

SANGAMO BIOSCIENCES INC

Form 424B5

March 19, 2014

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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-194126

**The information in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission and is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to completion, dated march 19, 2014**

**Prospectus Supplement**

**(To Prospectus dated February 25, 2014)**

***\$100,000,000***

## **Sangamo BioSciences, Inc.**

### ***Common stock***

We are offering \$100,000,000 of shares of our common stock. Shares of our common stock trade on The NASDAQ Global Select Market under the symbol SGMO. On March 18, 2014 the last reported sale price of our common stock was \$23.80 per share.

**Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-7 of this prospectus supplement.**

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

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$	
Underwriting Discounts and Commission	\$	
Proceeds to Sangamo BioSciences, Inc. (before expenses)	\$	

We estimate the total expenses of this offering, excluding the underwriting discounts and commissions, will be approximately \$205,000. The underwriters may also purchase up to an additional \$15,000,000 of shares of our common stock from us at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement.

We anticipate that delivery of the shares of our common stock will be made through the facilities of the Depository Trust Company on or about March , 2014, subject to customary closing conditions.

*Sole book-running manager*

**J.P. Morgan**

**, 2014**

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## **About this prospectus supplement**

This prospectus supplement and the accompanying prospectus dated February 25, 2014 is part of a shelf registration statement on Form S-3 we filed on February 25, 2014 with the Securities and Exchange Commission that became effective on the same date. By using a shelf registration statement, we may sell shares of common stock, preferred stock, debt securities, warrants to purchase common stock and/or warrants to purchase preferred stock, as described in the accompanying prospectus, from time to time in one or more offerings.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

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

You should rely only on the information contained in this prospectus supplement or the accompanying prospectus, or incorporated by reference herein. We have not authorized, and the underwriters have not authorized, anyone to provide you with information that is different. The information contained in this prospectus supplement or the accompanying prospectus, or incorporated by reference herein, is accurate only as of the respective dates thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the sections entitled **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference** in this prospectus supplement and in the accompanying prospectus.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Unless otherwise stated, all references in this prospectus supplement and the accompanying prospectus to we, us, our, Sangamo, the Company and similar designations refer to Sangamo BioSciences, Inc. and its subsidiaries on a consolidated basis.

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# Summary

*This summary highlights certain information about us, this offering and selected information contained elsewhere in or incorporated by reference in this prospectus supplement. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. For a more complete understanding of our company and this offering, we encourage you to read and consider carefully the more detailed information in this prospectus supplement and the accompanying prospectus, including the information referred to under the heading "Risk Factors" in this prospectus supplement beginning on page S-6, the information incorporated by reference in this prospectus supplement and the accompanying prospectus, and the information included in any free writing prospectus that we have authorized for use in connection with this offering.*

## **Our business**

### *Overview*

We are a clinical stage biopharmaceutical company focused on the research, development and commercialization of engineered DNA-binding proteins for the development of novel therapeutic strategies for unmet medical needs. Our current mission is to develop ZFP Therapeutics®, or human therapeutics based on our proprietary zinc finger DNA-binding protein (ZFP) technology, through early stage clinical testing, strategically partner with biopharmaceutical companies at points of value inflection and have the partner execute late-stage clinical trials and commercial development. In the long-term, our goal is to integrate marketing and development operations and to capture the value of late-stage and commercial ZFP Therapeutic products for ourselves.

We, and our licensed partners, are the leaders in the research, development and commercialization of ZFPs, a naturally occurring class of proteins. We have used our knowledge and expertise to develop a proprietary technology platform. ZFPs can be engineered to make ZFP nucleases (ZFNs), proteins that can be used to modify DNA sequences in a variety of ways and ZFP transcription factors (ZFP TFs), proteins that can be used to turn genes on or off. As ZFPs act at the DNA level, they have broad potential applications in several areas including human therapeutics, plant agriculture and research reagents, as well as production of transgenic animals and cell-line engineering.

The main focus for our company is the development of novel human therapeutics and we are building a pipeline of ZFP Therapeutics. Our lead ZFP Therapeutic, SB-728-T, a ZFN-modified autologous T-cell product for the treatment of HIV/AIDS, is the first therapeutic application of our ZFN technology and is being evaluated in ongoing clinical trials, a Phase 2 study (SB-728-902, Cohort 5) and a Phase 1/2 study (SB-728-1101) in HIV-infected subjects. On March 6, 2014, we presented clinical data from these ongoing trials at the Conference on Retroviruses and Opportunistic Infections (CROI 2014) and expect to present additional data from this program at appropriate scientific and medical meetings in 2014.

On January 8, 2014, we established a collaborative partnership with Biogen Idec Inc. (Biogen) to research, develop and commercialize our preclinical ZFP Therapeutic development program in hemoglobinopathies, targeting sickle cell disease (SCD) and beta-thalassemia. We also have a collaborative partnership with Shire International GmbH, formerly Shire AG (Shire), to research, develop and commercialize certain of our preclinical ZFP Therapeutic development programs, including programs in hemophilia, Huntington's disease (HD) and other monogenic diseases. We have proprietary preclinical programs in several lysosomal storage disorders (LSDs). In addition, we have research stage programs in other monogenic diseases, including certain immunodeficiencies, as well as central nervous system (CNS) disorders and cancer immunotherapy.

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We believe the potential commercial applications of ZFPs are broad-based and we have entered into strategic partnerships in fields outside human therapeutics to facilitate the sale or licensing of our ZFP platform as follows:

We have a license agreement with the research reagent company Sigma-Aldrich Corporation (Sigma). Sigma has the exclusive rights to develop and market high value laboratory research reagents based upon our ZFP technology as well as ZFP-modified cell lines for commercial production of protein pharmaceuticals and ZFP-engineered transgenic animals. Sigma is marketing ZFN-derived gene editing tools under the trademark CompoZr<sup>®</sup>.

We have a license agreement with Dow AgroSciences, LLC (DAS), a wholly owned subsidiary of Dow Chemical Corporation. Under the agreement, we have provided DAS with access to our ZFP technology and the exclusive rights to use it to modify the genomes or alter protein expression of plant cells, plants, or plant cell cultures. DAS markets our ZFN technology under the trademark EXZACT<sup>™</sup> Precision Technology. We have retained rights to use plants or plant-derived products to deliver ZFP TFs or ZFNs into human or animals for diagnostic, therapeutic or prophylactic purposes.

In October 2013, we acquired Ceregene, Inc. (Ceregene), a privately held biotechnology company focused on the development of adeno-associated virus (AAV) gene therapies. The acquired assets include all of Ceregene's therapeutic programs, including CERE-110, an AAV expressing nerve growth factor (NGF) for the treatment of Alzheimer's disease (AD) that is currently in a Phase 2 clinical trial, certain intellectual property rights relating to the manufacturing of AAV, certain toxicology data and safety and efficacy data from Ceregene's human clinical trials. We believe that these additional assets provide valuable reference materials for us in the preparation and filing of Investigative New Drug (IND) applications for our *in vivo* ZFP Therapeutics, particularly those that target the brain.

