall mean the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept.

N. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

O. INVOLUNTARY TERMINATION shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation which materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

P. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

Q. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.

R. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

S. OPTIONEE shall mean any person to whom an option is granted under the Discretionary Option Grant, Salary Investment Option Grant, Automatic Option Grant or Director Fee Option Grant Program.

T. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

U. PARTICIPANT shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

V. PERMANENT DISABILITY OR PERMANENTLY DISABLED shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more. However, solely for purposes of the Automatic Option Grant and Director Fee Option Grant Programs, Permanent Disability or Permanently Disabled shall mean the inability of the non-employee Board member to perform his or her usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

W. PLAN shall mean the Corporation's 2000 Stock Incentive Plan, as set forth in this document.

X. PLAN ADMINISTRATOR shall mean the particular entity, whether the Primary Committee, the Board or the Secondary Committee, which is authorized to administer the Discretionary Option Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction.

Y. PLAN EFFECTIVE DATE shall mean the date the Plan shall become effective and shall be coincident with the Underwriting Date.

Z. PREDECESSOR PLAN shall mean the Corporation's 1995 Stock Option Plan in effect immediately prior to the Plan Effective Date hereunder.

AA. PRIMARY COMMITTEE shall mean the committee of two (2) or more non-employee Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders and to administer the Salary Investment Option Grant Program solely with respect to the selection of the eligible individuals who may participate in such program.

BB. SALARY INVESTMENT OPTION GRANT PROGRAM shall mean the salary investment option grant program in effect under Article Three of the Plan.

CC. SECONDARY COMMITTEE shall mean a committee of one or more Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to eligible persons other than Section 16 Insiders.

DD. SECTION 16 INSIDER shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

EE. SERVICE shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

FF. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

GG. STOCK ISSUANCE AGREEMENT shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

HH. STOCK ISSUANCE PROGRAM shall mean the stock issuance program in effect under Article Four of the Plan.

II. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

JJ. TAKE-OVER PRICE shall mean the greater of (i) the Fair Market Value per share of Common Stock on the date the option is surrendered to the Corporation in connection with a Hostile Take-Over or (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting such Hostile Take-Over. However, if the surrendered option is an Incentive Option, the Take-Over Price shall not exceed the clause (i) price per share.

KK. 10% STOCKHOLDER shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

LL. UNDERWRITING AGREEMENT shall mean the agreement between the Corporation and the underwriter or underwriters managing the initial public offering of the Common Stock.

MM. UNDERWRITING DATE shall mean the date on which the Underwriting Agreement is executed and priced in connection with an initial public offering of the Common Stock.

NN. WITHHOLDING TAXES shall mean the Federal, state and local income and employment withholding taxes to which the holder of Non-Statutory Options or unvested shares of Common Stock may become subject in connection with the exercise of those options or the vesting of those shares.

EXHIBIT 10.2

SANGAMO BIOSCIENCES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

I. PURPOSE OF THE PLAN

This Employee Stock Purchase Plan is intended to promote the interests of Sangamo BioSciences, Inc., a Delaware corporation, by providing eligible employees with the opportunity to acquire a proprietary interest in the Corporation through participation in a payroll deduction-based employee stock purchase plan designed to qualify under Section 423 of the Code.

Capitalized terms herein shall have the meanings assigned to such terms in the attached Appendix.

II. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have full authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it may deem necessary in order to comply with the requirements of Code Section 423. Decisions of the Plan Administrator shall be final and binding on all parties having an interest in the Plan.

III. STOCK SUBJECT TO PLAN

A. The stock purchasable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares of Common Stock purchased on the open market. The number of shares of Common Stock initially reserved for issuance over the term of the Plan shall be limited to 400,000 shares.

B. The number of shares of Common Stock available for issuance under the Plan shall automatically increase on the first trading day of each fiscal year of the Corporation during the term of the Plan, beginning with fiscal year 2001, by an amount equal to one percent (1%) of the total number of shares of Common Stock outstanding on the last trading day in the immediately preceding fiscal year, but in no event shall any such annual increase exceed 600,000 shares.

C. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and class of securities issuable under the Plan, (ii) the maximum number and class of securities purchasable per Participant on any one Purchase Date, (iii) the maximum number and class of securities purchasable in total by all Participants on any one Purchase Date, (iv) the maximum number

and/or class of securities by which the share reserve is to increase automatically each fiscal year pursuant to the provisions of Section III.B of this Article One and (v) the number and class of securities and the price per share in effect under each outstanding purchase right in order to prevent the dilution or enlargement of benefits thereunder.

IV. OFFERING PERIODS

A. Shares of Common Stock shall be offered for purchase under the Plan through a series of overlapping offering periods until such time as (i) the maximum number of shares of Common Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated.

B. Each offering period shall be of such duration (not to exceed twenty-four (24) months) as determined by the Plan Administrator prior to the start date of such offering period. Offering periods shall commence at semi-annual intervals on the first business day of May and November each year over the term of the Plan. Accordingly, two (2) separate offering periods shall commence in each calendar year the Plan remains in existence. However, the initial offering period shall commence at the Effective Time and terminate on the last business day in April 2002.

C. Each offering period shall consist of a series of one or more successive Purchase Intervals. Purchase Intervals shall run from the first business day in May to the last business day in October each year and from the first business day in November each year to the last business day in April in the following year. However, the first Purchase Interval in effect under the initial offering period shall commence at the Effective Time and terminate on the last business day in October 2000.

D. Should the Fair Market Value per share of Common Stock on any Purchase Date within a particular offering period be less than the Fair Market Value per share of Common Stock on the start date of that offering period, then that offering period shall automatically terminate immediately after the purchase of shares of Common Stock on such Purchase Date, and a new offering period shall commence on the next business day following such Purchase Date. The new offering period shall have a duration of twenty (24) months, unless a shorter duration is established by the Plan Administrator within five (5) business days following the start date of that offering period. All individuals participating in the terminated offering period shall automatically be transferred to the new offering period.

V. ELIGIBILITY

A. Each individual who is an Eligible Employee on the start date of any offering period under the Plan may enter that offering period on such start date. However, an Eligible Employees may participate in only one offering period at a time.

B. To participate in the Plan for a particular offering period, the Eligible Employee must complete the enrollment forms prescribed by the Plan Administrator (including a stock purchase agreement and a payroll deduction authorization) and file such forms with the Plan Administrator (or its designate) on or before the start date of that offering period.

VI. PAYROLL DEDUCTIONS

A. The payroll deduction authorized by the Participant for purposes of acquiring shares of Common Stock during an offering period may be any multiple of one percent (1%) of the Cash Earnings paid to the Participant during each Purchase Interval within that offering period, up to a maximum of fifteen percent (15%). The deduction rate so authorized shall continue in effect throughout the offering period, except to the extent such rate is changed in accordance with the following guidelines:

(i) The Participant may, at any time during the offering period, reduce his or her rate of payroll deduction to become effective as soon as possible after filing the appropriate form with the Plan Administrator. The Participant may not, however, effect more than one (1) such reduction per Purchase Interval.

(ii) The Participant may, prior to the commencement of any new Purchase Interval within the offering period, increase the rate of his or her payroll deduction by filing the appropriate form with the Plan Administrator. The new rate (which may not exceed the fifteen percent (15%) maximum) shall become effective on the start date of the first Purchase Interval following the filing of such form.

B. Payroll deductions shall begin on the first pay day administratively feasible following the start of the offering period in which the Participant is enrolled and shall (unless sooner terminated by the Participant) continue through the pay day ending with or immediately prior to the last day of that offering period. The amounts so collected shall be credited to the Participant's book account under the Plan, but no interest shall be paid on the balance from time to time outstanding in such account. The amounts collected from the Participant shall not be required to be held in any segregated account or trust fund and may be commingled with the general assets of the Corporation and used for general corporate purposes.

C. Payroll deductions shall automatically cease upon the termination of the Participant's purchase right in accordance with the provisions of the Plan.

D. The Participant's acquisition of Common Stock under the Plan on any Purchase Date shall neither limit nor require the Participant's acquisition of Common Stock on any subsequent Purchase Date, whether within the same or a different offering period.

VII. PURCHASE RIGHTS

A. GRANT OF PURCHASE RIGHTS. A Participant shall be granted a separate purchase right for each offering period in which he or she participates. The purchase right shall be granted on the start date of the offering period and shall provide the Participant with the right to purchase shares of Common Stock, in a series of successive installments during that offering period, upon the terms set forth below. The Participant shall execute a stock purchase agreement embodying such terms and such other provisions (not inconsistent with the Plan) as the Plan Administrator may deem advisable.

Under no circumstances shall purchase rights be granted under the Plan to any Eligible Employee if such individual would, immediately after the grant, own (within the meaning of Code Section 424(d)) or hold outstanding options or other rights to purchase, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Corporation or any Corporate Affiliate.

B. EXERCISE OF THE PURCHASE RIGHT. Each purchase right shall be automatically exercised in installments on each successive Purchase Date within the offering period, and shares of Common Stock shall accordingly be purchased on behalf of each Participant on each such Purchase Date. The purchase shall be effected by applying the Participant's payroll deductions for the Purchase Interval ending on such Purchase Date to the purchase of whole shares of Common Stock at the purchase price in effect for the Participant for that Purchase Date.

C. PURCHASE PRICE. The purchase price per share at which Common Stock will be purchased on the Participant's behalf on each Purchase Date within the particular offering period in which he or she is enrolled shall be equal to eighty-five percent (85%) of the lower of (i) the Fair Market Value per share of Common Stock on the start date of that offering period or (ii) the Fair Market Value per share of Common Stock on that Purchase Date.

D. NUMBER OF PURCHASABLE SHARES. The number of shares of Common Stock purchasable by a Participant on each Purchase Date during the particular offering period in which he or she is enrolled shall be the number of whole shares obtained by dividing the amount collected from the Participant through payroll deductions during the Purchase Interval ending with that Purchase Date by the purchase price in effect for the Participant for that Purchase Date. However, the maximum number of shares of Common Stock purchasable per Participant on any one Purchase Date shall not exceed 2,000 shares, subject to periodic adjustments in the event of certain changes in the Corporation's capitalization. In addition, the maximum number of shares of Common Stock purchasable in total by all Participants in the Plan on any one Purchase Date shall not exceed 200,000 shares, subject to periodic adjustments in the event of certain changes in the Corporation's capitalization. However, the Plan Administrator shall have the discretionary authority, exercisable prior to the start of any offering period under the Plan, to increase or decrease the limitations to be in effect for the number of shares purchasable per Participant and in total by all Participants in that particular offering period on each Purchase Date which occurs during that offering period.

E. EXCESS PAYROLL DEDUCTIONS. Any payroll deductions not applied to the purchase of shares of Common Stock on any Purchase Date because they are not sufficient to purchase a whole share of Common Stock shall be held for the purchase of Common Stock on the next Purchase Date. However, any payroll deductions not applied to the purchase of Common Stock by reason of the limitation on the maximum number of shares purchasable per Participant or in total by all Participants on the Purchase Date shall be promptly refunded.

F. TERMINATION OF PURCHASE RIGHT. The following provisions shall govern the termination of outstanding purchase rights:

(i) A Participant may, at any time prior to the next scheduled Purchase Date in the offering period in which he or she is participating, terminate his or her outstanding purchase right by filing the appropriate form with the Plan Administrator (or its designate), and no further payroll deductions shall be collected from the Participant with respect to the terminated purchase right. Any payroll deductions collected during the Purchase Interval in which such termination occurs shall, at the Participant's election, be immediately refunded or held for the purchase of shares on the next Purchase Date. If no such election is made at the time such purchase right is terminated, then the payroll deductions collected with respect to the terminated right shall be refunded as soon as possible.

(ii) The termination of such purchase right shall be irrevocable, and the Participant may not subsequently rejoin the offering period for which the terminated purchase right was granted. In order to resume participation in any subsequent offering period, such individual must re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before the start date of that offering period.

(iii) Should the Participant cease to remain an Eligible Employee for any reason (including death, disability or change in status) while his or her purchase right remains outstanding, then that purchase right shall immediately terminate, and all of the Participant's payroll deductions for the Purchase Interval in which the purchase right so terminates shall be immediately refunded. However, should the Participant cease to remain in active service by reason of an approved unpaid leave of absence, then the Participant shall have the right, exercisable up until the last business day of the Purchase Interval in which such leave commences, to (a) withdraw all the payroll deductions collected to date on his or her behalf for that Purchase Interval or (b) have such funds held for the purchase of shares on his or her behalf on the next scheduled Purchase Date. In no event, however, shall any further payroll deductions be collected on the Participant's behalf during such leave. Upon the Participant's return to active service (x) within ninety (90) days following the commencement of such leave or (y) prior to the expiration of any longer period for which such Participant's right

to reemployment with the Corporation is guaranteed by statute or contract, his or her payroll deductions under the Plan shall automatically resume at the rate in effect at the time the leave began, unless the Participant withdraws from the Plan prior to his or her return. An individual who returns to active employment following a leave of absence that exceeds in duration the applicable (x) or (y) time period will be treated as a new Employee for purposes of subsequent participation in the Plan and must accordingly re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before the start date of any subsequent offering period in which he or she wishes to participate.

G. CHANGE IN CONTROL. Each outstanding purchase right shall automatically be exercised, immediately prior to the effective date of any Change in Control, by applying the payroll deductions of each Participant for the Purchase Interval in which such Change in Control occurs to the purchase of whole shares of Common Stock at a purchase price per share equal to eighty-five percent (85%) of the lower of (i) the Fair Market Value per share of Common Stock on the start date of the offering period in which such Participant is enrolled at the time of such Change in Control or (ii) the Fair Market Value per share of Common Stock immediately prior to the effective date of such Change in Control. However, the applicable limitation on the number of shares of Common Stock purchasable per Participant shall continue to apply to any such purchase, but not the limitation applicable to the maximum number of shares of Common Stock purchasable in total by all Participants in the Plan on any one Purchase Date.

The Corporation shall use its best efforts to provide at least ten (10) days' prior written notice of the occurrence of any Change in Control, and Participants shall, following the receipt of such notice, have the right to terminate their outstanding purchase rights prior to the effective date of the Change in Control.

H. PRORATION OF PURCHASE RIGHTS. Should the total number of shares of Common Stock to be purchased pursuant to outstanding purchase rights on any particular date exceed the number of shares then available for issuance under the Plan, the Plan Administrator shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and the payroll deductions of each Participant, to the extent in excess of the aggregate purchase price payable for the Common Stock pro-rated to such individual, shall be refunded.

I. ASSIGNABILITY. The purchase right shall be exercisable only by the Participant and shall not be assignable or transferable by the Participant.

J. STOCKHOLDER RIGHTS. A Participant shall have no stockholder rights with respect to the shares subject to his or her outstanding purchase right until the shares are purchased on the Participant's behalf in accordance with the provisions of the Plan and the Participant has become a holder of record of the purchased shares.

VIII. ACCRUAL LIMITATIONS

A. No Participant shall be entitled to accrue rights to acquire Common Stock pursuant to any purchase right outstanding under this Plan if and to the extent such accrual, when aggregated with (i) rights to purchase Common Stock accrued under any other purchase right granted under this Plan and (ii) similar rights accrued under other employee stock purchase plans (within the meaning of Code Section 423)) of the Corporation or any Corporate Affiliate, would otherwise permit such Participant to purchase more than Twenty-Five Thousand Dollars ($25,000.00) worth of stock of the Corporation or any Corporate Affiliate (determined on the basis of the Fair Market Value per share on the date or dates such rights are granted) for each calendar year such rights are at any time outstanding.

B. For purposes of applying such accrual limitations to the purchase rights granted under the Plan, the following provisions shall be in effect:

(i) The right to acquire Common Stock under each outstanding purchase right shall accrue in a series of installments on each successive Purchase Date during the offering period on which such right remains outstanding.

(ii) No right to acquire Common Stock under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the same calendar year the right to acquire Common Stock under one or more other purchase rights at a rate equal to Twenty-Five Thousand Dollars ($25,000.00) worth of Common Stock (determined on the basis of the Fair Market Value per share on the date or dates of grant) for each calendar year such rights were at any time outstanding.

C. If by reason of such accrual limitations, any purchase right of a Participant does not accrue for a particular Purchase Interval, then the payroll deductions that the Participant made during that Purchase Interval with respect to such purchase right shall be promptly refunded.

D. In the event there is any conflict between the provisions of this Article and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article shall be controlling.

IX. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan was adopted by the Board on February 8, 2000, and shall become effective at the Effective Time, provided no purchase rights granted under the Plan shall be exercised, and no shares of Common Stock shall be issued hereunder, until (i) the Plan shall have been approved by the stockholders of the Corporation and (ii) the Corporation shall have complied with all applicable requirements of the 1933 Act (including the registration of the shares of Common Stock issuable under the Plan on a Form S-8 registration statement filed with the Securities and Exchange Commission), all applicable listing requirements of any stock

exchange (or the Nasdaq National Market, if applicable) on which the Common Stock is listed for trading and all other applicable requirements established by law or regulation. In the event such stockholder approval is not obtained, or such compliance is not effected, within twelve (12) months after the date on which the Plan is adopted by the Board, the Plan shall terminate and have no further force or effect, and all sums collected from Participants during the initial offering period hereunder shall be refunded.

B. Unless sooner terminated by the Board, the Plan shall terminate upon the earliest of (i) the last business day in April 2010, (ii) the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan or (iii) the date on which all purchase rights are exercised in connection with a Change in Control. No further purchase rights shall be granted or exercised, and no further payroll deductions shall be collected, under the Plan following such termination.

X. AMENDMENT OF THE PLAN

A. The Board may alter, amend, suspend or terminate the Plan at any time to become effective immediately following the close of any Purchase Interval. However, the Plan may be amended or terminated immediately upon Board action, if and to the extent necessary to assure that the Corporation will not recognize, for financial reporting purposes, any compensation expense in connection with the shares of Common Stock offered for purchase under the Plan, should the financial accounting rules applicable to the Plan at the Effective Time be subsequently revised so as to require the Corporation to recognize compensation expense in the absence of such amendment or termination.

B. In no event may the Board effect any of the following amendments or revisions to the Plan without the approval of the Corporation's stockholders: (i) increase the number of shares of Common Stock issuable under the Plan, except for permissible adjustments in the event of certain changes in the Corporation's capitalization, (ii) alter the purchase price formula so as to reduce the purchase price payable for the shares of Common Stock purchasable under the Plan or (iii) modify the eligibility requirements for participation in the Plan.

XI. GENERAL PROVISIONS

A. All costs and expenses incurred in the administration of the Plan shall be paid by the Corporation; however, each Plan Participant shall bear all costs and expenses incurred by such individual in the sale or other disposition of any shares purchased under the Plan.

B. Nothing in the Plan shall confer upon the Participant any right to continue in the employ of the Corporation or any Corporate Affiliate for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Corporate Affiliate employing such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

C. The provisions of the Plan shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

SCHEDULE A

CORPORATIONS PARTICIPATING IN
EMPLOYEE STOCK PURCHASE PLAN
AS OF THE EFFECTIVE TIME

Sangamo BioSciences, Inc.

APPENDIX

The following definitions shall be in effect under the Plan:

A. BOARD shall mean the Corporation's Board of Directors.

B. CASH EARNINGS shall mean (i) the regular base salary paid to a Participant by one or more Participating Companies during such individual's period of participation in one or more offering periods under the Plan plus (ii) all overtime payments, bonuses, commissions, profit-sharing distributions and other incentive-type payments received during such period. Such Cash Earnings shall be calculated before deduction of (A) any income or employment tax withholdings or (B) any contributions made by the Participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Corporation or any Corporate Affiliate. However, Cash Earnings shall NOT include any contributions made by the Corporation or any Corporate Affiliate on the Participant's behalf to any employee benefit or welfare plan now or hereafter established (other than Code Section 401(k) or Code Section 125 contributions deducted from such Cash Earnings).

C. CHANGE IN CONTROL shall mean a change in ownership of the Corporation pursuant to any of the following transactions:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Corporation in complete liquidation or dissolution of the Corporation, or

(iii) the acquisition, directly or indirectly, by a person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by or is under common control with the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders.

D. CODE shall mean the Internal Revenue Code of 1986, as amended.

E. COMMON STOCK shall mean the Corporation's common stock.

F. CORPORATE AFFILIATE shall mean any parent or subsidiary corporation of the Corporation (as determined in accordance with Code Section 424), whether now existing or subsequently established.

G. CORPORATION shall mean Sangamo BioSciences, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of Sangamo BioSciences, Inc. that shall by appropriate action adopt the Plan.

H. EFFECTIVE TIME shall mean the time at which the Underwriting Agreement is executed and the Common Stock priced for the initial public offering of such Common Stock. Any Corporate Affiliate that becomes a Participating Corporation after such Effective Time shall designate a subsequent Effective Time with respect to its employee-Participants.

I. ELIGIBLE EMPLOYEE shall mean any person who is employed by a Participating Corporation on a basis under which he or she is regularly expected to render more than twenty (20) hours of service per week for more than five (5) months per calendar year for earnings considered wages under Code Section 3401 (a).

J. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) For purposes of the initial offering period that begins at the Effective Time, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is sold in the initial public offering pursuant to the Underwriting Agreement.

K. 1933 ACT shall mean the Securities Act of 1933, as amended.

L. PARTICIPANT shall mean any Eligible Employee of a Participating Corporation who is actively participating in the Plan.

M. PARTICIPATING CORPORATION shall mean the Corporation and such Corporate Affiliate or Affiliates as may be authorized from time to time by the Board to extend the benefits of the Plan to their Eligible Employees. The Participating Corporations in the Plan are listed in attached Schedule A.

N. PLAN shall mean the Corporation's 2000 Employee Stock Purchase Plan, as set forth in this document.

O. PLAN ADMINISTRATOR shall mean the committee of two (2) or more Board members appointed by the Board to administer the Plan.

P. PURCHASE DATE shall mean the last business day of each Purchase Interval. The initial Purchase Date shall be October 31, 2000.

Q. PURCHASE INTERVAL shall mean each successive six (6)-month period within a particular offering period at the end of which there shall be purchased shares of Common Stock on behalf of each Participant.

R. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

S. UNDERWRITING AGREEMENT shall mean the agreement between the Corporation and the underwriter or underwriters managing the initial public offering of the Common Stock.

EXHIBIT 10.4

SANGAMO BIOSCIENCES, INC.
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this [Day] day of [MoYear] between Sangamo BioSciences, Inc., a Delaware corporation (the "Company"), and [Name] ("Indemnitee").

WHEREAS, Indemnitee, a member of the Board of Directors or an officer, employee or agent of the Company, performs a valuable service in such capacity for the Company;

WHEREAS, the stockholders of the Company have adopted Bylaws (the "Bylaws") providing for the indemnification of the officers, directors, employees and agents of the Company to the maximum extent authorized by Section 145 of the Delaware General Corporation Law, as amended (the "Code");

WHEREAS, the Bylaws and the Code, by their non-exclusive nature, permit contracts between the Company and the members of its Board of Directors, officers, employees or agents with respect to indemnification of such directors, officers, employees or agents;

WHEREAS, in accordance with the authorization as provided by the Code, the Company either has purchased and presently maintains or intends to purchase and maintain a policy or policies of Directors and Officers Liability Insurance ("D & O Insurance") covering certain liabilities which may be incurred by its directors and officers in the performance of their duties as directors and officers of the Company;

WHEREAS, as a result of developments affecting the terms, scope and availability of D & O Insurance there exists general uncertainty as to the extent of protection afforded members of the Board of Directors or officers, employees or agents by such D & O Insurance and by statutory and bylaw indemnification provisions; and

WHEREAS, in order to induce Indemnitee to continue to serve as a member of the Board of Directors, officer, employee or agent of the Company, the Company has determined and agreed to enter into this contract with Indemnitee.

NOW, THEREFORE, in consideration of Indemnitee's continued service as a director, officer, employee or agent after the date hereof, and for other good and valid consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Indemnification of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the Code, as may be amended from time to time.

2. Additional Indemnity. Subject only to the exclusions set forth in Sections 3 and 6(c) hereof, the Company hereby further agrees to hold harmless and indemnify Indemnitee:

(a) against any and all expenses (including attorneys' fees), witness fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) to which Indemnitee is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Indemnitee is, was or at any time becomes a director, officer, employee or agent of the Company or any subsidiary of the Company, or is or was serving or at any time serves at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Indemnitee by the Company under the non-exclusivity provisions of Article VII, Section 6 of the Bylaws of the Company and the Code.

3. Limitations on Additional Indemnity.

(a) No indemnity pursuant to Section 2 hereof shall be paid by the Company:

i) in respect to remuneration paid to Indemnitee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

ii) on account of any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

iii) on account of Indemnitee's conduct which is finally adjudged to have been knowingly fraudulent or deliberately dishonest or to constitute willful misconduct;

iv) on account of Indemnitee's conduct which is the subject of an action, suit or proceeding described in Section 6(c)(ii) hereof;

v) on account of any action, claim or proceeding (other than a proceeding referred to in Section 7(b) hereof) initiated by the Indemnitee unless such action, claim or proceeding was authorized in the specific case by action of the Board of Directors;

vi) if a final decision by a Court having jurisdiction in the matter shall determine that such indemnification is not lawful (and, in this respect, both the Company and Indemnitee have been advised that the Securities and Exchange Commission

believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication); and

vii) except to the extent the aggregate of losses to be indemnified thereunder exceeds the sum of (a) such losses for which the Indemnitee is indemnified pursuant to Section 1 hereof and (b) any additional amount paid to the Indemnitee pursuant to any D & O Insurance purchased and maintained by the Company.

(b) No indemnity pursuant to Section 1 or 2 hereof shall be paid by the Company if the action, suit or proceeding with respect to which a claim for indemnity hereunder is made arose from or is based upon any of the following:

i) Any solicitation of proxies by Indemnitee, or by a group of which he was or became a member consisting of two or more persons that had agreed (whether formally or informally and whether or not in writing) to act together for the purpose of soliciting proxies, in opposition to any solicitation of proxies approved by the Board of Directors.

ii) Any activities by Indemnitee that constitute a breach of or default under any agreement between Indemnitee and the Company.

4. Contribution. If the indemnification provided in Sections 1 and 2 hereof is unavailable by reason of a Court decision described in Section 3(a)(vi) hereof based on grounds other than any of those set forth in paragraphs (i) through (v) of Section 3 (a) hereof, then in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and Indemnitee on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of the Company on the one hand and of Indemnitee on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Indemnitee on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

5. Notification and Defense of Claim. Not later than thirty (30) days after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; but Indemnitee's omission so to notify the Company will not relieve the Company from any liability which it may have to

Indemnitee otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(a) The Company will be entitled to participate therein at its own expense.

(b) Except as otherwise provided below, to the extent that it may wish, the Company shall, jointly with any other indemnifying party similarly notified, be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense thereof, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its own counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of the Company's assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Company; (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action; or (iii) the Company shall not in fact have employed counsel to assume the defense of such action; in each of which cases the fees and expenses of Indemnitee's separate counsel shall be paid by the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (ii) above.

(c) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall be permitted to settle any action except that it shall not settle any action or claim in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold its consent to any proposed settlement.

6. Advancement and Repayment of Expenses.

(a) In the event that Indemnitee employs his or her own counsel pursuant to Sections 5(b)(i) through (iii) above, the Company shall advance to Indemnitee, prior to any final disposition of any threatened or pending action, suit or proceeding, whether civil, criminal, administrative or investigative, any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding within ten (10) days after receiving from Indemnitee copies of invoices presented to Indemnitee for such expenses.

(b) Indemnitee agrees that Indemnitee will reimburse the Company for all reasonable expenses paid by the Company in investigating or defending any civil or criminal action, suit or proceeding against Indemnitee in the event and only to the extent it shall be ultimately determined by a final judicial decision (from which there is no right of appeal) that Indemnitee is not entitled, under the provisions of the Code, the Bylaws, this Agreement or otherwise, to be indemnified by the Company for such expenses.

(c) Notwithstanding the foregoing, the Company shall not be required to advance such expenses to Indemnitee in respect of any action arising from or based upon any of the matters set forth in subsection (b) of Section 3 or if Indemnitee (i) commences any action, suit or proceeding as a plaintiff unless such advance is specifically approved by a majority of the Board of Directors or (ii) is a party to an action, suit or proceeding brought by the Company and approved by a majority of the Board which alleges willful misappropriation of corporate assets by Indemnitee, disclosure of confidential information in violation of Indemnitee's fiduciary or contractual obligations to the Company, or any other willful and deliberate breach in bad faith of Indemnitee's duty to the Company or its shareholders.

7. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Indemnitee to continue as a director, officer, employee or other agent of the Company, and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

(b) In the event Indemnitee is required to bring any action to enforce rights or to collect moneys due under this Agreement and is successful in such action, the Company shall reimburse Indemnitee for all Indemnitee's reasonable fees and expenses, including attorney's fees, in bringing and pursuing such action.

8. Subrogation. In the event of payment under this agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

9. Continuation of Obligations. All agreements and obligations of the Company contained herein shall commence upon the date that Indemnitee first became a member of the Board of Directors or an officer, employee or agent of the Company, as the case may be, and shall continue during the period Indemnitee is a director, officer, employee or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that Indemnitee was a director, officer, employee or agent of the Company or serving in any other capacity referred to herein.

10. Survival of Rights. The rights conferred on Indemnitee by this Agreement shall continue after Indemnitee has ceased to be a director, officer, employee or other agent of the Company and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

11. Non-Exclusivity of Rights. The rights conferred on Indemnitee by this Agreement shall not be exclusive of any other right which Indemnitee may have or hereafter acquire under any statute, provision of the Company's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding office; provided, however, that this

Agreement shall supersede and replace any prior indemnification agreements entered into by and between the Company and Indemnitee and that any such prior indemnification agreement shall be terminated upon the execution of this Agreement.

12. Separability. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any or all of the provisions hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof or the obligation of the Company to indemnify the Indemnitee to the full extent provided by the Bylaws or the Code.

13. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

14. Binding Effect. This Agreement shall be binding upon Indemnitee and upon the Company, its successors and assigns, and shall inure to the benefit of Indemnitee, his or her heirs, personal representatives and assigns and to the benefit of the Company, its successors and assigns.

15. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing and is signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

SANGAMO BIOSCIENCES, INC.
a Delaware corporation

By:

INDEMNITEE

[Name], [Title]

Address:

EXHIBIT 10.5

POINT RICHMOND R & D II, AN LLC. TRIPLE NET LABORATORY LEASE

This Lease is made and entered into as of May 23, 1997, between Point Richmond R & D II, an LLC, a California Limited Liability Corporation ("Landlord"), and Sangamo BioSciences, Inc. a Delaware Corporation ("Tenant").

