SANGAMO BIOSCIENCES INC

FORM 10-Q
(Quarterly Report)

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from to

Commission file number 000-30171

SANGAMO BIOSCIENCES, INC.

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of the common stock, as of the latest practical date.

Common Stock, $.01 Par Value -24,611,648 - shares outstanding as of September 30, 2002.

INDEX

SANGAMO BIOSCIENCES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets at September 30, 2002 and December 31, 2001

Condensed Consolidated Statements of Operations for the Three and Nine months ended September 30, 2002 and 2001

Condensed Consolidated Statements of Cash Flows for the Nine months ended September 30, 2002 and 2001

Notes to Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

Item 4. Submission Of Matters To A Vote Of Security Holders

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

CERTIFICATIONS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbors created by those sections Statements that are forward-looking in nature should be read with caution because they involve risks and uncertainties, they are included, for example, in specific and general discussions about: our strategy; sufficiency of our cash resources; revenues from existing and new collaborations; product development; our research and development and other expenses; our operational and legal risks; and our plans, objectives, expectations and intentions, and any other statements that are not historical facts. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", and variations of such words and similar expressions are intended to identify such forward-looking statements. Actual results may differ materially from those expressed or implied in those statements. Factors that could cause these differences include, but are not limited to, those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Sangamo undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances arising after the date of this report. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report.

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SANGAMO BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2002 (unaudited)	December 31, 2001(1)
Assets		
Current assets:		
Cash and cash equivalents	$ 15,348	$ 7,644
Marketable securities	36,587	53,950
Interest receivable	557	966
Accounts receivable, net	724	763
Prepaid expenses	451	447
Total current assets	53,667	63,770
Property and equipment, net	2,027	2,799
Patents	—	3,120
Goodwill	—	15,250
Other assets	334	78
Total assets	$ 56,028	$ 85,017
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 603	$ 1,261
Accrued compensation and employee benefits	652	671
Equipment loan	—	285
Deferred revenue	211	451
Total current liabilities	1,466	2,668
Stockholders' equity:		
Common stock	127,005	127,161
Deferred stock compensation	(363)	(2,125)
Accumulated deficit	(72,158)	(43,100)
Accumulated other comprehensive income	78	413
Total stockholders' equity	54,562	82,349
Total liabilities and stockholders' equity	$ 56,028	$ 85,017

(1) *Amounts derived from Audited Statements dated December 31, 2001 filed as a part of Form 10-K.*

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Revenues:				
Collaboration agreements	$ 1,003	$ 637	$ 1,870	$ 2,593
Research grants	9	102	9	128
Total revenues	1,012	739	1,879	2,721
Operating expenses:				
Research and development (excludes $47 and $716 of stock based compensation expense for the three months ended September 30, 2002 and 2001, respectively, and $1,049 and $1,673 of stock based compensation expense for the nine months ended September 30, 2002 and 2001, respectively)	3,322	3,892	9,789	9,150
General and administrative (excludes $88 and $272 of stock based compensation expense for the three months ended September 30, 2002 and 2001, respectively, and $276 and $818 of stock based compensation expense for the nine months ended September 30, 2002 and 2001, respectively)	966	987	2,914	2,485
Restructuring charge	181	—	371	—
Stock based compensation expense	135	988	1,325	2,491
Goodwill impairment	15,250	—	15,250	—
Patent impairment	2,760	—	2,760	—
Acquired in-process technologies	—	13,062	—	13,062
Total operating expenses	22,614	18,929	32,409	27,188
Loss from operations	(21,602)	(18,190)	(30,530)	(24,467)
Interest income, net	295	783	1,105	2,584
Other income	367	—	367	—
Net loss	$ (20,940)	$ (17,407)	$ (29,058)	$ (21,883)
Basic and diluted net loss per common share	$ (0.85)	$ (0.72)	$ (1.19)	$ (0.96)
Shares used in basic and diluted net loss per common share	24,509	24,320	24,435	22,870

See accompanying notes.

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

	Nine months ended September 30,	
	2002	2001
Operating Activities:		
Net loss	$ (29,058)	$ (21,883)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,030	626
Net loss on sale of property and equipment	74	—
Gain on currency translation	(367)	—
Goodwill impairment	15,250	—
Patent impairment	2,760	
Non-cash stock compensation charges	1,325	2,491
In-process research and development	—	13,062
Changes in operating assets and liabilities		
Interest receivable	409	—
Accounts receivable	39	338
Prepaid expenses and other assets	(260)	343
Accounts payable and accrued liabilities	(658)	163
Accrued compensation and employee benefits	(19)	(35)
Deferred revenue	(240)	(18)
Net cash used in operating activities	(9,715)	(4,913)
Investing Activities:		
Purchases of investments	(31,246)	—
Maturities of investments	48,422	11,288
Proceeds from sales of property and equipment	63	—
Purchases of property and equipment	(26)	(1,581)
Net cash acquired in Gendaq acquisition	—	5,279
Net cash provided by investing activities	17,213	14,986
Financing Activities:		
Proceeds from issuance of common stock	272	214
Proceeds from bank loans	—	320
Repayment of note payable	(285)	—
Note receivable from stockholder	—	447
Net cash (used in) provided by financing activities	(13)	981
Foreign currency translation adjustment	219	—
Net increase in cash and cash equivalents	7,704	11,054
Cash and cash equivalents, beginning of period	7,644	10,151
Cash and cash equivalents, end of period	$ 15,348	$ 21,205

See accompanying notes.

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

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The condensed consolidated financial statements include the accounts of Sangamo and its wholly owned subsidiary, Gendaq Limited, after elimination of all material intercompany balances and transactions. Operating results for the three-month and nine-month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. These financial statements should be read in conjunction with the financial statements and footnotes thereto for the year ended December 31, 2001, included in Sangamo's Form 10-K as filed with the SEC.

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.