We have a substantial intellectual property position in the design, selection, composition and use of engineered ZFPs to support our commercial activities. As of February 7, 2014, we either owned outright or have exclusively licensed the commercial rights to approximately 462 patents issued in the United States and foreign national jurisdictions, and we have 536 patent applications owned and licensed pending worldwide, including patents acquired from Ceregene. We continue to license and file new patent applications that strengthen our core and accessory patent portfolio. We believe that our intellectual property position is a critical element in our ability to research, develop and commercialize products and services based on ZFP technology across our chosen applications.

## **Recent developments**

On March 5, 2014, the first clinical study of our proprietary ZFN-based genome editing technology in humans was published in the *New England Journal of Medicine*. The Phase I study of our autologous ZFN-modified T-cell product candidate, SB-728-T, which was designed to provide functional control of HIV, was carried out in HIV-positive subjects. The data demonstrate that the T-cell genome can be safely engineered to mimic a naturally occurring mutation that provides resistance to HIV infection. ZFN-modified T-cells are well tolerated when reinfused and treatment was associated with decreased viral loads (VLs) in several subjects who were taken off their antiretroviral therapy (ART) including one whose VL became undetectable. The study also demonstrated that the modified cells readily engraft and are able to traffic throughout the body to key sites of HIV persistence such as the gut-associated lymphoid tissue. In addition, the modified cells persist and appear to have a selective advantage, showing a preferential survival compared to unmodified cells when exposed to HIV during a planned interruption of ART. SB-728-T treatment was also associated with an increase in the levels of total circulating CD4 T-cells above the baseline.

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On March 6, 2014, we presented clinical data from a Phase 1/2 clinical trial, SB-728-1101, for the treatment of HIV/AIDS at CROI 2014. The study was designed to evaluate the effect of increasing doses of Cytoxan preconditioning as a method to expand the numbers of circulating T-cells, including cells that were ZFN-modified at the CCR5 gene (SB-728-T). The data demonstrate that increasing doses of Cytoxan preconditioning prior to a single infusion of SB-728-T led to a dose-dependent increase in both engraftment of CCR5-modified cells and notable increases in total CD4 cells above the baseline. In addition, researchers observed the greatest decrease in VL (a drop of 1.9 logs from peak) during a treatment interruption (TI) from ART at the highest Cytoxan dose (1gm/m<sup>2</sup>). Two of the three subjects treated at this dose remain on TI with detectable but stable VLs of several weeks duration. In addition, Sangamo updated the status of a subject from its SB-728-902, Cohort 5 study, who has demonstrated ongoing control of VL for 31 weeks without ART, and who remains on TI.

We also announced that we have developed a new proprietary manufacturing process to use mRNA delivery of the ZFNs used in CCR5 genome modification of the T-cells rather than adenovirus. This modification to the protocol is expected to enable retreatment of subjects, if necessary, and offers the potential for higher rates of ZFN modification of the CCR5 gene in T-cells. We have also announced the expansion of the SB-728-1101 study of Cytoxan preconditioning to six additional subjects to determine the optimal Cytoxan dose, and a plan to enroll and treat an additional 12 subjects at this optimal dose by the end of 2014.

## **Risk factors**

An investment in our common stock is subject to a number of risks and uncertainties. Before investing in our common stock, you should carefully consider the following, as well as the more detailed discussion of risk factors in the section entitled "Risk Factors" and other information included in this prospectus supplement:

ZFP Therapeutics have undergone limited testing in humans and our ZFP Therapeutics may fail safety studies in clinical trials;

Our progress in early Phase 1 and Phase 2 trials may not be indicative of long-term efficacy in late stage clinical trials;

Our potential therapeutic products are subject to a lengthy and uncertain regulatory process, and we may encounter unanticipated toxicity or adverse events or fail to demonstrate efficacy of our product candidates;

While we have stated that we intend to file IND applications for several ZFP Therapeutic programs over the next two years, we may encounter difficulties that may delay, suspend or scale back these efforts;

We have incurred significant operating losses since inception and anticipate that we will incur continued losses for the foreseeable future;

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

Our collaborators and strategic partners may control aspects of our clinical trials, which could result in delays and other obstacles in the commercialization of our proposed products.

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**Company and other information**

Our principal offices are located at 501 Canal Boulevard, Richmond, California, 94804, and our telephone number there is (510) 970-6000. Our website address is [www.sangamo.com](http://www.sangamo.com). We do not incorporate the information on or accessible through our website into this prospectus supplement or the accompanying prospectus, and you should not consider any information on, or that can be accessed through, our website as part of this prospectus supplement or the accompanying prospectus. For further information regarding us and our financial information, you should refer to our recent filings with the Securities and Exchange Commission. See [Where You Can Find More Information](#) and [Incorporation of Certain Documents by Reference](#).

ZFP Therapeutics<sup>®</sup> is a registered trademark of Sangamo BioSciences, Inc. This prospectus supplement and the accompanying prospectus and information incorporated by reference into this prospectus supplement and the accompanying prospectus also contain trademarks and trade names that are the property of their respective owners.



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## **Risk factors**

*An investment in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should consider carefully the risks described below and the risk factors incorporated by reference herein from our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2013, together with other information in this prospectus supplement, the accompanying prospectus, the information and documents incorporated by reference, and in any free writing prospectus that we have authorized for use in connection with this offering. If any of these risks actually occur, our business, financial condition, results of operations or cash flow could be seriously harmed. This could cause the trading price of our common stock to decline, resulting in a loss of all or 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 this offering**

*Management will have broad discretion as to the use of the net proceeds from this offering, and we may not use the proceeds effectively.*

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of our product candidates and cause the price of our common stock to decline.

*You will experience immediate and substantial dilution in the net tangible book value per share of the common stock you purchase.*

Since the price per share of our common stock being offered is substantially higher than the net tangible book value per share of our common stock, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. Based on the assumed public offering of 4,201,680 shares at the assumed price of \$23.80 per share (the closing price on The NASDAQ Global Select Market on March 18, 2014), and without deducting underwriting discounts and commissions but after deducting estimated offering expenses payable by us, and based on a net tangible book value of our common stock of \$1.90 per share as of December 31, 2013, if you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of \$20.52 per share in the net tangible book value of common stock. See the section entitled "Dilution" for a more detailed discussion of the dilution you will incur if you purchase common stock in this offering.

*Future transactions where we raise capital may negatively affect our stock price.*

We are currently a "Well-Known Seasoned Issuer" and may file automatic shelf registration statements at any time with the SEC. In addition, we currently have the ability to offer and sell additional equity, debt securities and warrants to purchase such securities, either individually or in units, under an effective automatic shelf registration statement. Sales of substantial amounts of shares of our common stock or other securities under our shelf registration statements could lower the market price of our common stock and impair our ability to raise capital through the sale of equity securities. In the future, we may issue additional options, warrants or other derivative securities convertible into our common stock.