1. DEFINITIONS. Words not defined in this paragraph or elsewhere in this Lease have their customary meanings. 1) The "Initial Term" is five years; 2) "Commencement Date" is September 16, 1997, the first day of the Initial Term; 3) "Base Monthly Rent" means, subject to adjustment, $1.75 per month per square foot, Triple Net, payable in advance, without deduction, offset, prior notice or demand, on the first day of each Month of the Term; 4) "Premises" means the part of the Building leased to Tenant for exclusive use, consisting of approximately 9,770 square feet, commonly known as Point Richmond R & D Center II, Building A, 501 Canal Blvd., Richmond, California as delineated on Exhibit A); 5) "Building" means the structure in which the Premises are located; 6) "Property" includes the Building and land on which it stands; 7) "Agents" includes employees, agents, guest and invitees and, when applied to Tenant, subtenants and assignees; 8) "Day" and "Month" mean calendar day/month; 9) "Lease Year" means consecutive 12-month periods starting on the Commencement Date; 10) "Common Area" means parts of the building not for exclusive use by tenants including halls, lobby, elevators, rest rooms, roof, exterior walls and structural components; 11) "Tax" means any form of assessment, license, fee, tax, levy, or tax imposed by any authority having direct or indirect taxing powers; 12) "Alteration" includes additions, deletions, modifications and changes including utility installations such as ducting, power panels, fluorescent fixtures, base heaters, conduit and wiring; 13) "Operating Expenses" are all expenses for maintenance, servicing, management and repair of the Property and the Premises inclusive of Taxes and insurance premiums; 14) "Base Year" is the calendar year in which Tenant executes this Lease; 15) Tenant's "Pro Rata Share" is the total cost of an item multiplied by 11.9% [Landlord may, however, adjust Tenant's Pro Rata Share of specific Operating Expenses if Landlord reasonably determines that Tenant's usage warrants such adjustment]; 16) The "floor area of the Premises" is measured from the exterior surface of exterior walls and from the center of walls separating the Premises from adjacent premises or common areas; 17) The "floor area of the Building" is measured from the exterior surface of exterior walls including common and core areas; 18) "consent" and "approval" require reasonable and prompt conduct by the consenting/approving party; 19) "Regulation" includes all laws, statutes, regulations and requirements adopted by duly constituted public authorities now in force or hereafter adopted; 20) "Condemnation" includes taking by exercise of governmental power or the sale or transfer to any condemnor under threat of or during the dependency of proceedings for condemnation.

2. PREMISES. Landlord hereby leases to Tenant and Tenant shall have exclusive use of the Premises for the Initial Term.

3. DELAY IN POSSESSION. If Landlord cannot deliver possession of the Premises to Tenant on the Commencement Date, such failure shall not affect the validity of this Lease, extend its Term, or render Landlord liable for any resulting damage, but Tenant shall not be obligated to pay rent until Landlord tenders possession. If Landlord cannot deliver possession within 90 days of the Commencement Date, Tenant may terminate this Lease on written notice to Landlord. In such event, Tenant shall have no further recourse against Landlord respecting the Lease.

3.1 Option to Extend Term. Tenant is hereby granted on option to extend this Lease for an additional five year period (the "Option Term") pursuant to the provisions of this Lease and exercisable by written notice (the "Option Notice") delivered to Landlord at least 180 Days before expiration of the Initial Term. References to "Term" in this Lease include the Initial Term and exercised Option Term. At Landlord's option, Tenant's default at the time it delivers the Option Notice precludes the effectiveness of the notice and commencement of the Option Term.

4. RENT. Tenant shall pay all rent due Landlord in United States dollars at the address set forth below or such other place as Landlord designates in writing. If Alterations increase the floor area of the Premises, Base Monthly Rent will increase proportionately. If the obligation to pay rent commences other than on the first day of a Month, the first payment shall also include rent from the date the obligation commences to the first day of the following month calculated per diem.

4.1. BASE MONTHLY RENT ADJUSTMENT. THE BASE MONTHLY RENT WILL INCREASE ACCORDING TO THE FOLLOWING SCHEDULE:

BEGINNING AT MONTH 31: $1.85/SQ.FT./MONTH, TRIPLE NET

4.2. OPTION TERM RENT ADJUSTMENT. The Base Monthly Rent for the OPTION TERM WILL BE SET TO 95% OF THE FAIR MARKET VALUE ("FMV") for similar laboratory space in the Berkeley Emeryville area, but in no condition will the Option Term Rent be less than $1.85/sq.ft./month.

4.3. ADDITIONAL RENT. For each year during the Term, Tenant shall pay to Landlord, in addition to the Base Monthly Rent and all other payments due under this Lease, an amount equal to Tenant's Pro Rata Share of the actual Operating Expenses for that year. These expenses will be reasonably estimated by the Landlord and paid by the Tenant to the Landlord on a monthly basis. Not less than once each year Landlord will reconcile the actual expenses as compared to the estimated collections. If Tenant has paid on an estimated basis, an amount less than the actual expenses, Tenant shall pay the difference between the estimated payments, and the actual expenditures within 30 days of receipt of a written reconciliation and bill. If the Tenant has paid in an estimated basis an amount more than the actual expenses, Tenant shall receive a rental credit upon receipt of a written reconciliation.

4.3.1. CALCULATION OF OPERATING EXPENSES. Operating Expenses shall be determined as the actual Operating Expenses incurred for the Property during the Year. Prior to the Commencement Date, Landlord shall prepare referenced as an addendum to Lease and deliver to Tenant a schedule of the Year's Operating Expenses, approximately $.25 per square foot per month. The said schedule will fix the amount of the Current Year Operating Expenses for all purposes under the provisions of this Lease. Should Tenant question the said schedule, Landlord shall provide Tenant with verification of the amounts set forth in the schedule. Tenant shall have the right to review, access and audit operating expenses. In the event landlord, for any reason, neglects or fails to timely provide the required schedule of Years Operating Expenses to Tenant, such failure shall not be deemed a default under or breach of this Lease by Landlord for any purpose, neither shall it be deemed a waiver of any rights of Landlord to collect Tenant's Pro Rata Share of Operating Expenses, neither shall such failure by Landlord excuse Tenant from performance of any of Tenant's obligations under the provisions of this Lease. Landlord shall be required to deliver the required schedule of actual Years Operating Expenses to Tenant no less than 60 days prior to the date on which Tenant's payment is due to Landlord for Tenant's Pro Rata Share of Operating Expenses.

4.3.2. SECURITY DEPOSIT. Concurrent with its execution of this Lease, Tenant shall give Landlord as a security deposit the sum of $10,000.00 (THE "DEPOSIT"). Landlord shall hold the Deposit as security for Tenant's faithful performance of all its obligations under this Lease and may, at its option, apply the Deposit to remedy defaults in the payment of any charge hereunder, to repair damages to the Property caused by Tenant, or to clean the Premises at the end of this Lease. If any portion of the Deposit is so applied, Tenant shall, within 10 Days after written demand therefor, deliver to Landlord funds sufficient to restore the Deposit to its original amount. Landlord shall not be required to keep the Deposit separate from its general funds. Tenant shall earn no interest on the Deposit. If Tenant fully performs under this Lease, Landlord shall return any unused portion of the Deposit to the last holder of Tenant's interest in this Lease upon Tenant's surrender of the Premises. On any transfer of Landlord's interest in the Lease, the Deposit will be transferred to Landlord's successor, and Landlord released from liability for the Deposit.

4.4. LATE CHARGES. Late payment of any sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, including, without limit, accounting charges and late charges which may be imposed on Landlord by the terms of loans secured by the Property. If Tenant fails to deliver to Landlord any monies due hereunder within 10 Days of the due date, Tenant shall pay to Landlord a late charge of 10% of the overdue amount which is agreed to be a reasonable estimate of the costs Landlord will incur by reason of the late payment, the exact amount of which will be difficult

Landlord will incur by reason of the late payment, the exact amount of which will be difficult to determine. Acceptance of a late charge shall not constitute a waiver of the default or preclude Landlord's exercise of other rights and remedies.

5. TAXES. Landlord shall pay all Taxes assessed against Landlord's interest in the Property. Tenant shall pay all Taxes assessed on Tenant's fixtures, improvements, furnishings, merchandise, equipment and personal property in and on the Premises and if Tenant fails to timely pay Taxes, Landlord may (but is not obligated to) pay the same at any time thereafter after notice to tenant. On demand, Tenant shall repay Landlord amounts so paid with interest at prime rate plus 2%.

If Tenant desires to contest the validity or amount of any Tax applicable to the Premises, Tenant shall be entitled to do so and to defer payment of such Tax until final determination of such contest upon giving Landlord written notice thereof prior to commencing such contest and protecting Landlord on demand by obtaining a surety bond in the amount of 150% of the total amount of Taxes in dispute. The surety bond shall hold Landlord harmless from any damages or costs incurred in connection with the contest. Landlord shall, at Tenant's request, cooperate in all reasonable ways requested by Tenant in connection with the contest of Taxes, provided that Tenant pays all reasonable costs incurred by Landlord resulting from such cooperation.

6. INSURANCE.

6.1. LANDLORD'S INSURANCE. Landlord shall insure the Property for 100% of its replacement value against loss or damage by those risks normally included by the insurance industry in the term "All Risk"; any recovery from such insurance shall belong to Landlord including all of the Premises improvements, exclusive of furnishings, merchandise, equipment and personal property. Landlord shall maintain comprehensive general liability insurance insuring Landlord (and others named by Landlord, but not Tenant) against liability for bodily injury, death and property damage on or about the Property, with combined single limit coverage of at least $2 million.

6.2. TENANT'S INSURANCE. Tenant, at its sole expense, shall maintain: a) All Risk coverage insurance on all fixtures, improvements, furnishings, merchandise, equipment and personal property in the Premises; and b) for the benefit of Tenant, commercial general liability and property damage insurance against claims for bodily injury, death or property damage occurring in or about, and/or arising from Tenant's use of, the Premises, with combined single limit coverage of at least $2,000,000. Such insurance coverage shall not limit Tenant's liability. Tenant shall furnish to Landlord prior to the Commencement Date, and at least 30 Days prior to the expiration date of any policy, certificates indicating that the insurance required of Tenant is in full force and effect, that Landlord has been named as an additional insured on the liability policy, and that no such policy will be canceled unless 30 Days' prior written notice has been given to Landlord. Each liability policy shall include a broad form liability endorsement and provide that Landlord as an additional insured may recover for any loss it suffers by reason of acts/omissions of Tenant and its Agents. Except as Landlord may approve in writing before issuance of such policy, all policies which Tenant shall obtain hereunder shall be issued by companies with "AAA" rating by either Moody's Rating Service or Standard & Poor's Rating Service and general policy rating of at least A in Best Insurance Guide's then most current issue. Policies obtained by Tenant pursuant to this Lease shall be subject to Landlord's approval.

6.3. WAIVER OF SUBROGATION. Notwithstanding anything to the contrary herein, the parties hereby release each other and their respective officers, agents, employees and servants, from all claims for damages, loss, expense or injury to the Premises, and/or to the furnishings and fixtures and equipment or inventory or other property of either Landlord or Tenant in, about or upon the Premises, which is caused by or results from perils, events or happenings which are covered by insurance in force at the time of any such loss or by insurance required to be carried hereunder; provided, however, that such waiver shall be effective only to the extent permitted by the said insurance and to the extent such insurance coverage is not prejudiced thereby. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation in connection with any damage covered by such policy.

6.4. LANDLORD INDEMNIFICATION. Tenant will indemnify and save Landlord harmless from and against any and all claims, actions, damages, liability and expense relating to loss of life, personal injury and/or property damage arising from or out of any occurrence in, upon or at the Premises, or the occupancy or Tenant's use of the Property,

occasioned wholly or in part by any acts or omissions of Tenant and its Agents. If Landlord becomes a party to such litigation commenced by or against Tenant, Tenant shall defend and hold Landlord harmless from all claims, liabilities, costs and expenses, and shall pay all costs, expenses and reasonable legal fees incurred by Landlord in connection with such litigation. If Tenant is made a party to litigation commenced by or against Landlord solely as a result of Landlord's acts or omissions, Landlord shall defend Tenant and indemnify Tenant against the costs of such litigation. As used herein, "litigation" includes arbitration. The provisions of this paragraph shall be deemed to apply only to those circumstances where there is a portion of a loss or claim not covered by existing insurance and then only to the extent that such loss or claim is not covered by insurance. This paragraph shall not preclude application of comparative negligence if the parties or their agents are both at fault.

6.5 TENANT INDEMNIFICATION. Landlord will indemnify and save Tenant harmless from and against any and all claims, actions, damages, liability and expense relating to loss of life, personal injury and/or property damage arising from or out of any occurrence in, upon or at the Premises, or the occupancy or Landlord's use of the Property, occasioned wholly or in part by any acts or omissions of Landlord and its Agents. If Tenant becomes a party to such litigation commenced by or against Landlord, Landlord shall defend and hold Tenant harmless from all claims, liabilities, costs and expenses, and shall pay all costs, expenses and reasonable legal fees incurred by Tenant in connection with such litigation. If Landlord is made a party to litigation commenced by or against Tenant solely as a result of Tenant's acts or omissions, Tenant shall defend Landlord and indemnify Landlord against the costs of such litigation. As used herein, "litigation" includes arbitration. The provisions of this paragraph shall be deemed to apply only to those circumstances where there is a portion of a loss or claim not covered by existing insurance and then only to the extent that such loss or claim is not covered by insurance. This paragraph shall not preclude application of comparative negligence if the parties or their agents are both at fault.

6.6 WORKER'S INSURANCE. Landlord and Tenant shall keep in force for the Term and pay for worker's compensation and other insurance to comply with all applicable Regulations.

7. MAINTENANCE.

7.1 PREMISES. During the Term, Landlord shall maintain the Premises (including all interior walls, doors, doorways, lighting fixtures, plumbing fixtures, and all windows) in good order, condition and repair. Tenant waives the provisions of any law permitting Tenant to make repairs at Landlord's expense, including, without limitation, California Civil Code Sections 1941-1946. Tenant will supply its own janitorial services to the Premises.

7.2 COMMON AREAS. Landlord shall maintain the Common Area in good order and condition and in compliance with all Regulations; however, damage caused by the acts/omissions of Tenant and its Agents shall be repaired at Tenant's expense. Landlord shall maintain all improvements and appurtenances and systems upon the Property in good order and repair. Tenant shall notify Landlord in writing of required repairs to the Property; Landlord shall make necessary repairs in a reasonable time. Maintenance and repairs shall be completed in a good and workmanlike manner using such methods as Landlord deems appropriate in its sole reasonable discretion. Landlord shall make commercially reasonable efforts to perform maintenance and repairs with minimum interference with Tenant's business operations.

7.3 ALTERATIONS. Tenant shall make no Alteration to the Property without Landlord's prior written consent. Landlord may impose such conditions upon approval of an Alternation as Landlord may deem reasonably appropriate. Every Alteration shall be done under supervision of a licensed contractor and in accordance with plans and specifications furnished to and approved by Landlord prior to commencement of work. If an Alteration increases the floor area of the Premises, the Base Monthly Rent and Tenant's Pro Rata Share shall be increased in proportion to the resulting increase in the floor area of the Premises. Tenant shall give Landlord 7 Days advance written notice prior to starting construction of each Alteration. Each Alteration shall remain in place and become the property of Landlord, unless, at the time of consent, Landlord required removal of the Alteration on Termination, in which case, Tenant shall remove such Alteration(s) and restore the Premises to their pre-Alteration condition at Termination.

7.4 SYSTEMS. The heating/air-conditioning ("HVAC"), plumbing and electrical systems (collectively "SYSTEMS") shall not be used for any purpose other than that

for which they were constructed. Tenant shall pay for repairs resulting from the willful misconduct of Tenant and its Agents.

7.5 LIENS. Tenant shall keep the Property free from liens arising out of work performed, materials furnished or obligations incurred by Tenant. Tenant shall indemnify Landlord from all costs, liens and encumbrances from work performed or materials furnished by or at Tenant's direction. If Tenant fails to obtain removal of such lien within 30 Days following its imposition, Landlord shall have the right, but not the obligation after notice to Tenant, to obtain such release by such means as it may deem proper, including payment of the claim giving rise to such lien. On demand, Tenant shall reimburse Landlord for all such sums paid and expenses incurred by Landlord in connection therewith (including attorneys' fees and costs) together with interest at Prime Rate plus 2% from the date Landlord makes such payment until the date of reimbursement.

8. MANAGEMENT. The Wareham Property Group, Inc., an affiliate of Landlord, or another affiliated or unaffiliated third party, will manage the Property for a fee.

9. UTILITIES AND SERVICES.

9.1. PREMISES. Landlord will make available to the Premises HVAC and utilities for healing and lighting use at all times. Tenant will pay all utility costs directly.

9.2. COMMON AREAS. Landlord shall arrange for Common Area utilities, landscaping, janitorial and, if Landlord deems if appropriate, security services. Tenant will pay its pro rata share above Base Year costs as part of Operating Expenses, see 4.3.1.

9.3. LIMITATION OF LIABILITY. Landlord shall not be in default under the provisions of this Lease or be liable for any damages directly or indirectly resulting from the following conditions: (1) the temporary interruption of use of any equipment in connection with the furnishing of any of the services described in paragraphs 9.1 and 9.2 of this lease for not more than 24 hours; (2) failure to furnish or delay in furnishing any services referred to in paragraphs 9.1 and 9.2 of this lease where failure or delay is caused by accident or any condition or event beyond Landlord's reasonable control; (3) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the premises mandated by a governmental authority. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to failure to furnish any such services. Notwithstanding the foregoing provisions of this paragraph, in the event that utility service to the premises is unavailable for a period exceeding 5 consecutive days, then from and after the 6th consecutive day without utility service and until utility service is restarted, Tenant shall be entitled to an abatement of rent unless the disruption of the utility service results in whole, or in part, from the acts and/or omissions of Tenant (inclusive of Tenant's agents, servants, employes, operatives and/or contractors) in which case there shall be no abatement of rent.

10. USE OF PREMISES. This Lease is subject to all Regulations governing use of the Property. Tenant has not entered into this Lease relying on any representation by Landlord or its Agents as to suitability of the Premises for the conduct of Tenant's business. Tenant has made its own analysis of suitability of the Premises for its intended use. Tenant shall: 1) use the Premises for only laboratory and office research and development; 2) pay Landlord the full amount of any increased insurance premium resulting solely from Tenant's use of the Premises; 3) at its sole expense, promptly comply with all Regulations and the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting Tenant's particular use of the Premises. Tenant shall not 1) sell or permit to be kept, used or sold in or about the Premises any articles prohibited by a standard form policy of fire insurance; 2) do not permit anything to be done in or about the Property which will obstruct or interfere with rights of other occupants of the Property or injure or unreasonably annoy them; 3) maintain or permit any nuisance in or about the Property; 4) commit or suffer to be committed any waste in or upon the Property; 5) conduct or allow any auction or similar sale upon the Property; 6) do or permit anything to be done in or about the Property which will violate any Regulation [the final, unappealable judgment of any court of competent jurisdiction or Tenant's admission in any action (whether or not Landlord is a party) that Tenant has violated a Regulation shall be conclusive of that fact between Landlord and Tenant or 7) do or permit anything to be done which will increase existing insurance premiums for the Property or cause cancellation of any policy covering any of the Property; provided, however, that none of the foregoing shall restrict Tenant's ability to conduct its business as is customary for a biotechnology company conducting research and development. However, Tenant shall not be required to comply with or cause

the Premises to comply with any Regulations requiring the construction of improvements in the Premises unless the compliance with any of the foregoing is necessitated solely due to Tenant's particular use of the Premises.

11. DEFAULTS AND REMEDIES.

11.1 DEFAULT OF TENANT. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant: (a) Tenant's failure to pay any rent or charges required to be paid by Tenant under this Lease within 5 days or Landlord's delivery of written notice to Tenant that said amounts are past due; (b); (c) Tenant's failure to promptly and fully perform any other covenant, condition or agreement contained in this Lease where such failure continues for 30 days after written notice from Landlord to Tenant of such default; (d) the levy of a writ of attachment or execution on this Lease; (e) the making by Tenant of a general assignment for the benefit of its creditors or of an arrangement, composition, extension or adjustment with its creditors; (f) the filing by or against Tenant of a petition for relief or other proceeding under federal bankruptcy laws or state or other insolvency laws, which petition in not removed or which action is not dismissed within 90 days of its filing, or the assumption by any court or administrative agency, or by a receiver, trustee or custodian appointed by either, of jurisdiction, custody or control of the premises or of Tenant or any substantial part of its assets or property; or (g) if the interest of Tenant under this Lease is held by a partnership or by more than one person or entity, the occurrence of any act or event described in parts (e) or (f) above in respect of any partner of the partnership. Except as otherwise specified by this paragraph, in the event a nonmonetary default occurs which cannot reasonably be cured within the time period specified above and Tenant commences corrective action within said time period, Tenant shall not be subject to penalty under this Lease so long as Tenant prosecutes such corrective action diligently and continuously to completion.

11.2. REMEDIES OF LANDLORD. In the event of Tenant's default hereunder, then in addition to any other rights or remedies Landlord may have under this Lease or under law, Landlord may elect either of the remedies set forth in Paragraphs 11.2.1 and 11.2.2. Notwithstanding any other provision of this Lease, the Lessor has the remedy described in California Civil Code Section 1951.4 (Lessor (Landlord) may continue lease in effect after Lessee's (Tenant's) breach and abandonment and recover rent as it becomes due, if Lessee (Tenant) has the right to sublet or assign, subject only to reasonable limitations).

11.2.1. To immediately terminate this Lease and Tenant's right to possession of the premises by giving written notice to Tenant and to recover from Tenant an award of damages equal to the sum of (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that could have been reasonably avoided, (iii) the worth at the time of award of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of such rental loss that could be reasonable avoided, (iv) any other amount necessary to compensate Landlord for all out of pocket costs incurred due to Tenant's, and (v) all such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law; or

11.2.2. To have this Lease continue in effect for so long as Landlord does not terminate this Lease and Tenant's right to possession of the premises, in which event Landlord shall have the right to enforce all of the rights and remedies provided by this Lease and by law, including the right to recover the rental and other charges payable by Tenant under this Lease as they become due.

For purposes of this paragraph 11, the worth at the time of award of the amounts referred to in parts 11.2.1(i), and 11.2.2(ii) shall be computed by allowing interest at prime rate plus 2%, and the worth at time of award of the amount referred to in part 11.2.2(iii) shall be computed by discounting such amount at the rate specified in California Civil Code Section 1951.2(b) or any successor statute. In such computations, the rent due hereunder shall include monthly rent plus the aggregate amount of all other rentals, charges and other amounts payable by Tenant hereunder.

11.3 DEFAULT BY LANDLORD. Landlord will be in default if Landlord fails to perform any obligation required of Landlord (other than a delay in delivery of possession as provided for in paragraph 3.2 above) within 30 days after written notice by Tenant, specifying wherein Landlord has failed to perform such obligation; provided that if the nature of Landlord's obligation is such that more than 30 days are required for performance, then Landlord shall

not be in default if Landlord commences performance within 30 day period and thereafter diligently prosecutes the same to completion. Except as expressly set forth in this Lease, Tenant shall not have any right whatsoever to terminate this Lease or to withhold, reduce or offset any amount against any payments of rents or charges due and payable under this Lease.

12. TERMINATION. Upon expiration of the Term or early termination of this Lease (collectively "Termination"), Tenant shall deliver up and surrender to Landlord possession of the Premises in as good order and condition as when Tenant took possession excepting only ordinary wear and tear. Tenant's obligation with respect to the surrender of the Premises shall be fulfilled if Tenant surrenders possession of the Premises in the condition existing at the Commencement Date (including the improvements described on Exhibit B, ordinary wear and tear, casualties, condemnation, Hazardous Materials (other than those released or emitted by Tenant in or about the Premises), and alterations, excepted. Upon Termination, Landlord may reenter the Premises and remove all persons and property therefrom. If Tenant fails to remove anything that is required or entitled to remove from the Premises on Termination, Landlord may remove the same and store or dispose of such item(s) in accordance with CC 31980. Tenant shall pay to Landlord on demand all expenses incurred in such removal and storage and in cleaning the Premises. If the Premises are not surrendered at the end of the Term, Tenant shall indemnify Landlord against all losses resulting from Tenant's delay in surrendering the Premises. If Tenant remains in possession of the Premises after the expiration of the Term and if Landlord and Tenant have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a Base Monthly Rent fixed at 125% of the Base Monthly Rent in effect immediately prior to such expiration, such payments to be made as herein provided. In the event of such holding over, all terms of this Lease including the obligation for payment of all charges owing hereunder shall remain in force and effect on said month to month basis. The voluntary or other surrender of this Lease by Tenant, if accepted by Landlord, or a mutual cancellation thereof, shall not work a merger, but shall, at the Landlord's option, terminate or operate as an assignment to Landlord of any or all subleases or subtenancies.

13. CONDEMNATION OF PREMISES.

13.1. TOTAL CONDEMNATION. If the entire Premises are taken by Condemnation during the Term, this Lease shall terminate on the date of transfer of possession and Tenant shall have no claim against Landlord for the value of the unexpired Term.

13.2. PARTIAL CONDEMNATION. If any portion of the Premises is taken by Condemnation during the Term, this Lease shall remain in full force and effect; except that if a partial taking leaves the Premises unsuitable for occupation, Tenant may terminate this Lease effective on the date transfer of possession is required unless Landlord makes other comparable arrangements for Tenant's space. Landlord and Tenant shall each have the right to terminate this Lease effective on the date transfer of possession is required in the event of Condemnation of more than 25% of the floor area of the Premises. The parties may exercise their respective rights to terminate this Lease by serving written notice to the other within 30 Days of their receipt of notice of condemnation, except that Tenant's notice shall be ineffective if Landlord serves notice upon Tenant of Landlord's election to provide alternate space equivalent to that condemned within 10 Days of Tenant's delivery of notice to Landlord pursuant to this paragraph. Tenant shall have the right of approval of replacement space. All rent and other obligations of Tenant under this Lease shall be paid to the date of Termination; Tenant shall have no claim against Landlord for any unexpired portion of the Term. If this Lease is not canceled after a partial taking, Base Monthly Rent and Tenant's Pro Rata Share shall be adjusted to reflect the net change in the floor area of the Premises. Tenant waives California Code of Civil Procedure Section 1265.130.

13.3. AWARD TO TENANT. In the event of Condemnation, Tenant may claim from the condemnor such compensation as Tenant may separately recover for moving costs, loss of business, fixtures or equipment belonging to Tenant. Tenant shall have no other right to recover from Landlord or the condemnor for any additional claims arising out of such taking.

14. LANDLORD'S ENTRY. Landlord and its Agents may enter the Premises at all reasonable times and use reasonable efforts not to interfere with Tenant's business to: inspect the Premises; make repairs or Alterations; post "To Lease" signs during the last 120 Days of the Term; show the Premises during the last 120 days of the Term; and/or to post

notices of nonresponsibility. Landlord shall have such right of entry without any rebate of rent to Tenant for any loss of occupancy or quiet enjoyment of the Premises. Landlord shall provide 24 hours' notice of intended entry except under circumstances Landlord reasonably deems an emergency.

15. LIMITATION OF LIABILITY AND INDEMNITY: This paragraph 15, inclusive of all subparagraphs, supersedes each and every other provision of this Lease.

15.1. Limitation of Landlord's Liability. Tenant will not hold Landlord liable for amounts exceeding insurance coverage maintained by Landlord under this Lease ("Existing Coverage") respecting any injury or damage, proximate or remote, occurring through or caused by any repairs or Alterations to the Property, unless such injury or damage arises form Landlord's negligence, willful misconduct, or breach of this Lease ("Landlord's Acts"). Landlord shall not be liable in excess of Existing Coverage for any injury or damage occasioned by defective electric wiring, or the breaking, bursting, stoppage or leaking of any part of the plumbing, air-conditioning, heating, fire control sprinkler systems or gas, sewer or steam pipes, unless such loss arises from Landlord's Acts.

15.2. Limitation on Enforcement of Remedies. Notwithstanding any other provision of this Lease, Tenant and its Agents shall, under all circumstances, be absolutely limited to Landlord's interest in the Property for satisfaction of Tenant and its Agents' remedies, or for the collection of a judgment (or other judicial process or arbitration award) requiring Landlord to pay money, as the result of any and all judgments, awards and/or orders against Landlord relating to or arising out of Tenant and its Agents' occupancy and use of the Property and/or in the event of any default by Landlord hereunder, and no other property of Landlord or its partners or principals, disclosed or undisclosed, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant and its Agents' remedies with respect to this Lease, the relationship of Landlord and Tenant hereunder, or the use and occupancy of the Property and the Premises by Tenant and its Agents. Tenant, on behalf of Tenant and its Agents, waives all right to collect or enforce any and all orders, awards and/or judgments against Landlord in excess of limitations imposed by this paragraph. Tenant shall require that each subtenant and each assignee of Tenant agree to be bound by the waiver set forth in this paragraph. Landlord's maximum exposure as set forth in this paragraph is cumulative and in the aggregate (as to all judgments, awards and orders against Landlord arising in connection with this Lease, the relationship of Landlord and Tenant, or the use and occupancy of the Property by Tenant and its Agents). Limits imposed by this paragraph include Landlord's duties of indemnity (express and/or implied). "Landlord" includes all persons and entitles who now or hereafter own an interest in Landlord.

16. ASSIGNMENT AND SUBLETTING. Tenant shall not directly or indirectly assign this Lease in whole or in part, or sublet any part or all of the Premises, or license the use of all or any part of the Premises, or business conducted thereon, or encumber or hypothecate this Lease, without first obtaining Landlord's written consent. The transfer of shares of stock, partnership interests or other ownership interests in Tenant resulting in a change in the effective control of Tenant, or any merger, consolidation or other reorganization of Tenant is not an indirect assignment of Tenant's interest in this Lease. Tenant's request for consent to any assignment, sublease or other transfer shall be in writing and shall include the following: (a) the name and legal composition of the proposed transferee: (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) an outline of the business terms and provisions of the proposed assignment or sublease; and (d) such financial and other reasonable information as Landlord may reasonably request concerning the proposed transferee or concerning the proposed assignment or sublease. Any assignment, subletting, licensing, encumbering or hypothecating of this Lease without Landlord's prior written consent shall constitute a default. Landlord's consent to any assignment or sublease shall not constitute a waiver of the need for such consent to any subsequent assignment or sublease. Tenant may, without Landlord's prior written consent sublet the Premises or assign the Lease to (i) a subsidiary, affiliate, division or corporation controlling, controlled by or under common control with Tenant; (ii) a successor corporation related to Tenant by merger, consolidation, nonbankruptcy reorganization, or government action; or (iii) a purchaser of substantially all of Tenant's assets located in the Premises. A sale or transfer of Tenant's capital stock shall not be deemed an assignment, subletting or any other transfer of the Lease or the

Premises.

