

SANGAMO BIOSCIENCES INC  
Form 10-Q  
November 03, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(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, 2010

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 registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**68-0359556**  
(IRS Employer  
Identification No.)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 29, 2010, 45,218,566 shares of the issuer's common stock, par value \$0.01 per share, were outstanding.

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**CERTIFICATIONS**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some statements contained in this report are forward-looking with respect to our operations, research, development and commercialization activities, clinical trials, operating results and financial condition. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

our strategy;

product development and commercialization of our products;

clinical trials;

partnering;

revenues from existing and new collaborations;

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our research and development and other expenses;

sufficiency of our cash resources;

our operational and legal risks; and

our plans, objectives, expectations and intentions and any other statements that are not historical facts.

In some cases, you can identify forward-looking statements by terms such as: anticipates, believes, continues, could, estimates, expects, may, plans, seeks, should and will. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the headings Risk Factors and Management's Discussion and Analysis of Financial Results of Operations in this Form 10-Q. Sangamo undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances arising after the date of this report. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q.

ZFP Therapeutic<sup>®</sup> is a registered trademark of Sangamo BioSciences, Inc.

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SANGAMO BIOSCIENCES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	September 30, 2010 (unaudited)	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,055	\$ 21,159
Marketable securities	53,687	63,781
Interest receivable	384	341
Accounts receivable	481	69
Prepaid expenses	483	423
Total current assets	64,090	85,773
Property and equipment, net	1,787	1,654
Other assets	12	12
Total assets	\$ 65,889	\$ 87,439
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,653	\$ 2,458
Accrued compensation and employee benefits	1,451	1,385
Deferred revenues	146	11,814
Total current liabilities	4,250	15,657
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 80,000,000 shares authorized, 45,205,879 and 44,994,409 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	452	450
Additional paid-in capital	270,358	263,955
Accumulated deficit	(209,174)	(192,641)
Accumulated other comprehensive income	3	18
Total stockholders' equity	61,639	71,782
Total liabilities and stockholders' equity	\$ 65,889	\$ 87,439

*See accompanying notes.*



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## 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,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Collaboration agreements	\$ 2,234	\$ 4,012	\$ 14,643	\$ 11,382
Research grants	709	51	1,473	564
Total revenues	2,943	4,063	16,116	11,946
<b>Operating expenses:</b>				
Research and development	8,769	6,166	23,281	20,299
General and administrative	2,889	2,701	9,432	8,634
Total operating expenses	11,658	8,867	32,713	28,933
Loss from operations	(8,715)	(4,804)	(16,597)	(16,987)
Interest and other income (loss), net	20	(47)	64	793
Net loss	\$ (8,695)	\$ (4,851)	\$ (16,533)	\$ (16,194)
Basic and diluted net loss per share	\$ (0.19)	\$ (0.12)	\$ (0.37)	\$ (0.39)
Shares used in computing basic and diluted net loss per share	45,201	41,184	45,131	41,126

*See accompanying notes.*

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## SANGAMO BIOSCIENCES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2010	2009
<b>Operating activities:</b>		
Net loss	\$ (16,533)	\$ (16,194)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	501	439
Amortization of premium / discount on marketable securities	859	43
Stock-based compensation	5,732	4,748
Foreign currency remeasurement (gains) / losses		(302)
Changes in operating assets and liabilities:		
Interest receivable	(43)	21
Accounts receivable	(412)	(890)
Prepaid expenses and other assets	(60)	(105)
Accounts payable and accrued liabilities	195	(1,565)
Accrued compensation and employee benefits	66	1,005
Deferred revenues	(11,668)	(4,961)
Net cash used in operating activities	(21,363)	(17,761)
<b>Investing activities:</b>		
Purchases of investments	(80,528)	(35,175)
Maturities of investments	89,748	46,750
Purchases of property and equipment	(634)	(139)
Net cash provided by investing activities	8,586	11,436
<b>Financing activities:</b>		
Proceeds from issuance of common stock	673	713
Net cash provided by financing activities	673	713
Effect of exchange rate changes on cash		302
Net decrease in cash and cash equivalents	(12,104)	(5,310)
Cash and cash equivalents, beginning of period	21,159	19,409
Cash and cash equivalents, end of period	\$ 9,055	\$ 14,099

*See accompanying notes.*



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**SANGAMO BIOSCIENCES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2010**

**(Unaudited)**

**NOTE 1 - BASIS OF PRESENTATION**

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of Sangamo Biosciences, Inc. ( Sangamo or the Company ) have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The condensed consolidated balance sheet data at December 31, 2009 was derived from the audited consolidated financial statements included in Sangamo s Form 10-K for the year ended December 31, 2009, as filed with the SEC. These financial statements should be read in conjunction with the financial statements and footnotes thereto for the year ended December 31, 2009, included in Sangamo s Form 10-K, as filed with the SEC.

*Use of Estimates and Classifications*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. On an ongoing basis, management evaluates its estimates, including critical accounting policies or estimates related to revenue recognition, clinical trial accruals, and stock-based compensation. We base our estimates on historical experience and on various other market specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

*Subsequent Events*

We have evaluated subsequent events through the time of filing this Quarterly Report on Form 10-Q. Detail of subsequent events can be found in Note 8 to these unaudited consolidated financial statements.

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENT**

*Investments*

Sangamo classifies its marketable securities as available-for-sale and records its investments at fair value. Available for sale securities are carried at estimated fair value based on quoted market prices, with the unrealized holding gains and losses included in accumulated other comprehensive income.

The Company s investments are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than the Company s cost basis, the financial condition and near-term prospects of the investee, and the Company s intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market value.

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The table below summarizes the Company's available-for-sale securities (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
<b>September 30, 2010</b>				
Cash equivalents:				
Money market funds	\$ 8,751			\$ 8,751
Total	8,751			8,751
Marketable securities:				
U.S. government sponsored entity debt securities	51,871	2		51,873
U.S. treasury debt securities	1,813	1		