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## Special note regarding forward-looking statements

Some statements contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference into this prospectus supplement and the accompanying prospectus 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 that 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, acquisition and other strategic transactions;
- revenues from existing and new collaborations;
- 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 heading **Risk Factors** in this prospectus supplement, the accompanying prospectus and certain documents incorporated by reference herein. Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement. We undertake no obligation to publicly release any revisions or updates to forward-looking statements to reflect events or circumstances arising after the date of this prospectus supplement and the accompanying prospectus.

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## **Use of proceeds**

We estimate that the net proceeds to us from this offering will be approximately \$93.8 million, or approximately \$107.9 million if the underwriters exercise in full their option to purchase additional shares of common stock, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including support for our continuing research and development of our ZFP Therapeutic product candidates and research programs (including our research stage programs for monogenic diseases and cancer immunotherapy), manufacturing capabilities for clinical and commercial production, clinical trials, business development activities and, if opportunities arise, acquisitions of businesses, products, technologies or licenses that are complementary to our business.

The amounts and timing of the expenditures may vary significantly, depending upon numerous factors, including our proprietary research and therapeutic programs and our clinical trials as well as the amount of cash used in our operations. Accordingly, our management will have broad discretion in the application of the net proceeds and investors will be relying upon the judgment of our management regarding the application of these proceeds. We reserve the right to change the use of these proceeds.

Pending these uses, we intend to invest the proceeds of this offering in short-term, investment grade interest -bearing securities.

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## **Dividend policy**

We have not paid dividends on our common stock, and currently do not plan to pay any cash dividends in the foreseeable future.

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**Table of Contents****Dilution**

If you purchase our common stock in this offering, your interest will be diluted to the extent of the difference between the offering price per share and the net tangible book value per share of our common stock after this offering. Our net tangible book value as of December 31, 2013 was approximately \$118.3 million, or \$1.90 per share. Net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the number of shares of our common stock outstanding as of December 31, 2013. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately after this offering.

After taking into account the assumed sale by us of 4,201,680 shares of our common stock in this offering at the assumed public offering price of \$23.80 per share, the closing price on The NASDAQ Global Select Market on March 18, 2014, without any deduction for underwriting discounts and commissions but after deducting estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2013 would have been approximately \$218.0 million, or \$3.28 per share. This would represent an immediate increase in net tangible book value of \$1.38 per share to existing stockholders and in immediate dilution of \$20.52 per share to investors purchasing our common stock in this offering at the assumed public offering price. The following table illustrates this dilution on a per share basis:

Public offering price per share	\$ 23.80
Net tangible book value per share as of December 31, 2013	\$ 1.90
Increase in net tangible book value per share after this offering	\$ 1.38
Net tangible book value per share after this offering	\$ 3.28
Dilution per share to new investors	\$ 20.52

Each \$1.00 increase (decrease) in the assumed public offering price of \$23.80 per share would increase (decrease) our as adjusted net tangible book value after this offering by approximately \$4.2 million, or approximately \$0.06 per share, and the dilution per share to new investors by approximately \$0.94 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same and without deducting the estimated underwriting discounts and commissions, but after deducting estimated offering expenses payable by us.

We may also increase or decrease the number of shares we are offering. An increase of 500,000 shares in the number of shares offered by us would increase our as adjusted net tangible book value after this offering by approximately \$11.9 million, or \$0.15 per share, and the dilution per share to new investors would be approximately \$20.37 per share, assuming that the assumed public offering price remains the same, and without deducting the estimated underwriting discounts and commissions, but after deducting estimated offering expenses payable by us.

Similarly, a decrease 500,000 shares in the number of shares offered by us would decrease our as adjusted net tangible book value after this offering by approximately \$11.9 million, or \$0.16 per share, and the dilution per share to new investors would be approximately \$20.67 per share, assuming that the assumed public offering price remains the same, without deducting the estimated underwriting discounts and commissions, but after deducting estimated offering expenses payable by us.

The information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

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The number of shares of common stock to be outstanding immediately after this offering as shown above assumes that all of the shares offered hereby are sold and is based on 62,243,892 shares of common stock outstanding as of December 31, 2013. This number of shares excludes:

8,405,864 shares of common stock issuable upon exercise of options outstanding as of December 31, 2013, of which 5,800,931 shares are exercisable under our 2013 Stock Incentive Plan (2013 Plan), at a weighted average exercise price of \$6.84 per share; and

1,063,657 shares of common stock issuable upon settlement of outstanding restricted stock units; and

In addition, the number of shares of common stock to be outstanding does not take into account an aggregate of 730,000 shares of common stock reserved for future issuances under the 2013 Plan and our employee stock purchase plan as of March 18, 2014.

This discussion of dilution, and the table quantifying it, assumes no exercise of any outstanding options to purchase shares of our common stock as of December 31, 2013 and no exercise of the option by the underwriters to purchase \$15,000,000 of additional shares of common stock. The exercise of outstanding options to purchase shares of our common stock having an exercise price less than the public offering price would increase the dilutive effect to new investors.

If the underwriters exercise in full their option to purchase \$15,000,000 of additional shares of common stock at the assumed public offering price of \$23.80 per share, without any deduction for underwriting discounts and commissions but after deducting estimated offering expenses payable by us, the pro forma as adjusted net tangible book value after this offering would be approximately \$3.47 per share, representing an increase in net tangible book value of approximately \$1.57 per share to existing stockholders and immediate dilution in net tangible book value of approximately \$20.33 per share to investors purchasing our common stock in this offering at the assumed public offering price.

Table of Contents**Underwriting**

We are offering the shares of common stock described in this prospectus supplement through a number of underwriters. J.P. Morgan Securities LLC is acting as sole book-running manager of the offering and as representative of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of shares of common stock listed next to its name in the following table:

Name	Number of shares
J.P. Morgan Securities LLC	
<b>Total</b>	

The underwriters are committed to purchase all the common shares offered by us if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the common shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$            per share. After the public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to            additional shares of common stock from us. The underwriters have 30 days from the date of this prospectus supplement to exercise this option. If any shares are purchased with this option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is \$            per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Per Share	Without exercise	With full exercise
Total	\$	\$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$205,000.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to

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allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