Notwithstanding any assignment or subletting with Landlord's consent. Tenant shall remain fully liable on this Lease. Without limiting other reasons or circumstances, Landlord and Tenant agree that it is reasonable for Landlord to withhold consent if, in Landlord's reasonable judgment: (i) for a full assignment and transfer the financial strength of the proposed assignee is not commensurate with the obligations of the Lease; (ii) the proposed use would be incompatible with the use of the rest of the Property; or (iii) the proposed use would generate traffic and/or wear and tear materially in excess of Tenant's use. If Landlord consents to a sublease or assignment, Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with such consent. Tenant shall pay to Landlord 50% of all Excess Rent received by Tenant directly or indirectly in respect of an assignment of this Lease or sublease of the Premises. "Excess Rent" means, in the case of an assignment, all consideration and, in the case of a sublease, all consideration in excess of the rents and charges reserved under this Lease. However, Tenant shall not be regulated to pay Landlord any Excess Rent until Tenant has deducted therefrom the costs to Tenant to effectuate the assignment or sublease, including attorney's fees, leasing commissions and remodeling costs.

17. DAMAGE OR DESTRUCTION. Each party may terminate this Lease if the Premises or the Building are damaged to an extent exceeding 50% of the then replacement cost of the Premises (in the event of damage limited to the Premises) or 33% of the Building (in the event of damage not limited to the Premises). Landlord may also terminate this Lease if the Premises or the Building are damaged by an uninsured peril to an extent exceeding 33% of the then replacement cost of the Premises (in the event of damage limited to the Premises) or 25% of the Building (in the event of damages not limited to the Premises). If a party elects Termination under this section, the terminating party shall deliver written notice to the non-terminating party within 30 Days of the occurrence of the damage. Tenant shall have 30 Days to vacate the Premises unless they are unsafe for occupancy, in which case, Tenant shall immediately vacate. TENANT WAIVES SECTION 1932(2), and SECTION 1933(4) OF THE CALIFORNIA CIVIL CODE. If this Lease is terminated pursuant to this paragraph, Landlord shall, within 90 Days of the occurrence of the damage, proceed to and diligently prosecute the repair of the Building, on the same plan as existed immediately before the occurrence. Tenant shall be liable for repair and replacement of all fixtures, leasehold improvements, furnishings, merchandise, equipment and Tenant's personal property not covered by insurance. If Tenant is able to continue to conduct its business during the making of repairs, the Base Monthly Rent will be reduced in the proportion that the unusable part of the Premises bears to the whole during the repair period.

18. HAZARDOUS MATERIALS.

18.1 TENANT'S WARRANTIES. Tenant's obligations are:

18.1.1. RESTRICTIONS ON HAZARDOUS MATERIALS. Hazardous Material (as defined below) shall not be brought upon, manufactured, generated, disposed of, handled, used, kept or stored (collectively "Handled" or "Handling") in, on, about or under the Property by Tenant and its Agents without Landlord's prior written consent.

18.1.2. APPLICABLE REGULATIONS. If Hazardous Material is Handled, in, on, about or under the Property by Tenant and its Agents, Tenant shall bear all responsibility for ensuring that such material shall be handled in compliance with all Environmental, Health and Safety Requirements regulating such Hazardous Material. Tenant shall procure, maintain in effect and comply with all conditions and requirements of any and all permits, licenses and other governmental and regulatory approvals or authorizations required by Environmental, Health or Safety Requirements relating to the Handling of Hazardous Material by Tenant. Tenant shall give Landlord copies of all such permits, licenses, or other regulatory approvals within 5 Days of receipt.

18.1.3. RESTORATION. If, as a result of handling of Hazardous Materials by Tenant and its Agents, Hazardous Material in, on, about or under the Property or any adjoining property results in contamination of the Property or other property, Tenant, at its sole expense, shall promptly take all actions as are necessary to return the Property and/or the other affected property to the condition existing prior to such contamination ("Restoration"). Tenant shall not, however, undertake Restoration without first providing Landlord with written notice thereof and obtaining Landlord's approval. Tenant shall effect Restoration in compliance with all Environmental, Health and Safety Requirements. Tenant shall not enter into any settlement agreement, consent decree or compromise respecting

any claims relating to Hazardous Material connected with the Property without first notifying Landlord of its intention to do so and affording Landlord ample opportunity to appear, intervene or appropriately assert and protect Landlord's interests.

18.1.4. REMOVAL. On Termination, Tenant shall remove from the Property all Hazardous Materials in, on, or about or under the Property Handled by Tenant and its Agents and all receptacles and containers to be Handled, transported and disposed of pursuant to all applicable Environmental, Health and Safety Requirements. Hazardous Materials, receptacles and containers shall be removed by duly licensed haulers, transported to and disposed of at duly licensed facilities for the disposal of such Hazardous Materials, receptacles or containers. Tenant shall deliver to Landlord copies of all documentation relating to Handling of Hazardous Materials, receptacles or containers therefor, reflecting legal and proper Handling. Tenant shall, at its sole expense, repair all damage to the Property resulting from its removal of Hazardous Materials, receptacles and containers. Tenant shall continue to pay rent until completion of such removal and repairs.

18.1.5. TENANT'S WRITTEN CONFIRMATION. Tenant shall execute such documents as Landlord may reasonably request as to Tenant's knowledge of the presence of Hazardous Materials in, on, about or under the Property. On each anniversary of the Commencement Date, Tenant shall, upon request, give Landlord a letter stating the during the preceding year Tenant compiled with this Section 18 or, if Tenant has not so compiled, stating the details of noncompliance.

18.1.6. TENANT'S DUTY TO NOTIFY LANDLORD. Tenant shall notify Landlord in writing immediately upon receiving written notice of: (1) enforcement, cleanup, remediation or other action threatened, instituted or completed by any governmental or regulatory agency or private person with respect to the Property or any adjoining property relating to Hazardous Materials; (2) any claim threatened or made by any person against Tenant, Landlord, the Property or any adjoining landowner, tenant or property for personal injury, compensation or any other matter relating to Hazardous Materials; and (3) any reports made by or to any governmental or regulatory agency with respect to the Property or any adjoining property relating to Hazardous Materials, including without limitation, any complaints, notices or asserted violations in connection therewith. Tenant shall supply to Landlord as promptly as possible, and in any event within 5 Days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings, asserted violations or other documents relating in any way to the foregoing.

18.2. LANDLORD'S RIGHTS. Landlord and its Agents shall have the right to communicate, verbally or in writing, with any regulatory agency or any environmental consultant on any matter respecting the Property relating to Hazardous Materials. Landlord shall be entitled to copies of all notices, reports or other documents issued by or to any such regulatory agency or consultant respecting the Property relating to Hazardous Materials.

18.3. TENANT'S DUTY TO INDEMNIFY. If the Handling by Tenant and its Agents of Hazardous Materials results in contamination of the Property, or if any lender or governmental agency requires an investigation to determine whether there is a contamination of the Property or any adjoining property as a result of the Handling of Hazardous Materials by Tenant and its Agents, and it is determined that such handling resulted in contamination of the property, then Tenant shall indemnify, defend and hold Landlord and its Agents and all of Landlord's partners or other affiliates, together with all their directors, officers, shareholders, employees, agents, contractors and attorneys, harmless from and defend them against any and all claims, damages, penalties, fines, costs, liabilities and losses (including, without limitation, sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees) which arise during or after the Term as a result of such contamination. This indemnification includes, without limitation, costs incurred in connection with removal or restoration work required by any regulatory agency and/or private persons because of the presence of Hazardous Materials in the soil or groundwater in, on, about or under the Property or any adjoining property as a result of the handling of Hazardous Materials, resulting in contamination of the property, by Tenant and its Agents and legal fees and expenses incurred by Landlord relating to such claims, demands, investigations and responses.

18.4. RIGHT OF ENTRY. If contamination of the Property by Hazardous Materials occurs or if any lender or regulatory agency requires an investigation to determine if there is contamination of the Property or any adjoining property, then Landlord and its Agents shall have the right, at any reasonable time and from time to time, to enter the

Premises to perform any required or reasonably necessary monitoring, testing or other analyses, and to review applicable documents, notices, or other materials. If such contamination resulted from the handling of Hazardous Materials by Tenant and its Agents, Tenant shall pay, on delivery of Landlord's invoice, all costs and expenses reasonably incurred by Landlord in connection with such investigation, monitoring, and testing.

18.5 DEFINITIONS. The following terms shall have the following meanings:

18.5.1. "HAZARDOUS MATERIAL" shall mean, without limitation, (1) petroleum or petroleum products; (2) hydrocarbon substances of any kind; (3) asbestos in any form; (4) formaldehyde; (5) radioactive substances; (6) industrial solvents; (7) flammables; (8) explosives; (9) leakage from underground storage tanks; (10) substances defined as "hazardous substances," "hazardous materials," or "toxic substances" in (A) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 or as otherwise amended, 42 U.S.C. Sections 9601, et seq., (B) the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq., and any amendments thereto, or (C) the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq. and any amendments thereto; (11) those substances defined as "hazardous wastes," "extremely hazardous wastes" or "restricted hazardous wastes" in Sections 25115, 25117, and 25122.7 or listed pursuant to Section 25140 of the California Health & Safety Code and any amendments thereto; (12) those substances defined as "hazardous substances" in Section 25316 of the California Health & Safety Code and any amendments thereto; (13) those substances defined as "hazardous materials," "hazardous wastes" or "hazardous substances" in Sections 25501 and 25501.1 of the California Health & Safety Code and any amendments thereto; (14) those substances defined as "hazardous substances" under Section 25281 of the California Health & Safety Code and any amendments thereto; (15) those substances causing "pollution" or "contamination" or constituting "hazardous substances" within the meaning of (A) the Clean Water Act, 33 U.S.C. Section 1251 et seq., and any amendments thereto, (B) the Porter-Cologne Water Quality Control Act, Section 13050 of the California Water Code and any amendments thereto, and (C) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.; (16) such chemicals as are identified on the list published from time to time as provided in Chapter 6.6 of the California Health and Safety Code, as amended as causing cancer or reproductive toxicity; (17) polychlorinated biphenyls (PCBs) set forth in the Federal Toxic Substance Control Act, as amended, 15 U.S.C. Section 2601 et seq.; (18) "toxic air contaminant" as defined in California health and Safety Code Section 39655; and (19) the wastes, substances, materials, contaminants and pollutants identified pursuant to or set forth in the regulations adopted or judicial or administrative, decisions or decrees promulgated pursuant to any of the foregoing laws. The foregoing list of definitions, rules, regulations and laws applicable to the subject matter of this paragraph as they may be amended or changed from time to time.

18.5.2 "ENVIRONMENTAL HEALTH AND SAFETY REQUIREMENTS" means any law, statute, ordinance, rule, regulation, order, judgment or decree promulgated by any governmental agency, court, judicial or quasi-judicial body or legislative or quasi-legislative body which relates to matters of the environment, health, industrial hygiene or safety.

18.6 ALLOCATION OF RESPONSIBILITIES. ALL LIABILITY ARISING FROM THE TRANSPORTATION OR HANDLING OF HAZARDOUS MATERIALS IN, ON, UNDER, AND/OR ABOUT THE PROPERTY OR ADJOINING PROPERTY BY TENANT AND ITS AGENTS SHALL, AT ALL TIMES, REMAIN TENANT'S SOLE RESPONSIBILITY, EVEN IF THE HAZARDOUS MATERIALS ORIGINATE FROM THE PROPERTY. NO ACT BY LANDLORD OR ITS AGENTS SHALL CONSTITUTE LANDLORD'S ASSUMPTION OF ANY OBLIGATIONS, DUTIES, LIABILITIES OR RESPONSIBILITIES PERTAINING TO TENANTS'S COMPLIANCE WITH ANY ENVIRONMENTAL, HEALTH OR SAFETY REQUIREMENTS. NOTWITHSTANDING TERMINATION OF THIS LEASE, TENANT SHALL RETAIN ALL LIABILITY AND RESPONSIBILITY FOR COMPLIANCE WITH REGULATIONS AND ENVIRONMENTAL, HEALTH OR SAFETY REQUIREMENTS CONCERNING TENANT AND ITS AGENTS' HANDLING OF HAZARDOUS MATERIALS. TENANT SHALL INDEMNIFY AND HOLD LANDLORD AND ITS AGENTS HARMLESS FROM ALL COSTS AND EXPENSES ASSOCIATED WITH SUCH COMPLIANCE.

18.7 INSPECTIONS. Tenant will cooperated with the completion of inspections of the Property as required by applicable law and regulation. Tenant shall provide to Landlord a copy of the reports for each such inspection within 15 days of Tenant's receipt of such reports.

18.8. COOPERATION. Tenant will not interfere with Landlord's acts pursuant to the above-referenced Regulations. Tenant will comply with reasonable procedures promulgated by Landlord pursuant to such laws and regulations. Landlord shall have no duty to establish any procedures or to supervise in any way Tenant's activities on the Property.

18.9. SURVIVAL. The covenants, agreements and indemnities set forth in this Section 18 shall survive Termination and shall not be affected by any investigation, or information obtained as a result of any investigation, by or on behalf of Landlord or any prospective Tenant.

18.10. STORAGE TANKS. Tenant shall not install any storage tanks on the Property without Landlord's prior written consent.

18.11. LANDLORD'S OBLIGATIONS. Landlord's obligations are:

18.11.1. COMPLIANCE WITH REGULATIONS. If Landlord and its Agents Handle Hazardous Materials in, on, about or under the Property, such material shall be Handled in compliance with all Environmental, Health and Safety Requirements.

18.11.2. RESTORATION. If, as a result of Landlord's bringing Hazardous Material upon the Property, or otherwise any contamination of the Property or the surrounding environment occurs, Landlord shall promptly take all necessary actions to return the Property and/or the surrounding environment to the condition existing prior to such contamination.

18.11.3. DUTY TO NOTIFY TENANT. Landlord shall notify Tenant in writing upon learning of: (1) enforcement, cleanup, remediation or other action threatened, instituted or completed by any regulatory agency or private person with respect to the Property relating to Hazardous Materials; (2) any claim threatened or made against Landlord respecting the Tenant or the Property for personal injury, compensation or any other matter relating to Hazardous Materials; and (3) reports made by or to any regulatory agency respecting the Property, complaints, notices or asserted violations in connection therewith. Landlord shall supply to Tenant copies of claims, notices, warnings, or other documents relating to the foregoing.

18.11.4. INDEMNITY OF TENANT. To the best knowledge of Landlord, (i) no underground storage tanks are present on the Property, (ii) no Hazardous Material is present at the Property in violation of any Regulations and (iii) no action, proceeding or claim is pending or threatened regarding the Property concerning any Hazardous Materials or pursuant to any environmental law. If Hazardous Materials on the Property, resulting from Landlord's acts, contaminate the Property, or if the Property is contaminated on the Commencement Date, Landlord shall indemnify and hold Tenant and its Agents harmless from any and all claims, damages, penalties, fines, costs, liabilities and losses, damages, attorneys' fees, consultants' fees and experts' fees resulting from such contamination.

19. MISCELLANEOUS PROVISIONS.

19.1. WAIVER. No waiver of any breach of this Lease shall be construed as a waiver of any other breach. Landlord's acceptance of rent after Tenant's breach shall not be a waiver of any preceding breach of this Lease by Tenant, even if known by Landlord at the time.

19.2. NOTICES. Notices, requests, demands and other communications shall be in writing and personally delivered or sent by certified mail, return receipt requested, postage prepaid, properly addressed to the other party at the address set forth by its signature below, or at such other address as may be designated in writing by one party to the other. Notice shall be effective on personal delivery or on the date indicated on the post office's certified mail receipt of delivery.

19.3. CONSTRUCTION. This Lease shall be construed pursuant to California law. The invalidity of any provision of this Lease shall not affect the remainder. All terms of this Lease shall be construed to mean either the singular or the plural, masculine, feminine or neuter, as the situation may demand. Headings are descriptive only and not determinative of meaning. Time is of the essence in performance of all obligations. This Lease constitutes the entire agreement between the parties respecting the subject matters it addresses. This Lease supersedes all prior oral and written agreements respecting the hiring of the Premises. Provisions of this Lease may be waived, amended or repealed only by all parties' written consent. This Lease binds and inures to the benefit of the parties' heirs, personal representatives, successors and assigns.

19.4. MEMORANDUM. If Landlord or Tenant requests a memorandum of Lease, the parties shall execute, acknowledge and record a document identifying: the

shall be recorded.

19.5 AUTHORITY. Each individual executing this Lease for a corporation warrants that he is duly authorized to execute and deliver the Lease for the corporation and that the Lease binds the corporation in accordance with its terms. Each individual executing this Lease on behalf of a partnership warrants that he is duly authorized to execute and deliver this Lease for the partnership and that this Lease binds the partnership in accordance with its terms.

19.6 LITIGATION. All actions and arbitrations arising out of or in connection with this Lease shall be venued in Alameda County, California. If an action or arbitration proceeding is commenced by reason of the breach of this Lease or arising out of this Lease, the prevailing party shall recover costs of suit and attorneys' fees, whether or not the matter proceeds to judgment.

19.7 SUBORDINATION OF LEASEHOLD. Tenant agrees that this Lease is and shall be, at all times, subject and subordinate to the lien of any mortgage or other encumbrances which Landlord may create against the premises, including all renewals, replacements and extensions thereof. Tenant agrees to execute any and all instruments in writing which may be required by Landlord to subordinate Tenant's rights to the lien of such mortgage. Tenants's obligation to subordinate its leasehold to a lender shall, at all times, be conditioned upon the lender giving to Tenant a nondisturbance agreement providing that the lender will not terminate Tenant's occupancy in the event of a foreclosure as long as Tenant is not in default under the provisions of this Lease. If required by Tenant, Landlord will make best efforts to obtain from any lender or ground lessors of the Property a written agreement in form reasonably satisfactory to Tenant providing for recognition of Tenant's interest under the Lease in the event of a foreclosure of the lender's security interest or termination of the ground lease.

19.8 ESTOPPEL. Within 15 Days of Landlord's request, Tenant shall complete, execute and deliver to Landlord a certification: (a) that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect); (b) of the date to which the rent and other charges are paid; (c) that Tenant knows of no uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any are claimed; and (d) of the date of commencement and expiration of the Term. Tenant's failure to timely deliver the document constitutes a certification that Landlord is not in default under the Lease and the terms of the Lease are in force without modification. Prospective purchasers, lenders or lender's assignees may rely upon such certification.

19.9 ATTORNMENT. In the event of a sale of the Property of the completion of foreclosure against the Property, Tenant shall attorn to the Landlord's successor in interest.

19.10 LENDER'S REQUESTS. Tenant shall consent to Lease amendments requested by any lender against the Property, provided that such amendments do not materially affect Tenant's obligations. Tenant shall timely supply financial information reasonably requested by such lender.

19.11 REASONABLE EXPENDITURES. Any expenditure by a party permitted or required under the Lease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred, and shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

19.12 TENANT IMPROVEMENTS. Tenant and Landlord will design space plans and working drawings for the Tenant Improvements together. The completed and approved Tenant Improvement drawings along with specifications will become Exhibit B. Special equipment and tenant interior specifications must be forwarded to Landlord not later than June 1, 1997.

19.12.1 Time is of the essence in this effort. Tenant shall cooperate with Landlord to ensure that Working Drawings are complete and approved by the Parties not later than June 23, 1997. Landlord will build out the space in a first class workmanlike manner and deliver the Premises to the Tenant by the Commencement Date. Landlord acknowledges that the creation of Working Drawings and construction specifications will be completed after execution of this lease. Landlord agrees that provided the Working Drawings and specifications are reasonably consistent with the space plan and general notes currently listed as Exhibit B that

LANDLORD WILL APPROVE AND BUILD THESE IMPROVEMENTS AS THEN SPECIFIED. TENANT WILL CONTRIBUTE $97,770 TOWARDS THIS TENANT IMPROVEMENT BUILD OUT.

19.12.2. IN ADDITION, TENANT WILL CONTRIBUTE TO PT. RICHMOND R & D ASSOCIATES II, AN LLC (LANDLORD) AN ADDITIONAL $48,850 OF STOCK WARRANTS TO BE DELIVERED UPON TENANT OCCUPANCY. EXCEPT FOR CHANGE ORDERS REQUESTED BY AND APPROVED BY THE TENANT, THE CASH CONTRIBUTIONS AND STOCK WARRANTS WILL BE THE ONLY PORTION OF THE TENANT IMPROVEMENTS BUILD OUT THAT IS THE RESPONSIBILITY OF THE TENANT.

19.12.3. RIGHT OF FIRST REFUSAL. TENANT SHALL HAVE A CONTINUOUS RIGHT OF FIRST REFUSAL FOR 5000 SQUARE FEET OF ADJACENT, CONTIGUOUS SPACE IN BUILDING A. HOWEVER, UPON NOTIFICATION BY LANDLORD IN WRITING, TENANT MUST EXERCISE OPTION TO COMMIT TO THIS SPACE WITHIN 24 HOURS UNDER THE SAME TERMS AND CONDITIONS BEING OFFERED TO THE THIRD PARTY.

19.13. SUBMISSION. Submission of this document to Tenant does not create a reservation for a lease or any rights respecting the Premises prior to Landlord's execution.

19.14. ARBITRATION OF DISPUTES. ANY CONTROVERSY OR CLAIM BETWEEN THE PARTIES ARISING OUT OF THIS LEASE SHALL BE SUBMITTED TO BINDING ARBITRATION UNDER THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION. CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1283.05 SHALL APPLY TO THE ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON THE ARBITRATION AWARD.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISIONS DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

/S/ Pt. Richmond R&D Associates II	/S/ EOL
Initial	Initial

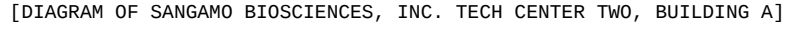
19.16. BROKERAGE. LANDLORD HAS RETAINED THE SERVICES OF C.B. COMMERCIAL AS THE BROKER FOR THIS PROJECT. ANY AND ALL COSTS ASSOCIATED WITH THIS RELATIONSHIP ARE THE SOLE RESPONSIBILITY OF THE LANDLORD. TENANT WARRANTS THAT IT HAS INVOLVED NO BROKERS WITH RESPECT TO THIS TRANSACTION OTHER THAN C.B. COMMERCIAL.

19.17. COOPERATION. Tenant will not interfere with Landlord's actions pursuant to any Regulation affecting the Property. Tenant will comply with all reasonable procedures promulgated by Landlord relating to the matters covered by such Regulations. Landlord has on duty to establish procedures or regulations or to supervise Tenant's activities for any purpose including, without limitation, the Handling of Hazardous Materials.

19.18. PARKING. Tenant shall have the use of 35 UNRESERVED, OFF-STREET parking places.

LANDLORD:	TENANT:
By /s/ Point Richmond R&D Associates Associates II, LLC	By /s/ EDWARD LANPHIER
Authorized Signature	Authorized Signature
	Edward Lanphier President and Chief Executive Officer
Address for Notices and Rent: 1120 Nye Street, Suite 400 San Rafael, CA 94901	Address for Notices:
Date 5-22-97	Date 5/23/97

EXHIBIT A


[DIAGRAM OF SANGAMO BIOSCIENCES, INC. TECH CENTER TWO, BUILDING A]

SANGAMO

TECH CENTER TWO

BUILDING A
POINT RICHMOND

WAREHAM DEVELOPMENT

1120 NYE STREET
SUITE 400
SAN RAFAEL, CA

FeeMunsonEbert

Architecture
Interior Design

500 Montgomery Street
San Francisco
California 94111
415 434-0320

25 APRIL 1997 REV

GENERAL NOTES

FLOOR FINISHES

FRONT OFFICE AREA -- CARPET
LAB AREA -- SHEET VINYL
RECEIVING -- EXPOSED CONCRETE
(toilets, shower and dark room is also sheet vinyl)

CEILINGS

FRONT OFFICE AREA -- 2 x 4 T-BAR W/ACOUSTICAL TILE
LAB AREA -- 2 X 4 T-BAR W/VINYL SURFACED TILE

IN LABS

A. AIR OUTLETS 12 TOTAL
B. NH GAS 12 TOTAL
C. VACUUM 12 TOTAL
D. ALLOW $15,000 FOR DI water
   SYSTEM AND PIPING
E. PROVIDE (1) EMERGENCY SHOWER IN EA. LAB
   AND IN TISSUE CULTURE

F. PROVIDE RACEWAY WITH POWER AND DATA
   OUTLETS 12" O.C. + (2) TURRETS (20 A/110 V)
   AT EA. ISLAND BENCH
   (Convenience outlets at each island and at cabinets)
G. Provide electrical for lab equipment
   per drawing.
H. Sink and hot and cold water in dark room.
I. Provide telephone and data outlets as
   required.
J. Blinds for windows.
K. Convenience outlets in offices, mail/copy
   room and computer room.

HVAC

LABS 1, 2, 3 -- STANDARD LAB AC 1 TO 2 ZONES TOTAL
NO SPECIAL FILTRATION, 15 AIR CHANGES PER HOUR,
RECIRCULATE AIR
LAB 4 AND TISSUE CULTURE AND GLASS PREP. -- PREFILTER AND BAG FILTER
ONCE THROUGH AIR WITH 100% EXHAUST.
1 ZONE TOTAL, 20 AIR CHANGES PER HOUR
FRONT OFFICE AREA & DARK ROOM -- SEPARATE STANDARD HVAC FOR
OFFICE AREA. ZONES TO BE DETERMINED BY EXPOSURE
EXHAUST FANS IN CONF, TOILETS, BREAK/KITCHEN AND MAIL/COPY

PROVIDE (1) 4 X 8 SKYLIGHT OVER BREAK/KITCHEN

RENTABLE AREA

9770 SF +/-

By Facsimile and Certified Mail

June 15, 1999

Mr Peter Bluford
Vice President, Corporate Development
Sangamo Biosciences Inc
501 Canal Boulevard
Suite A
Richmond, CA 94804

Dear Peter:

Re: RIGHT OF FIRST REFUSAL ON ADJACENT SPACE AT 501 CANAL BOULEVARD

Pursuant to our letter to Dr Ed Lanphier dated June 10, 1999 and our telephone conversation today, this letter is confirmation that Sangamo Biosciences Inc. is exercising its first right of refusal on the approximately 4,840 usable square feet immediately adjacent to the existing suite. The agreed terms are as follows:

1 The Term will be five years, commencing on September 1, 1999 and terminating on August 31, 2004.

2 The base monthly rent will be $1.45 NNN per rentable square foot for the first 30 months of the Term and $1.525 NNN per rentable square foot effective the beginning of the 31st month. The rentable square footage will be 5,009 square feet based on a load factor of 3.5%.

3 Landlord will grant a Tenant Improvement Allowance of $32 per usable square foot towards the design, permitting, construction and project management of the approximately 4,840 usable square feet.

4 Sangamo Biosciences Inc has requested that Landlord consider amortization of costs in excess of the Tenant Improvement Allowance. Landlord has agreed to meet to explore the possibility of a full or partial amortization.

5 The Triple Net Laboratory Lease entered into as of May 23, 1997 between Point Richmond R&D Associates II, LLC and Sangamo Biosciences Inc. concerning 9,770 rentable square feet in 501 Canal Boulevard will be amended as follows:

a) The Initial Term will be extended such that the termination date will be August 31, 2004

b) The base monthly rent on the 9,770 rentable square feet will increase to $1.85 NNN per rentable square feet effective the beginning of the 31st month of that lease (pursuant to paragraph 4.1 of the lease) and will remain at this rate through August 31, 2004

6 Sangamo Biosciences Inc will be granted a first right of refusal on the approximately 7,000 rental square feet within 501 Canal Boulevard currently being built out for Pixar Animation Studios. The space is scheduled to become available in August 2002. The first right of refusal would be based on an initial base monthly rental of $1.50 NNN with other terms to be finalized.

Peter, please confirm by your signature below your agreement with the content of this letter. By signing, you are also confirming that you have been authorized to do so by Dr Ed Lanphier, President and CEO of Sangamo Biosciences Inc.

Sincerely

/s/ CHRIS BARLOW
- --
CHRIS BARLOW
for POINT RICHMOND R&D ASSOCIATES II, LLC

cc Rich Robbins; Lease File

Contents of Letter Agreed:

/s/ PETER BLUFORD
- --
Peter Bluford
Vice President, Corporate Development
for Sangamo Biosciences, Inc.

EXHIBIT 10.6

ZFP CUSTOM SYNTHESIS AGREEMENT

THIS ZFP CUSTOM SYNTHESIS AGREEMENT dated as of _____, 1999 (the "Agreement"), is entered into between SANGAMO BIOSCIENCES, INC., a Delaware corporation ("Sangamo"), having a place of business at Point Richmond Tech Center, 501 Canal Boulevard, Suite A100, Richmond, California 94804, and _____, a _____ corporation (the "Customer"), having a place of business at _____.

WHEREAS, Sangamo has rights and expertise regarding the design and synthesis of certain zinc finger DNA recognition proteins and genes encoding such proteins.

WHEREAS, the Customer desires to have Sangamo design, assemble, characterize and deliver to Customer certain of these materials solely for the Customer's own internal research and preclinical development purposes on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the parties agree as follows:

I. Definitions. For purposes of this Agreement, the terms defined in this Section 1 shall have the respective meanings set forth below:

1.1 "Affiliate" shall mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with, such Person. A Person shall be in control of another Person if it owns, or directly or indirectly controls, at least fifty percent (50%) of the voting stock or other ownership interest of the other Person, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other Person by any means.

1.2 "Confidential Information" shall mean, with respect to a party, all information (and all tangible and intangible embodiments thereof) which is disclosed by such party to the other party and is marked, identified as or otherwise acknowledged to be confidential at the time of disclosure to the other party. Notwithstanding the foregoing, Confidential Information of a party shall not include information which the other party can establish by written documentation (a) to have been publicly known prior to disclosure of such information by the disclosing party to the other party, (b) to have become publicly known, without the fault of the other party, subsequent to disclosure of such information by the disclosing party to the other party, (c) to have been received by the other party at any time from a source, other than the disclosing party, rightfully having possession of and the right to disclose such information, (d) to have been otherwise known by the other party prior to disclosure of such information by the disclosing party to the other party, or (e) to have been independently developed by employees or agents of the other party without access to or use of such information disclosed by the disclosing party to the other party.

1.3 "Derivative" shall mean any protein or conjugate (including a conjugate to a functional domain other than the Functional Domain) derived from a ZFP, provided that the contiguous amino acid sequence of such ZFP has not been altered, and the amino acid sequence of such protein or conjugate.