FOREIGN CURRENCY TRANSLATION

Sangamo has historically translated the assets and liabilities of its foreign subsidiary stated in local functional currency to U.S. dollars at the rate of exchange in effect at the end of the period. Revenues and expenses were translated using rates of exchange in effect during the period. Gains and losses from translation of financial statements denominated in foreign currencies, if material, were included as a separate component of other comprehensive income (loss) in the statement of stockholders' equity. As of September 30, 2002, Sangamo closed its U.K. facility. Therefore, the translation adjustment component of equity has been removed from equity and reported as a gain which is included in other income in the profit and loss in this quarter.

The Company records foreign currency transactions at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the exchange rates in effect at the balance sheet date. All translation differences arising from foreign currency transactions are recorded through profit and loss.

REVENUE RECOGNITION

Sangamo recognizes revenue from its Universal GeneTools™ agreements when ZFP Transcription Factors ("ZFP TFs") are delivered to the Universal GeneTools™ collaborators, persuasive evidence of an agreement exists, there are no unfulfilled obligations, the price is fixed and determinable, and collectibility is reasonably assured. Generally, Sangamo receives partial payments from these collaborations prior to the delivery of ZFP TFs and the recognition of these revenues is deferred until the ZFP TFs are delivered, the risk of ownership has passed to the collaborator and all performance obligations have been satisfied.

Payments received to fund research activities made under strategic partnering agreements are recognized over the period that Sangamo performs research services. Amounts received in advance under such agreements are deferred until the research services are performed. Sangamo's 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.

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

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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FAS No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." Sangamo adopted FAS 144 on January 1, 2002. In the quarter ended September 30, 2002, we recorded an impairment charge of $2.8 million related to certain patents. (See Note 8.)

Sangamo adopted the provisions of FAS 141, "Business Combinations" on July 1, 2001, and the provisions of FAS 142, "Goodwill and Other Intangibles Assets" effective January 1, 2002. FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and also specifies the criteria for the recognition of intangible assets separately from goodwill. FAS 142 requires, among other things, that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment upon adoption and at least annually using a two-step impairment analysis. FAS 142 also requires that intangible assets with definite useful lives be amortized over their respective useful lives to their estimated residual values, and reviewed for impairment in accordance with FAS 144.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities ("FAS 146"). FAS 146 eliminates Emerging Issues Task Force Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." Under FAS 146, liabilities for costs associated with an exit or disposal activity are recognized when the liabilities are incurred, and fair value is the objective for initial measurement of the liabilities. FAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002. We do not believe that the adoption of FAS 146 will have a material affect on our operating results or financial position.

NOTE 2-BASIC AND DILUTED NET LOSS PER SHARE

Basic and diluted net loss per share information for all periods is presented under the requirements of FAS 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. The following table presents the calculation of historical basic and diluted net loss per common share (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Net loss	$ (20,940)	$ (17,407)	$ (29,058)	$ (21,883)
Basic and diluted:				
Weighted-average shares of common stock outstanding	24,580	24,424	24,537	22,997
Less: weighted-average shares subject to repurchase	(71)	(104)	(102)	(127)
Shares used in computing basic and diluted net loss per common share	24,509	24,320	24,435	22,870
Basic and diluted net loss per common share	$ (0.85)	$ (0.72)	$ (1.19)	$ (0.96)

NOTE 3-STOCK COMPENSATION

During the years ended December 31, 2001 and 2000, in connection with the grant of stock options to employees and directors, Sangamo recorded deferred stock compensation totaling $0 and $6.8 million, respectively, representing the difference between the fair value of common stock on the date such options were granted and the exercise price. The Company also recorded deferred compensation of $685,000 during 2001 related to options issued to Gendaq employees. These amounts are included as a reduction of stockholders' equity and are being amortized over the vesting period of the individual options, generally four years, using an accelerated vesting method. The accelerated 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. The fair value of Sangamo common stock for purposes of this calculation was determined using the Black-Scholes valuation method which uses various business factors such as current interest rates, the volatility of our common stock and the historical average lives of stock options. Sangamo recorded stock compensation charges of $135,000 and $988,000 in the three-month periods ended September 30, 2002 and 2001, respectively, and $1.3 million and $2.5 million in the nine-month periods ended September 30, 2002 and 2001, respectively. This includes stock compensation credits of $37,000 and $53,000 in the three- and nine-month periods ended September 30, 2002, respectively, for Gendaq employees, resulting from an adjustment in compensation expense for terminated employees. This adjustment reflects the difference between the accelerated vesting method used to estimate compensation expense described above and the actual number of options that had vested as of the employee termination dates. At September 30, 2002, Sangamo had a total of $363,000 remaining to be amortized as follows: $131,000 in the remaining months of 2002, $230,000 in 2003, and $2,000 in 2004.

Sangamo also recognizes compensation expense related to options granted to consultants. Such options are valued based on the fair value of Sangamo's common stock when the options vest. Of the total stock compensation charges of $135,000 and $1.3 million during the three and nine month periods ended September 30, 2002, $9,000 and $375,000, respectively, were recorded due to the vesting of options to consultants.

NOTE 4-COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive loss includes certain changes in stockholders' equity that are excluded from net loss, which includes unrealized gains and losses on our available-for-sale securities and foreign currency translation adjustments. Comprehensive loss and its components for the three- and nine-month periods ended September 30, 2002 and 2001 are as follows (in thousands):

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net loss	(20,940)	(17,407)	(29,058)	(21,883)
Changes in unrealized gain (loss) on securities available-for-sale	21	91	(187)	236
Foreign currency translation adjustment	55	110	219	110
Gain on cumulative currency translation	(367)	—	(367)	—
Comprehensive loss	(21,231)	(17,206)	(29,393)	(21,537)

NOTE 5-MAJOR CUSTOMERS, PARTNERSHIPS AND STRATEGIC ALLIANCES

In January 2002, Sangamo signed a collaboration agreement with Medarex, Inc. to use ZFP TF technology to increase the expression of antibodies in mammalian cell lines. Under the terms of the agreement, Medarex will provide research funding to Sangamo over a two-year period, and will have a non-exclusive license to use the cell lines to manufacture antibody products. Sangamo will be entitled to milestone payments and royalties on any sales of such products. This collaboration is the second collaboration with Medarex, and brings the cumulative total of Sangamo's collaborations and Universal GeneTools™ agreements to approximately thirty. One customer accounted for 41% of year-to-date 2002 revenues recognized and 55% of the revenues recognized in the third quarter of 2002. No revenues were reported from this customer in 2001. During the three and nine months ended September 30, 2001, our largest customer represented 38% and 30% of revenues, respectively.