## **Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

## **No sales of similar securities**

We and each of our executive officers and directors, subject to certain exceptions, have agreed with the underwriters not to dispose of or hedge any of our shares of common stock or securities convertible into or exercisable or exchangeable for common stock for (ninety) 90 days after the date of this prospectus supplement without first obtaining the written consent of the representative. The exceptions to the lock-up for executive officers and directors include: (a) transfers of beneficially owned shares, common stock or securities convertible into or exercisable or exchangeable for common stock (i) as a bona fide gift or gifts, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned or (iii) by will or intestacy to the executive officer s or director s, as applicable, legal representative, heir or legatee; (b) pursuant to any plan that complies with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, entered into prior to the date of the lock-up, (c) the acquisition or exercise of any stock option issued under our existing stock option plan; (d) any conversion of restricted stock units into shares of our common stock as provided in the applicable restricted stock issuance agreement, (e) any transfer of shares of our common stock in connection satisfying tax withholding obligation upon issuance of such shares; provided that in the case of any transfer or distribution pursuant to clause (a), each donee or distributee or transferee shall execute and deliver to J.P. Morgan Securities LLC a lock-up letter for the balance of the lock-up period in the form required. The exceptions to the lock-up for us include: (w) our sale of shares in this offering; (x) the issuance of restricted common stock or options to acquire common stock pursuant to our benefit plans, qualified equity incentive plans or other compensation plans; and (y) the issuance of up to 3,100,000 shares for strategic alliances occurring after this offering. The 90-day lock-up period during which we and our executive officers and directors are restricted from engaging in transactions in our common stock or securities convertible into or exercisable or exchangeable for common stock may be subject to extension in the event that either (i) during the last 17 days of the lock-up period, we issue an earnings or financial results release or material news or a material event relating to us occurs, or (ii) prior to the expiration of the lock-up period, we announce that we will release earnings or financial results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up period will be extended until the expiration of the 18-day period beginning on the issuance of the earnings or financial results release or the occurrence of the material news or material event, as applicable, unless the representative waives, in writing, such an extension.

## **Price stabilization, short positions**

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters option referred to above, or may be naked shorts, which are short positions in excess of that amount. The

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underwriters may close out any covered short position either by exercising their option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representative of the underwriters purchases common stock in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ Capital Market, in the over-the-counter market or otherwise.

In addition, in connection with this offering certain of the underwriters (and selling group members) may engage in passive market making transactions in our common stock on The Nasdaq Stock Market prior to the pricing and completion of this offering. Passive market making consists of displaying bids on The Nasdaq Stock Market no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are generally limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If passive market making is commenced, it may be discontinued at any time.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

## **United Kingdom**

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together

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being referred to as Relevant Persons ). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common stock will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ), from and including the date on which the European Union Prospectus Directive (the EU Prospectus Directive ) was implemented in that Relevant Member State (the Relevant Implementation Date ) an offer of securities described in this prospectus supplement may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of securities described in this prospectus may be made to the public in that Relevant Member State at any time:

to any legal entity which is a qualified investor as defined under the EU Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive); or

in any other circumstances falling within Article 3(2) of the EU Prospectus Directive, provided that no such offer of securities described in this prospectus shall result in a requirement for the publication by us of a prospectus pursuant to Article 3 of the EU Prospectus Directive. For the purposes of this provision, the expression an offer of securities to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State. The expression EU Prospectus Directive means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

## **Listing on the NASDAQ global select market**

Our shares of common stock are traded on The NASDAQ Global Select Market under the symbol SGMO. The transfer agent for our shares of common stock to be issued in this offering is Computershare.

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## **Legal matters**

The legality of the common stock offered by this prospectus supplement has been passed upon for us by Morgan, Lewis & Bockius LLP, San Francisco, California. As of March 19, 2014, partners of Morgan, Lewis & Bockius LLP beneficially owned a total of approximately 215,660 shares of our common stock. The underwriter is being represented in connection with this offering by Proskauer Rose LLP.

## **Experts**

The consolidated financial statements of Sangamo BioSciences, Inc. appearing in Sangamo BioSciences, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2013, and the effectiveness of Sangamo BioSciences, Inc.'s internal control over financial reporting as of December 31, 2013, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **Where you can find more information**

We have filed a shelf registration statement with the Securities and Exchange Commission, or the Commission, covering the shares of common stock we are offering under this prospectus supplement. This prospectus supplement and the accompanying prospectus do not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information with respect to us and the securities we are offering under this prospectus supplement, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement.

We file annual, quarterly and current reports, proxy statements and other information with the Commission. You may read and copy any document we file at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the Public Reference Room. Our public filings, including reports, proxy and information statements, are also available on the Commission's web site at <http://www.sec.gov>. We maintain a website at [www.sangamo.com](http://www.sangamo.com). The information contained on our website is not incorporated by reference in this prospectus supplement or the accompanying prospectus, and you should not consider it a part of this prospectus supplement or the accompanying prospectus.

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## **Incorporation of certain documents by reference**

The Commission allows us to incorporate by reference information from other documents that we file with them, which means that we can disclose important information by referring to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and information that we file later with the Commission will automatically update and supersede this information. We incorporate by reference into this prospectus supplement and the accompanying prospectus the documents listed below, and any future filings (other than the portions thereof deemed to be furnished to the Commission pursuant to Item 2.02 or Item 7.01 of Current Report on Form 8-K) we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the termination of this offering:

our annual report on Form 10-K for the year ended December 31, 2013, filed with the Commission on February 24, 2014;

our current reports on Form 8-K filed with the SEC on February 11, 2014 (except Item 2.02) and January 9, 2014;

our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders filed with the Commission on March 11, 2014; and

the description of our common stock contained in our registration statement on Form 8-A filed under Section 12(g) of the Securities Exchange Act of 1934, as amended, with the Commission on March 31, 2000, including any amendment or reports filed for the purpose of updating such description.

To the extent that any statement in this prospectus supplement or the accompanying prospectus is inconsistent with any statement that is incorporated by reference and that was made on or before the date of this prospectus supplement or the accompanying prospectus, the statement in this prospectus supplement or the accompanying prospectus shall supersede such incorporated statement. The incorporated statement shall not be deemed, except as modified or superseded, to constitute a part of this prospectus supplement, the accompanying prospectus or the registration statement. Statements contained in this prospectus supplement and the accompanying prospectus as to the contents of any contract or other document are not necessarily complete and, in each instance, we refer you to the copy of each contract or document filed as an exhibit to the registration statement.

We will furnish without charge to each person, including any beneficial owner of our securities, to whom a copy of this prospectus supplement and the accompanying prospectus is delivered, upon written or oral request, a copy of the information that has been incorporated into this prospectus supplement and the accompanying prospectus by reference (except exhibits, unless they are specifically incorporated into this prospectus supplement and the accompanying prospectus by reference). You should direct any requests for copies to:

Sangamo BioSciences, Inc.

501 Canal Boulevard, Richmond, CA 94804

Attention: Investor Relations

(510) 970-6000

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**PROSPECTUS**

**SANGAMO BIOSCIENCES, INC.**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Warrants to Purchase Common Stock**

**Warrants to Purchase Preferred Stock**

We may offer and sell from time to time shares of common stock, shares of preferred stock, debt securities or warrants to purchase shares of common stock or shares of preferred stock. We may sell any combination of the above described securities, in one or more offerings in amounts, at prices and on terms determined at the time of the offering. We refer to the shares of common stock, shares of preferred stock, debt securities and warrants to purchase shares of common stock or shares of preferred stock collectively as the securities.

This prospectus provides you with a general description of the securities that we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add information or update information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the documents incorporated by reference and described under the heading **Where You Can Find More Information** before you make your investment decision.

We may sell the securities to underwriters or dealers, through agents, or directly to investors.