1.4 "Functional Domain" shall mean the functional domain set forth on Schedule A, to which each ZFP shall be conjugated by Sangamo hereunder.

1.5 "Genetic Material" shall mean, with respect to any ZFP or Derivative, the nucleotide sequence encoding such ZFP or Derivative and all fragments of such gene sequence.

1.6 "Person" shall mean an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.7 "Research Field" shall mean the research and preclinical development of products and services for use in the diagnosis, prevention or treatment of any disease, state or condition in humans (excluding products and services that incorporate, contain or use zinc finger DNA recognition proteins, genes that encode such proteins, or progeny, fragments or derivatives of such proteins or genes).

1.8 "Target" shall mean the nucleotide sequence set forth on Schedule A.

1.9 "ZFP" shall mean a zinc finger DNA recognition protein binding to the Target which is designed by Sangamo and for which the Genetic Material is delivered to the Customer hereunder, and the amino acid sequence of such protein.

1.10 "ZFP Materials" shall mean, collectively, the ZFPs, any Derivatives, the Genetic Materials which encode any ZFP or Derivative, and all progeny, fragments and derivatives of the foregoing.

2. Design and Delivery of ZFP Materials.

2.1 Promptly after the date of this Agreement, the Customer shall deliver to Sangamo the nucleotide sequence for the Target and such other information as the parties mutually agree is reasonably necessary to assist Sangamo in designing the ZFPs.

2.2 Sangamo shall design, assemble and characterize two (2) zinc finger DNA recognition proteins binding to the Target.

2.3 Within ten to sixteen (10-16) weeks after receipt of the information described in Section 2.1 above, Sangamo shall sell and deliver to the Customer the Genetic Material which encodes each ZFP conjugated to the Functional Domain, and shall deliver to the Customer certain information regarding the characterization of each ZFP (including data regarding the binding sites and affinities) that is reasonably necessary for the Customer to use the ZFP Materials in the Research Field.

2.4 Within twenty (20) days after delivery of the Target to Sangamo, the Customer shall pay Sangamo (one-half of the total amount) (US $_____). Such payment shall be in United States Dollars in immediately available funds and shall be made by wire transfer from a United States bank located in the United States to such bank account as designated by Sangamo to the Customer.

Within twenty (20) days after Sangamo delivers to the Customer the Genetic Materials and information described in Section 2.3 above, the Customer shall pay to Sangamo (the remaining one-half of the total amount) (US $_____). Such payment shall be in United States Dollars in immediately available funds and shall be made by wire transfer from a United States bank located in the United States to such bank account as designated by Sangamo to the Customer.

3. Use of ZFP Materials.

3.1 The Customer shall use the ZFP Materials (and all results of its activities in the Research Field hereunder) solely in the Research Field, and not for any other purpose.

3.2 The Customer shall not alter the nucleotide sequence or amino acid sequence of, or reverse engineer, the ZFP Materials; provided, however, that the Customer may make Derivatives of the ZFPs.

3.3 The Customer shall use the ZFP Materials under commercially and scientifically reasonable containment conditions. The Customer shall not transfer or provide access to the ZFP Materials to any other Person. Notwithstanding the foregoing, the Customer may transfer the ZFP Materials to an Affiliate (without the further right to transfer), provided (a) the Customer shall give prior express written notice thereof to Sangamo, and (b) such Affiliate agrees to be bound by the terms and conditions set forth in this Agreement binding on the Customer. The Customer shall limit access to the ZFP Materials to those of its employees and consultants working on its premises to the extent such access is reasonably necessary to the conduct of its activities in the Research Field.

3.4 The Customer shall not (and shall not attempt or purport to) sell, license or otherwise transfer title to or an interest in, or otherwise commercially use the ZFP Materials without the prior express written consent of Sangamo.

3.5 The Customer acknowledges that the ZFP Materials are experimental in nature, may have unknown characteristics and have not been approved for use in humans. The Customer shall use prudence and reasonable care in the use, handling, storage, transportation, disposition and containment of the ZFP Materials, and shall comply with all applicable laws, regulations and guidelines applicable to the ZFP Materials or the use thereof and with any safety precautions accompanying the ZFP Materials. The Customer shall not (and shall not attempt or purport to) administer the ZFP Materials to humans, or file or submit any regulatory application or other submission to obtain approval therefor.

4. Non-Assertion. Neither the Customer nor its Affiliates (nor their respective successors, assigns, licensees or other transferees) shall enforce (or attempt or purport to enforce) against Sangamo or its Affiliates, licensees (of rights in zinc finger DNA recognition proteins) or manufacturers, distributors or other purchasers (of zinc finger DNA recognition proteins) any

patent that claims the ZFP Materials or the use thereof (except that this Section 4 shall not apply to patents that claim the use of any composition that binds to a Target(s) for the purpose of diagnosing, treating or preventing a human disease, state or condition).

5. No Prohibition on Sangamo. Nothing in this Agreement shall prohibit Sangamo from making, using, offering for sale, selling to others or importing zinc finger DNA recognition proteins, genetic materials encoding such proteins, fragments of such proteins or genetic materials or from licensing others to do the same; provided, however, that Sangamo shall not design, assemble, characterize and deliver to any other Person any zinc finger DNA recognition protein binding to the Target (or genetic material encoding such protein) in less time than the time frame then published by Sangamo for its custom design, assembly, characterization and delivery of a zinc finger DNA recognition protein (or genetic material encoding such protein) generally.

6. NO REPRESENTATIONS. THE CUSTOMER ACKNOWLEDGES THAT THE ZFP MATERIALS ARE PROVIDED "AS IS" AND THAT SANGAMO MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR NONINFRINGEMENT OF THE PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY OTHER PERSON.

7. Confidentiality.

7.1 For a period of five (5) years following the date of this Agreement, each party shall maintain in confidence all Confidential Information disclosed by the other party, and shall not use, disclose or grant the use of the Confidential Information except on a need-to-know basis to its directors, officers, employees and consultants to the extent such disclosure is reasonably necessary in connection with such party's activities expressly authorized by this Agreement and ordinary business operations. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

7.2 Sangamo shall not disclose the identity of the Target to any other Person without the prior consent of the Customer. Neither party shall disclose any terms or conditions set forth in this Agreement to any other Person without the prior consent of the other party; provided, however, that a party may disclose the terms or conditions set forth in this Agreement, (a) on a need-to-know basis to its legal and financial advisors to the extent such disclosure is reasonably necessary in connection with such party's activities as expressly permitted by this Agreement, and (b) to a third party in connection with (i) an equity investment in such party, (ii) a merger, consolidation or similar transaction by such party, or (iii) the sale of all or substantially all of the assets of such party. Notwithstanding the foregoing, prior to execution of this Agreement, the parties have agreed upon the substance of information that can be used to describe the terms and conditions of this transaction, and each party may disclose such information, as modified by mutual written agreement the parties, without the consent of the other party.

7.3 The confidentiality obligations contained in this Section 7 shall not apply to the extent information is required to be disclosed to a governmental agency or is necessary to file or prosecute patent applications or to the extent that a party is required to disclose information by applicable law, regulation or order of a court of competent jurisdiction, provided that such party shall provide written notice to the other party and sufficient opportunity to object to any

such disclosure or to request confidential treatment. The Customer may disclose Confidential Information of Sangamo relating to the results of the Customer's research and preclinical development hereunder to any Affiliate.

7.4 To the extent that a party is authorized by this Agreement to disclose Confidential Information of the other party to any other Person, prior to disclosure, such party shall obtain agreement of any such Person to hold in confidence and not use the Confidential Information of the other party for any purpose other than those permitted by this Agreement.

8. Indemnification and Insurance.

8.1 The Customer shall indemnify and hold harmless Sangamo from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) resulting from all claims, demands, actions and other proceedings by any other Person to the extent arising from (a) the use by Sangamo of the Target under this Agreement, (b) the breach by the Customer of any covenant under this Agreement, or (c) the use by the Customer or its Affiliates of the ZFP Materials or the results of their respective activities hereunder, except in each case to the extent any such loss, liability, damage or expense results from the gross negligence or willful misconduct of Sangamo.

8.2 The Customer shall maintain such liability insurance covering its activities contemplated by this Agreement in such amounts and with such carriers as is customary in the industry regarding similar activities, provided that such amounts are not less than the amounts which it customarily maintains covering its similar activities.

8.3 EXCEPT AS OTHERWISE SET FORTH IN THIS SECTION 8, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR LOSS OF PROFITS OR INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF THE OTHER PARTY DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT.

9. Miscellaneous.

9.1 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

9.2 This Agreement does not grant to the Customer any license or other right in the patent rights or other intellectual property rights of Sangamo except and only to the extent necessary to enable the Customer to conduct its internal research and preclinical development permitted hereby.

9.3 For the period from the date of this Agreement through the date that is one (1) year after the date Sangamo delivers to the Customer the ZFP Materials and information under Section 2.3 above, neither the Customer nor its Affiliates shall directly or indirectly solicit or in any manner encourage any employee of Sangamo to leave its employ.

9.4 The Customer shall not assign or otherwise transfer (whether voluntarily, by operation of law or otherwise) this Agreement or any right or obligation hereunder, without the prior express written consent of Sangamo; provided, however, the Customer may, without such consent, assign this Agreement and its rights and obligations hereunder in connection with the

transfer or sale of all or substantially all of its business, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment or transfer in violation of this Section 9.4 shall be void.

9.5 This Agreement contains the entire understanding of the parties regarding the subject matter hereof. All express or implied representations, agreements and understandings, either oral or written, heretofore made are expressly superseded by this Agreement.

IN WITNESS WHEREOF, the parties have entered into the Agreement effective as of the date first written above.

SANGAMO BIOSCIENCES, INC.

By:

Title:

By:

Title:

SCHEDULE A

TARGET AND FUNCTIONAL DOMAIN

[TO BE COMPLETED]

EXHIBIT 10.7

LICENSE AGREEMENT

THIS AGREEMENT is made as of January 11, 2000 between:

1. SANGAMO BIOSCIENCES, INC. incorporated in Delaware, United States of America, having an office at Point Richmond Tech Center, 501 Canal Blvd. Suite A100, Richmond, California 94840 (SANGAMO); and

2. BAXTER HEALTHCARE CORPORATION incorporated in Delaware, United States of America, having an office at 17221 Red Hill Avenue, Irvine, California, 92614-5686 (BAXTER).

RECITALS

A. SANGAMO is the owner or licensee of the Technology and Patent Rights (as defined in Clause 1.1. herein).

B. BAXTER wishes to received an exclusive license to use and exploit the Technology and Patent Rights to develop and commercialize zinc finger DNA binding protein and gene therapy products for activation of all vascular endothelial growth factors ("VEGF") and VEGF receptors for the treatment of ischemic cardiovascular and vascular disease in humans, and SANGAMO is willing to grant BAXTER such a license on the terms and conditions contained in this Agreement.

C. SANGAMO wishes to undertake research relating to the further development of its proprietary zinc finger binding protein and gene therapy technology and BAXTER wishes to fund such research to facilitate SANGAMO's ability to license such technology to BAXTER under the License Agreement. Therefore, BAXTER and SANGAMO have entered into a Research Funding Agreement, contemporaneously herewith.

IT IS AGREED as follows.

1. DEFINITIONS

The following definitions apply unless the context requires otherwise.

1.1 AFFILIATE with respect to an entity, means a person or entity which owns, is owned by or is under common ownership with the first-named entity. For the purposes of this definition, the term "owns" as used with respect to any person or entity means ownership (directly or indirectly) of at least fifty percent (50%) of the outstanding voting securities of a corporation or a comparable equity interest in another form of entity.

1.2 AGREEMENT means this License Agreement.

1.3 BAXTER INVENTIONS shall mean those Inventions independently conceived and/or reduced to practice, or written (as determined by United States patent or copyright law) solely by BAXTER or by an employee, consultant, agent or representative of BAXTER or by some other person obligated to assign their rights to such Invention to BAXTER or otherwise owned by BAXTER.

1.4 CONVERTIBLE DEBENTURES means a debenture issued by SANGAMO, substantially in the form of Schedule 3 hereto, accruing interest at the Prime Rate as published in the United States Western Edition of The Wall Street Journal under the heading "Money Rates" on the date of issuance, maturing on the fifth anniversary of the date of issuance, and convertible in accordance with its terms into capital stock of SANGAMO.

1.5 CROSS LICENSED PRODUCT shall mean product or device for which BAXTER or its Affiliate receives a (sub)license or other rights to commercialize in connection with the grant of a sublicense or other rights to commercialize a Licensed Product.

1.6 DEVELOPMENT COSTS shall mean, with respect to a Licensed Product, the sum of (a) the aggregate cash consideration actually paid by BAXTER to Third Parties to acquire licenses under pending patent applications or issued patents necessary in order to manufacture, having manufactured, import, use, sell and offer for sale such Licensed Product, plus (b) the aggregate out-of-pocket amounts (if any) actually paid by BAXTER to Third Parties to research and develop such Licensed Product for commercial sale, or to

acquire or develop the facilities, equipment, materials and processes needed for GMP manufacture of such Licensed Product. Whether or not a pending patent application, issued patent, facility, equipment, materials or process is needed for purposes of this Clause 1.5 shall be determined by the Steering Committee: provided, however, if the Steering Committee cannot reach agreement, the disagreement shall be resolved pursuant to Clause 12.

1.7 EFFECTIVE DATE means the date set forth on page 1, line 1 of this Agreement.

1.8 ELA means Establishment License Approval to manufacture any Licensed Product by USFDA, or its foreign equivalent in a Major Country.

1.9 FIELD means the use of zinc finger DNA binding proteins and nucleic acids that encode zinc finger DNA binding proteins for the activation of VEGF and VEGF receptors for the treatment and prevention of ischemic cardiovascular and vascular disease in humans.

1.10 FIELD OF RESEARCH shall mean the development of zinc finger DNA binding proteins and nucleic acids that encode zinc finger DNA binding proteins for the activation of VEGF and VEGF receptors for the treatment and prevention of ischemic cardiovascular and vascular disease in humans.

1.11 FIRST COMMERCIAL SALE means the initial arms length transfer in a Major Country by BAXTER or BAXTER'S sub-licensee of a Licensed Product to a purchaser that is not an Affiliate after the date of receiving the applicable regulatory approval to market the Licensed Product in such Major Country, in exchange for cash or some equivalent to which value can be assigned for the purpose of determining Net Sales.

1.12 GROSS PROFITS means the Net Sales of Licensed Products, less the sum of (a) the actual cost of raw materials and (b) the other production costs (allocated in accordance with generally accepted accounting principles consistently applied to all products produced by the producer) incurred in bringing the Licensed Products to the point of sale.

1.13 IND means Investigational New Drug application in the United States or its foreign equivalent in a Major Country, and a reference to the submission thereof is a reference to

the submission of such application with the USFDA or the equivalent submission with the applicable foreign regulatory authority of a Major Country.

1.14 INVENTION(S) as used herein shall include, without restriction or limitation, any and all devices, products, compositions or matter, chemical formulations, computer software, or processes (including without limitation processes for making or using devices or compositions of matter), whether patentable or unpatentable, and any and all written materials or other works which may be subject to copyright, which are reduced to practice, conceived or written during the term of the Research Funding Agreement and for ninety (90) days after it expires, and result from the performance of the Sponsored Research.

1.15 INVENTION PATENTS as used herein shall include any patent or patent application covering an Invention in any country (including any additions, divisions, continuations, continuations-in-part, reissues, re-examinations, inventors' certificates, registrations or extensions of the said patents or patent applications and any supplementary protection certificates issued in connection with any of the said patents or patent applications).

1.16 JOINT INVENTIONS shall mean those Inventions jointly conceived and/or reduced to practice, or written (as determined by United States patent or copyright law) by, on the one hand, either an employee, consultant, agent, or representative of SANGAMO or some other person obligated to assign their rights to such invention to SANGAMO, and, on the other hand, BAXTER or an employee, consultant, agent, or representative of BAXTER or by some other person obligated to assign their rights to such Invention to BAXTER, or otherwise jointly owned by SANGAMO and BAXTER.

1.17 JOINTLY INVENTED LICENSED PRODUCT shall mean a pharmaceutical product (in final dosage, packaged and labeled form) comprising a ZFP, the manufacture, use, offer for sale, sale or import of which falls within the scope of one or more claims of a pending patent application or issued and unexpired patent within the Inventions Patents covering Joint Inventions which has not been permanently revoked, held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been

admitted to be invalid or unenforceable through reissue or disclaimer or otherwise, provided that such product is not otherwise a Licensed Product.

1.18 JOINTLY INVENTED LICENSE COMBINATION PRODUCT shall mean any pharmaceutical product (in final dosage, packaged and labeled form) that consists of a Jointly Invented Licensed Product and parts of other products such as, for example, biological or mechanical drug delivery systems or vehicles, including but not limited to devices or biological systems for enhancing the performance of the Jointly Invented Licensed Product, the local delivery of the Jointly Invented Licensed Product, or the sustained expression of the Jointly Invented Licensed Product.

1.19 LICENSE FEE means any amount payable by BAXTER to SANGAMO pursuant to this Agreement.

1.20 LICENSED PRODUCT means any of a Jointly Invented Licensed ZFP Product, Jointly Invented Licensed ZFP Combination Product, Licensed ZFP Product or Licensed ZFP Combination Product. For clarification purposes, a Subsequent Licensed Product shall be a Licensed Product.

1.21 LICENSED ZFP PRODUCT means any pharmaceutical product (in final dosage, packaged and labeled form) comprising a ZFP, the manufacture, use, offer for sale, sale or import of which falls within the scope of one or more claims of a pending patent application or issued and unexpired patent within the Patent Rights, which has not been permanently revoked, held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

1.22 LICENSED ZFP COMBINATION PRODUCT means any pharmaceutical product (in final dosage, packaged and labeled form) that consists of the Licensed ZFP Product and parts of other products such as, for example, biological or mechanical drug delivery systems or vehicles, including but not limited to devices or biological systems for enhancing the

performance of the Licensed ZFP Product, the local delivery of the Licensed ZFP Product, or the sustained expression of the Licensed ZFP Product.

1.23 MAJOR COUNTRY means either the United States of American or any three countries of the European Union.

1.24 MARKETING APPROVAL means the granting of marketing approval for any Licensed Product by the USFDA or the applicable foreign regulatory authority in a Major Country.

1.25 NET SALES means gross invoiced sales price from sales of any Licensed Product by BAXTER, its Affiliate or sub-licensee of BAXTER to a purchaser that is not an Affiliate (other than to an Affiliate that is an end user), less reasonable and customary deductions for (a) transportation charges, including insurance relating thereto; (b) sales and excise taxes or customs duties paid by the party selling or distributing such Licensed Product or any other governmental charges imposed upon the sale or distribution of such Licensed Product; and (c) returns, or allowances in lieu of returns, quantity discounts, cash discounts or chargebacks actually granted, allowed or incurred in the ordinary course of business in connection with the sale or distribution of such Licensed Product. Notwithstanding the foregoing, if BAXTER does not receive in the ordinary course of business, from an Affiliate to whom BAXTER sells or otherwise transfers a Licensed Product for resale in any country, the foregoing itemized gross sales and deductions data regarding a Licensed Product, then "Net Sales" shall mean, with respect to such Affiliate and such Licensed Product (on a per unit basis) sold in such country, the average per unit sales price, less the above types of deductions (the "average net sales price"), by such Affiliate of such Licensed Product in such country (if reported) or otherwise in the geographic region in which such country is located; provided, however, that the average net sales price shall be calculated in accordance with generally accepted accounting principles consistently applied in the United States, shall be the same as the average net sales price by such Affiliate in such country or region (as applicable) used for purposes of preparing BAXTER's consolidated financial statements, and shall not materially differ from the calculation of Net Sales by BAXTER itemized above.

1.26 NET SUBLICENSE REVENUES shall mean, with respect to a Licensed Product, the Sublicense Revenues for such Licensed Product, less the sum of (a) fifty percent (50%) of the aggregate milestone payments actually paid to SANGAMO pursuant to Clauses 4.2.1(b) and 4.2.1(c) for such Licensed Product, (b) two hundred percent (200%) of the aggregate royalties actually paid to SANGAMO pursuant to Clause 4.3.1 for such Licensed Product, and (c) fifty percent (50%) of the Development Costs for such Licensed Product.

1.27 PATENT RIGHTS means (i) the SANGAMO Patent Applications, (ii) any patent or patent application owned by or licensed to SANGAMO which discloses or claims a ZFP or methods of producing or using ZFP in the Field, and (iii) any patent subsequently issued on any or all of (i) or (ii) in any country (including any additions, divisions, continuations, continuations-in-part, reissues, re-examinations, inventors' certificates, registrations or extensions of the said patents or patent applications and any supplementary protection certificates issued in connection with any of the said patents or patent applications), in each case that are owned by SANGAMO or licensed to SANGAMO with the right to grant sublicenses during the term of this Agreement.

1.28 PHASE 1 CLINICAL TRIALS has the same meaning as the term has in the United States Code of Federal Regulations or its foreign equivalent in a Major Country.

1.29 PHASE 2 CLINICAL TRIALS has the same meaning as that term in the United States Code of Federal Regulations or its foreign equivalent in a Major Country.

1.30 PHASE 3 CLINICAL TRIALS has the same meaning as that term has in the United States Code of Federal Regulations or its foreign equivalent in a Major Country.

1.31 RESEARCH FUNDING AGREEMENT shall mean the Research Funding Agreement entered into between BAXTER and SANGAMO contemporaneously herewith (as amended or restated from time to time).

1.32 SANGAMO INVENTIONS shall mean those Inventions independently conceived and/or reduced to practice, or written (as determined by United States patent or copyright law) solely by SANGAMO or by an employee, consultant, agent or representative of

SANGAMO or by some other person obligated to assign their rights so such Inventions to SANGAMO or otherwise owned by SANGAMO.

1.33 SANGAMO PATENT APPLICATIONS means any patents and patent applications described in Schedule 1.

1.34 SPONSORED RESEARCH shall mean those research activities to be performed within the Field Of Research, and in accordance with a Research Plan specifically set forth in Exhibit A to the Research Funding Agreement.

1.35 STEERING COMMITTEE means the Committee appointed pursuant to clause 7.2.1.

1.36 SUBLICENSE REVENUES shall mean, with respect to a Licensed Product, the aggregate cash consideration, plus the fair market value of the aggregate cash equivalents and securities, owing to BAXTER and its Affiliates in connection with the grant of such sublicense or other rights to commercialize such Licensed Product. If the parties fail to reach mutually acceptable agreement on the fair market value of any such cash equivalents or securities, the disagreement shall be resolved in accordance with Clause 12.

1.37 SUBSEQUENT LICENSED PRODUCT shall mean a Licensed Product that comprises a ZFP intended for use in the treatment or prevention of a clinical indication in the Field, other than coronary or peripheral vascular disease, and that is different than any Licensed Product which previously reached the point of First Commercial Sale.

1.38 TECHNOLOGY means any and all technical data, information, materials, know-how and trade secrets (including but not limited to, the biological materials and other materials used by SANGAMO for purifying or producing ZFPs), regarding ZFPs or methods of purifying, producing, or using ZFPs in the Field, which is owned by SANGAMO or licensed to SANGAMO with the right to grant sublicenses during the term of this Agreement.

1.39 TERRITORY means the entire world.

1.40 THIRD PARTY means any party other than SANGAMO or BAXTER.

1.41 USFDA means the Food and Drug Administration of the United States of America.

1.42 ZFP means any zinc finger DNA binding protein, or any nucleic acid that encodes for a zinc finger DNA binding protein, that is developed, licensed or acquired by SANGAMO for use in the Field pursuant to the Research Funding Agreement or this Agreement.

2. REPRESENTATIONS AND WARRANTIES

2.1 PATENT MATTERS

(a) As of the Effective Date:

(i) SANGAMO warrants and represents that, except as SANGAMO otherwise has advised BAXTER in writing prior to the Effective Date, it has not received written notice from any Third Party that any composition, process or use claimed by the Patent Rights infringes an issued patent of such Third Party;

(ii) SANGAMO warrants and represents that (A) it has conducted searches of public databases for issued patents and published Third Party patent applications that contain the words "zinc finger" or "nucleic acid binding proteins" in the title or abstract, and (B) that it has disclosed to BAXTER all issued patents and published Third Party patent applications that have been disclosed to SANGAMO in the results of such searches.

(iii) SANGAMO warrants and represents that it has no actual knowledge (without any duty of inquiry) of any current action conducted by a Third Party which is or would constitute an infringement of the Patent Rights in the Field;

(iv) BAXTER has had the opportunity to review such materials and to ask such questions of SANGAMO and its advisors, as BAXTER deems necessary or appropriate, regarding the Patent Rights. SANGAMO warrants and represents that such materials provided to BAXTER and responses to such inquiries did not contain any untrue statement of a

material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and

(v) SANGAMO warrants and represents that it has reviewed its intellectual property portfolio and believes that there are no other patents or patent applications owned by SANGAMO or licensed to SANGAMO with the right to grant sublicenses which would be infringed in the practice of the Patent Rights in the Field in the Territory. Should it later eventuate that any patent or patent application, that as of the Effective Date is owned by SANGAMO or licensed to SANGAMO with the right to grant sublicenses, would be infringed in the practice of the Patent Rights in the Field in the Territory, then that patent or patent application shall be deemed to be licensed to BAXTER as part of the Patent Rights under this Agreement but only to the extent necessary for BAXTER to exercise the license rights granted to it under this Agreement.

2.2 OTHER SANGAMO REPRESENTATIONS AND WARRANTS

(a) SANGAMO warrants and represents regarding the Patent Rights and Technology, that it owns or has a license to the Patent Rights and Technology, that it has the legal power to extend the rights granted to BAXTER under this Agreement, that this Agreement constitutes a binding agreement enforceable against SANGAMO in accordance with its terms, and that it has not made any commitments to others regarding ZFP in respect of the Patent Rights and/or Technology in the Field that would conflict with such rights.

(b) SANGAMO warrants and represents that it has disclosed to BAXTER all technical data and other information owned or known by SANGAMO as of the Effective Date regarding the safety and efficacy of zinc finger DNA binding proteins in the Field.

2.3 BAXTER REPRESENTATIONS AND WARRANTIES

BAXTER warrants and represents that it has the legal power to enter into this Agreement, that this Agreement constitutes a binding agreement enforceable against BAXTER in accordance with its terms, and that is has not made any commitments to others that would conflict with its obligations under this Agreement.

3. LICENSE AND OPTION

3.1 GRANT OF LICENSE AND OPTION

(a) The parties hereby acknowledge that, pursuant to the Research Funding Agreement, BAXTER has assigned to SANGAMO any and all of its rights to BAXTER Inventions and to Joint Inventions, including all rights under the patent, copyright and other intellectual property laws of the United States or any other country.

(b) SANGAMO hereby grants to BAXTER * license including the right to sub-license pursuant to Clause 3.2 under the Patent Rights, the Technology, and under Invention Patents and Inventions (other than Inventions Patents to the extent they claim BAXTER Inventions, and other than BAXTER Inventions) to * Licensed Products for use in the Field throughout the Territory for the term of this Agreement. *

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(c) SANGAMO hereby grants to BAXTER * license, including the exclusive right to sub-license, under the Invention Patents to the extent they claim BAXTER Inventions and under BAXTER Inventions for all purposes throughout the Territory; provided, however, that SANGAMO reserves the right thereunder to conduct its obligations and exercise its rights under this Agreement.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(d) SANGAMO hereby grants to BAXTER * * * * * license, including the right to sub-license, under the Invention Patents to the extent they claim Joint Inventions and under Joint Inventions for all purposes throughout the Territory for the term of this Agreement, other than to * * * * Licensed Products for use in the Field throughout the Territory for the term of this Agreement.

(e) SANGAMO hereby grants to BAXTER the exclusive option, exercisable for a period of * * * after the Effective Date, to purchase a Convertible Debenture having a face amount of * * * * * * pursuant to a Convertible Debenture Purchase Agreement substantially in the form of the similar agreement between the parties entered into concurrently herewith. Such option is exercisable by BAXTER giving express written notice to SANGAMO of its desire to exercise such option, and paying to SANGAMO the sum of * * * * * * * * prior to the expiration of such option. If BAXTER timely exercises such option and purchases such Convertible Debenture, SANGAMO shall grant to BAXTER a right of first refusal, for a period of * years after the date of the issuance of such Convertible Debenture, to obtain * license *
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(f) BAXTER shall not use the Patent Rights, Technology, Invention Patents or Inventions for any purpose for which it is not expressly licensed hereunder.

(g) Except as otherwise expressly set forth in this Agreement, neither party grants to the other party any license, immunity or other right under the such party's patent rights, other intellectual property rights or technology, whether by implication or otherwise, for any purpose.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(h) If BAXTER becomes aware of any pending patent applications or issued patents of a Third Party that claim ZFPs or their use in the Field, BAXTER promptly shall advise SANGAMO thereof. As between BAXTER and SANGAMO, SANGAMO shall have the first right, but not the obligation (at its option in its sole discretion), to obtain a license from such Third Party under such pending patent applications and issued patents, and shall use its commercially reasonable efforts to obtain a license (with the right to grant a sublicense to BAXTER) for use in the Field, in each case on terms and conditions acceptable to SANGAMO. If SANGAMO obtains such a license (with the right to grant a sublicense to BAXTER) for use in the Field, then such pending patent applications and issued patents shall be subject to this Agreement. If SANGAMO elects not to seek, or fails to obtain, such a license (with the right to grant a sublicense to BAXTER) for use in the Field, then BAXTER shall have the right, but not the obligation (at its option in its sole discretion), to obtain a license from such Third Party under such pending patent applications and issued patents on terms and conditions acceptable to BAXTER.

3.2 CERTAIN RESTRICTIONS ON SUB-LICENSES

BAXTER's right to sublicense the rights granted under Clauses 3.1 to a Third Party shall be subject to the following:

(a) BAXTER shall inform SANGAMO of any sublicense under Clauses 3.1 and shall provide SANGAMO, after the grant of such sublicense, a copy of such sublicense subject to the confidentiality provisions of this Agreement; and

(b) Any sublicense granted under Clauses 3.1 shall be subject to the terms and conditions of this Agreement and shall have terms and conditions which are consistent with the terms and conditions of this Agreement.

3.3 DESIGN OF ZFPS AFTER THE SPONSORED RESEARCH

(a) At any time during the term of this Agreement after the termination of the Research Funding Agreement, upon the reasonable request of BAXTER,

SANGAMO shall design, assemble and characterize (or cause to be designed, assembled or characterized) one or more zinc finger DNA binding proteins for the activation of VEGF or VEGF receptors for the treatment or prevention of ischemic cardiovascular and vascular disease in humans, in addition to those developed under the Sponsored Research, and shall deliver to BAXTER such zinc finger DNA binding protein and/or the nucleic acid that encodes therefor. On or after delivery of such zinc finger DNA binding protein and/or the nucleic acid, SANGAMO shall invoice BAXTER an amount not to exceed * * * * * * of the fully-burdened cost to SANGAMO therefor, and BAXTER shall pay such invoice promptly following receipt of such invoice.