NOTE 6-ACQUISITION OF GENDAQ LIMITED

On July 4, 2001, Sangamo completed the acquisition of the outstanding shares of Gendaq Limited, a privately held biotechnology company located in the United Kingdom, in a purchase transaction. Gendaq is a research and development organization with a focus similar to that of Sangamo. A full description of the transaction and purchase allocation is contained in Sangamo's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission.

The following table represents unaudited pro forma results of operations as if the Gendaq acquisition had occurred at the beginning of the periods presented using the purchase method. Gendaq's financial information included in these pro forma results is derived from its three- and nine-months ended September 30, 2001 unaudited financial statements. Gendaq's financial information has

been adjusted, where appropriate, to present Gendaq's financial position and results of operations in accordance with accounting principles generally accepted in the United States.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial positions that would have occurred if the transaction had been consummated at the dates indicated, nor is it necessarily indicative of future operating results or financial position of the combined companies and should not be construed as representative of these amounts for any future dates or periods. Loss from operations and net loss excludes in-process research and development expense due to its non-recurring nature.

In thousands	Nine months ended September 30, 2001
Total revenues	$ 2,877
Loss from operations	$ (13,066)
Net loss	$ (10,464)
Basic and diluted net loss per share	$ (0.43)
Shares used to compute basic and diluted loss per share	24,294

NOTE 7-RESTRUCTURING

In February 2002, Sangamo made the decision to begin consolidation of certain Gendaq operations from the United Kingdom to its Richmond, California headquarters. The decision followed a post-acquisition review that was initiated in October 2001 where Sangamo evaluated technology, personnel, costs, and various alternatives to maximize the synergy between Sangamo and Gendaq. As this review was initiated after the acquisition was completed, and the final decision to consolidate was not made until February 2002, the decision had no impact on accounting for the acquisition , and Sangamo recorded no restructuring liability during 2001 . The final decision made in February 2002 relates to the rationalization of positions in the United Kingdom; at that time there were 15 employees at Gendaq. In the first quarter of 2002, Sangamo recorded restructuring expense of $190,000 related to this rationalization. The workforce reduction charge included retention bonuses, severance and fringe benefit charges for the employees. These employees primarily worked on research and development and administrative activities that will be continued by employees at the Company's headquarters. As of September 30, 2002, the facility in the United Kingdom was closed and all of the employees were terminated. Fixed assets at the U.K. facility were either disposed of or returned to the Richmond facility. Restructuring costs in the third quarter of this year include additional employee retention costs of $107,000 reflecting unexpectedly high participation in the employee retention program and the loss on sale of property and equipment of $74,000 during the quarter which resulted entirely from the disposition of U.K. assets.

NOTE 8-INTANGIBLE ASSETS

As of September 30, 2002, in accordance with FAS No. 142 (see Note 1), the Company performed the required two-step annual impairment test of goodwill. In the first step of the analysis, we compared the carrying value of the Company to its fair value and determined that goodwill was impaired. The fair value of the Company was determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax benefits and proceeds from disposition, incorporating current equity market conditions in the United States, industry-specific volatility factors, general equity market forecasts, the risk-free rate for the use of funds and the expected rate of inflation. In the second step of the analysis, we compared the carrying value of goodwill to its implied fair value as determined in step one. The results of the impairment test indicated that no goodwill was present and the Company recognized an impairment charge of $15.3 million, representing the entire capitalized balance of goodwill in the third quarter of 2002.

FAS 142 requires that if an impairment test of goodwill and any other asset is required at the same time, impairment tests of all other assets should be completed and reflected in the carrying value of the company prior to the completion of the goodwill impairment test. If it is determined that an asset it not recoverable, FAS 144 directs that an impairment loss should be recognized based on the excess of its carrying value over its fair value. Impairment tests of the Company's long-lived assets were conducted in accordance with FAS 144 by comparing the undiscounted cash flows to their carrying value to indicate whether such assets were deemed to be recoverable. Based upon the results of this review, which compared the carrying value of the patents to their fair value, we concluded that the carrying amount of patents, the entire amount of which related to the Gendaq acquisition, was not recoverable. The Company recognized an impairment loss of $2.8 million representing the entire capitalized balance of patents. Management assessed all other assets as being recoverable.

Goodwill after impairment totaled $0 at September 30, 2002 and prior to impairment totaled $15.3 million at December 31, 2001. Intangible assets subject to amortization consisted of patents as follows (in thousands):

	September 30, 2002				December 31, 2001		
	Gross Carrying Value	Accumulated Amortization	Impairment	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Patents	$ 3,359	$ 600	$ 2,759	$ —	$ 3,359	$ 239	$ 3,120

Aggregate amortization expense is as follows (in thousands):

For the year ended December 31, 2001 (actual)	$ 239
For the nine months ended September 30, 2002 (actual)	$ 360
For the remaining three months in the year ended December 31, 2002 (estimated)	0
For the year ended December 31, 2002 (estimated)	$ 360

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

Overview

Sangamo, incorporated in 1995, is the worldwide leader in the research, development and commercialization of engineered transcription factors for the regulation of gene expression. We are developing a proprietary technology platform based on the engineering of a naturally occurring class of transcription factors referred to as zinc finger DNA-binding proteins, or ZFPs. We believe that ZFP transcription factors, or ZFP TFs, represent a fundamentally enabling technology capable of activating or repressing a targeted gene that may be widely applicable to pharmaceutical discovery, development of human therapeutics, plant agriculture, industrial biotechnology and clinical diagnostics. We intend to commercialize our technology broadly over its many applications.