**An investment in the securities offered under this prospectus involves a high degree of risk. You should carefully consider the risk factors described in the applicable prospectus supplement and certain of our filings with the Securities and Exchange Commission, as described under Risk Factors on page 4.**

Our common stock trades on The NASDAQ Global Select Market under the symbol SGMO. On February 24, 2014, the last reported sale price of our common stock on The NASDAQ Global Select Market was \$20.05 per share.

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

**The date of this prospectus is February 25, 2014**

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement filed by Sangamo BioSciences, Inc. ( Sangamo , the Company or we ) with the Securities and Exchange Commission (the SEC ). By using a shelf registration statement, we may sell any combination of securities described in this prospectus from time to time in one or more offerings.

You should rely only on the information contained in or specifically incorporated by reference into this prospectus or a prospectus supplement. No dealer, sales person, agent or other individual has been authorized to give any information or to make any representations not contained in this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by us.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of securities. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in our affairs since the date of this prospectus.

ZFP Therapeuti® is a registered trademark of Sangamo BioSciences, Inc.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some statements contained in this prospectus and the information incorporated by reference into this prospectus are forward-looking with respect to our operations, research, development and commercialization activities and financial condition. Such forward-looking statements are based on our current views and assumptions regarding future events, future business conditions and the outlook for the company based on currently available information. Statements that are forward-looking in nature should be read with caution because they involve risks and uncertainties, which are included, for example, in specific and general discussions about:

our strategy;

product development and commercialization of our products;

clinical trials;

revenues from existing and new collaborations;

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. Various terms and expressions similar to them are intended to identify these cautionary statements. These terms include: anticipates, believes, continues, could, estimates, expects, intends, may, plans, seeks, sl, 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. Sangamo undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances arising after the date of this prospectus. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus.

**ABOUT SANGAMO BIOSCIENCES, INC.**

We are a clinical stage biopharmaceutical company focused on the research, development and commercialization of engineered DNA-binding proteins for the development of novel therapeutic strategies for unmet medical needs. Our scientific and business development endeavors currently focus on the engineering of novel zinc finger DNA-binding proteins (ZFPs) for the regulation and modification of genes. Our strategy is to develop highly specific ZFP nucleases (ZFNs) and ZFP transcription factors (ZFP TFs) through early stage clinical testing and strategically partner with

biopharmaceutical companies at points of value inflection to execute late-stage clinical trials and commercial development. In the long term, our goal is to integrate marketing and development operations and to capture the value of late-stage and commercial ZFP Therapeutic products for ourselves.

We, and our licensed partners, are the leaders in the research, development and commercialization of ZFPs, a naturally occurring class of proteins. We have used our knowledge and expertise to develop a proprietary technology platform. ZFPs can be engineered to make ZFNs, proteins that can be used to modify DNA sequences in a variety of ways and ZFP TFs, proteins that can be used to turn genes on or off. As ZFPs act at the DNA level, they have broad potential applications in several areas including human therapeutics, plant agriculture and research reagents, as well as production of transgenic animals and cell-line engineering.

The main focus for our company is the development of novel human therapeutics and we are building a pipeline of ZFP Therapeutics. Our lead ZFP Therapeutic, SB-728-T, a ZFN-modified autologous T-cell product for the treatment of HIV/AIDS, is the first therapeutic application of our ZFN technology and is being evaluated in ongoing clinical trials, a Phase 2 study and a Phase 1/2 study in HIV-infected subjects.

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On January 8, 2014, we established a collaborative partnership with Biogen Idec Inc. to research, develop and commercialize our preclinical ZFP Therapeutic development program, in hemoglobinopathies, and targeting sickle cell disease (SCD) and beta-thalassemia. We also have a collaborative partnership with Shire International GmbH, formerly Shire AG, to research, develop and commercialize certain of our preclinical ZFP Therapeutic development programs, including programs in hemophilia, Huntington's disease and other monogenic diseases. We have proprietary preclinical programs in several lysosomal storage disorders. In addition, we have research stage programs in other monogenic diseases, including certain immunodeficiencies, as well as central nervous system disorders and cancer immunotherapy.

We believe the potential commercial applications of ZFPs are broad-based and we have entered into strategic partnerships in fields outside human therapeutics to facilitate the sale or licensing of our ZFP platform as follows:

We have a license agreement with the research reagent company Sigma-Aldrich Corporation (Sigma). Sigma has the exclusive rights to develop and market high value laboratory research reagents based upon our ZFP technology as well as ZFP-modified cell lines for commercial production of protein pharmaceuticals and ZFP-engineered transgenic animals. Sigma is marketing ZFN-derived gene editing tools under the trademark CompoZr<sup>®</sup>.

We have a license agreement with Dow AgroSciences, LLC (DAS), a wholly owned subsidiary of Dow Chemical Corporation. Under the agreement, we have provided DAS with access to our ZFP technology and the exclusive rights to use it to modify the genomes or alter protein expression of plant cells, plants, or plant cell cultures. DAS markets our ZFN technology under the trademark EXZACT Precision Technology. We have retained rights to use plants or plant-derived products to deliver ZFP TFs or ZFNs into human or animals for diagnostic, therapeutic or prophylactic purposes.

We have incurred net losses since inception and expect to incur losses in the future as we continue our research and development activities. To date, we have funded our operations primarily through the issuance of equity securities, payments from corporate collaborations and research grants.

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

Our principal offices are located at 501 Canal Boulevard, Richmond, California 94804, and our telephone number there is (510) 970-6000.

**Table of Contents****RISK FACTORS**

*An investment in the securities offered through this prospectus involves certain risks. You should carefully consider the specific risks set forth under the caption Risk Factors in the applicable prospectus supplement and under the caption Risk Factors in our filings with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, incorporated by reference herein, before making an investment decision. The risks and uncertainties we have described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also affect our business operations. To the extent that a particular offering implicates additional significant risks, we will include a discussion of those risks in the applicable prospectus supplement.*

**USE OF PROCEEDS**

Except as may be otherwise set forth in the prospectus supplement accompanying this prospectus, we will use the net proceeds we receive from sales of the securities offered hereby for general corporate purposes, including support for our continuing research and development, commercialization activities, business development activities, and, if opportunities arise, acquisitions of businesses, products, technologies or licenses that are complementary to our business, although we have no current plans, commitments or agreements with respect to any acquisitions as of the date of this prospectus.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following summary is qualified by the more detailed information appearing in the computation table found in Exhibit 12.1 to the registration statement of which this prospectus is part and the historical financial statements, including the notes to those financial statements, incorporated by reference in this prospectus. The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

	<b>Year Ended December 31</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Ratio of earnings to fixed charges (1)</b>	N/A (2)	N/A (2)	N/A (2)	N/A (2)	N/A (2)

- (1) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. For this purpose, earnings consist of net loss before fixed charges. Fixed charges consist of interest expense on outstanding lease liabilities, interest expense, amortization of debt expense and discount or premium related to indebtedness, whether expensed or capitalized.
- (2) Earnings were insufficient to cover fixed charges for these periods. We have not included a ratio of earnings to combined fixed charges and preferred stock dividends because we do not have any preferred stock outstanding as of the date of this prospectus. The amount of the coverage deficiency was \$26.6 million, \$22.3 million, \$35.8 million, \$24.9 million and \$18.6 million for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

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**PLAN OF DISTRIBUTION**

We may sell the securities being offered by us in this prospectus:

directly to purchasers or investors;

through agents;

through dealers;

through underwriters; or

through a combination of any of these methods of sale.