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3.4 TRANSFER OF CERTAIN MATERIALS

Upon request, SANGAMO shall deliver to BAXTER the materials (including but not limited to biological materials such as cell lines, master cell banks, transformed vectors and antibodies) and information that (a) are owned by SANGAMO or licensed to SANGAMO with the right to grant sublicenses, and (b) are needed for GMP production and/or purification of ZFP, or improve the yield of production, increase the purity or decrease the cost of production of ZFP (based on SANGAMO's then current state of the art). Such materials and information shall be included within the definition of Technology and shall be subject to the licenses granted by SANGAMO to BAXTER hereunder.

4. PAYMENTS BY BAXTER

4.1 METHOD OF PAYMENT

All payments due by BAXTER to SANGAMO pursuant to this Agreement shall be payable in the currency of the United States of America and shall be paid by wire transfer into such accounts as SANGAMO may direct.

4.2 CONVERTIBLE DEBENTURE AND MILESTONE PAYMENTS

4.2.1 In consideration for the rights acquired under this Agreement:

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(a) On or before January 21, 2000, BAXTER shall pay to SANGAMO the sum of Five Million Dollars ($5,000,000) in consideration for the purchase of a Convertible Debenture having a face amount of Five Million Dollars ($5,000,000).

(b) Within thirty (30) days of the first achievement of each of the following events or the respective date described, BAXTER shall pay SANGAMO the following milestone payments:

*   *   *   *   *   *   *   *   *   *   *   *   *
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(c) With respect to each Subsequent Licensed Product, within thirty (30) days of achievement of each of the following events or the respective date described, BAXTER shall pay to SANGAMO the following milestone payments:

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4.2.2 For purposes of this Agreement, * * * * *
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4.2.3 In the event that BAXTER must license from a Third Party one or more pending patent applications or issued patents in order to
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* a Licensed Product in any country for use in the Field, BAXTER shall have the right to credit all up-front license payments and milestone payments actually paid to such Third Party against up to
* * * * of each milestone payment owing to SANGAMO under Clause 4.2.1(b)(iv), (v) and (vi) and Clause 4.2.1(c) with respect to such Licensed Product. If the parties disagree whether or not a pending patent application or issued patent is consistent with the requirement set forth in this Clause 4.2.3, the disagreement shall be resolved pursuant to Clause 12.

4.2.4 The calendar dates described in Clauses 4.2.1(b)(i), (ii), (iii) and (iv) will be subject to review, and revision if appropriate, by the Steering Committee as follows. The Steering Committee shall determine the appropriateness of such

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calendar dates for the achievement of the applicable milestone events in light of the technical and commercial feasibility of the particular ZFP molecule being pursued at the time, and if appropriate, shall adjust such calendar dates as agreed by the Steering Committee.

4.3 LICENSE FEE - ROYALTY

4.3.1 In addition to the payments set out in Clause 4.2, and subject to Clause 4.4, BAXTER shall pay to SANGAMO the following royalties based on Net Sales:

(a) A royalty equal to * * * of Net Sales of Licensed ZFP Product, and a royalty equal to * * * of Net Sales of Licensed ZFP Combination Product.

(b) A royalty equal to * * * of Net Sales of Jointly Invented Licensed Product and a royalty equal * * * of Net Sales of Jointly Invented Licensed Combination Product.

(c) In addition to the royalties set out in Clauses 4.2.1(a) and (b), for a period of five (5) years after the First Commercial Sale of each Subsequent Licensed Product, an additional royalty equal * * * * of Net Sales of such Subsequent Licensed Product.

4.3.2 In addition to the payments set out in Clauses 4.2 and 4.3.1, if BAXTER grants to a Third Party a sublicense or other rights to commercialize a Licensed Product prior to the first administration of such Licensed Product to the first enrolled and evaluable patient in the first Phase 3 Clinical Trial for such Licensed Product, BAXTER shall pay to SANGAMO the following royalties:

(a) A royalty equal to * * * of Net Sublicense Revenues of such Licensed Product.

(b) A royalty equal to * * * of Net Sales of any Cross Licensed Product for which BAXTER or its Affiliate receives any (sub)license or other rights to commercialize in connection with the grant of such sublicense or other rights to

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commercialize such Licensed Product. Baxter shall calculate, report and pay the royalties for such Cross Licensed Product hereunder in the same manner as if such Cross Licensed Product were a Licensed Product hereunder.

4.3.3 The payments due by BAXTER to SANGAMO pursuant to Clauses 4.3.1 and 4.3.2 shall be made to SANGAMO within sixty (60) days of the end of each calendar quarter, and each such payment shall be accompanied by a reasonably detailed written report containing the calculation of the payment due to SANGAMO for said calendar quarter. With respect to sales of Licensed Products invoiced in United States dollars, the Net Sales, Net Sublicense Revenues and royalties payable shall be expressed in United States dollars. With respect to sales of Licensed Products invoiced in a currency other than United States dollars, the Net Sales, Net Sublicense Revenues and royalties payable shall be expressed in the domestic currency of the party making the sale together with the United States dollar equivalent of the royalty payable, calculated using the average closing buying rate for such currency quoted in the United States Western Edition of The Wall Street Journal under the heading "Currency Trading -- Exchange Rates" on last day of each month during said calendar quarter.

4.4 ROYALTY ADJUSTMENTS

(a) In the event that BAXTER must license from a Third Party one or more pending patent applications or issued patents that claim a ZFP or the method of making or using a ZFP in any country in the Field, BAXTER shall have the right to credit one hundred percent (100%) of such Third Party royalty payments based upon sales of such Licensed Product in such country against the royalties owing to SANGAMO under Clause 4.3.1(a) above with respect to sales of such Licensed Product in such country; provided, however, that BAXTER shall not reduce, pursuant to Clauses 4.4(a) and (b), the amount of the royalties paid to SANGAMO under Clause 4.3.1(a) above, with respect to sales of such Licensed Product in such country, to less than * * * of Net Sales of such Licensed Product in such country.

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(b) In the event that BAXTER must license from a Third Party one or more pending patent applications or issued patents (other than those described in Clause 4.4(a)) in order to * * * * * * * * * * * * * * * * * * * a Licensed Product in any country for use in the Field. BAXTER shall have the right to credit fifty percent (50%) of such Third Party royalty payments based upon sales of such Licensed Product in such country against the royalties owing to SANGAMO under Clause 4.3.1(a) above with respect to sales of such Licensed Product in such country; provided, however, that BAXTER shall not reduce, pursuant to Clauses 4.4(a) and (b), the amount of the royalties paid to SANGAMO under Clause 4.3.1(a) above, with respect to sales of such Licensed Product in such country, to less than * * * of Net Sales of such Licensed Product in such country.

(c) BAXTER shall allow representatives of SANGAMO to examine any licenses that BAXTER asserts justify the adjustment of royalties to verify that any adjustments made pursuant to this Clause 4.4 are consistent with the requirement set forth in this Clause 4.4. SANGAMO's representatives shall not copy the license or licenses and must keep confidential all information, including royalty rates, pertaining to the license or licenses. If the parties disagree whether or not a pending patent application or issued patent is consistent with the requirement set forth in this Clause 4.4, the disagreement shall be resolved pursuant to Clause 12.

(d) If the * * * * * * * * * of any Licensed Product does not fall within the scope of one or more claims of an issued and unexpired patent within the Patent Rights or Inventions Patents (other than Inventions Patents to the extent they claim only BAXTER Inventions), then the royalties owing under Clause 4.3.1 shall be reduced by one-half and shall be payable only for a period of five (5) years after the First Commercial Sale of such Licensed Product; provided, however, at such later time as the * * * * * * * * * * * * of any Licensed Product falls within the scope of one or more claims of an issued and unexpired patent within the Patent Rights or Inventions Patents that was pending on the date of the First Commercial Sale thereof (other

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than Inventions Patents to the extent they claim only BAXTER Inventions), then the royalties owing under Clause 4.3.1 shall resume in full.

4.5 Records

(a) BAXTER shall keep, and shall cause any person to whom it has granted a sublicense pursuant to Clause 3.2 to keep, for a minimum of five (5) years, complete records of all matters which are relevant for determining the License Fees which are to be paid to SANGAMO pursuant to this Agreement.

(b) Upon the written request of SANGAMO and not more than once in each calendar year, BAXTER shall permit an independent certified public accounting firm of nationally recognized standing, selected by SANGAMO and reasonably acceptable to BAXTER, at SANGAMO's expense, to have access during normal business hours to such of the records of BAXTER as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any year ending nor more than thirty-six (36) months prior to the date of such request. The accounting firm shall disclose to SANGAMO only whether the records are correct or not and the specific details concerning any discrepancies. No other information shall be shared. If such accounting firm concludes that additional royalties were owed during such period, BAXTER shall pay the additional royalties within thirty (30) days of the date SANGAMO delivers to BAXTER such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by SANGAMO; provided, however, if the audit discloses that the royalties payable by BAXTER for the audited period are more than one hundred five percent (105%) of the royalties actually paid for such period, then BAXTER shall pay the reasonable fees and expenses charged by such accounting firm.

5. OBLIGATIONS OF SANGAMO AND BAXTER

5.1 SANGAMO OBLIGATIONS

SANGAMO undertakes the following obligations as part of entering this Agreement:

(a) To enter into a Research Funding Agreement with BAXTER, which will be executed contemporaneously with this Agreement and undertake the activities described therein in a timely manner;

(b) To deliver to BAXTER the ZFP product, molecule design, and package design (as described in Schedule 2) and complete pre-clinical testing to demonstrate the performance and activity of ZFP (as described in Schedule 2), and to use its commercially reasonable efforts to do so on or before April 1, 2001;

(c) To disclose to BAXTER all technical data and other information owned or known by SANGAMO, that was not previously disclosed to BAXTER, regarding the safety and efficacy of the ZFPs in the Field.

(d) To assist BAXTER in assessing as to competency and price, and recommend to the Steering Committee, the preferred manufacturer of GMP grade ZFP for clinical trial and commercial purposes;

(e) To develop and deliver to BAXTER processes for preclinical production of ZFPs and procedures for the testing of ZFPs comprising Licensed Products as are reasonably necessary for the clinical development, the regulatory approval to manufacture and sell and the commercial sale of Licensed Products hereunder.

(f) If requested by BAXTER, (i) to transfer to a manufacturer, who is acceptable to the Steering Committee, has the expertise to produce GMP grade material and has been granted a manufacturing sublicense from BAXTER hereunder, such Technology as reasonably necessary for the manufacture of GMP grade ZFP for clinical trial and commercial purposes, and (ii) to provide such reasonable technical assistance to such manufacturer regarding the use of such Technology to permit such manufacturer to develop appropriate processes for the manufacture of GMP grade ZFP for clinical trial and commercial purposes;

(g) To produce and supply to BAXTER ZFPs of appropriate quality and in reasonably requested quantities sufficient to support BAXTER's preclinical testing activities required by the appropriate regulatory authorities; and

(h) If requested by BAXTER, to reasonably assist BAXTER in the preparation, filing and prosecution of all filings and submissions to obtain Marketing Approval and ELA for Licensed Products.

5.2 BAXTER OBLIGATIONS

BAXTER undertakes the following obligations as part of entering this Agreement:

(a) To enter into a Research Funding Agreement with SANGAMO, which will be executed contemporaneously with this Agreement and to undertake the activities described therein in a timely manner;

(b) To consult and collaborate with SANGAMO to determine the clinical and regulatory requirements and strategy;

(c) To consult and collaborate with SANGAMO on the production and manufacture of ZFP;

(d) To undertake, at its sole cost, the performance of all animal pre-clinical testing, clinical development, regulatory activities and manufacture as are required for the commercialization of Licensed Products in the Territory for use in the Field in accordance with the provisions of Clause 7.1; and

(e) To be primarily responsible, with the reasonable assistance of SANGAMO, for the preparation, filing and prosecution of all filings and submissions to obtain Marketing Approval and ELA for Licensed Products.

6. INTELLECTUAL PROPERTY

6.1 INFRINGEMENT BY THIRD PARTIES

(a) A party shall promptly notify the other party in writing of any alleged or threatened substantial and continuing infringement within the Field of any patent included within the Patent Rights or Invention Patents of which such party becomes aware.

(b) BAXTER shall have the right to bring and control any action or proceeding with respect to such alleged or threatened infringement of patents covering BAXTER Inventions or Joint Inventions within the Field, where such infringement does not also constitute infringement of the Patent Rights (BAXTER PROCEEDING) at its own expense and represented by legal advisers of its own choice.

(i) In the event BAXTER brings a BAXTER Proceeding or in the event an action is brought by a Third Party for a declaratory judgment that any of the patents covering BAXTER Inventions or Joint Inventions are not infringed or invalid (BAXTER ACTION), SANGAMO shall co-operate reasonably with BAXTER including, if required, undertaking any action or agreeing to be joined as a party to such BAXTER Proceeding or BAXTER Action, the reasonable costs of which shall be at BAXTER's expense;

(A) SANGAMO shall retain the right to be represented by legal advisers of its own choice at its expense.

(B) BAXTER shall keep SANGAMO fully informed of the status of such BAXTER Proceeding or BAXTER Action on a regular basis or, as reasonably requested by SANGAMO, from time to time.

(C) In the event BAXTER brings a BAXTER Proceeding pursuant to Clause 6.1(b), BAXTER shall be entitled to retain * * * * of the balance of any recovery, after reimbursement of reasonable attorneys' fees and costs incurred by BAXTER (or for which BAXTER is required to reimburse SANGAMO) in such BAXTER Proceeding, realized as a result of such BAXTER Proceeding, and shall remit to SANGAMO the other * * * * * .

(ii) In the event SANGAMO notifies BAXTER in writing of any infringement of patents covering Joint Inventions within the Field referred to in

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Clause 6.1(b) and BAXTER fails to commence a BAXTER Proceeding within a reasonable time of being so notified by SANGAMO, provided that such time shall not, in any event, exceed one hundred and eighty (180) days, SANGAMO may commence a proceeding at its own expense and may be represented by legal advisers of its own choice. In the event SANGAMO brings such a proceeding, BAXTER shall provide all reasonable assistance to SANGAMO, at SANGAMO's expense, in relation to such proceeding and the terms set out in Clause 6.1(b) shall apply as if BAXTER were SANGAMO and SANGAMO were BAXTER.

(iii) In the event SANGAMO brings a proceeding pursuant to Clause 6.1(b)(ii), SANGAMO shall be entitled to retain * * * * * * of the balance of any recovery, after reimbursement of reasonable attorneys' fees and costs incurred by SANGAMO (or for which SANGAMO is required to reimburse BAXTER) in such proceeding, realized as a result of such proceeding, and shall remit to BAXTER the other * * * * * .

(c) SANGAMO shall have the right to bring and control any action or proceeding with respect to such alleged or threatened infringement of Patent Rights or patents covering SANGAMO Inventions within the Field (SANGAMO PROCEEDING) at its own expense and represented by legal advisers of its own choice.

(i) In the event SANGAMO brings a SANGAMO Proceeding or in the event an action is brought by a Third Party for a declaratory judgment that any of the Patent Rights or patents covering SANGAMO Inventions are not infringed or invalid (SANGAMO ACTION), BAXTER shall co-operate reasonably with SANGAMO including, if required, undertaking any action or agreeing to be joined as a party to such SANGAMO Proceeding or SANGAMO Action, the reasonable costs of which shall be at SANGAMO's expense;

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(A) BAXTER shall retain the right to be represented by legal advisers of its own choice at its own expense.

(B) SANGAMO shall keep BAXTER fully informed of the status of such SANGAMO Proceeding or SANGAMO Action on a regular basis or, as reasonably requested by BAXTER, from time to time.

(C) In the event SANGAMO brings a SANGAMO Proceeding pursuant to Clause 6.1(c), SANGAMO shall be entitled to retain * * * * of the balance of any recovery, after reimbursement of reasonable attorneys' fees and costs incurred by SANGAMO (or for which SANGAMO is required to reimburse BAXTER) in such SANGAMO Proceeding, realized as a result of such SANGAMO Proceeding, and shall remit to BAXTER the other * * * * *.

(ii) In the event BAXTER notifies SANGAMO in writing of any infringement referred to in Clause 6.1(c) and SANGAMO fails to commence a SANGAMO Proceeding within a reasonable time of being so notified by BAXTER, provided that such time shall not, in any event, exceed one hundred and eighty (180) days, BAXTER may commence a proceeding at its own expense and may be represented by legal advisers of its own choice. In the event BAXTER brings such a proceeding, SANGAMO shall provide all reasonable assistance to BAXTER, at BAXTER's expense, in relation to such proceeding and the terms set out in Clause 6.1(c) shall apply as if SANGAMO were BAXTER and BAXTER were SANGAMO.

(iii) In the event BAXTER brings a proceeding pursuant to Clause 6.1(c)(ii), BAXTER shall be entitled to retain * * * of the balance of any recovery, after reimbursement of reasonable attorneys' fees and costs incurred by BAXTER (or for which BAXTER is required to reimburse SANGAMO) in such proceeding, realized as a result of such

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proceeding, and shall remit to SANGAMO the other * * * * .

6.2 INFRINGEMENT OF THIRD PARTY RIGHTS

6.2.1 Each party shall promptly notify the other parties in writing in the event that any allegation of infringement of any Third Party patent is raised by reason of the exercise by BAXTER or any of its sublicensees of any rights pursuant to Clause 3.1 or 3.2 (ALLEGED THIRD PARTY PATENT RIGHTS). In the event that such an action is brought by a Third Party against BAXTER or any of its sublicensees of any rights pursuant to Clause 3.1 or 3.2, BAXTER, or any sub-licensee of BAXTER, as may be determined by BAXTER, shall have the right to control any defense of any such action, at its own expense, and to be represented by legal advisers of its own choice, and SANGAMO shall have the right, at its own expense, to be represented in any such action by legal advisers of its own choice. In the event of any infringement or alleged infringement of any Alleged Third Party Patent Rights, SANGAMO shall co-operate in good faith with BAXTER or any sublicensee of BAXTER (as the case may be) on a reasonable basis to negotiate and settle any dispute with a Third Party in relation to such infringement or alleged infringement of any Alleged Third Party Patent Rights, and to otherwise resolve any such infringement or alleged infringement and secure BAXTER's continued rights to the Alleged Third Party Patent Rights, if necessary or desirable.

6.2.2 In the event that such an action is brought by a Third Party against BAXTER alleging the infringement by BAXTER, its Affiliate or sublicensee of any Third Party patent by reason of the * * * * * * * * * of a Licensed Product in any country for use in the Field, BAXTER shall be entitled to retain up to * * * of the license fees to be paid to SANGAMO pursuant to Clauses 4.2.1(b)(iv), (v) and (vi) and Clause 4.2.1(c) with respect to such Licensed Product, and up to * * * of the royalties to be paid to SANGAMO pursuant to Clause 4.3.1(a) with respect to

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such Licensed Product, and to use such monies to pay for, or defray, the costs of defending such action for alleged infringement of such Third Party patents and to pay damages, reasonable attorneys' fees, or other costs resulting from such litigation until BAXTER has recovered all of its costs. During the pendency of such action for alleged infringement of such Third Party patents, BAXTER shall submit quarterly written reports showing royalties accruing to SANGAMO and the expenses of defending itself against such claims of alleged infringement. Upon termination of all proceedings or actions involving such defense, BAXTER shall remit the unused balance, if any, of the license fees and royalties accrued but not yet paid to SANGAMO. Notwithstanding anything to the contrary in this Agreement, (a) BAXTER shall not be entitled to reduce the amount of any license fee owing to SANGAMO under Clauses 4.2.1(b)(iv), (v) and (vi) or Clause 4.2.1(c) with respect to such Licensed Product by more than * * * in the aggregate under this Clause 6.2.2 and Clause 4.2.3, and (b) BAXTER shall not be entitled to reduce the amount of any royalties owing to SANGAMO under Clause 4.3.1(a) with respect to such Licensed Product to less than * * * of Net Sales of such Licensed Product after giving effect to this Clause 6.2.2 and Clause 4.4.

6.3 PROSECUTION AND MAINTENANCE OF PATENT RIGHTS AND INVENTION PATENTS

(a) Except as further provided herein, SANGAMO shall be responsible, at its sole cost, for filing and prosecuting to issuance patent applications, for filing and prosecuting all patent re-issues and re-examinations, for applying for and obtaining any patent term extensions, and for paying all maintenance fees on all patents, relating to the Patent Rights and the Inventions Patents (other than Inventions Patents that claim BAXTER Inventions). SANGAMO shall promptly make available to BAXTER copies of all relevant patent-related documents, including all documents received from or filed with a national or international patent office, and shall consult with BAXTER regarding the preparation and prosecution of applications. BAXTER shall have the right to comment upon preparation and prosecution strategies and to request desired claims. SANGAMO

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shall consider in good faith all reasonable suggestions of BAXTER. SANGAMO shall provide BAXTER a written update of the status of the Patent Rights and such Inventions Patents, in the same form as the Schedules hereto on at least an annual basis. If SANGAMO chooses not to file, prosecute or maintain any patent applications within the Patent Rights or Inventions Patents, then SANGAMO shall notify BAXTER prior to taking any action which would jeopardize such patent rights. BAXTER will then have the right (i) to file, prosecute or maintain any patent applications within the Inventions Patents that claim solely Joint Inventions at its own expense, and (ii) to pay SANGAMO's reasonable expenses for SANGAMO's continued filing, prosecution or maintenance of such Patent Rights or other Inventions Patents (if SANGAMO determines in good faith that such continued filing, prosecution or maintenance is strategically desirable for the Licensed Products and is consistent with its patent prosecution practices).

(b) BAXTER shall be responsible, at its sole cost, for filing and prosecuting to issuance patent applications, for filing and prosecuting all patent re-issues and re-examinations, for applying for and obtaining any patent term extensions, and for paying all maintenance fees on all patents, relating to the Inventions Patents that claim BAXTER Inventions.

7. OBLIGATIONS OF THE PARTIES

7.1 DILIGENCE OBLIGATIONS

(a) SANGAMO shall use commercially reasonable efforts consistent with international practice in the biotechnology industry, SANGAMO's sound business judgment, and research, regulatory and market conditions, to perform its obligations under this Agreement, including, but not limited to, its obligations under Clause 5.1.

(b) BAXTER and/or its sub-licensees shall use commercially reasonable efforts consistent with international practice in the human-use pharmaceutical industry, BAXTER's sound business judgment, and clinical, regulatory and market

conditions, to develop and commercialize Licensed Products in the Territory for use in the Field.

(c) Notwithstanding the foregoing, BAXTER shall be deemed to have satisfied its diligence obligations under this Clause 7.1 upon timely payment of the license fees under Clauses 4.2.1(b) and (c).

7.2 STEERING COMMITTEE

7.2.1 SANGAMO and BAXTER will appoint a Steering Committee comprising up to three (3) named representatives from each party and up to four (4) ex-officio members from each party as required to meet at least four (4) times per year or with less frequency if mutually agreed by the Steering Committee at mutually agreed locations. SANGAMO and BAXTER shall have the right to approve the other Party's nominated Steering Committee members, which approval shall not be unreasonably withheld, with the sole objective of avoiding the appearance of conflict among nominated representatives. Where matters of conflict of interest arise subsequent to a member joining the Steering Committee, the Steering Committee shall have the right to remove such member and the Party who such member represents will nominate a replacement.

7.2.2 The Steering Committee shall design, manage, review and direct the status and operation of the scientific and technical activities and obligations to be performed under this Agreement and the Research Funding Agreement, including, but not limited to, (i) the selection of the appropriate ZFP molecule to be pursued for pre-clinical testing, and (ii) reviewing and approving entry into each phase of clinical development. The Steering Committee may be further called upon to assist in establishing or revising the workplans associated with and/or the requirements for the preclinical testing needed for the IND submission or the manufacturing process development to be performed under this Agreement and the Research Funding Agreement. The Steering Committee shall also provide a forum for the parties to disclose any additional research data relating to improvements,

modifications, enhancements or variations to the ZFP arising under this Agreement or the Research Funding Agreement.

7.2.3 Decisions, recommendations, or approval of the Steering Committee shall require an affirmative vote of two-thirds of the seated members (i.e., four of six). Meetings or convenings of the Steering Committee shall require the participation or attendance of at least five (5) members of the Steering Committee.

7.2.4 Each party will be responsible for the costs of their representative's attendance, unless otherwise agreed. The Steering Committee shall appoint a secretary who shall keep written records of its meetings.

7.2.5 At any time after the date of First Commercial Sale of a Licensed Product, the Steering Committee may disband by mutual agreement.

7.3 APPOINTMENT OF PROJECT MANAGER

In addition to the appointment of the Steering Committee above, SANGAMO and BAXTER shall each appoint a designated project manager who will be responsible for keeping the other party informed of activities under this Agreement.

8. CONFIDENTIALITY

8.1 OBLIGATIONS

This Clause 8 applies, except as otherwise provided in this Clause 8, during the term of this Agreement, and thereafter for a period of five (5) years. Both SANGAMO and BAXTER shall maintain in confidence, not disclose to any Third Party and use only for the purposes of this Agreement information and data which is not generally known and which (a) results from the use or development of the Technology and Inventions pursuant to this Agreement or the Research Funding Agreement, or (b) is supplied by SANGAMO or BAXTER after April 13, 1999 in connection with this Agreement or the Research Funding Agreement (or discussions leading up to them) and is marked, identified or otherwise acknowledged to be confidential (INFORMATION).

8.2 PERMITTED DISCLOSURES

To the extent it is reasonably necessary to fulfill their obligations or exercise their rights pursuant to this Agreement, BAXTER and SANGAMO may disclose Information they are otherwise obligated pursuant to this Clause 8 not to disclose, to its Affiliates, its bona fide proposed sublicensees and its permitted sublicensees, and shall limit disclosure of such Information to its and their respective officers, directors, employees and consultants on a need-to-know basis, in each case provided that such persons and entities agree to keep the Information confidential for the same time periods and to the same extent as the disclosing party is required to keep the Information confidential. BAXTER and SANGAMO may also disclose such information to government or other regulatory authorities to the extent that such disclosure is required to be disclosed to obtain a patent or authorization to conduct a clinical trial or to commercially market any product arising out of the Technology or is otherwise required by applicable law, regulation or court order, in each case provided that the disclosing party shall provide written notice to the other party and sufficient opportunity to object to such disclosure or to request confidential treatment thereof. The obligation not to disclose Information shall not apply to any part of such Information that:

(a) is or becomes patented, published or otherwise part of the public domain other than by acts of the person obligated not to disclose such Information in contravention of this Agreement;

(b) is disclosed to the receiving party by a Third Party, provided such Information was not obtained from such Third Party directly or indirectly from SANGAMO or BAXTER (as the case may be);

(c) prior to disclosure pursuant to this Agreement, was already in the possession of the receiving party, provided such Information was not obtained directly or indirectly from SANGAMO or BAXTER (as the case may be);

(d) is developed independently of the Information obtained from SANGAMO or BAXTER (as the case may be), by persons without access to or use of the Information, as demonstrated by written evidence; or

(e) is disclosed by either SANGAMO or BAXTER with the prior written consent of the other.

8.3 TERMS OF THIS AGREEMENT

SANGAMO and BAXTER agree to not disclose the existence of or the financial terms or conditions of this Agreement or the Research Funding Agreement to any Third Party without the prior written consent of the other, except as required by applicable law or regulatory authority.

8.4 PUBLIC ANNOUNCEMENTS

Notwithstanding the provisions of Clause 8, neither BAXTER nor SANGAMO shall release any media release or other oral or written announcement for dissemination to the media concerning or arising from this Agreement or the Research Funding Agreement without the written consent of the other party.

8.5 SURVIVAL OF OBLIGATIONS

This Clause 8 survives the termination of this Agreement.

9. LIMITATION OF LIABILITY AND INDEMNITY

9.1 BAXTER agrees to indemnify, hold harmless and defend SANGAMO, its directors, trustees, officers, employees and agents, and the inventors of the patent and patent applications included in the Patent Rights or in SANGAMO Inventions or Joint Inventions against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred as a result of any Third Party claims, suits, demands, causes of action or other proceedings to the extent arising out of BAXTER's and its sublicensees' use of the Patent Rights, Technology, Inventions Patents or Inventions or the manufacture, use, offer for sale or sale of Licensed Products (without

regard to culpable conduct), except to the extent arising from the negligence or willful misconduct of SANGAMO, or its directors, officers, employees, and agents, or the failure of SANGAMO (as the case may be) to disclose relevant information pursuant to Section 2.1, 2.2 or 5.1(c) of this Agreement.

9.2 SANGAMO agrees to indemnify, hold harmless and defend BAXTER, its directors, trustees, officers, employees and agents, against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred as a result of any Third Party claims, suits, demands, causes of action or other proceedings to the extent arising out of the negligence or willful misconduct of SANGAMO, or its directors, officers, employees and agents, or the failure of SANGAMO to disclose relevant information pursuant to Section 2.1, 2.2 or 5.1(c) of this Agreement.

9.3 This Clause 9 survives the termination of this Agreement.

10. INSURANCE

(a) BAXTER shall maintain insurance, including product liability insurance, with respect to the use and exploitation of the Patent Rights, Technology, Inventions Patents and Inventions, and the research, development, production, distribution and use of Licensed Products in such amount as is customarily maintained in accordance with good practice for the pharmaceutical industry. BAXTER shall maintain such insurance for so long as it continues to use and exploit any of the Patent Rights, Technology, Inventions Patents or Inventions, or to conduct the research, development, production, distribution or use of Licensed Products, and thereafter for so long as BAXTER maintains insurance for itself covering supply of Licensed Products. The liability insurance requirement of this Section may be satisfied through self-insurance with reserves consistent with industry practices.

(b) BAXTER shall, upon the request of SANGAMO:

(i) produce evidence of the currency of such insurance; and

(ii) note the interest of SANGAMO on the policy in respect of such insurance.

11. TERM AND TERMINATION

11.1 TERM

Unless terminated earlier pursuant to Clause 11.2, this Agreement shall continue in force in each country of the Territory until the date of expiration of the last to expire of any patent within the Patent Rights or the Invention Patents in such country, at which time BAXTER will have a fully paid up license, including the right to sublicense, to the ZFPs, Inventions and the Technology as provided herein.