From our inception through September 30, 2002, our activities related primarily to establishing a research and development organization and developing relationships with our corporate collaborators. We have incurred net losses since inception and expect to incur losses in the future as we expand our research and development activities. To date, we have funded our operations primarily through the issuance of equity securities, borrowings, payments from corporate collaborators and strategic partners, and from government research grants. As of September 30, 2002, we had an accumulated deficit of $72.2 million.

Our revenues consist primarily of revenues from our corporate partners for ZFP TFs, contractual payments from strategic partners for research programs and research milestones, and government research grant funding.

Research and development expenses consist primarily of salaries and related personnel expenses, subcontracted research expenses, and technology license expenses. Research and development costs incurred in connection with company collaborator funded activities are expensed as incurred. We believe that continued investment in research and development is critical to attaining our strategic objectives. We expect these expenses will increase in the future as we continue to develop our ZFP TF 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.

Sangamo's quarterly operating results depend on a number of factors, including the delivery of products to corporate partners, the signing or expiration of contracts with corporate partners or government research grants, our success rate in achieving milestones with corporate partners, and the timing and willingness of collaborators to commercialize products which would result in royalties. As a consequence, quarterly operating results have fluctuated in the past and are likely to do so in the future.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Sangamo believes the following critical accounting policies have significant effect in the preparation of our consolidated financial statements.

Revenue Recognition. Accounting for revenue from funding of research activities, sale of ZFP TFs, payment of upfront fees, and achievement of contract–specific milestones involves management making assessments of business conditions and estimates regarding timing and cost of work associated with the revenue. Over time, these estimates may be adjusted based on then-current circumstances, resulting in adjustment to revenues.

Stock-Based Compensation. We utilize stock and stock options as one means of compensating employees, consultants, and others. Although this practice has no cash consequence, the accounting for stock-based compensation can, under certain circumstances, result in a significant charge to our financial statements. In the process of valuing stock-based compensation, management uses judgments and estimations that could materially affect the size of the charge.

Consolidation. Our consolidated financial statements include the results of Sangamo in the United States and our wholly owned subsidiary, Gendaq Limited, a United Kingdom company. Transactions and accounts between Sangamo and Gendaq have been

eliminated. We translate the assets and liabilities of Gendaq from local functional currency to U.S. dollars at the rate of exchange in effect at the end of the period. In prior periods, gains and losses from translation of Gendaq financial statements denominated in foreign currency, were included as a separate component of other comprehensive income (loss) in the statement of stockholders' equity. Due to the closure of the U.K. operations, the cumulative amount of translation gains which had been reported as a component of equity have been reclassed in their entirety in other income in profit and loss in this quarter. Going forward, Sangamo's translation gains and losses will be reported as other income. Translation gains and losses can vary over time based on economic conditions in both countries.

Intangible Asset Valuation and Impairment. Intangible assets, comprised of goodwill and patents, net of amortization, relating to the Gendaq acquisition were reviewed as of September 30, 2002. The Company reviewed the potential impairments and management concluded that an impairment loss should be recognized in the reporting quarter.

Concentration of Credit Risk. We maintain cash, cash equivalents and investments with major financial institutions. Financial institutions and financial instruments subject us to credit risk. We perform both periodic evaluation of our investments and evaluation of the credit standing of the financial institutions to limit the amount of credit exposure with any one institution or type of instrument. If there is an adverse change in credit risk with the financial institutions we use, or any other than temporary decline in market value, we may be required to record impairment charges in the future.

Acquisition of Gendaq

On July 4, 2001, we acquired Gendaq Limited, a privately held biotechnology company located in the United Kingdom, in an acquisition more fully described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed with the Securities and Exchange Commission. We issued 2,124,638 shares of common stock in exchange for 100% of the outstanding shares of Gendaq's common stock. We also reserved a total of 125,366 shares for issuance upon exercise of outstanding Gendaq stock options, which were assumed in the transaction. As part of the Gendaq acquisition, goodwill of $15.3 million and patents of $3.4 million were recorded. Gendaq is a research and development organization with a focus similar to ours.

In February 2002, we made the decision to begin consolidation of our Gendaq operations from the United Kingdom to our Richmond, California headquarters. The decision followed a post-acquisition review that was initiated in October 2001 where we evaluated technology, personnel, costs, and various alternatives to maximize the synergy between Sangamo and Gendaq. As this review was initiated after the acquisition was completed, and the final decision to consolidate was not made until February 2002, the decision had no impact on our accounting for the acquisition, and we recorded no restructuring liability during 2001. The final decision made in February 2002 relates to the rationalization of positions in the United Kingdom. The restructuring was complete as of September 30, 2002, including the closure of the U.K. facility. In the first quarter of 2002, we recorded restructuring expense of $190,000 related to this rationalization. The workforce reduction charge includes retention bonuses, severance and fringe benefit charges for 15 Gendaq employees. These employees primarily worked on research and development and

administrative activities that will be continued by employees at the Company's headquarters. As of September 30, 2002, all of the Gendaq employees have been terminated and restructuring charges of $371,000 were incurred for employee retention and loss on disposal of fixed assets. In this quarter, we have recognized a charge for the entire capitalized value of the goodwill and patents, net of amortization, associated with the acquisition. Due to the close of our U.K. facility, we have recognized the cumulative net gain on currency translation of $367,000 which had previously been reported as a component of equity.

RESULTS OF OPERATIONS

Three Months ended September 30, 2002 and 2001

Total revenues. Total revenues increased to $1.0 million in the three months ended September 30, 2002 from $739,000 in the corresponding period in 2001. The increase in revenues in the three months ended September 30, 2002 was principally due to an increased number of ZFP TFs delivered to our customers.