We and our agents and underwriters may sell the securities being offered by us in this prospectus from time to time in one or more transactions:

at a fixed price or prices which may be changed;

at market prices prevailing at the time of sale;

at prices related to such prevailing market prices; or

at negotiated prices.

Offers to purchase securities may be solicited directly by us, or by agents designated by us, from time to time. Any such agent, which may be deemed to be an underwriter as that term is defined in the Securities Act of 1933, as amended (the Securities Act), involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to such agent will be set forth, in the applicable prospectus supplement.

If an underwriter is, or underwriters are, utilized in the offer and sale of securities in respect of which this prospectus and the accompanying prospectus supplement are delivered, we will execute an underwriting agreement with such underwriter(s) for the sale to it or them and the name(s) of such underwriter(s) and the terms of the transaction, including any underwriting discounts, commissions and other items constituting compensation of the underwriters and dealers, if any, will be set forth in such prospectus supplement, which will be used by the underwriter(s) to make resales of the securities in respect of which this prospectus and such prospectus supplement are delivered to the public. The securities will be acquired by the underwriters for their own accounts and may be sold by the underwriters from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at

varying prices determined at the time of sale. Any public offering price and any discounts, commissions or concessions allowed or reallocated or paid to dealers may be changed from time to time. We may grant underwriters who participate in the distribution of securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution.

We may sell directly to, and solicit offers from institutional investors, individuals, or the public. We will describe the terms of any such sales in the applicable prospectus supplement relating to the offering.

If a dealer is utilized in the sale of the securities in respect of which this prospectus is delivered, we will sell such securities to the dealer, as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transaction will be identified in the applicable prospectus supplement relating to the offering.

If an agent is used in an offering of securities being offered by this prospectus, the agent will be named, and the terms of the agency will be described, in the applicable prospectus supplement relating to the offering. Unless otherwise indicated in the prospectus supplement, an agent will act on a best efforts basis for the period of its appointment.

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If indicated in the applicable prospectus supplement, we will authorize underwriters or their agents to solicit offers by certain institutional investors to purchase our securities pursuant to contracts providing for payment and delivery at a future date. Institutional investors with which these contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. In all cases, these purchasers must be approved by us. The obligations of any purchaser under any of these contracts will not be subject to any conditions except that (a) the purchase of the securities must not at the time of delivery be prohibited under the laws of any jurisdiction to which that purchaser is subject and (b) if the securities are also being sold to underwriters, we must have sold to these underwriters the securities not subject to delayed delivery. Underwriters and other agents will not have any responsibility in respect of the validity or performance of these contracts.

Certain of the underwriters, dealers or agents utilized by us in any offering may be customers of, including borrowers from, engage in transactions with, and perform services for us or one or more of our affiliates in the ordinary course of business. Underwriters, dealers, agents and other persons may be entitled, under agreements which may be entered into with us, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act. The terms of any indemnification provisions will be set forth in a prospectus supplement.

Until the distribution of the securities is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and certain selling group members, if any, to bid for and purchase the securities. As an exception to these rules, the representatives of the underwriters, if any, are permitted to engage in certain transactions that stabilize the price of the securities in accordance with Regulation M, but only in the case of a fixed-price offering. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the securities.

If underwriters create a short position in the securities in connection with the offering thereof (i.e., if they sell more securities than are set forth on the cover page of the applicable prospectus supplement), the representatives of such underwriters may reduce that short position by purchasing securities in the open market. Any such representatives also may elect to reduce any short position by exercising all or part of any over-allotment option described in the applicable prospectus supplement.

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

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

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

Each series of securities covered by this prospectus would be a new issue with no established trading market, other than our common stock which is listed on The NASDAQ Global Select Market. Any shares of common stock sold pursuant to a prospectus supplement will be listed on The NASDAQ Global Select Market or a stock exchange on which the common stock offered is then listed, subject (if applicable) to an official notice of issuance. Any

underwriters for whom securities are sold by us for public offering and sale may make a market in the securities,

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but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The securities other than the common stock may or may not be listed on a national securities exchange or eligible for quotation or trading on The NASDAQ Global Select Market. Therefore, we cannot provide any assurance to you concerning the liquidity of any of the securities covered by this prospectus.

Under the securities laws of some states, the securities registered by the registration statement that includes this prospectus may be sold in those states only through licensed brokers or dealers.

The anticipated date of delivery of the securities offered by this prospectus will be described in the applicable prospectus supplement relating to the offering. The securities offered by this prospectus may or may not be listed on a national securities exchange or a foreign securities exchange. We cannot give any assurances that there will be a market for any of the securities offered by this prospectus and any prospectus supplement.

**THE SECURITIES WE MAY OFFER**

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplement, summarize the material terms and provisions of the various types of securities that we may offer. We will describe in the applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we so indicate in a prospectus supplement, the terms of the securities may revise, amend, modify or supersede the terms we have summarized below. We will also include in the prospectus supplement information, where applicable, about material United States federal income tax considerations relating to the securities, and the securities exchange or market, if any, on which the securities will be listed or quoted.

We may sell from time to time, in one or more offerings, one or more of the following securities:

common stock;

preferred stock;

debt securities;

warrants to purchase common stock; and

warrants to purchase preferred stock.

**DESCRIPTION OF COMMON STOCK**

For a description of the material terms and provisions of our common stock and each other class of our securities which qualifies or limits our common stock, please see the applicable prospectus supplement, as well as the description of our capital stock in our Registration Statement on Form 8-A dated March 31, 2000 which is incorporated by reference in this prospectus.

**DESCRIPTION OF PREFERRED STOCK**

Under Delaware law and our certificate of incorporation, our board of directors is authorized, without stockholder approval, to issue shares of preferred stock from time to time in one or more series. Our board of directors may fix the rights, preferences, privileges and restrictions of this stock. Some of the rights, preferences and privileges that our board of directors may designate include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms. Our board of directors may determine the number of shares constituting any series or the designation of such series. Any or all of the rights, preferences and privileges selected by the board of directors may be greater than the rights of the common stock.

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If we offer a specific series of preferred stock under this prospectus, we will describe the terms of the preferred stock in the applicable prospectus supplement and will file a copy of the certificate of designation establishing the terms of the preferred stock with the SEC. To the extent required or applicable, this description will include:

the title and stated value;

the number of shares offered, the liquidation preference per share and the offering price;

the dividend rate(s), period(s) and/or payment date(s), or method(s) of calculation for such dividends;

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

the provisions for any sinking fund, if any;

the provisions for redemption, if any;

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

whether preferred stock will be convertible into or exchangeable for our common stock or other of our securities, and, if applicable, the conversion or exchange price (or how it will be calculated) and conversion or exchange period;

voting rights, if any;

if appropriate, a discussion of any applicable U.S. federal income tax considerations;

the relative ranking and preference of the preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of Sangamo; and

any other specific terms, preferences, rights, limitations or restrictions.