11.2 EARLY TERMINATION

(a) In addition to any rights it may have hereunder, a party may terminate this Agreement upon (30) days prior written notice following the occurrence of any of the following:

(1) the bankruptcy, insolvency, dissolution or winding up of the other party (other than dissolution or winding up for the purposes of a solvent reconstruction or amalgamation);

(2) the failure of the other party to cure the breach of any provision of this Agreement for the payment of funds within thirty (30) days after written notice thereof by the non-breaching party; or

(3) the failure of the other party to cure the breach of any material provision of this Agreement, except nonpayment of funds, within sixty (60) days after written notice thereof by the non-breaching party.

(b) BAXTER has the right to terminate this Agreement at any time by giving ninety (90) days prior written notice without cause.

(c) Upon early termination of this Agreement for any of the reasons set forth in this Clause 11.2(a) and (b), BAXTER shall have no obligation to make any license fee payments that come due after the effective date of termination.

11.3 SURVIVAL

(a) Expiration or termination of this Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination.

(b) The provisions of Clause 3.1(d) shall survive the expiration or termination of this Agreement.

(c) Upon expiration or termination of this Agreement, SANGAMO shall assign to BAXTER all right, title and interest in the BAXTER Inventions and all patent rights and other intellectual property rights therein.

12. RESOLUTION OF DISPUTES

12.1 DISPUTES COMMITTEE

Disputes arising between the Parties to this Agreement shall be referred to a disputes committee which shall consist of the respective chief executive of SANGAMO and the highest official of the CardioVascular Group of BAXTER or their delegates (DISPUTES COMMITTEE). The Disputes Committee shall confer together in an endeavor to settle the dispute on some fair and equitable commercial basis with regard to the basic legal rights of SANGAMO and BAXTER. Any discussions or proceedings of the Disputes Committee shall be on a without prejudice basis.

12.2 USE OF EXPERT

Subject to agreement of all members of the Disputes Committee, the Disputes Committee may, at its option, refer any dispute or difference to an independent Third Party, who shall act as an expert and not as an arbitrator in settling the same, on terms that the decision of such independent Third Party shall be binding on SANGAMO and BAXTER.

12.3 OTHER RIGHTS AND REMEDIES

If the parties are unable to resolve a dispute under this Clause 12 within thirty (30) days after written notice from one party to the other of such dispute, either party shall have the

right to pursue all rights and remedies to which it is entitled at law, in equity or otherwise. Nothing in this Agreement shall preclude either party from seeking appropriate injunctive relief in any court of competent jurisdiction, whether or not the applicable dispute has been submitted to resolution under this Clause 12.

13. NOTICES

Any notice, demand, consent or other communication (NOTICE) given or made under this Agreement:

(a) must be in writing and signed by a person duly authorized by the sender;

(b) must either be delivered to the intended recipient as follows:

(i) to SANGAMO BIOSCIENCES, INC.:
Point Richmond Tech Center
501 Canal Blvd., Suite A100
Richmond, California 94840
Attention: President
Fax No: (510) 236-8951

(ii) to Baxter Healthcare Corporation:
17221 Red Hill Avenue
Irvine, California, 92614-5686
Attention: Group Vice President, CardioVascular Group
Fax No: (949) 250-6850

(c) will be effective upon receipt by the intended recipient.

14. ENTIRE AGREEMENT

This Agreement and the Research Funding Agreement contain the entire agreement between the parties with respect to its subject matter and supersede all prior agreements and understandings between the parties in connection with them.

15. AMENDMENT

No amendment or variation of this Agreement is valid or binding on a party unless made in writing executed by all parties.

16. ASSIGNMENT

16.1 NO ASSIGNMENT WITHOUT CONSENT

Except as provided in clause 16.2, neither BAXTER nor SANGAMO may assign or otherwise transfer this Agreement or any of its rights or obligations herein without the prior written consent of the other party, which consent shall not be unreasonably withheld.

16.2 PERMITTED ASSIGNMENTS

(a) Either party may assign this Agreement together with the Research Funding Agreement, the Convertible Debenture Purchase Agreement and the Convertible Debenture, without the prior written consent of the other party in connection with the sale or transfer of all or substantially all of its stock or assets to which this Agreement relates, by merger, divestiture, spin-off or similar transaction, provided that such assignee undertakes in writing to be bound by all the terms and conditions in this Agreement and the other party is notified within thirty (30) days of such assignment taking place; and

(b) SANGAMO or BAXTER may assign this Agreement together with the Research Funding Agreement, the Convertible Debenture Purchase Agreement and the Convertible Debenture, to an Affiliate provided that such Affiliate undertakes to be bound by the terms and conditions of this Agreement.

17. NO WAIVER

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a continuing waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

18. FURTHER ASSURANCES

Each party agrees to do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Agreement and the transactions contemplated by it.

19. RELATIONSHIP OF THE PARTIES

This Agreement does not constitute an employer/employee relationship, partnership of any kind, an association or trust between the parties, each party being individually responsible only for its obligations as set out in this Agreement and in addition the parties agree that their relationship is one of independent contractors. BAXTER is not authorized or empowered to act as agent on behalf of SANGAMO and BAXTER shall not on behalf of SANGAMO enter into any contract, warranty or representation as to any matter. SANGAMO shall not be bound by the acts or conduct of BAXTER. SANGAMO is not authorized or empowered to act as agent on behalf of BAXTER and SANGAMO shall not enter any contract, warranty or representations as to any matter on behalf of BAXTER. BAXTER shall not be bound by the acts or conduct of SANGAMO.

20. GOVERNING LAW AND JURISDICTION

This Agreement is governed by the laws of the State of California, USA.

21. COUNTERPARTS

This Agreement may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

22. INSOLVENCY

(a) All rights and licenses granted under or pursuant to this Agreement by SANGAMO to BAXTER are, for all purposes of Section 365(n) of Title 11 of the United Sates Code (together with its foreign equivalents, the "Insolvency Statute"), licenses of rights to "intellectual property" as defined in the Insolvency Statute. If an Insolvency Statute case is commenced by or against SANGAMO,

and this Agreement is rejected by SANGAMO (in any capacity, including debtor-in-possession, its successors, assigns, or an Insolvency Statute trustee), then notwithstanding such rejection BAXTER shall retain all of its rights, benefits, licenses, protections and privileges under this Agreement and shall be entitled to all of the rights, benefits and protections of a licensee under the Insolvency Statute. BAXTER will have the right and ability to cure any and all defaults by SANGAMO under this Agreement and to take any other actions to oppose a rejection pursuant to the Insolvency Statute of this Agreement, and to contract directly with third parties, if any, involved in contracted arrangements with SANGAMO with respect to performance of this Agreement. SANGAMO shall, upon written request of BAXTER, provide BAXTER with complete access to all Patent Rights, Technology, Inventions Patents and Inventions solely to the extent necessary for BAXTER to perform SANGAMO's obligations under this Agreement; provided, however, that such rights of access shall only be exercisable if SANGAMO fails to perform its obligations under this Agreement substantially as contemplated herein. All rights, powers and remedies of BAXTER provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Insolvency Statute) in the event of the commencement of an Insolvency Statute case by or against SANGAMO, and BAXTER shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity in such event.

(b) In the event of a rejection in bankruptcy of this Agreement by SANGAMO pursuant to the Insolvency Statute, then, in place of SANGAMO, Baxter shall itself have the right to design, assemble and characterize (or cause to be designed, assembled or characterized) one or more zinc finger DNA binding proteins for the activation of VEGF or VEGF receptors for the treatment or prevention of ischemic cardiovascular and vascular disease in humans, in addition to those developed under the Sponsored Research, and any zinc finger DNA binding protein and/or the nucleic acid that encodes therefor; provided, however, that the

subsequent making, using, offering for sale, selling or importing of such zinc finger DNA binding proteins shall be limited to the scope of the licenses granted hereunder. If this Agreement is rejected by SANGAMO in bankruptcy then, upon the written request of BAXTER, and as required by the Insolvency Statute, SANGAMO shall promptly deliver to BAXTER any intellectual property and/or know-how or any other information which is in the control of SANGAMO and which BAXTER reasonably needs or requires to allow BAXTER itself to design, assemble and characterize (or cause to be designed, assembled or characterized) zinc finger DNA binding proteins and/or the nucleic acid that encodes therefor; provided, however, that the subsequent making, using, offering for sale, selling or importing of such zinc finger DNA binding proteins shall be limited to the scope of the licenses granted hereunder. BAXTER shall be relieved from any payment obligation to SANGAMO under Paragraph 3.3 above for zinc finger DNA binding proteins which BAXTER designs, assembles or characterizes (or causes to be designed, assembled or characterized) after the rejection of this Agreement by SANGAMO.

23. FORCE MAJEURE

In the event of any delay in performance by either party of any of its obligations or liabilities pursuant to this Agreement to the extent due to any cause arising from or attributable to acts, events, non-happenings, omissions, accidents or acts of God beyond the reasonable control of the party to perform (including but not limited to strikes, lock-outs, shortage of labor, civil commotion, riot, war, threat of or preparation for war, breaking off of diplomatic relations, fire, explosion, sabotage, storm, flood, earthquake, fog, subsidence, pestilence, epidemics, computer system or machinery breakdown, failure of plant, collapse of structures, voluntary or mandatory compliance with any direction, request or order of any person having or appearing to have authority whether for defense or other governmental or national purposes, or any requisition for materials or services apparently or stated to be used for the purposes of defense, inability to obtain suitable raw material, equipment, fuel, power, components or transportation), the party so delayed or prevented will be under no liability for loss or injury suffered by the other party and any

such delay or failure to perform will not constitute a breach of this agreement to the extent due to such cause, provided that the party so delayed uses commercially reasonable efforts to remedy the effect of such cause.

EXECUTED as an agreement.

SIGNED by /s/ EDWARD LANPHIER)
)
a duly authorized officer of SANGAMO)
BIOSCIENCES, INC. in the presence of:)

Witness	/s/ PETER BLUFORD	PRESIDENT & CEO
		Duly Authorized Officer
Print Name	Peter Bluford	Edward Lanphier
	VP, Corporate Development	Print Name

SIGNED by)
)
a duly authorized officer of BAXTER)
HEALTHCARE CORPORATION in the presence)
of:

Witness	/s/ ANN M. SMALL	/s/ J. H. KEHL, JR.
		Duly Authorized Officer
Print Name	Ann M. Small	J. H. Kehl, Jr.
		Print Name
		VP, Business Development
		CardioVascular Group

Exhibit 10.8

SUBLICENSE AGREEMENT

AGREEMENT made effective this 9th day of May, 1996

BY AND BETWEEN:

JOHNSON & JOHNSON, a company organized under the laws of the State of New Jersey, U.S.A., and having executive offices at One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933-5501 (hereinafter called "LICENSOR")

ON THE ONE HAND,

AND:

SANGAMO BIOSCIENCES, INCORPORATED, a company organized under Delaware law, having an address at 950 Marina Village Parkway, Suite 100, Alameda, CA 94501 (hereinafter called "LICENSEE")

ON THE OTHER HAND,

WITNESSETH:

A. WHEREAS, pursuant to * * * * * * * * * * * * * * * * * * between LICENSOR and * * * * * * * * * * * granted LICENSOR an exclusive option to obtain an exclusive worldwide license (including the right to grant sublicenses) to certain technology, including certain technology in the field of Zinc Finger Protein Derivatives (hereinafter the "INVENTIONS"), and LICENSOR has exercised its option thereunder;

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

B. WHEREAS, patent applications have been filed in the United States and other territories in the name of * for the granting of letters patent relating to the said INVENTIONS, further described in Appendix 1 hereto; and

C. WHEREAS, LICENSOR desires that the INVENTIONS be developed and made available to the public; and

D. WHEREAS, LICENSEE represents that it is presently engaged, or intends to be engaged in the business of research, development, manufacturing and selling products in fields related to the INVENTIONS; and

E. WHEREAS, LICENSEE wishes to make use of the INVENTIONS for the research, development, manufacturing and selling of products and wishes to obtain certain rights to the INVENTIONS under the terms and conditions hereinafter set forth;

F. WHEREAS, LICENSOR is willing and able to grant such rights to LICENSEE;

NOW, THEREFORE, in consideration of the premises and the performance of the covenants herein contained, IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

For the purposes of this agreement (hereinafter called the "SUBLICENSE AGREEMENT"), and solely for such purposes, the terms hereinafter set forth shall have the following respective meanings:

(a) "AFFILIATE" or "AFFILIATES" shall mean any corporation(s) or organization(s) which CONTROLS, is(are) directly or indirectly CONTROLLED by, or under common control with LICENSEE.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) "CONTROL", "CONTROL(S)" or "CONTROLLED" shall refer to direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock of a corporation or other business entity, or a fifty percent (50%) or greater interest in the income of such corporation or other business entity, or the power to direct or cause the direction of the management or policies of such corporation or other business entity or policies of such corporation or other business entity whether by ownership of voting securities by contract or otherwise, or such other relationship as, in fact, constitutes actual control.

(c) "EFFECTIVE DATE" shall mean the date at the head of this SUBLICENSE AGREEMENT.

(d) "FDA" shall mean the United States Food and Drug Administration.

(e) "FIELD" shall mean * * * * * * * * * * * * *

(f) "IND" shall mean an Investigational New Drug Application filed pursuant to the requirements of the FDA as more fully defined in 21 C.F.R. Section 312.3 or its equivalent in any country of the European Economic Community.

(g) "LICENSED PRODUCT" shall mean any product the manufacture, USE or SALE of which is covered by a VALID CLAIM of the PATENT RIGHTS or that is SOLD by LICENSEE or an AFFILIATE under conditions or circumstances which, if unlicensed, would amount to infringement or contributory infringement or inducement of infringement of the PATENT RIGHTS.

(h) "NDA" shall mean a New Drug Application filed with the United States Food and Drug Administration under 21 USC 355(b)(FDCA Section 505(b)) or its equivalent filed with the Health Regulatory Authorities in other countries or jurisdictions.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(i) "NET SALES VALUE" shall mean that sum determined by deducting from the gross amount billed and collected by the SELLER (LICENSEE, SUBLICENSEE or AFFILIATE) in an arms length transaction to customers that are not AFFILIATES of the SELLER;

(i) transportation charges or allowances, including freight pickup allowances, and packaging costs, if any;

(ii) trade, quantity or cash discounts, service allowances and independent broker's or agent's commissions, if any, allowed or paid;

(iii) credits or allowances for the LICENSED PRODUCT, if any, given or made on account of price adjustments, returns, bad debts, off-invoice promotional discounts, rebates, chargebacks, any and all federal, state or local government rebates or discounts whether in existence now or enacted at any time during the term of this SUBLICENSE AGREEMENT, volume reimbursements, the gross amount billed and collected for rejected LICENSED PRODUCT or LICENSED PRODUCT subject to recall or destruction (voluntarily made or requested or made by an appropriate government agency, sub-division or department); and

(iv) any tax, excise or other governmental charge upon or measured by the production, sale, transportation, delivery or use of the LICENSED PRODUCT;

in each case determined in accordance with generally accepted accounting practices.

(j) "PATENT RIGHTS" shall mean the patents and patent applications identified in Appendix 1 hereof, and in respect of such letters patent, and patent applications, all corresponding national patents and patent applications, European Patent Convention applications or applications under similar administrative international conventions, patent applications in the listed or designated countries, together with any divisional, continuation, continuation-in-part, substitution, reissue, extension, supplementary protection certificate or other application based thereon.

(k) "SELLER" shall mean one who SELLS.

(l) "SOLD", "SALE", "SALES", "SELL", "SELLING", and "SELLS" shall refer to the act of selling or disposing of for value.

(m) "SUBLICENSEE" shall mean a third party other than an AFFILIATE to whom LICENSEE has extended a further sublicense in accordance with Article 2(b) hereunder.

(n) "USE", "USES" and "USED" shall refer to the act of using for any commercial purposes whatsoever.

(o) "VALID CLAIM" shall mean a claim of an unexpired patent within the PATENT RIGHTS which has matured into an issued patent or a claim being prosecuted in a pending application within the PATENT RIGHTS. In each case a claim shall be presumed to be valid unless and until it has been held to be invalid by a final judgement of a court of competent jurisdiction from which no appeal can be or is taken. For the purposes of royalty determination and payment under Article 4 hereof, any claim being prosecuted in a pending patent application, including applications involved in interference or opposition proceedings, shall be deemed to be the equivalent of a valid claim of an issued, unexpired patent.

2. LICENSE

(a) LICENSOR hereby grants to LICENSEE, and LICENSEE hereby accepts from LICENSOR, upon the terms and conditions herein specified, a * * sublicense under the PATENT RIGHTS to * * * * * * LICENSED PRODUCTS in the FIELD.

(b) LICENSEE acknowledges and agrees that the * rights granted pursuant to this Agreement shall be subject to:

(i) * rights pursuant to the * * to use the LICENSED PATENTS for educational and research purposes; and

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(ii) the rights of the United States Government pursuant to 35 U.S.C. 202 et seq. and 37 C.F.R. 401.1 et seq. which may have arisen or resulted form federal funding of * research relating to the LICENSED PATENTS, including the non-exclusive right of the United States Government to practice the inventions covered by the LICENSED PATENTS. Subject to the foregoing, J&J intends to grant to LICENSEE the maximum rights allowable under 35 U.S.C. Sec. 202 et seq. and 37 C.F.R. 401.1 et seq.

(c) Each party hereunder represents and warrants that it will make good faith efforts to comply in all respects with the applicable provisions of any applicable law, regulation, or requirement by any Government relating to the LICENSED PATENTS. Each party agrees that it will make good faith efforts to ensure that all necessary steps are taken to comply with the requirements of 35 U.S.C. 202 et seq. and 37 C.F.R. 401.1 et seq. to retain the maximum rights under the LICENSED PATENTS allowable by law. LICENSEE agrees that it will provide * with the necessary reports and information required for * to comply with 35 U.S.C. Sec. 202 et seq. and 37 C.F.R. 401.1 et seq., including periodic reports on utilization or efforts at utilization of the inventions covered by the LICENSED PATENTS.

(d) The sublicenses granted hereunder shall include the right to grant further sub-licenses to AFFILIATES or third party SUBLICENSEES, provided that LICENSEE agrees to be responsible for the performance hereunder by its AFFILIATES and SUBLICENSEES to which the license and rights shall have been extended.

(e) For the purposes of reporting and making payments of earned royalties under this SUBLICENSE AGREEMENT, the * * * * of LICENSED PRODUCTS by any AFFILIATE or SUBLICENSEE to which the license and rights shall have been extended shall be considered the * * * * of such LICENSED PRODUCT by LICENSEE and any such AFFILIATE or SUBLICENSEE may make the pertinent reports and royalty payments specified in Article 4 hereof directly to LICENSOR

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on behalf of LICENSEE; otherwise, such reports and payments on account of * * of LICENSED PRODUCTS by each AFFILIATE or SUBLICENSEE shall be made by LICENSEE; and, in any event, the * * of LICENSED PRODUCT by each such AFFILIATE or SUBLICENSEE shall be separately shown in the reports to LICENSOR if such information is readily available to LICENSEE.

(f) The LICENSEE shall be responsible to the LICENSOR for the enforcement of the terms of the sub-license and for inspecting the accounts and records kept by the SUBLICENSEE. The LICENSEE shall at the request of the LICENSOR appoint a qualified person jointly with the LICENSOR to inspect the records of the SUBLICENSEE on behalf of both and both shall be entitled to a full report thereon.

(g) No other, further or different license or right and, except as expressly provided in Article 2 hereof, is hereby granted or implied.

3. LICENSE FEES

(a) In consideration of the Licenses granted hereunder, LICENSEE shall pay to LICENSOR License Fees of * * * * * at times and amounts as follows:

(i) * * * * * within ten days of execution of this LICENSE AGREEMENT by both parties;

(ii) * * * * * per year for * years, due on each of the first * anniversary dates of the EFFECTIVE DATE.

The obligation to pay the foregoing License Fees shall be a non-cancelable commitment by LICENSEE and such payments shall be due and payable at the times specified regardless of whether this LICENSE AGREEMENT is still in effect.

(b) In addition, LICENSEE shall pay LICENSOR the following Milestone License Fees at times and amounts as follows as long as this LICENSE AGREEMENT is still in effect:

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

(i) * upon * * for a LICENSED PRODUCT, due thirty (30) calendar days after said event; and

(ii) * upon * * for a LICENSED PRODUCT, due thirty (30) calendar days after said event.

4. ROYALTIES, RECORDS AND REPORTS

(a) For the rights and privileges granted under this SUBLICENSE AGREEMENT, LICENSEE shall pay to LICENSOR earned royalties equal to * of the NET SALES VALUE of LICENSED PRODUCT sold by LICENSEE, AFFILIATES or SUBLICENSEES.

(b) Earned royalty shall be paid in the manner provided herein, to the end of the term or terms of the last to expire of the issued patents within the PATENT RIGHTS, or until this SUBLICENSE AGREEMENT is terminated as hereinafter provided. Earned royalty shall be paid in respect of pending patent applications within the PATENT RIGHTS during such time as the application is actively being prosecuted and has not been abandoned or finally rejected and appellate procedures are unsuccessfully exhausted or the time for perfecting any further appeals has expired.

(c) Earned royalty shall be paid pursuant to Article 4(a) hereof on all LICENSED PRODUCTS SOLD under this SUBLICENSE AGREEMENT; however, earned royalty shall be payable hereunder as to a given LICENSED PRODUCT only when a license or an immunity granted under Article 2 hereof is utilized in the manufacture or SALE thereof, and the earned royalty payable on a given LICENSED PRODUCT made hereunder shall not become due and owing until such LICENSED PRODUCT is SOLD.

Any LICENSED PRODUCT made under a license granted pursuant to this SUBLICENSE AGREEMENT prior to the termination or expiration of the applicable PATENT RIGHTS and not SOLD prior to the termination or expiration of such PATENT RIGHTS shall be

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subject to the payment of royalties hereunder when SOLD, even though such SALE occurs after the termination or expiration of all pertinent licenses or rights granted hereunder.

The earned royalty for any particular LICENSED PRODUCT shall be due upon the first bona fide arm's length SALE thereof by LICENSEE, AFFILIATE or SUBLICENSEE, and any subsequent SALE of such LICENSED PRODUCT by other than LICENSEE, AFFILIATE, or SUBLICENSEE shall be royalty free.

(d) Notwithstanding the provisions of Article 4(b) hereof, in the case of transfers or SALES of any LICENSED PRODUCT between LICENSEE and an AFFILIATE, between AFFILIATES, or between LICENSEE or AFFILIATE and SUBLICENSEES, one and only one royalty shall be payable thereon and such royalty shall become payable upon the final SALE thereof to a third party other than LICENSEE, AFFILIATE or SUBLICENSEE.

(e) LICENSEE shall keep full, true and accurate books of account containing all particulars which may be necessary for the purpose of showing the amount payable to LICENSOR by way of royalty as aforesaid or by way of any other provision hereunder. Said books of account shall be kept at LICENSEE's principal place of business. Said books and the supporting data shall be maintained and kept open at all reasonable times, for three (3) years following the end of the calendar year to which they pertain (and access shall not be denied thereafter, if reasonably available), to the inspection of an independent certified public accountant retained by LICENSOR and reasonably acceptable to LICENSEE for the purpose of verifying LICENSEE's royalty statements, or LICENSEE's compliance in other respects with this SUBLICENSE AGREEMENT. Names of customers and other confidential information shall not be disclosed to LICENSOR by such independent accountant. Such accountant shall be retained at LICENSOR's sole expense, unless during any such inspection a deficiency in payments to LICENSOR of one percent (1%) or more is determined to exist in which event LICENSEE shall within thirty (30) days reimburse LICENSOR for the full expense of retaining such accountant, including but not limited to professional and administrative fees, travel and subsistence costs.

(f) LICENSEE, within sixty (60) days after the first day of January, April, July and October of each year (the "Reporting Date"), shall deliver to LICENSOR a true and accurate report, giving such particulars of the LICENSED PRODUCTS SOLD by LICENSEE, AFFILIATES and SUBLICENSEES during the preceding three (3) months ("Accounting Period") under this SUBLICENSE AGREEMENT as are pertinent to an accounting for royalty under this SUBLICENSE AGREEMENT. These shall include at least the following, separately stated as to the LICENSED PRODUCTS:

(i) the quantity of LICENSED PRODUCTS invoiced by LICENSEE, AFFILIATES and SUBLICENSEES during those three (3) months and the billings therefor;

(ii) the allowable deductions therefrom;

(iii) the calculation of royalties thereon;

Simultaneously with the delivery of each such report, LICENSEE shall pay to LICENSOR the royalty and any other payments due under this SUBLICENSE AGREEMENT for the period covered by such report. If no royalties are due, it shall be so reported. Royalties shall be paid to LICENSOR in United States Dollars at LICENSOR's office specified for the purposes of giving notice in Article 14(b) hereof.

(g) All amounts payable hereunder by LICENSEE to LICENSOR shall be payable in United States Dollars. In the event any LICENSED PRODUCT shall be SOLD by LICENSEE, SUBLICENSEE or an AFFILIATE for currency other than United States Dollars, the earned royalty payable as to such LICENSED PRODUCT under Article 4(a) hereof shall first be determined in the currency for which the LICENSED PRODUCT was SOLD and then converted into its equivalent in United States Dollars at the official rate of exchange of the currency of the country from which royalties are payable as quoted by the Wall Street Journal, New York Edition, for the last business day prior to the Reporting Date for which the royalty payment is made.

(h) In the event that any taxes, withholding or otherwise, are levied by any taking authority in connection with accrual or payment of any royalties payable to LICENSOR under this SUBLICENSE AGREEMENT, LICENSEE or its AFFILIATES and/or SUBLICENSEES shall have the right to pay such taxes to the local tax authorities on behalf of LICENSOR (or, in the case of SUBLICENSEE SALES, on behalf of LICENSEE), and the payment to LICENSOR of the net amount due after reduction by the amount of such taxes, together with evidence of payment of such taxes, shall fully satisfy LICENSEE's royalty obligations under this SUBLICENSE AGREEMENT. LICENSEE agrees to make a good faith effort to obtain a refund of any such taxes for LICENSOR if LICENSOR informs LICENSEE that it believes such taxes have been improperly levied.

(i) In the event that any payment required under this SUBLICENSE AGREEMENT shall be overdue, LICENSEE shall pay interest thereon at an annual rate of * over the United States Clearing Bank Base Lending Rate computed from the date when the payment became due; provided that if such rate shall be in excess of that allowed by applicable law, then the highest rate allowable shall apply. Payment shall be deemed to have been made when received by LICENSOR.

5. CONFIDENTIALITY

Disclosures of confidential and proprietary information hereunder by either party to the other shall be made in writing (or promptly confirmed in writing if made in another form), and shall be clearly marked "Confidential". Such confidential information shall be safeguarded by the recipient, shall not be disclosed to third parties and shall be made available only to recipient's employees or independent contractors who agree in writing to equivalent conditions and who have a need to know the information for the purposes specified under this Agreement. All confidential information shall remain the property of and be returned to the disclosing party within thirty (30) days of receipt of a written request by the disclosing party, or within thirty (30) days of termination of this Agreement. These mutual obligations of confidentiality shall apply for a period of 3 (three) years after the termination of this Agreement, but such obligations shall not apply to any information that:

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(i) is or hereafter becomes generally available to the public other than by reason of any default with respect to a confidentiality obligation under this Agreement; or

(ii) was already known to the recipient as evidenced by prior written documents in its possession; or

(iii) is disclosed to the recipient by a third party who is not in default of any confidentiality obligation to the disclosing party hereunder; or

(iv) is developed by or on behalf of the receiving party, without reliance on confidential information received hereunder; or

(v) is provided to third parties under appropriate terms and conditions including confidentiality provisions equivalent to those in this Agreement for consulting, manufacturing development, manufacturing, external testing and marketing trials with respect to the products covered by this Agreement; or

(vi) is used with the consent of the disclosing party (which consent shall not be reasonably withheld) in applications for patents or copyrights under the terms of this Agreement; or

(vii) has been approved in writing for publication by each of the parties; or

(viii) is required to be disclosed in compliance with applicable laws or regulations in connection with the manufacture or sale of products covered by this Agreement; or

(ix) is otherwise required to be disclosed in compliance with applicable laws or regulations or order by a court or other regulatory body having competent jurisdiction; or

(x) is product-related information which is reasonably required to be disclosed in connection with marketing of products covered by this Agreement.

6. DEVELOPMENT and COMMERCIALIZATION

(a) LICENSEE agrees to diligently attempt to exploit the LICENSED PATENTS and will diligently exert efforts to create a demand for the LICENSED PRODUCTS in at least those countries where PATENT RIGHTS exist. Within sixty (60) days after the end of each semi-annual period (June 30 and December 31) prior to first commercial sale of LICENSED PRODUCT, LICENSEE shall submit a summary report to LICENSOR reporting the progress it, or its SUBLICENSEES, have made towards commercialization in the preceding semi-annual period. This report will include a summary of the work done in the development of LICENSED PRODUCTS. Non-performance of this Article 7 shall be a breach or default under this SUBLICENSE AGREEMENT, entitling the LICENSOR, in addition to other remedies LICENSOR may have, to terminate this SUBLICENSE AGREEMENT under Article 7(c) hereunder.

(b) Promptly following Health Regulatory Approval to market LICENSED PRODUCTS in such countries where approval is sought, LICENSEE agrees to use diligent efforts to promote and sell LICENSED PRODUCTS at a level which is consistent with those marketing efforts normally used for similar products in the pharmaceutical industry.

7. TERMINATION

(a) LICENSEE may terminate this LICENSE AGREEMENT at any time upon sixty (60) days written notice to LICENSOR, but such termination shall not relieve LICENSEE of its obligation to pay the license fees due under Article 3(a) hereunder.

(b) If LICENSEE shall become bankrupt or insolvent and/or if the business of LICENSEE shall be place in the hands of a Receiver, Assignee, or Trustee, whether by the voluntary act of LICENSEE or otherwise, this SUBLICENSE AGREEMENT shall immediately terminate.

(c) Upon any breach of or default under this SUBLICENSE AGREEMENT by LICENSEE, LICENSOR may terminate this SUBLICENSE AGREEMENT by forty-five (45) days written notice to LICENSEE. Said notice shall become effective at the end of said period, unless during said period LICENSEE shall cure such breach or default.

(d) Upon termination of this SUBLICENSE AGREEMENT for any reason, other then by expiry of the PATENT RIGHTS, all rights granted hereunder shall revert to LICENSOR for the benefit of LICENSOR.

(e) LICENSEE's obligations to report to LICENSOR and to pay royalties to LICENSOR as to any LICENSED PRODUCT made or USED under a license or an immunity granted pursuant to this SUBLICENSE AGREEMENT prior to termination or expiration of this SUBLICENSE AGREEMENT shall survive such termination or expiration and any termination of this SUBLICENSE AGREEMENT shall be subject to this Article 7(d).