Research and development expenses . Total research and development expenses were $3.4 million for the three months ended September 30, 2002 as compared to $4.6 million in the corresponding period in 2001. Non-cash research and development expenses in the third quarter in 2002 included $47,000 in stock-based compensation expense, as compared to $716,000 during the same quarter in 2001. The change in stock-based compensation expense includes an adjustment in compensation expense for terminated employees resulting from the difference between the accelerated vesting method used to estimate compensation expense and the actual number of options that had vested as of employee termination dates. Excluding the non-cash charges, total third quarter 2002 research and development expenses were $3.3 million as compared to $3.9 million in the corresponding period in 2001. The decrease in the 2002 period was primarily due to decreased employee related expenses.

Our current research and development programs are focused on the advancement of our ZFP TF technology for several potential applications. Among these are ZFP-Therapeutics for cardiovascular disease and cancer, ZFP TF-engineered cell lines for drug screening, antibody development and to enhance the production yields of protein

pharmaceuticals, ZFP TFs for the discovery and validation of genes and drug targets, and ZFP TFs for applications in agricultural biotechnology.

General and administrative expenses. Total general and administrative expenses were $1.1 million in the three months ended September 30, 2002, as compared to $1.3 million during the corresponding period in 2001. Non-cash administrative expenses in the third quarter of 2002 were $88,000 in stock-based compensation expense compared to $272,000 in stock-based compensation expense during the same quarter of 2001. Excluding the non-cash charges, total third quarter 2002 general and administrative expenses were $966,000 as compared to $987,000 in 2001. The decrease was primarily attributable to decreased administrative labor costs, reduced travel expenses and lower professional fees and services.

Restructuring charge . A restructuring charge of $181,000 was recorded in the third quarter of 2002. This expense represents additional restructuring expenses that were not anticipated at the time of the initial restructuring decision in February 2002. Employee participation in the retention program was higher than estimated and therefore we incurred $107,000 in additional compensation expense which was recognized as part of the restructuring in this quarter. Additionally, restructuring charges this quarter included loss on disposal of fixed assets of $74,000.

Impairment charges . Intangible assets, consisting of goodwill and patents, were reviewed for impairment in accordance with FAS 142 and FAS 144 as of September 30, 2002 resulting in one-time charges for the entire balance of each asset. The non-cash charges of $15.3 million and $2.8 million for goodwill and patents, respectively, renders unnecessary future annual or event-driven intangible asset impairment testing. See note 8.

Interest income, net. Net interest income decreased to $295,000 in the three months ended September 30, 2002 from $783,000 in the corresponding period in 2001. The decrease in interest income resulted from lower average interest-bearing balances, as cash was used to fund operations, and from lower interest rates.

Other income . During the quarter ended September 30, 2002, we recognized a net gain of $367,000 on the cumulative currency translation related to reporting the consolidated financial information of our London facility which was substantially closed. The currency translation gain or loss was previously reported as a component of equity.

Nine months ended September 30, 2002 and 2001

Total revenues. Total revenues decreased to $1.9 million in the nine months ended September 30, 2002 from $2.7 million in the corresponding period in 2001. The decrease in revenues in the nine months ended September 30, 2002 was principally due to reduced revenues recognized from collaborative agreements. We anticipate continued revenues from existing and new collaboration agreements, and we have applied for and plan to continue to apply for government

research grants in the future to support the development of applications of our technology platform. Although we have negotiated corporate collaborations and received grants in the past, we cannot assure you that these efforts will be successful in the future.

Research and development expenses . Total research and development expenses were **$** 10.8 million for the nine months ended September 30, 2002 as compared to $10.8 million in the corresponding period in 2001. Non-cash research and development expenses in the nine months ended September 30, 2002 included $1.1 million in stock-based compensation expense, as compared to $1.7 million during the same period in 2001, and $360,000 of patent amortization expense, as compared to $120,000 in 2001. Excluding the non-cash charges, total 2002 research and development expenses were $9.4 million as compared to $9.0 million in the corresponding period in 2001. Comparatively, the 2002 period had higher personnel, external research, facilities and patent prosecution costs partially offset by lower lab supplies and services.

General and administrative expenses. Total general and administrative expenses were $3.2 million in the nine months ended September 30, 2002, as compared to $3.3 million during the corresponding period in 2001. Non-cash administrative expenses in the first nine months of 2002 were $276,000 in stock-based compensation expense compared to $818,000 in stock-based compensation expense during the same period of 2001. Excluding the non-cash charges, total year to date 2002 general and administrative expenses were $2.9 million as compared to $2.5 million in 2001. The increase was primarily attributable to increased professional fees relating to new accounting and corporate governance regulations, directors and officers insurance premiums and general business consulting fees incurred with new marketing initiatives.

Restructuring charge . Restructuring charges of $371,000 were recorded for the nine months ended September 30, 2002. These are the result of a restructuring decision reported in the first quarter of this year and the completion of the restructuring in the third quarter of the nine month reporting period. The restructuring charges for the nine months ended September 30, 2002 are comprised of compensation costs and loss on disposal of fixed assets. No restructuring expenses were recorded in 2001.

Impairment charges . Operating expenses for the nine months ended September 30, 2002 include impairment charges of $15.3 million and $2.8 million for goodwill and patents, respectively. There were no impairment charges recognized in the nine months ended September 30, 2001.

Interest income, net. Net interest income decreased to $1.1 million in the nine months ended September 30, 2002 from $2.6 million in the corresponding period in 2001. The decrease in interest income resulted from lower average interest-bearing balances, as cash was used to fund operations, and from lower interest rates.

Other income . Results for the nine months ended September 30, 2002, included a recognized net gain of $367,000 on cumulative foreign currency translation. The currency translation gain or loss was previously reported as a component of equity and no gain or loss on translation was recorded in the statement of operations for the nine months ended September 30, 2001.