The transfer agent and registrar for any class or series of preferred stock will be set forth in the applicable prospectus supplement.

**DESCRIPTION OF DEBT SECURITIES**

The following description, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the debt securities that we may offer under this prospectus, but is not complete. We may issue debt securities, in one or more series, as either senior or subordinated debt or as senior or subordinated convertible debt. While the terms we have summarized below will apply generally to any future debt securities we may offer under this prospectus, we will describe the particular terms of any debt securities that we may offer in more detail in the applicable prospectus supplement. The terms of any debt securities we offer under a prospectus supplement may revise, amend, modify or supersede the terms we describe below. As of the date of this prospectus, we have no outstanding registered debt securities. Unless the context requires otherwise, whenever we refer to the indentures, we also are referring to any supplemental indentures that specify the terms of a particular series of debt securities.

We will issue any senior debt securities under the senior indenture that we will enter into with the trustee named in the senior indenture. We will issue any subordinated debt securities under the subordinated indenture that we will enter into with the trustee named in the subordinated indenture. We have filed forms of these documents as exhibits to the registration statement, of which this prospectus is a part, and supplemental indentures. Forms of debt securities containing the terms of the debt securities being offered, and other related documents will be filed as exhibits to the registration statement of which this prospectus is a part or will be incorporated by reference from reports that we file with the SEC.

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The indentures and the trustee will be qualified under the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act. We use the term trustee to refer to either the trustee under the senior indenture or the trustee under the subordinated indenture, as applicable.

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

## **General**

The terms of each series of debt securities will be established by or pursuant to a resolution of our board of directors and set forth or determined in the manner provided in an officers certificate or by a supplement indenture. Debt securities may be issued in separate series without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series. We will describe in the applicable prospectus supplement the terms of the series of debt securities being offered, including:

the title;

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

any limit on the amount that may be issued;

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

the maturity date;

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

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

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

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

the place where payments will be payable;

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

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

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

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

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

incur additional indebtedness;

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issue additional securities;

create liens;

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

redeem capital stock;

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

make investments or other restricted payments;

sell or otherwise dispose of assets;

enter into sale-leaseback transactions;

engage in transactions with stockholders or affiliates;

issue or sell stock of our subsidiaries; or

effect a consolidation or merger;

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

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

information describing any book-entry features;

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

the applicability of the provisions in the indenture on discharge;

whether the debt securities are to be offered at a price such that they will be deemed to be offered at an original issue discount as defined in paragraph (a) of Section 1273 of the Internal Revenue Code of 1986, as amended;

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

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

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

#### **Conversion or Exchange Rights**

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

#### **Consolidation, Merger or Sale**

Unless we provide otherwise in the prospectus supplement applicable to a particular series of debt securities, the indentures will not contain any covenant that restricts our ability to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets.

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**Events of Default under the Indenture**

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

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

if we fail to pay the principal, premium or sinking fund payment, if any, when due and payable at maturity, upon redemption or repurchase or otherwise, and the time for payment has not been extended;

if we fail to observe or perform any other covenant contained in the debt securities or the indentures, other than a covenant specifically relating to another series of debt securities, and our failure continues for 90 days after we receive notice from the trustee or we and the trustee receive notice from the holders of at least 51% in aggregate principal amount of the outstanding debt securities of the applicable series; and

if specified events of bankruptcy, insolvency or reorganization occur.

We will describe in each applicable prospectus supplement any additional events of default relating to the relevant series of debt securities.

If an event of default with respect to debt securities of any series occurs and is continuing, other than an event of default specified in the last bullet point above, the trustee or the holders of at least 51% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the trustee if notice is given by such holders, may declare the unpaid principal, premium, if any, and accrued interest, if any, due and payable immediately. If an event of default specified in the last bullet point above occurs with respect to us, the unpaid principal, premium, if any, and accrued interest, if any, of each issue of debt securities then outstanding shall be due and payable without any notice or other action on the part of the trustee or any holder.

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

Subject to the terms of the indentures, if an event of default under an indenture shall occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request or direction of any of the holders of the applicable series of debt securities, unless such holders have offered the trustee reasonable indemnity or security satisfactory to it against any loss, liability or expense. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the debt securities of that series, provided that:

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

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

The indentures provide that if an event of default has occurred and is continuing, the trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture, or that the trustee determines is unduly prejudicial to the rights of any other holder of the relevant series of debt

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securities, or that would involve the trustee in personal liability. Prior to taking any action under the indentures, the trustee will be entitled to indemnification against all costs, expenses and liabilities that would be incurred by taking or not taking such action.

**Modification of Indenture; Waiver**

Subject to the terms of the indenture for any series of debt securities that we may issue, we and the trustee may change an indenture without the consent of any holders with respect to the following specific matters:

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

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

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

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

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

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

to provide for uncertificated debt securities and to make all appropriate changes for such purpose;

to add to our covenants such new covenants, restrictions, conditions or provisions for the benefit of the holders, to make the occurrence, or the occurrence and the continuance, of a default in any such additional covenants, restrictions, conditions or provisions an event of default or to surrender any right or power conferred to us in the indenture; or

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

In addition, under the indentures, the rights of holders of a series of debt securities may be changed by us and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding

debt securities of each series that is affected. However, subject to the terms of the indenture for any series of debt securities that we may issue or otherwise provided in the prospectus supplement applicable to a particular series of debt securities, we and the trustee may only make the following changes with the consent of each holder of any outstanding debt securities affected:

extending the stated maturity of the series of debt securities;

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

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

**Discharge**

Each indenture provides that, subject to the terms of the indenture and any limitation otherwise provided in the prospectus supplement applicable to a particular series of debt securities, we can elect to be discharged from our obligations with respect to one or more series of debt securities, except for specified obligations, including obligations to:

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

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

maintain paying agencies;

recover excess money held by the trustee;

compensate and indemnify the trustee; and

appoint any successor trustee.

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

**Form, Exchange and Transfer**

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

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

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

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

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

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

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

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### **Information Concerning the Trustee**

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

### **Payment and Paying Agents**

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

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

## **DESCRIPTION OF WARRANTS**

We may issue warrants to purchase shares of common stock or shares of preferred stock. The warrants may be issued independently or together with any other securities and may be attached to or separate from the other securities. Each series of warrants may be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrants will be evidenced by warrant certificates. Unless otherwise specified in the prospectus supplement, the warrant certificates may be traded separately from the securities with which the warrant certificates were issued. Warrant certificates may be exchanged for new warrant certificates of different denominations at the office of an agent that we will appoint. Until a warrant is exercised, the holder of a warrant does not have any of the rights of a holder of our securities and is not entitled to any payments on any securities issuable upon exercise of the warrants.