(f) Upon any termination of this SUBLICENSE AGREEMENT its provisions shall continue in force and effect to the extent necessary to effectuate any provision which by its terms clearly shall continue beyond such termination.

(g) Upon termination of this SUBLICENSE AGREEMENT other than by expiry of the PATENT RIGHTS, LICENSEE shall have no right under the PATENT RIGHTS to * * LICENSED PRODUCTS.

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8. ASSIGNMENT

This Agreement or any interest herein shall not be assigned or transferred, in whole of in part, by either party hereto without the prior written consent of the other party hereto. However, without securing such prior written consent, either party may assign this Agreement to an AFFILIATE or a successor of all or substantially all of its business to which this Agreement relates (except a successor under a reorganization pursuant to 11 U.S.C. Sec. 365) provided, that no such assignment shall be binding and valid until and unless the assignee shall have assumed in a writing, delivered to the non-assigning party, all of the duties and obligations of the assignor, and, provided, further, that the assignor shall remain liable and responsible to the non-assigning party hereto for the performance and observance of all such duties and obligations.

9. INFRINGEMENT

(a) LICENSOR agrees to enforce its patents within the PATENT RIGHTS from infringement and sue infringers when in its sole judgement such action may be reasonably necessary, proper and justified.

(b) Notwithstanding the provisions of Article 9(a) above, provided LICENSEE shall have supplied LICENSOR with evidence comprising a prima facie case of infringement of the PATENT RIGHTS by a third party hereto SELLING significant quantities of products in competition with LICENSEE's, an AFFILIATE's, or SUBLICENSEE's SALE of LICENSED PRODUCTS hereunder, LICENSEE shall be entitled to notify LICENSOR in writing requesting LICENSOR to take steps to enforce the PATENT RIGHTS and LICENSOR shall within three (3) months of the receipt of such written request either:

(i) cause said infringement to terminate (including termination for whatever cause); or

(ii) initiate legal proceedings against the infringer; or

(iii) grant LICENSEE the right, at LICENSEE's sole expense, to bring suit against the infringer for infringement of the PATENT RIGHTS.

(c) In no event shall LICENSEE be entitled to invoke Article 9(b) above with respect to more than one alleged infringer in any one country listed with the PATENT RIGHTS at any given time even though there be more than one such infringer in such country and the provisions of Article 9(b) hereof shall not come into effect or continue in effect as to such country while LICENSOR is carrying on any such legal proceeding therein.

(d) In the event either party hereto shall initiate or carry on legal proceedings to enforce the PATENT RIGHTS against an alleged infringer, as provided herein, the other party hereto shall fully co-operate with the party initiating or carrying on such proceedings.

(e) In the event LICENSOR shall institute suit or other legal proceedings to enforce the PATENT RIGHTS, it shall have sole control of such suit.

(f) In the event LICENSEE shall institute suite or other legal proceedings under Article 9(b) above to enforce the PATENT RIGHTS, LICENSOR shall be entitled to be represented by counsel of its choosing, at its sole expense, and LICENSEE shall be entitled to retain for it as damages, an amount corresponding to its actual out-of-pocket legal expenses paid to third parties for conducting such suit or other legal proceedings and shall pay to LICENSOR * of the balance of such recovery. LICENSEE shall not discontinue or settle any such proceedings brought by it without obtaining the concurrence of LICENSOR and giving LICENSOR a timely opportunity to continue such proceedings in its own name, under its sole control, and at its sole expense. In the event LICENSOR does not concur in such settlement, it must continue such proceeding in its own name, under its sole control and expense

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within three (3) months of being given notice by LICENSEE of its desire to settle or LICENSEE shall be entitled to settle without LICENSOR's concurrence.

10. STATUS OF THE PATENT RIGHTS

(a) Pursuant to the * * * * agreed, with the advice of LICENSOR, to diligently prepare, file and prosecute the patent applications filed within the PATENT RIGHTS and LICENSOR agreed to reimburse * for the reasonable expenses associated therewith. Upon execution of this SUBLICENSE AGREEMENT, LICENSEE agrees to assume LICENSOR's obligation to reimburse * for patent expenses under the * * for patent expenses incurred after the EFFECTIVE DATE. LICENSOR shall instruct * to forward invoices for such patent expenses directly to LICENSEE and LICENSEE agrees to promptly pay such expenses. LICENSOR agrees to assure that * performs its obligations to maintain and prosecute the PATENT RIGHTS under the * * and LICENSOR agrees to enforce its rights vis-a-vis * in this regard on LICENSEE's behalf if necessary. LICENSOR does not however represent or warrant that any patent within the PATENT RIGHTS will be obtained or that any such patent so obtained will be valid and enforceable.

(b) LICENSEE shall also be responsible for expenses associated with maintaining the patents obtained on the patent applications referred to in Article 10(a) hereof.

(c) Upon request by LICENSEE, LICENSOR will advise, or ensure that * advises, LICENSEE of the status of all patent applications and patents within the PATENT RIGHTS.

(d) Should LICENSEE elect not to continue paying the expenses for the maintenance or prosecution of any patent or patent application under the PATENT RIGHTS, it shall give LICENSOR thirty (30) days written notice thereof and LICENSOR may thereafter

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assume payment of such expenses at its own cost. In the event LICENSEE ceases to pay the expenses of prosecution of maintenance of any particular patent application or patent, then LICENSEE shall cease to have license rights with respect to such patent application or patent and LICENSOR shall be free to license such rights to a third party.

11. NON-USE OF NAMES

(a) LICENSEE shall not use the name of any inventor of the PATENT RIGHTS, or of any institution with which he has been or is connected, or of LICENSOR, or any adaptation of any of them, in any advertising, promotional or sales literature, without prior written consent obtained from LICENSOR in each case. LICENSEE shall require its AFFILIATES to comply with this Article 11 to the same extent that it applies to LICENSEE.

(b) LICENSOR shall not use the name of LICENSEE or its AFFILIATES or any adaptation thereof, in any advertising, promotional or sales literature or in any press release without prior written consent of LICENSEE in each case.

12. WARRANTIES AND REPRESENTATIONS

(a) LICENSOR warrants that it has exclusive rights by agreement, assignment or license to the PATENT RIGHTS, except with respect to the United States Government, and that it has full power and authority to execute, deliver and perform this SUBLICENSE AGREEMENT and the obligations hereunder.

(b) Each party hereby warrants that the execution, delivery and performance of this SUBLICENSE AGREEMENT has been duly approved and authorized by all necessary corporate actions of both parties; do not require any shareholder approval which has not been obtained or the approval and consent of any trustee or the holders of any

indebtedness of either party; do not contravene any law, regulation, rules or order binding on either Party, and do not contravene the provisions of or constitute a default under any indenture, mortgage contract or other agreement or instrument to which either party is a signatory.

(c) Nothing in this SUBLICENSE AGREEMENT shall be construed as a representation or a warranty by LICENSOR as to the validity or scope of any patent within the PATENT RIGHTS or that any process practiced or anything * * under any license or immunity granted under this SUBLICENSE AGREEMENT is or will be free from infringement of patents of third parties.

13. INDEMNITY

LICENSEE agrees to indemnify and hold harmless INVENTORS, * , LICENSOR, its AFFILIATES and their respective officers, directors, employees and agents from and against any and all claims, damages and liabilities, including reasonable attorney's fees and expenses, asserted by third parties, both government and private, arising from LICENSEE's and AFFILIATES' * * * of LICENSED PRODUCTS or * * * * * * * * * * . LICENSEE hereby agrees to maintain in full force and effect general liability and product liability insurance with a commercial insurance carrier, which policy shall have individual and aggregate limits appropriate to the conduct of LICENSEE's business covering the sale and distribution of LICENSED PRODUCTS. LICENSOR shall be named as an additional insured in such insurance policy. LICENSEE shall provide a certificate of insurance to LICENSOR evidencing such insurance policy and providing that such insurance will not be cancelled, modified or subject to non-renewal without thirty (30) days' written notice to LICENSOR. This insurance will remain in effect until three (3) years from termination of this Agreement.

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14. GENERAL

(a) This SUBLICENSE AGREEMENT, including the Appendix hereto attached, constitutes the entire agreement and understanding between the parties as to the PATENT RIGHTS. All prior negotiations, representations, agreements, contracts, offers and earlier understandings of whatsoever kind, whether written or oral between LICENSOR and LICENSEE in respect of the PATENT RIGHTS, are superseded by, merged into, extinguished by and completely expressed by this SUBLICENSE AGREEMENT.

No aspect, part or wording of this SUBLICENSE AGREEMENT may be modified except by mutual agreement between the LICENSOR and LICENSEE taking the form of an instrument in writing signed and dated by duly authorized representatives of both LICENSOR and LICENSEE.

(b) Any notice required or permitted to be given by this SUBLICENSE AGREEMENT shall be given by post-paid, first class, registered or certified mail addressed to:

General Counsel

Johnson & Johnson

One Johnson & Johnson Plaza

New Brunswick, New Jersey 08903-5501

and

Chairman

R.W. Johnson Pharmaceutical Research Institute

Route 202

Raritan, New Jersey 08869

or

SANGAMO BIOSCIENCES, INCORPORATED

950 MARINA VILLAGE PARKWAY

SUITE 100

ALAMEDA, CA 94501

Such addresses may be altered by notice so given. If no time limit is specified for a notice required or permitted to be given by this SUBLICENSE AGREEMENT, the time limit therefor shall be ten (10) full business days, not including the day of mailing. Notice shall be considered made as of the date of deposit with the United States Post Office.

(c) This SUBLICENSE AGREEMENT and its effect are subject to and shall be construed and enforced in accordance with the laws of the State of New Jersey, United States, except as to any issue which depends upon the validity, scope or enforceability of any patent within the PATENT RIGHTS, which issue shall be determined in accordance with the applicable patent laws of the country of such patent.

(d) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, including any dispute relating to patent validity or infringement arising under this agreement, shall be settled by arbitration. Such arbitration shall be conducted at New York, New York, in accordance with the rules then pertaining to the American Arbitration Association with a panel of three (3) arbitrators. One arbitrator shall be appointed by LICENSOR; one shall be appointed by LICENSEE; and the third shall be appointed by the American Arbitration Association. The law of the State of New York shall apply to the arbitration proceedings. The arbitrators shall have the authority to grant specific performance. The judgment and award of the arbitrators shall be final and binding and may be entered in any court having jurisdiction thereof, or application may be made to such court for judicial acceptance of any award or an order of enforcement, as the case may be. Each party shall bear its own costs and expenses, including attorney's fees and fees and expenses of the arbitrator it selects, and shall

share equally the fees and expenses of the arbitrator selected by the American Arbitration Association.

(e) Nothing in this SUBLICENSE AGREEMENT shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision of this SUBLICENSE AGREEMENT or concerning the legal right of the parties to contract and any statute, law, ordinance or treaty, the latter shall prevail, but in such event the affected provisions of this SUBLICENSE AGREEMENT shall be curtailed and limited only to the extent necessary to bring it within the applicable legal requirements.

(f) LICENSEE shall take all reasonable and necessary steps to register this SUBLICENSE AGREEMENT in any country where such is required to permit the transfer of funds and/or payment of royalties to LICENSOR hereunder or is otherwise required by the government or law of such country to effectuate or carry out this SUBLICENSE AGREEMENT. Notwithstanding anything contained herein, but subject to Article 13(e) hereof, LICENSEE shall not be relieved of any of its obligations under this SUBLICENSE AGREEMENT by any failure to register this SUBLICENSE AGREEMENT in any country, and, specifically, LICENSEE shall not be relieved of its obligation to make any payment due to LICENSOR hereunder at LICENSOR's address specified in Article 14(b) hereof, where such payment is blocked due to any failure to register this SUBLICENSE AGREEMENT.

(g) As used in this SUBLICENSE AGREEMENT, singular includes the plural and plural includes the singular, wherever so required by the context. The headings appearing at the beginning of the numbered Articles hereof have been inserted for convenience only and do not constitute a part of this SUBLICENSE AGREEMENT.

(h) Nothing herein shall be deemed to create an agency, joint venture or partnership between the parties hereto.

(i) Notwithstanding any other provisions of this SUBLICENSE AGREEMENT, neither of the parties hereto shall be liable in damages or have the right to terminate this SUBLICENSE AGREEMENT for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to acts of God, governmental restrictions, wars, or insurrections, strikes, floods, work stoppages and/or lack of materials; provided, however, that the party suffering such delay or default shall notify the other party in writing of the reasons for the delay or default. If such reasons for delay or default continuously exist for six (6) months, this SUBLICENSE AGREEMENT may be terminated by either party.

15. EFFECTIVE DATE AND TERM

This SUBLICENSE AGREEMENT shall become effective on the day and year first above written and shall, unless terminated earlier by one of the parties in accord with its terms, expire concurrently with the expiration, invalidation or lapsing of all issued patents within the PATENT RIGHTS and/or the abandonment of all pending patent applications within the PATENT RIGHTS.

16. GOVERNMENT RIGHTS

(a) LICENSEE acknowledges and agrees that its respective rights and obligations pursuant to this SUBLICENSE AGREEMENT shall be subject to * * rights and * obligations and the rights of the United States Government, if any, which arose or resulted from * receipt of research support from the United States Government.

(b) LICENSEE shall comply in all respects with the applicable provisions of any applicable law, requirement, regulation or determination by any Government relating to the PATENT RIGHTS and shall provide LICENSOR with any information or report required to comply with any such law, requirement, regulation or determination.

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(c) Any inconsistency between this SUBLICENSE AGREEMENT and the pertinent provisions of any law, requirement, regulation or determination by a Government shall be resolved by conforming this SUBLICENSE AGREEMENT to such provisions of any such law, requirement, regulation or determination.

(d) Any agreement or arrangement relating to the PATENT RIGHTS between LICENSEE and any third party hereto shall be made expressly subject to the terms and conditions of this Article 16 and LICENSEE shall require such other party to comply therewith to the same extent that LICENSEE is required to comply.

(e) Any license or other right granted or to be granted pursuant to this SUBLICENSE AGREEMENT shall be subject to any and all applicable governmental laws and regulations relating to compulsory licensing.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and duly executed this SUBLICENSE AGREEMENT on the date(s) indicated below, to be effective the day and year first above written.

For and on Behalf of LICENSOR, JOHNSON & JOHNSON

By: /s/ RONALD G. GELBMAN

Name: Ronald G. Gelbman

Title: Worldwide Chairman

Pharmaceuticals & Diagnostics Group
Date: April 15, 1996

For and on Behalf of LICENSEE, SANGAMO BIOSCIENCES, INCORPORATED

By: /s/ EDWARD LANPHIER

Name: Edward Lanphier

Title: President

EXHIBIT 10.9

ZFP MATERIAL TRANSFER AGREEMENT

THIS ZFP CUSTOM SYNTHESIS AGREEMENT (the "Agreement") dated as of March 8, 1999 ("Effective Date"), is entered into between SANGAMO BIOSCIENCES, INC., a Delaware corporation ("Sangamo"), having a place of business at Point Richmond Tech Center, 501 Canal Boulevard, Suite A100, Richmond, California 94804, and Japan Tobacco Inc., a Japanese corporation (the "Customer"), having a place of business at * * * * * * * * * *.

WHEREAS, Sangamo has rights and expertise regarding the design and synthesis of certain zinc finger DNA recognition proteins and genes encoding such proteins.

WHEREAS, the Customer desires to have Sangamo design, assemble, characterize and deliver to Customer certain of these materials solely for the Customer's own internal research (except as otherwise expressly provided herein) and preclinical development purposes on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the parties agree as follows:

I. Definitions. For purposes of this Agreement, the terms defined in this Section 1 shall have the respective meanings set forth below:

1.1 "Affiliate" shall mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with, such Person. A Person shall be in control of another Person if it owns, or directly or indirectly controls, at least fifty percent (50%) of the voting stock or other ownership interest of the other Person, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other Person by any means. Notwithstanding the foregoing, the government of Japan shall not be deemed an Affiliate.

1.2 "Confidential Information" shall mean, with respect to a party, all information (and all tangible and intangible embodiments thereof) which is disclosed by such party to the other party and is marked as "Confidential" by each party, identified as or otherwise acknowledged to be confidential at the time of disclosure to the other party. Each party shall also confirm in writing within thirty (30) days any Confidential Information that it discloses orally. Notwithstanding the foregoing, Confidential Information of a party shall not include information which the other party can establish by written documentation (a) to have been publicly known prior to disclosure of such information by the disclosing party to the other party, (b) to have become publicly known, without the fault of the other party, subsequent to disclosure of such information by the disclosing party to the other party, (c) to have been received by the other party at any time from a source, other than the disclosing party, rightfully having possession of and the right to disclose such information, (d) to have been otherwise known by the other party prior to disclosure of such information by the disclosing party to the other party, or (e) to have been

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independently developed by employees or agents of the other party without access to or use of such information disclosed by the disclosing party to the other party.

1.3 "Derivative" shall mean any protein or conjugate (including a conjugate to a functional domain other than the Functional Domain) derived from a ZFP, provided that the contiguous amino acid sequence of such ZFP has not been altered, and the amino acid sequence of such protein or conjugate, except for progeny.

1.4 "Functional Domain" shall mean the functional domain set forth on Schedule A, to which each ZFP shall be conjugated by Sangamo hereunder.

1.5 "Genetic Material" shall mean, with respect to any ZFP or Derivative, the nucleotide sequence encoding such ZFP or Derivative and all fragments of such gene sequence.

1.6 "Person" shall mean an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.7 "Progeny" shall mean any biological progeny which contains the ZFP Materials originated by the Customer including but not limited to cells and animals.

1.8 "Research Field" shall mean the research and preclinical development of products and services for use in the diagnosis, prevention or treatment of any disease, state or condition in humans (excluding the sale or provision of, to any third parties, products and services that incorporate, contain or use zinc finger DNA recognition proteins, genes that encode such proteins, or fragments or derivatives of such proteins or genes).

1.9 "Target(s)" shall mean the nucleotide sequence(s) set forth on Schedule A.

1.10 "ZFP" shall mean a zinc finger DNA recognition protein binding to the Target which is designed by Sangamo and for which the Genetic Material is delivered to the Customer hereunder, and the amino acid sequence of such protein.

1.11 "ZFP Materials" shall mean, collectively, the ZFPs, any Derivatives, the Genetic Materials which encode any ZFP or Derivative, and all fragments and derivatives of the foregoing.

2. Design and Delivery of ZFP Materials.

2.1 Promptly after the date of this Agreement, the Customer shall deliver to Sangamo the nucleotide sequence for * Target(s) and such other information as the parties mutually agree is reasonably necessary to assist Sangamo in designing the ZFPs. *.

2.2 Sangamo shall design, assemble and characterize * zinc finger DNA recognition proteins binding to each Target.

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2.3 Within * weeks after receipt of the information described in Section 2.1 above, Sangamo shall deliver to the Customer *
* * * * * * * * * * * * *
* * * * * * * * * * * * *
* * * * * * * * * * * * *
* * * * * * * that is reasonably necessary for the Customer to use the ZFP Materials in the Research Field. *
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2.4 Within * days after delivery of the * Target to Sangamo, the Customer shall pay Sangamo * * * * * *
* Within * * days after delivery of the * Target to Sangamo, the Customer shall pay Sangamo * * * * * *
Such payment shall be in United States Dollars in immediately available funds and shall be made by wire transfer from a United States bank located in the United States to such bank account as designated by Sangamo to the Customer.

Within * * days after the Customer receives the materials and information described in Section 2.3 above, the Customer shall make diligent and good faith efforts to confirm the activity of the relevant Target ZFPs in the same assays that Sangamo has used pursuant to section 2.3. The Customer shall then pay Sangamo * * * * * *
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* * * Payment shall be in United States Dollars in immediately available funds and shall be made by wire transfer from a United States bank located in the United States to such bank account as designated by Sangamo to the Customer.

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3. Use of ZFP Materials.

3.1 The Customer shall use the ZFP Materials (and all results of its activities in the Research Field hereunder) solely in the Research Field, and not for any other purpose.

3.2 The Customer shall not alter the nucleotide sequence or amino acid sequence of, or reverse engineer, the ZFP Materials; provided, however, that the Customer may make Derivatives of the ZFPs.

3.3 The Customer shall use the ZFP Materials under commercially and scientifically reasonable containment conditions. The Customer shall not transfer or provide access to the ZFP Materials to any other Person. Notwithstanding the foregoing, the Customer

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

may transfer the ZFP Materials to an Affiliate (without the further right to transfer), provided (a) the Customer shall give prior express written notice thereof to Sangamo, and (b) such Affiliate agrees to be bound by the terms and conditions set forth in this Agreement binding on the Customer. *

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* The Customer shall limit access to the ZFP Materials to those of its employees and consultants working on its premises to the extent such access is reasonably necessary to the conduct of its activities in the Research Field.

3.4 The Customer shall not (and shall not attempt or purport to) sell, license or otherwise transfer title to or an interest in, or otherwise commercially use the ZFP Materials without the prior express written consent of Sangamo.

3.5 The Customer acknowledges that the ZFP Materials are experimental in nature, may have unknown characteristics and have not been approved for use in humans. The Customer shall use prudence and reasonable care in the use, handling, storage, transportation, disposition and containment of the ZFP Materials, and shall comply with all applicable laws, regulations and guidelines applicable to the ZFP Materials or the use thereof and with any safety precautions accompanying the ZFP Materials. The Customer shall not (and shall not attempt or purport to) administer the ZFP Materials to humans, or file or submit any regulatory application or other submission to obtain approval therefor.

4. Non-Assertion. Neither the Customer nor its Affiliates (nor their respective successors, assigns, licensees or other transferees) shall enforce (or attempt or purport to enforce) against Sangamo or its Affiliates, licensees (of rights in zinc finger DNA recognition proteins) or manufacturers, distributors or other purchasers (of zinc finger DNA recognition proteins) any patent that claims zinc finger DNA recognition proteins, Genetic Materials encoding such proteins, fragments of such proteins or Genetic Materials, or the use of any of the foregoing, subject, expressly, to section 10.

5. No Prohibition on Sangamo. Nothing in this Agreement shall prohibit Sangamo from making, using, offering for sale, selling to others or importing zinc finger DNA recognition proteins, genetic materials encoding such proteins, fragments of such proteins or genetic materials or from licensing others to do the same; provided, however, that Sangamo shall not design, assemble, characterize and deliver to any other Person any zinc finger DNA recognition protein binding to the Target (or genetic material encoding such protein) in less time than the time frame published by Sangamo * for its custom design, assembly, characterization and delivery of a zinc finger DNA recognition protein (or genetic material encoding such protein) generally.

*

THE CUSTOMER ACKNOWLEDGES THAT THE ZFP MATERIALS ARE PROVIDED "AS IS" AND THAT SANGAMO MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR NONINFRINGEMENT OF THE PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY OTHER PERSON.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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7. Confidentiality.

7.1 For a period of five (5) years following the date of this Agreement, subject to the Confidential Disclosure Agreement between Sangamo and the Customer as of * * * * * , each party shall maintain in confidence all Confidential Information disclosed by the other party, and shall not use, disclose or grant the use of the Confidential Information except on a need-to-know basis to its directors, officers, employees and consultants to the extent such disclosure is reasonably necessary in connection with such party's activities expressly authorized by this Agreement and ordinary business operations. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other party's Confidential Information.

7.2 Sangamo shall not disclose the identity of the Target and the information relating to the Target to any other Person without the prior consent of the Customer. Neither party shall disclose any terms or conditions set forth in this Agreement to any other Person without the prior consent of the other party; provided, however, that a party may disclose the terms or conditions set forth in this Agreement, (a) on a need-to-know basis to its legal and financial advisors to the extent such disclosure is reasonably necessary in connection with such party's activities as expressly permitted by this Agreement, and (b) to a third party in connection with (i) an equity investment in such party, (ii) a merger, consolidation or similar transaction by such party, or (iii) the sale of all or substantially all of the assets of such party.

7.3 The confidentiality obligations contained in this Section 7 shall not apply to the extent information is required to be disclosed to a governmental agency or is necessary to file or prosecute patent applications or to the extent that a party is required to disclose information by applicable law, regulation or order of a court of competent jurisdiction, provided that such party shall provide written notice to the other party and sufficient opportunity to object to any such disclosure or to request confidential treatment. The Customer may disclose Confidential Information of Sangamo relating to the results of the Customer's research and evaluation hereunder to any Affiliate.

7.4 To the extent that a party is authorized by this Agreement to disclose Confidential Information of the other party to any other Person, prior to disclosure, such party shall obtain agreement of any such Person to hold in confidence and not use the Confidential Information of the other party for any purpose other than those permitted by this Agreement.

8. Indemnification and Insurance.

8.1 The Customer shall indemnify and hold harmless Sangamo from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) resulting from all claims, demands, actions and other proceedings by any other Person to

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

the extent arising from (a) the use by Sangamo of the Target under this Agreement, * * * * * * * * * *(b) the breach by the Customer of any covenant under this Agreement, or (c) the use by the Customer or its Affiliates of the ZFP Materials or the results of their respective activities hereunder, except in each case to the extent any such loss, liability, damage or expense results from the negligence or willful misconduct of Sangamo.

8.2 EXCEPT AS OTHERWISE SET FORTH IN THIS SECTION 8, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR LOSS OF PROFITS OR INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF THE OTHER PARTY DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT.

9. Miscellaneous.

9.1 This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

9.2 This Agreement does not grant to the Customer any license or other right in the patent rights or other intellectual property rights of Sangamo except and only to the extent necessary to enable the Customer to conduct its internal research and preclinical development permitted hereby.

9.3 For the period from the date of this Agreement through the date that is one (1) year after the date Sangamo delivers to the Customer the ZFP Materials and information under Section 2.3 above, neither the Customer nor its Affiliates shall directly or indirectly solicit or in any manner encourage any employee of Sangamo to leave its employ.

9.4 * * shall assign or otherwise transfer (whether voluntarily, by operation of law or otherwise) this Agreement or any right or obligation hereunder, without the prior express written consent of * * provided, however, that * * may, without such consent, assign this Agreement and its rights and obligations hereunder in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment or transfer in violation of this Section 9.4 shall be void.

9.5 This Agreement contains the entire understanding of the parties regarding the subject matter hereof. All express or implied representations, agreements and understandings, either oral or written, heretofore made are expressly superseded by this Agreement.

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12. Term and Termination

12.1 This Agreement shall commence on the Effective Date and unless sooner terminated as provided below, shall remain until the conclusion of the evaluation stated in Section 3. At the conclusion of this term, this Agreement may be amended or extended by mutual written consent of the parties.

12.2 Upon termination of this Agreement, for any reason, Customer shall return or destroy all unused Genetic Materials to Sangamo if so requested by Sangamo, and shall provide written certification within thirty (30) days in case of such destruction.

12.3 The provisions of Sections 4, 6, 7, 8, 9, 10, and 11 shall survive any termination of this Agreement.

IN WITNESS WHEREOF, the parties have entered into the Agreement effective as of the date first written above.

SANGAMO BIOSCIENCES, INC.

By:

Title:

JAPAN TOBACCO INC.

By:

Title:

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

[JT LETTERHEAD]

June 18, 1999

Sangamo BioSciences, Inc.
Point Richmond Tech Center II
501 Canal Blvd., Suite A 100
Richmond, CA 94804

Attention: Dr. Eric Rhodes
Director, Commercial Development

RE: Amendment of ZFP Material Transfer Agreement dated March 9, 1999.

Gentlemen:

The purpose of this letter is to hereby confirm our mutual understanding that, with respect to the March 9, 1999 ZFP Material Transfer Agreement, as set forth below;

1. Section 7.1 shall be amended as follows:

"For a period of five (5) years following the date of this Agreement, subject to the Confidential Disclosure Agreements between Sangamo and the Customer as of * * * * * * * * *, each party shall maintain in confidence all Confidential Information disclosed by the other party, and shall not use, disclose or grant the use of the Confidential Information except on a need-to-know basis to its directors, officers, employees and consultants to the extent such disclosure is reasonably necessary in connection with such party's activities expressly authorized by this Agreement and ordinary business operations. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other party's Confidential Information."

2. Schedule A shall be amended as set forth in the attachment hereto.

Please confirm your acknowledgement of and agreement with the above, by duly signing and dating in the spaces provided below.

Sincerely yours,

/s/ *
- ----------
*
Vice President

Sangamo BioSciences Inc.

By: /s/ PETER BLUFORD

Name: Peter Bluford

Title: VP, Corp. Div.

Date: 7-1-99

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT 10.10

FORM CD-450 (REV. 10-93) DAO 203-26 — U.S. DEPARTMENT OF COMMERCE FINANCIAL ASSISTANCE AWARD	[ ] GRANT [X] COOPERATIVE AGREEMENT ACCOUNTING CODE **SEE BELOW
RECIPIENT NAME Sangamo BioSciences, Inc.	AWARD NUMBER 70NANB7H3000
STREET ADDRESS 9125 East 10th Drive Lowry Building 859	FEDERAL SHARE OF COST $2,000,000
CITY, STATE, ZIP CODE Aurora, CO	RECIPIENT SHARE OF COST $503,250
AWARD PERIOD May 1, 1997 - April 30, 2000	TOTAL ESTIMATED COST $2,503,250

DEPARTMENT OF COMMERCE OPERATING UNIT
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, GRANTS OFFICE
BUILDING 301, ROOM B129, GAITHERSBURG, MARYLAND 20899-0001

AUTHORITY
Authorized by Section 5131 of P.L. 100-418, codified at 15 USC 287n as modified by P.L. 102-245 the Final Rule 15 CFR Part 295, and Program Announcement ATP 96-01

PROJECT TITLE
Development of Novel DNA Binding Proteins as Antiviral Therapeutics

This Award approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Award provisions checked below and attached. Upon acceptance by the Recipient, two signed Award documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned by the Recipient within 15 days of receipt, the Grants Officer may declare this Award null and void.