Liquidity and Capital Resources

Since inception, Sangamo has financed operations primarily through sales of preferred and common stock, including our initial public offering in April 2000, payments from corporate collaborators and government research grants. As of September 30, 2002 we had cash, cash equivalents, and marketable securities (including interest receivable) totaling $52.5 million.

We used $9.7 million of cash for operating activities in the nine months ended September 30, 2002. This consisted of the net loss for the period of $29.1 million offset by non-cash stock compensation charges of $1.3 million, depreciation and amortization of $1.0 million and net changes in operating assets and liabilities. Investing activities provided $17.2 million in cash, as marketable securities matured and were not re-invested. This resulted in a reclassification from marketable securities to cash equivalents. There were minor capital equipment purchases during the period. Net cash used in financing activities

in the period was $13,000, consisting of $285,000 paid on an equipment note offset by $272,000 in proceeds from issuances of common stock.

We believe that our current cash resources are sufficient to finance our existing operations at least through 2004. Our cash requirements depend upon a number of factors, including our ability to increase our revenues from corporate partners and government grants, and the level and timing of our research and development expenditures. We expect to devote substantial resources to the development of our ZFP TF technology platform over the next several years. During that time and thereafter, we may need to raise substantial additional financing to fully exploit these opportunities. Such financing, however, may not be available on favorable terms, if at all.

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 report. If any of the following risks actually occurs, it would harm our business. 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 is new and if we are unable to use this technology in all our intended applications, it would limit our revenue opportunities.

Our technology involves a new approach to gene regulation. Although we have generated some ZFP TFs for some gene sequences, we have not created ZFP TFs for all gene sequences and we may not be able to create ZFP TFs for all gene sequences which could limit the usefulness of our technology. In addition, while we have demonstrated the function of engineered ZFP TFs in mammalian cell culture, yeast, insects, plants and animals, we have not done so in humans and many other organisms, and the failure to do so could restrict our ability to develop commercially viable products. If we and our Universal GeneTools™ collaborators or strategic partners are unable to extend our results to new gene sequences and experimental animal models, we may be unable to use our technology in all its intended applications. Also, delivery of ZFP TFs into cells in these and other environments is limited by a number of technical challenges, which we may be unable to surmount.

The utility of our ZFP TFs 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 other 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. Life sciences companies have developed or commercialized only a few products in any of these fields based on results from genomic research or the ability to regulate gene expression. We, our Universal GeneTools™ collaborators or our strategic partners may not be able to use our technology to identify and validate drug targets or other targets in order to develop commercial products.

If our technology does prove to be effective, it still may not lead to commercially viable products, which would reduce our revenue opportunities.

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 TFs, they may not be able to discover or develop commercially viable products or may determine to pursue products that do not use our technology. To date, no company has developed or

commercialized any therapeutic, diagnostic, agricultural or industrial biotechnology products based on our technology. The failure of our technology to provide safe, effective, useful or commercially viable approaches to the discovery and development of these products would significantly limit our business plan and future growth.

Our quarterly results will fluctuate.

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance. The variability of receipt of funds from corporate partners, as well as revenue recognition accounting rules, including the SEC staff accounting bulletin No. 101, will lead to quarterly fluctuations in our revenue. We generally operate with limited backlog in our Universal GeneTools™ business because our ZFP TFs are typically designed and engineered as orders are received. As a result, product sales in any quarter are generally dependent on orders received and shipped in that quarter. Universal GeneTools™ sales are also difficult to forecast because demand varies substantially from customer to customer and from period to period. We have recently begun shifting our commercial development focus from Universal GeneTools™ collaborations to higher value strategic partnerships with selected pharmaceutical and biotechnology companies. While strategic partnerships may provide us with committed quarterly research funding, the signing of such deals, and the subsequent initiation of revenue recognition, is also uncertain.

Due to all of the foregoing factors, it is likely that in one or more future quarters our results may fall below the expectations of public market analysts and investors. In such event, the trading price of our common stock would likely be adversely impacted.

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 revenues will be negatively impacted and our research initiatives may be slowed or halted.

Our Universal GeneTools™ collaborations permit us to introduce our technology to many companies by supplying them with a specified ZFP TF for a payment without licensing our technology. The collaboration agreements, however, are of limited scope. Under most of our current Universal GeneTools™ collaborations we receive a payment for supplying ZFP TFs 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, we may have reduced revenues and be forced to slow or halt research initiatives.

Initial evaluations of our engineered ZFP TFs delivered to our Universal GeneTools™ collaborators have produced mixed results.

Some of our Universal GeneTools™ collaborators were unable to substantiate the effects of our gene regulation technology. Generally, failures were re-evaluated at Sangamo using our current approach of examining the local chromatin structure for accessible sites and then targeting ZFP TFs to these areas. In most cases, additional ZFP TFs were designed and tested for these targets, and data was generated at Sangamo, or by our partners, confirming the ability to regulate these targets. Sangamo now performs this more extensive validation on all Universal GeneTools™ targets prior to use by external parties. However, there can be no assurances that we will be able to regulate all gene targets, and repression of a gene is generally more difficult than activation. Although we have been able to achieve repression in numerous genes, the degree of repression may not be sufficient to allow our collaborators to realize their objectives. For example, one of our collaborators has advised us that while some of our ZFP TFs delivered to them repressed certain target gene sequences to a significant extent, the repression was not complete enough to warrant proceeding to develop revised ZFP TFs for this purpose. However this collaborator has advised us that positive results were achieved using our ZFP TFs to regulate other target gene sequences. In addition, some of our collaborators have not yet generated the final results of their testing, and no assurances can be given that our collaborators will be able to achieve satisfactory results. These ZFP TFs, or ones engineered in the future, may not function as intended. If we are unsuccessful in engineering ZFP TFs that achieve positive results for our collaborators or strategic partners, this would significantly harm our business by reducing our revenues.

If our competitors develop, acquire or market technologies or products that are more effective than ours, this would reduce or eliminate our commercial opportunity.

Any products that we or our collaborators or strategic partners develop using our ZFP TF technology platform will participate in highly competitive markets. Even if we are able to generate ZFP TFs 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. ZFP TFs have broad application in the life sciences, and competes with a broad array of new technologies and approaches being applied to genetic research by many companies. Competitive technologies include those used to analyze the expression of genes in cells or tissues, determine gene function, discover new genes, analyze genetic information and regulate genes. Our competitors include biotechnology companies with:

- competing proprietary technology;
- substantially greater capital resources than ours;
- larger research and development staffs and facilities than ours;
- 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.

Our Universal GeneTools ™ collaborators are utilizing alternative technologies, which has reduced our Universal GeneTools ™ revenues and our strategy to develop these products.

Our collaborators are utilizing alternative technologies of our competitors which has reduced our Universal GeneTools™ revenues. As a consequence our collaborators may elect not to pursue experiments utilizing our technology. Therefore we have focused our resources on strategic partnering arrangements, which involve larger and more complex projects that take longer to consummate. As a result, the timing and amount of our revenues will be more difficult to determine and no assurance can be given that we will be successful in concluding these strategic partnering arrangements.

We may be unable to license gene transfer technologies that we may need to commercialize our ZFP TF technology.

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

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 73 employees as of September 30, 2002, 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 are 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 TFs 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 because these activities and projects 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 to achieve our goals.

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 generated from Universal GeneTools™ collaborators, strategic partners and government research grants. 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 and expand existing relationships;
- 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.

In addition to competitive pressures, problems frequently encountered with research, development and commercialization of new technologies and products will likely affect us. Most of our ZFP TF design and testing procedures take place on a relatively small scale. In the future, we intend to apply ZFP TF design and testing procedures at a scale involving hundreds of genes per year. We may not be able to successfully or efficiently achieve this scale. In addition, while we have had success in applying ZFP TF gene regulation in our laboratories, we may have difficulty in transferring our technology to our collaborators' and strategic partners' laboratories.

We anticipate continuing to incur operating losses for the next several years. If material losses continue for a significant period, we may be unable to continue our operations.

We have 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 ZFP TF technology since inception, which has and will continue to require significant research and development expenditures. To date, we have generated our revenues from Universal GeneTools™ collaboration agreements, strategic partnership agreements and government research grants. As of September 30, 2002, we had an accumulated deficit of approximately $72.2 million. Even if we succeed in increasing our current product and research revenue or developing additional commercial products, we expect to incur losses for the foreseeable future. These losses will increase as we expand our research and development activities. If the time required to generate significant product revenues and achieve profitability is longer than we currently anticipate, we may not be able to sustain our operations.

We may be unable to raise additional capital should it become necessary, which would harm our ability to develop our technology and products.

We have incurred significant operating losses and negative operating cash flows since inception and have not achieved profitability. We expect capital outlays and operating expenditures to increase over the next several years as we expand our infrastructure and research and development activities. While we believe our financial resources will be adequate to sustain our current operations for the next 24 months, if we are unable to generate adequate operating cash flows thereafter we may need to seek additional sources of capital through equity or debt financing or by entering into additional Universal

GeneTools ™ collaborations, strategic partnerships or licensing arrangements. In addition, if we decide to focus our efforts on proprietary human therapeutics, we may need to seek FDA approval of potential products, a process which would cost in excess of $100 million per product. We cannot be certain that we will be able to obtain financing on terms acceptable to us, or at all. If adequate funds are not available, our business and our ability to develop our technology and products would be harmed.

Our stock price has been volatile and may continue to be volatile, which could result in substantial losses for investors.

Volatility in the market for biotechnology stocks could cause you to incur substantial losses. An active public market for our common stock may not be sustained and the market price of our common stock may become 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;
- 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; and
- future sales of our common stock or other securities.

If conflicts arise between us and our collaborators, strategic partners, scientific advisors or directors, these parties may act in their self-interest, which may limit our ability to implement our strategies.

If conflicts arise between us and our corporate or academic collaborators, strategic partners or scientific advisors or directors, the other party may act in its self-interest which may limit our ability to implement our strategies. 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 cause us to limit the areas of research that we 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.

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

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, which could slow our growth and decrease our revenues.

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. Our technology is broad based and 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, therefore we must enter into additional strategic partnerships to develop and commercialize products.

We may require significant time to secure additional collaborations or strategic partners because we need to effectively market the benefits of our technology to these future collaborators and strategic partners, which uses the time and efforts of research and development personnel and our management. Further, each collaboration or strategic partnering arrangement will involve the negotiation of terms that may be unique to each collaborator or strategic partner. These business development efforts may not result in a collaboration or strategic partnership.

If we do not enter into additional strategic partnering agreements, we will experience reduced revenues and may not develop or commercialize our products. 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 TFs for specific genes. If any strategic partner fails to conduct the collaborative activities successfully and in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates or research programs could be delayed or terminated.

Our existing strategic partnering agreements are, and we would expect any future arrangement to be, based on the achievement of milestones. Under the strategic partnering agreements, we expect to 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, our current Universal GeneTools™ collaboration agreements only pay us to supply ZFP TFs for the collaborator's independent use, rather than for future results of the collaborator's efforts. If we or any strategic partner fails to meet specific milestones, then the strategic partnership can be terminated which could decrease our revenues.

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.

Conducting proprietary research programs may not generate corresponding revenue and may create conflicts with our collaborators or strategic partners. The implementation of this strategy will involve substantially greater business risks 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, and third parties have filed patent applications that are similar to ours, we cannot ensure the proprietary protection of our technologies and products.

Our commercial success will depend in part on obtaining patent protection of our technology and successfully defending 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. Our current licenses, and our future licenses will, contain

performance obligations. If we fail to meet those obligations, the licenses could be terminated. If we are unable to continue to license these technologies on commercially reasonable terms, or at all, we may be forced to delay or terminate our product development and research activities.