[X] Department of Commerce Financial Assistance Standard Terms and Conditions

[X] Special Award Conditions

[X] Line Item Budget

[ ] OMB Circular A-21, Cost Principles for Educational Institutions

[ ] OMB Circular A-87, Cost Principles for State and Local Governments

[X] OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations Uniform Administrative Requirements

[ ] OMB Circular A-122, Cost Principles for Nonprofit Organizations

[ ] 15 CFR Part 24, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

[ ] 15 CFR Part 29a, Audit Requirements for State and Local Governments

[ ] 15 CFR Part 29b, Audit Requirements for Institutions of Higher Education and Nonprofit Organizations

[X] 48 CFR Part 31, Contract Cost Principles and Procedures

[X] Other(s): General Terms and Conditions Advanced Technology Program
- - Single - 3/97 Advanced Technology Program Audit Guidelines - Single Recipient 11/96
**ACCOUNTING CODE: CC: 7/4701342 Obj. Cl. 4110 Req. No. 7/470-2109 $500,000
B-AE93-N-C-F-N-A-08-04000 EIN: 68-035-9556 470/F.Hoffer

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
Shamim Shaikh /s/ SHAMIM SHAIKH	Grants Officer	3/31/97
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE

ELECTRONIC FORM

SPECIAL AWARD CONDITIONS
ADVANCED TECHNOLOGY PROGRAM - SINGLE RECIPIENT
SANGAMO BIOSCIENCES, INC.
COOPERATIVE AGREEMENT NO. 70NANB7H3000

1. RECIPIENT CONTACT

The Recipient Contact's name, address, and telephone number are:

(Technical) George N. Cox
Sangamo BioSciences, Inc.
9125 East 10th Drive
Lowry Building 859
Aurora, CO 80010
(303) 360-6788

(Administrative) Matthew Frome
Sangamo BioSciences, Inc.
950 Marina Village Parkway
Suite 100
Alameda, CA 94501
(510) 748-3087

2. GRANTS OFFICER

The Grants Officer's name, and address are:

Shamim Shaikh
National Institute of Standards and Technology
Bldg. 301, Room B129
Gaithersburg, MD 20899-0001

3. GRANTS SPECIALIST

The Grants Specialist's name, address, and telephone number are:

Lisa Hildred
National Institute of Standards and Technology
Bldg. 301, Room B129
Gaithersburg, MD 20899-0001
(301) 975-6002

4. PROJECT MANAGEMENT

a. The Technical Project Manager's name, address, and telephone number are:

Florina B. Hoffer
National Institute of Standards and Technology
Bldg. 101, Room A413
Gaithersburg, MD 20899-0001
(301) 975-6049

b. The Business Project Manager's name, address, and telephone number are:

Robert Bloksberg-Fireovid
National Institute of Standards and Technology
Bldg. 101, Room A319
Gaithersburg, MD 20899-0001
(301) 975-5457

The structure of the ATP Project Management Team is subject to change.

5. PROJECT DESCRIPTION

All research shall be conducted in accordance with the Recipient's proposal dated September 17, 1996 and revised budget dated March 11, 1997.

6. FUNDING LIMITATIONS

The scope of work and budget incorporated into this award covers a three year period (referred to as the "project period") for a total amount of $2,000,000 in Federal funds. However, Federal funding available at this time is limited to $500,000 for the first year period (referred to as the "budget period"). Receipt of any additional funding up to the level projected under this award is contingent upon the availability of funds from Congress, satisfactory performance, and will be at the sole discretion of the Agency. The Recipient may not obligate, incur any expenditures, nor engage in any commitments which involve any amount in excess of the Federal amount presently available. No legal liability will exist or result on the part of the Federal Government for payment of any portion of the remaining funds which have not been made available under the award. Should additional funds not be made available, expenses incurred related to closeout activities must be funded from the amount included on this award. The notice of availability or non-availability of additional funding for the second and third years will be made in writing only by the Grants Officer. This written notification shall be made prior to or no later than 30 days after the expiration of each year's activities.

PROPOSED FUTURE FUNDING:

YEAR	FUNDS	BUDGET PERIOD
YR2	$850,000	(05/01/98 - 04/30/99)

YR3	$650,000	(05/01/99 - 04/30/00)

7. COST SHARE

For the first year period, the direct costs only cost sharing ratio applicable to this award is the Recipient's contribution of 17.18% ($103,750) and NIST's contribution of 82.82% ($500,00). The Recipient must meet or exceed the cost share ratio on a quarterly financial reporting basis.

8. VERTEBRATE ANIMALS

This project involves the use of vertebrate animals, therefore, the Recipient is required to comply, as applicable, with the Animal Welfare Act as amended, and implementing regulations (7 U.S.C. 2131 et seq., 9 CFR parts 1, 2, and 3), and other Federal Statutes and regulations relating to animals.

Prior to any research involving animals the Principal Investigator shall submit to the ATP Program Manager:

(1) A completed Extramural Animal Study Proposal Form (NIST-1258), with signed approvals by the Institutional Animal Care and Use Committee (IACUC).

(2) Copies of other governmental approvals for Recipient's animal care and use procedures and showing the current status of Recipient's assurance by the Public Health Service/National Institutes of Health (PHS/NIH), and copies of animal care facility accreditation.

(3) Certification that the Principal Investigator and other personnel involved in the care and use of the animals are trained as required by NIST and the PHS/NIH Guide for the Care and Use of Laboratory Animals.

The Recipient must inform the ATP Program Manager in writing of any proposed deviation from procedures involving animals described in Form NIST-1258, any change in personnel and their training, and change in the status of their PHS/NIH assurance or other government inspecting bodies; and the results of any inspections of their animal care facilities that take place during the course of the award.

9. HUMAN SUBJECTS

If this project involves human subjects, the Department of Commerce Regulations, 15 CFR Part 27, require that recipients whose research involves human subjects maintain appropriate policies and procedures for the protection of human subjects. These regulations are available from the NIST Grants Office upon request.

No research involving human subjects is permitted under this award until NIST has reviewed and approved those activities.

FORM CD-451 U.S. DEPARTMENT OF COMMERCE
(REV. 10-93)
DAO 203-26

AMENDMENT TO FINANCIAL ASSISTANCE AWARD

RECIPIENT NAME
Sangamo BioSciences, Inc.

STREET ADDRESS
501 Canal Boulevard, Suite A100

CITY, STATE, ZIP CODE
Richmond, CA 94804

[ ] GRANT [X] COOPERATIVE AGREEMENT

ACCOUNTING CODE
***SEE BELOW

AWARD NUMBER
70NANB7H3000

AMENDMENT NUMBER
02

EFFECTIVE DATE
APR 16, 1996

EXTEND WORK COMPLETION TO
N/A

DEPARTMENT OF COMMERCE OPERATING UNIT
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY GRANTS OFFICE
BUILDING 301, ROOM B129, GAITHERSBURG, MARYLAND 20899-001

COSTS ARE REVISED AS FOLLOWS:	PREVIOUS ESTIMATED COSTS	ADD	DEDUCT	TOTAL ESTIMATED COST
FEDERAL SHARE OF COST	$2,000,000	$ -0-	$ -0-	$2,000,000
RECIPIENT SHARE OF COST	$ 503,250	$ -0-	$ -0-	$ 503,250
TOTAL ESTIMATED COST	$2,503,250	$ -0-	$ -0-	$2,503,250

REASON(S) FOR AMENDMENT

Project Title: Development of Novel DNA Binding Proteins as Anitiviral Therapeutics.

This cooperative agreement is being amended to (1) obligate and authorize expenditure of funding for the SECOND year (05/01/98 - 04/30/99); (2) incorporate the revised budget dated March 20, 1998; (3) allow the carryover of unexpended funds from First year to the Second year, and (4) indicate on the attached, those terms and conditions affected by the additional funds, carryover, and any administrative or statutory requirements.

This Amendment approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Amendment provisions checked below and attached, as well as previous provisions incorporated into the Award. Upon acceptance by the Recipient, two signed Amendment documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned by the Recipient within 15 days of receipt, the Grants Officer may declare this Amendment null and void.

[X] Special Award Conditions

[X] Line Item Budget

[ ] Other(s):

**ACCOUNTING CODE: cc: 8/4701342 Obj. Cls. 4110 Req. No. 8/473-3104 $850,000
B-AE93-N-H-F-N-A-08-04000 EIN: 68-0359556 470/H. Weetall

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
Shamim A. Shaikh /s/ SHAMIM A. SHAIKH	Grants Officer	4/16/98

TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE

SPECIAL AWARD CONDITIONS
ADVANCED TECHNOLOGY PROGRAM - SINGLE RECIPIENT
SANGAMO BIOSCIENCES, INC.
COOPERATIVE AGREEMENT NO. 70NANB7H3000
AMENDMENT NO. 02

SPECIAL AWARD CONDITIONS - MODIFICATIONS/CHANGES

1. RECIPIENT CONTACT

The Recipient Contact's name, address, and telephone number are:

(Administrative) Shawn Johnson (510) 970-6000 x205
Sangamo BioSciences, Inc.
501 Canal Boulevard, Suite A100
Richmond, CA 94804

4. PROJECT MANAGEMENT

a. The Technical Project Manager's name, address, and telephone number are:

Howard Weetall
National Institute of Standards and Technology
Bldg. 101, Room A236
Gaithersburg, MD 20899-0001
(301) 975-2628

5. PROJECT DESCRIPTION

All research shall be conducted in accordance with the Recipient's proposal dated September 17, 1996, statements of accomplishments dated August 13, 1997, and revised budget dated March 20, 1998.

6. FUNDING LIMITATIONS

The scope of work and budget incorporated into this award covers a three-year period (referred to as the "project period") for a total amount of $2,000,000 in Federal funds. However, Federal funding available at this time is limited to $850,000 for the second-year period (referred to as the "budget period"). Receipt of any additional funding up to the level projected under this award is contingent upon the availability of funds from Congress, satisfactory performance, and will be at the sole discretion of the Agency. The Recipient may not obligate, incur any expenditures, nor engage in any commitments which involve any amount in excess of the Federal amount presently available. No legal liability will exist or result on the part of the Federal Government for payment of any portion of the remaining funds which have not been made available under the award. Should additional funds not be made available, expenses incurred related to closeout activities must be funded from the amount included on this award. The notice of availability or non-availability of additional funding for the third year will be made in writing only by the Grants Officer. This written notification shall be made prior to or no later than 30 days after the expiration of second year's activities.

FUTURE FUNDING:

Year 3: $650,000 (From 05/01/99 - 04/30/00)

7. COST SHARE

The cumulative Year 1 and 2 direct costs only cost sharing ratio applicable to this award is the Recipient's contribution of 13.49% ($210,500) and NIST's contribution of 88.51% ($1,350,000). Recipient's must meet or exceed the cost share ratio on a quarterly financial reporting basis.

MODIFICATION TO THE GENERAL TERMS AND CONDITIONS ADVANCED TECHNOLOGY PROGRAM - SR - 03/97

REPLACE CLAUSE #24 IN ITS ENTIRETY WITH:

24. CLOSEOUT OF COOPERATIVE AGREEMENT

In accordance with the guidelines established in the OMB Circular A-110, Subpart D_.71, and the Department of Commerce Standard Terms and Conditions dated November 1993, item number A.06, only those costs associated with compiling the final reports (financial, patent, equipment inventory, and closeout audit) shall be allowed during the ninety (90) day closeout period. The closeout meeting with ATP is not considered a closeout related activity.

Therefore, the Recipient must participate in a closeout (end-of-project) meeting with NIST officials PRIOR TO THE EXPIRATION DATE of the award. The Recipient must provide adequate funds in the project budget to ensure participation by all appropriate members in the closeout meeting. The NIST Technical and Business Project Managers will provide the Recipient with instructions for the closeout meeting.

ALL PRIOR TERMS AND CONDITIONS REMAIN THE SAME AND IN EFFECT.

ESTIMATED MULTI-YEAR BUDGET - SINGLE COMPANY

	YEAR ONE	YEAR TWO	YEAR THREE	TOTAL
1. OBJECT CLASS CATEGORY				
A. Technical Personnel Salaries/Wages	$ 163,500	$ 394,500	$ 258,000	$ 816,000
B. Technical Personnel Fringe Benefits	30,000	55,250	38,000	123,250
C. Administrative Support Salaries/Wages	42,500	67,500	67,500	177,500
D. Administrative Support Fringe Benefits	8,000	11,250	11,250	30,500
E. Travel	10,000	18,000	18,000	46,000
F. Equipment	150,000	95,000	40,000	285,000
G. Materials/Supplies	90,000	100,000	80,000	270,000
H. Subcontracts	50,000	275,000	430,000	755,000
I. Other				
J. Total Direct Costs (line A thru I)	544,000	1,016,500	942,750	2,503,250
K. Total Direct Costs Requested From ATP	449,000	901,000	650,000	2,000,000
L. Total Direct Costs to be Absorbed by Proposer	$ 95,000	$ 115,500	$ 292,750	$ 503,250
M. Total Indirect Costs to be Absorbed by Proposer	$ 50,000	$ 65,000	$ 85,000	$ 200,000
N. Total Costs (lines K, L, and M)	$ 594,000	$1,081,500	$1,027,750	$2,703,250
2. SOURCES OF FUNDS				
A. ATP (Same as Line K)	$ 449,000	$ 901,000	$ 650,000	$2,000,000
B. Sangamo BioSciences	145,000	180,500	377,750	703,250
C.				
D.				
E.				
F.				
G. Total Sources of Funds (Same as Line N)	$ 594,000	$1,081,500	$1,027,750	$2,703,250
3. TASKS				
A.	$	$	$	$
B.				
C.				
D.				
E.				
F.				
G. Total Costs of All Tasks (Same as Line N)	$	$	$	$

FORM CD-451 (REV. 10-93) DAO 203-26

U.S. DEPARTMENT OF COMMERCE

[ ] GRANT [X] COOPERATIVE AGREEMENT

AMENDMENT TO FINANCIAL ASSISTANCE AWARD

ACCOUNTING CODE **SEE BELOW

RECIPIENT NAME
Sangamo BioSciences, Inc.

AWARD NUMBER
70NANB7H3000

AMENDMENT NUMBER
03

STREET ADDRESS
501 Canal Boulevard, Suite A100

EFFECTIVE DATE
OCTOBER 31, 1998

CITY, STATE, ZIP CODE
Richmond, CA 94804

EXTEND WORK COMPLETION TO
N/A

DEPARTMENT OF COMMERCE OPERATING UNIT
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY,
GRANTS OFFICE BUILDING 301,
ROOM B129, GAITHERSBURG, MARYLAND 20899-0001

COSTS ARE REVISED AS FOLLOWS:	PREVIOUS ESTIMATED COSTS	ADD	DEDUCT	TOTAL ESTIMATED COST
FEDERAL SHARE OF COSTS	$2,000,000	$-0-	$-0-	$2,000,000
RECIPIENT SHARE OF COST	$ 503,250	$-0-	$-0-	$ 503,250
TOTAL ESTIMATED COST	$2,503,250	$-0-	$-0-	$2,503,250

REASON(S) FOR AMENDMENT

Project Title: Development of Novel DNA Binding Proteins as Antiviral Therapeutics.

This cooperative agreement is being amended to approve the change to the principal investigator from Dr. George Cox to Dr. Casey Case per the Recipient's request dated October 19, 1998.

ALL PRIOR TERMS AND CONDITIONS REMAIN THE SAME AND IN EFFECT.

This Amendment approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Amendment provisions checked below and attached, as well as previous provisions incorporated into the Award. Upon acceptance by the Recipient, two signed Amendment documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned by the Recipient within 15 days of receipt, the Grants Officer may declare this Amendment null and void.

[ ] Special Award Conditions

[ ] Line Item Budget

[ ] Other(s):

PLEASE RETAIN FOR YOUR RECORDS

**ACCOUNTING CODE: cc: 8/4701342 Obj. Cls. 4110 Req. No. 8/473-3104 $0.00

B-AE93-N-H-F-N-A-08-04000. EIN: 68-0359556 470/H. Weetall

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
Shamim A. Shaikh /s/ SHAMIM A. SHAIKH	Grants Officer	10/31/98

TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE

FORM CD-451 (REV. 10-93) DAO 203-26

U.S. DEPARTMENT OF COMMERCE

[ ] GRANT [X] COOPERATIVE AGREEMENT

AMENDMENT TO FINANCIAL ASSISTANCE AWARD

ACCOUNTING CODE
**SEE BELOW

RECIPIENT NAME
Sangamo BioSciences, Inc.

AWARD NUMBER
70NANB7H3000

AMENDMENT NUMBER
04

STREET ADDRESS
501 Canal Boulevard, Suite A100

EFFECTIVE DATE
APR. 12, 1999

CITY, STATE, ZIP CODE
Richmond, CA 94804

EXTEND WORK COMPLETION TO
N/A

DEPARTMENT OF COMMERCE OPERATING UNIT
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, GRANTS OFFICE
100 BUREAU DRIVE, STOP 3576, GAITHERSBURG, MD 20899-3576

COSTS ARE REVISED AS FOLLOWS:	PREVIOUS ESTIMATED COSTS	ADD	DEDUCT	TOTAL ESTIMATED COST
FEDERAL SHARE OF COSTS	$2,000,000	$-0-	$-0-	$2,000,000
RECIPIENT SHARE OF COST	$ 503,250	$-0-	$-0-	$ 503,250
TOTAL ESTIMATED COST	$2,503,250	$-0-	$-1-	$2,503,250

REASON(S) FOR AMENDMENT

Project Title: Development of Novel DNA Binding Proteins as Antiviral Therapeutics

This cooperative agreement is being amended to 1) obligate and authorize expenditure of funding for the THIRD and FINAL year (05/01/99 - 04/30/00); 2) incorporate the revised budget dated April 2, 1999; 3) allow the carryover of unexpended funds from the Second year to the Third and Final year; 4) substitute Special Award Condition #9 entitled "Human Subjects"; and 5) indicate on the attached, those terms and conditions affected by the additional funds, carryover, and any administrative or statutory requirements.

This Amendment approved by the Grants Officer is issued in triplicate and constitutes an obligation of Federal funding. By signing the three documents, the Recipient agrees to comply with the Amendment provisions checked below and attached, as well as previous provisions incorporated into the Award. Upon acceptance by the Recipient, two signed Amendment documents shall be returned to the Grants Officer and the third document shall be retained by the Recipient. If not signed and returned by the Recipient within 15 days of receipt, the Grants Officer may declare this Amendment null and void.

[X] Special Award Conditions

[X] Line Item Budget

[ ] Other(s): _____

_____

**ACCOUNTING CODE: cc: 9/4701342 Obj. Cl. 4110 Req. No. 9/473-3169 $650,000.00

B-AE93-N-H-F-N-A-08-04000 EIN: 68-0359556 470/H. Weetall

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
Lois E. McDuffee /s/ LOIS E. MCDUFFEE	Grants Officer	4/12/99

TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE
/s/ EOL		

SPECIAL AWARD CONDITIONS
ADVANCED TECHNOLOGY PROGRAM - SINGLE RECIPIENT
SANGAMO BIOSCIENCES, INC.
COOPERATIVE AGREEMENT NO. 70NANB7H3000 - AMENDMENT 04

2. GRANTS OFFICER

The Grants Officer's name, address and telephone number are:

Lois E. McDuffee
National Institute of Standards and Technology
Grants Office, 100 Bureau Drive
Bldg. 411, Room A143, Stop 3576
Gaithersburg, MD 20899-3576
(301) 975-6359

3. GRANTS SPECIALIST

The Grants Specialist's name, address, and telephone number are:

Kathleen Lettofsky
National Institute of Standards and Technology
Grants Office, 100 Bureau Drive
Bldg. 411, Room A143, Stop 3576
Gaithersburg, MD 20899-3576
(301) 975-6342

4. PROJECT MANAGEMENT

a. The Technical Project Manager's name, address, and telephone number are:

Howard Weetall
National Institute of Standards and Technology
100 Bureau Drive, Bldg. 101, Stop 4730
Gaithersburg, MD 20899-4730
(301) 975-2628

b. The Business Project Manager's name, address, and telephone number are:

Andy Klein
National Institute of Standards and Technology
100 Bureau Drive, Bldg. 101, Stop 4720
Gaithersburg, MD 20899-4720
(301) 975-4292

5. PROJECT DESCRIPTION

All research shall be conducted in accordance with the Recipient's proposal dated September 17, 1996, statements of accomplishments dated March 30, 1999, and revised budget dated April 2, 1999.

6. FUNDING LIMITATIONS

The scope of work and budget Incorporated into this award covers a three-year period (referred to as the "project period") for a total amount of $2,000,000 in Federal funds. However, Federal funding available at this time is limited to $650,000 for the third and final year period (referred to as the "budget period"), plus the carryover of unexpended funds from the second year to the third year period. The Recipient may not obligate, incur any expenditures, nor engage in any commitments which involve any amount in excess of the Federal amount presently available. Should such an excess obligation, expenditures, or commitments occur, no legal liability will exist or result on the part of the Federal Government for payment of funds.

7. COST SHARE

The cumulative Year 1, Year 2 and Year 3 direct costs only cost sharing ratio applicable to this award is the Recipient's contribution of 20.10% ($503,250) and NIST's contribution of 79.90% ($2,000,000). The Recipient must meet or exceed the cost share ratio on a quarterly financial reporting basis.

9. HUMAN SUBJECTS

Substitute the following for the Special Award Condition shown in the original award document:

Based upon Sangamo BioSciences, Inc.'s correspondence dated February 24, 1999, NIST has concluded that the human subject research identified in that correspondence meets the criteria to qualify for an exemption under 15 CFR Part 27. Specifically, the involvement of human subjects in the correspondence meets the following exemption described in 15 CFR27.101(b)(4), which states:

"Research involving the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens, if these sources are publicly available or if the information is recorded by the investigator in such a manner that subjects cannot be identified, directly or through identifiers linked to the subjects."

The human cell lines to be used within the project entitled "Development of Novel DNA Binding Proteins as Antiviral Therapeutics" awarded to Sangamo BioSciences are purchased from American Type Tissue Collection (ATTC). The four cell lines involved include HEK293 cells derived from kidney fibroblasts, Huh7 cells derived from hepatocytes, and PM1 and U937 cells which are derived from lymphoid cells. These four cell lines cannot be traced to the original source, and they are publicly available through the ATTC.

No other human subject research activity is authorized by NIST.

If the conditions upon which this exemption is based change in any way, the Recipient must notify the Grants Office immediately in writing and obtain prior written approval from the Grants Officer before proceeding with any further research.

By accepting this amendment, the Recipient certifies to the accuracy of the documentation cited above.

ALL PRIOR TERMS AND CONDITIONS REMAIN THE SAME AND IN EFFECT.

SANGAMO BIOSCIENCES

ESTIMATED MULTI-YEAR BUDGET-SINGLE COMPANY

	YEAR ONE	YEAR TWO	YEAR THREE	TOTAL
1. OBJECT CLASS CATEGORY				
A. Technical Personnel Salaries/Wages	$163,500	$394,500	$258,000	$816,000
B. Technical Personnel Fringe Benefits	30,000	55,250	38,000	123,250
C. Administrative Personnel Salaries/Wages	42,500	67,500	67,500	177,500
D. Administrative Personnel Fringe Benefits	8,000	11,250	11,250	30,500
E. Travel	10,000	18,000	18,000	46,000
F. Equipment	150,000	95,000	40,000	285,000
G. Materials/Supplies	90,000	100,000	205,000	395,000
H. Subcontracts	50,000	275,000	305,000	630,000
I. Other				
J. Total Direct Costs (Lines A thru I)	544,000	1,016,500	942,750	2,503,250
K. Total Direct Costs Requested From ATP	499,000	901,000	650,000	2,000,000
L. Total Direct Costs Shared by Proposer (if any)	$95,000	$115,500	$292,750	$503,250
M. Total Indirect Costs Absorbed by Proposer	$50,000	$65,000	$85,000	$200,000
N. Total Costs (Lines J - M)	$594,000	$1,081,500	$1,027,250	$2,703,250
2. SOURCES OF FUNDS				
A. ATP (Same as Line K)	$449,000	$901,000	$660,000	$2,000,000
B. Sangamo BioSciences, Inc.	145,000	180,500	377,750	703,250
C.				
D.				
E. Total Sources of Funds (Same as Line N)	$594,000	$1,081,500	$1,027,250	$2,703,250
3. TASKS				
A.	$	$	$	$
B.				
C.				
D.				
E.				
F.				
G.				
H.				
I. Total Costs of All Tests (Same as Line N)	$	$	$	$

EXHIBIT 10.11

********** NOTICE OF GRANT AWARD **********

SMALL BUSINESS INNOVATION RESEARCH PROG Issue Date: 08/09/1999

Department of Health and Human Services
National Institutes Of Health
NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

****

Grant Number: 5 R44 AI40515-03
Principal Investigator: JAMIESON, ANDREW PHD
Project Title: DESIGNER DNA BINDING PROTEINS TARGETING HIV GENES

Sangamo Biosciences, Inc.
Point Richmond Tech Center
501 Canal Boulevard, Suite A100
Richmond, California 94804

Budget Period: 05/01/1999 - 04/30/2000
Project Period: 09/30/1996 - 04/30/2000

Dear Business Official:

The National Institutes of Health hereby awards a grant in the amount of $265,223 (see "Award Calculation" in Section I) to SANGAMO BIOSCIENCES, INC. in support of the above referenced project. This award is pursuant to the authority of 42 USC 241 42 CFR PART 52 15 USC 638 and is subject to the attached terms and conditions.

Acceptance of this award including attached Terms and Conditions is acknowledged by the grantee when funds are drawn down or otherwise obtained from the grant payment system.

Award recipients are responsible for appropriate acknowledgment of NIH support when preparing publications, or issuing statements, press releases, request for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with NIH support.

If you have any questions about this award, please contact the individual(s) referenced in the attachments.

Sincerely yours,

/s/ VICTORIA PRICE
- ---------------------------
Victoria Price
Grants Management Officer
NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

Attachments

SECTION 1 - AWARD DATA - 5 R44 AI40515-03

AWARD CALCULATION (U.S. Dollars):

Direct Costs	$178,075
F&A Costs	$72,148
APPROVED BUDGET	$250,223
Fee	$15,000
TOTAL	$265,223

FISCAL INFORMATION:
CFDA Number: 93.856
EIN: 1680359556A1
Document Number: R4AI40515B

IC/ CAN / FY1999
AI/8425741 / 265,223

NIH ADMINISTRATIVE DATA:
PCC: A21 / OC: 41.4E / Processed: PRICEV 990806 0341

SECTION II - PAYMENT/HOTLINE INFORMATION - 5 R44 AI40515-03

For Payment and HHS Office of Inspector General Hotline Information, see the NIH Home Page at http://www.nih.gov/grants/policy/awardconditions.htm

SECTION III - TERMS AND CONDITIONS - 5 R44 AI40515-03

This award is based on the application submitted to, and as approved by, the NIH on the above-titled project and is subject to the terms and conditions incorporated either directly or by reference in the following:

a. The grant program legislation and program regulation cited in this Notice of Grant Award.

b. The restrictions on the expenditure of federal funds in appropriations acts, to the extent those restrictions are pertinent to the award.

c. 45 CFR Part 74 or 45 CFR Part 92 as applicable.

d. The NIH Grants Policy Statement, including addenda in effect as of the beginning date of the budget period.

e. This award notice, INCLUDING THE TERMS AND CONDITIONS CITED BELOW.

(see NIH Home Page at http://www.nih.gov/grants/policy/awardconditions.htm for certain reference cited above.)

This grant is included under Expanded Authorities.

This grant is subject to Streamlined Noncompeting Award Procedures (SNAP).

Treatment of Program Income:
Additional Costs

This grant was issued late due to the late receipt of the noncompeting continuation application.

The above referenced grant is scheduled to expire on 04/03/2000. Unless an application for competitive renewal is funded, grant closeout documents must be submitted within 90 days of the expiration of the grant. Grant closeout documents consist of a Financial Status Report (OMB 269), Final Invention Statement (HHS 568) and a Final Progress Report.

The Final Progress Report may be typed on plain white paper and should include, at a minimum, a summary statement of progress toward the achievement of the originally stated

aims, a list of results (positive and/or negative) considered significant, and a list of publications resulting from the project as well as plans for further publications. An original and one copy are required.

Please send the Final Progress Report and Final Invention Statement & a copy of the Financial Status Report to the following address:

ATTENTION: CLOSEOUT
NIH, NIAID, Division of Extramural Activities
Grants Management Branch
Room 2200, 6700-B Rockledge Drive, MSC-7614
Bethesda, Maryland 20892-7614

The Financial Status Report should be sent to:

Division of Financial Management, NIH
9000 Rockville Pike, MSC-2052
Building 31, Room B1B05A
Bethesda, Maryland 20892-2052

The fixed fee provided as part of this grant award is included in the maximum allowable total costs. An adjustment of the fee will be made in the event the grant is terminated. The fee is to be drawn down from the HHS Payment Management System in increments proportionate to the drawdown of funds for costs.

The total fixed fee for your Phase II project is $30,000 and is included in the maximum allowable total costs. This fee is incrementally funded proportionately for each budget period. $15,000 is allotted for payment of fixed fee for the budget period covered by this Notice of Grant Award. Additional funds for the remainder of the total fixed fee are intended to be allotted by a future Notice(s) of Grant Award, and is reflected in the future year total cost commitment base on this Notice of Grant Award. Unless and until such future Notice(s) of Grant Award is (are) issued, the Government will not be obligated to reimburse the grantee organization for more than the funds currently allotted for payment of the fixed fee. An adjustment of the fee will be made in the event the grant is terminated or future support is withheld. The fee allotted under this Notice of Grant Award is to be drawn down from the HHS Payment System in increments proportionate to the draw down of funds for costs.

Normally, the awardee organization retains the principal worldwide patent rights to any invention developed with United States government support. Under Title 37 Code of Federal Regulations Part 401, the Government receives a royalty-free license for its use, reserves the right to require the patent holder to license others in certain circumstances, and requires that anyone exclusively licensed to sell the invention in the United States must normally manufacture it substantially in the United States. To the extent authorized by Title 35 United States Code Section 205, the Government will not make public any information disclosing a Government-supported invention for a 4-year period to allow the awardee organization a reasonable time to file a patent application, nor will the Government release any information that is part of that application.

When purchasing equipment or products under this SBIR award, the grantee shall use only American-made items whenever possible.

Grants Management Specialist:

Victoria Price
(301) 402-6579 phone
(301) 480-3780 fax
vp14v@nih.gov email

Program Official:

Roger Miller, Ph.D.
(301) 496-8197

Victoria Price, Grants Specialist

SPREADSHEET

GRANT NUMBER: 5 R44 AI40515-03
P.I.: JAMIESON, ANDREW
INSTITUTION: SANGAMO BIOSCIENCES, INC.

	YEAR 03
TOTAL DC	178,075
TOTAL F&A	72,148
TOTAL COST	250,223

	YEAR 03
F&A Cost Rate 1	57.00%
F&A Cost Base 1	126,575
F&A Costs 1	72,148
FEE	15,000

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Selected Financial Data" and "Experts" and to the use of our report dated January 28, 2000, except for Note 7, as to which the date is February 24, 2000, in the Registration Statement (Form S-1 Amendment No. 1) and related Prospectus of Sangamo BioSciences, Inc. for the registration of shares of its common stock.

Palo Alto, California ERNST & YOUNG LLP

- ---

The foregoing consent is in the form that will be signed upon completion of the stock split described in Note 7 to the financial statements.

/s/ ERNST & YOUNG LLP

Palo Alto, California
February 24, 2000