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

We are unable to exercise the same degree of control over intellectual property that we license from third parties as we exercise over our internally developed intellectual property. We 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 and other DNA-binding proteins, and that these groups and companies have filed patent applications.

Several patents have been issued, although Sangamo has no current plans to use the associated inventions. If these or other patents issue, it is possible that the holder of any patent or patents granted on these applications may bring an infringement action against our collaborators, strategic 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, it is uncertain 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 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 we may not be able to receive patent protection or protect our proprietary information.

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 FDA must approve any therapeutic and some diagnostic products based on ZFP TF technology before they can be marketed in the United States. The process for receiving regulatory approval is long and uncertain, and even if we had a potential product, this product may not 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, we may encounter delays or rejections based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. 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.

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.

Regulatory approval, if granted, may be limited to specific uses or geographic areas which could limit our ability to generate revenues.

Regulatory approval may limit the indicated use for which we can market a product. Further, once regulatory approval for a product is obtained, it and its manufacturer are subject to continual review. Discovery of previously unknown problems with a product or manufacturer may result in restrictions on the product, manufacturer and manufacturing

facility, including withdrawal of the product from the market. In Japan and Europe, regulatory agencies also set or approve prices.

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

Genetically engineered products are currently subject to public debate and heightened regulatory scrutiny, either of which could prevent or delay production of agricultural 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 , 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. Governmental authorities could also, for social or other purposes, limit the use of genetically engineered products created with our gene regulation technology.

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 the United States and 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. Similar adverse public reaction in the United States on genetic research and its resulting products could result in greater domestic regulation and could decrease the demand for our technology and products.

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 , 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 prevent a potential acquiror from buying your stock.

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.

In addition, our certificate of incorporation:

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

Insiders have substantial control over Sangamo and could delay or prevent a change in corporate control.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and investments. The investments are available for sale. We do not use derivative financial instruments in our investment portfolio. We attempt to ensure the safety and preservation of our invested funds by limiting default and market risks. Our cash and investments policy emphasizes liquidity and preservation of principal over other portfolio considerations. We select investments that maximize interest income to the extent possible within these guidelines. We satisfy liquidity requirements by investing excess cash in securities with different maturities to match projected cash needs and limit concentration of credit risk by diversifying our investments among a variety of high credit-quality issuers. We mitigate default risk by investing in only investment-grade securities. The portfolio includes marketable securities with active secondary or resale markets to ensure portfolio liquidity. All investments have a fixed interest rate and are carried at market value, which approximates cost. If market interest rates were to increase by 1 percent from September 30, 2002, the fair value of our portfolio would decline by less than $100,000. The modeling technique used measures the change in fair values arising from an immediate hypothetical shift in market interest rates and assumes ending fair values include principal plus accrued interest.

The following table represents the fair value balance of our cash, cash equivalents and marketable securities by year of expected maturity that are subject to interest rate risk as of September 30, 2002 (in thousands, except for interest rates):

	2002	2003	2004
Cash and cash equivalents	$ **15,348**	**$ —**	**$ —**
Average interest rates	**1.76%**	**—%**	**—%**
Marketable securities	**$ 3,367**	**$ 32,173**	**$ 1,047**
Average interest rates	**2.54%**	**2.28%**	**2.47%**

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation, as of a date within 90 days of the filing of this Form 10-Q, the Company's Chief Executive Officer and Chief Accounting Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The effective date of our first Registration Statement on Form S-1 filed under the Securities Act of 1933, as amended, relating to the initial public offering of our common stock was April 6, 2000. On the same date, we signed an underwriting agreement with Lehman Brothers, Chase H&Q, ING Barings LLC, and William Blair & Co., the managing underwriters for the initial public offering and the representatives of the underwriters named in the underwriting agreement, for the initial public offering of 3,500,000 shares of our common stock at an initial public offering price of $15 per share. The offering commenced on April 6, 2000 and was closed on April 11, 2000. The initial public offering resulted in gross proceeds of $52.5 million. We received net proceeds of $48.8 million after deducting underwriting discounts of $3.7 million. Expenses related to the offering totaled approximately $1.4 million. None of Sangamo's net proceeds of the Offering were paid directly or indirectly to any director, officer, general partner of

Sangamo or their associates, persons owning 10% or more of any class of equity securities of Sangamo, or an affiliate.

From the time of receipt through September 30, 2002, Sangamo has used the net proceeds from its initial public offering of common stock to invest in short-term and long-term, interest bearing, investment-grade securities and has used its existing cash balances to fund the general operations. The proceeds will be used for general corporate purposes, including working capital and product development. A portion of the net proceeds will also be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. Sangamo has no agreements or commitments with respect to any such acquisition or investments and is not currently engaged in any material negotiations with respect to any such transaction.

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

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Number	
99.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1530, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Accounting Officer Pursuant to 18 U.S.C. Section 1530, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports: No reports on Form 8-K were filed during the quarter ended September 30, 2002.

SIGNATURES

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

SANGAMO BIOSCIENCES, INC. Dated: November 14, 2002

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

/s/ Janet L. Nibel
Janet L. Nibel
Vice President Finance and Administration
(Principal Accounting Officer)

I, Edward O. Lanphier II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sangamo BioSciences, Inc;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

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

I, Janet L. Nibel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sangamo BioSciences, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002.

/s/ Janet L. Nibel
Janet L. Nibel
Vice President Finance and Administration

Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Edward O. Lanphier II, Chief Executive Officer of Sangamo BioSciences, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report of the Company on Form 10-Q for the quarterly period ending September 30, 2002, as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 14, 2002

/s/ Edward O. Lanphier II

Edward O. Lanphier II
Chief Executive Officer

Exhibit 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Janet L. Nibel, Vice President of Finance and Administration of Sangamo BioSciences, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report of the Company on Form 10-Q for the quarterly period ending September 30, 2002, as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 14, 2002

/s/ Janet L. Nibel

Janet L. Nibel
Vice President Finance and Administration

End of Filing

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