The prospectus supplement relating to a series of warrants will describe the specific terms of the warrants including the following:

the title of the warrants;

the aggregate number of the warrants;

the price or prices at which the warrants will be issued and the currency in which the price for the warrants may be paid;

the price at which and the currency in which the securities purchasable upon exercise of the warrants may be purchased and the various factors considered in determining that price;

the dates on which the right to exercise the warrants will commence and expire and whether the exercise of warrants will be at the option of holders, at our option, or automatic;

whether the warrants are exercisable by payment of cash, surrender of other securities, or both;

provisions for changes to or adjustments in the exercise price of the warrants;

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if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

if applicable, the designation and terms of the series of preferred stock with which the warrants are issued;

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

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

if applicable, any anti-dilution protection against future issuances;

whether the warrants will be issued in registered form or bearer form;

information with respect to book-entry procedures, if any;

if applicable, a discussion of material U.S. federal income tax considerations; and

any other terms of the warrants, including terms, procedures, and limitations relating to the exchange or exercise of the warrants.

**LEGAL MATTERS**

The legality of the securities offered by this prospectus has been passed upon for us by Morgan, Lewis & Bockius LLP, San Francisco, California.

**EXPERTS**

The consolidated financial statements of Sangamo BioSciences, Inc. appearing in Sangamo BioSciences, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2013, and the effectiveness of Sangamo BioSciences, Inc.'s internal control over financial reporting as of December 31, 2013, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

This prospectus is part of a registration statement that we filed with the SEC. The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered by this prospectus.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our public filings, including reports, proxy and information statements, are also available on the SEC's web site at <http://www.sec.gov>. We maintain a website at [www.sangamo.com](http://www.sangamo.com). The information contained on our website is not incorporated by reference in this prospectus and any accompanying prospectus supplement, and you should not consider it a part of this prospectus and any accompanying prospectus supplement.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference information from other documents that we file with them, which means that we can disclose important information by referring to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference into this prospectus the documents listed below, and any future filings (other than the portions thereof deemed to be furnished to the SEC pursuant to Item 2.02 or Item 7.01 of Current Report on Form 8-K) we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), until we have sold all of the securities to which this prospectus relates or the offering is otherwise terminated, including any such filing prior to the effectiveness of this registration statement:

our annual report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 24, 2014;

our current report on Form 8-K filed with the SEC on January 9, 2014;

our current report on Form 8-K filed with the SEC on February 11, 2014 (except for Item 2.02); and

the description of our common stock contained in our registration statement on Form 8-A filed under Section 12(g) of the Exchange Act with the SEC on March 31, 2000, including any amendment or reports filed for the purpose of updating such description.

To the extent that any statement in this prospectus is inconsistent with any statement that is incorporated by reference and that was made on or before the date of this prospectus, the statement in this prospectus shall supersede such incorporated statement. The incorporated statement shall not be deemed, except as modified or superseded, to constitute a part of this prospectus or the registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete and, in each instance, we refer you to the copy of each contract or document filed as an exhibit to the registration statement.

We will furnish without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request, a copy of any or all of the information that has been incorporated into this prospectus by reference (except exhibits, unless they are specifically incorporated into this prospectus by reference) but not delivered with this prospectus. You should direct any requests for copies to:

Sangamo BioSciences, Inc.

501 Canal Boulevard

Richmond, CA 94804

(510) 970-6000



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March 31, 2014

All obligations under the Credit Facility are secured by first priority liens upon substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to LIBOR or CDOR based loans prepaid prior to the end of an interest period).

The Credit Facility contains restrictive covenants, including among others, limitations on dividends and other restricted payments, other indebtedness, liens, investments and acquisitions and certain asset sales. As of March 31, 2012, we were in compliance with all of the covenants under the Credit Facility.

Amounts borrowed, outstanding letters of credit and amounts available to borrow, net of certain reserves required under the Credit Facility, were as follows (in millions):

	March 31, 2012	December 31, 2011
Amounts borrowed	\$—	\$62.0
Outstanding letters of credit	\$21.8	\$23.7
Amounts available to borrow	\$167.3	\$106.2

Average borrowings during the three months ended March 31, 2012 were \$24.8 million, with amounts borrowed, at any one time outstanding, ranging from zero to \$72.9 million. For the same period in 2011, no monies were borrowed under the Credit Facility.

Our weighted-average interest rate was calculated based on our daily cost of borrowing, which was computed on a blend of prime and LIBOR rates. The weighted-average interest rate on our revolving credit facility for the three months ended March 31, 2012 was 2.1%. We paid total unused facility fees and letter of credit participation fees, which are included in interest expense, of \$0.2 million during the three months ended March 31, 2012 compared to \$0.5 million for the same period in 2011. Amortization of debt issuance costs are included in interest expense. Unamortized debt issuance costs were \$1.8 million as of March 31, 2012 and \$1.9 million as of December 31, 2011.

**7. Contingencies****Litigation**

The Company is a plaintiff in a successful lawsuit, currently on appeal, against Sonitrol Corporation. The case arose from the December 21, 2002 arson fire at the Denver warehouse in which Sonitrol failed to detect and respond to a four-hour burglary and subsequent arson. In 2010, a jury found in favor of the Company and our insurers. The

Company's current share of the judgment, with daily accruing pre-judgment interest, is approximately \$15.5 million, less outstanding attorneys' fees and costs. Sonitrol is appealing the decision through the Colorado appellate court. On May 4, 2012, the Colorado appellate court issued a notice scheduling oral arguments on the appeal for June 27, 2012. We are unable to predict when this litigation will be finally resolved and the ultimate outcome. Any monetary recovery from the lawsuit would be recognized in income only when and if it is finally paid to the Company. We are subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of

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our business. We make a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. At March 31, 2012, we were not involved in any other material litigation.

## 8. Income Taxes

Our effective tax rate was 36.8% for the three months ended March 31, 2012 compared to 61.5% for the same period in 2011.

The provision for income taxes for the three months ended March 31, 2012 included a \$0.1 million net benefit related primarily to the expiration of the statute of limitations for uncertain tax positions which reduced our effective tax rate by approximately 2.0%. Non-deductible transaction costs related to the acquisition of FCGC added approximately 20.0% to our effective tax rate for the same period in 2011.

At March 31, 2012, the total gross amount of unrecognized tax benefits, which was included in other long-term liabilities, related to federal, state and foreign taxes, was approximately \$1.7 million, all of which would impact our effective tax rate, if recognized. The expiration of the statute of limitations for certain tax positions in future years could impact the total gross amount of unrecognized tax benefits by \$0.1 million through March 31, 2013.

We file U.S. federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2008 to 2011 tax years remain subject to examination by federal and state tax authorities. The 2007 tax year is still open for certain state tax authorities. The 2004 to 2011 tax years remain subject to examination by the tax authorities in certain foreign jurisdictions.

## 9. Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share (dollars and shares in millions, except per share amounts):

	Three Months Ended March 31, 2012			2011		
	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share
Basic EPS	\$3.6	11.4	\$0.31	\$0.5	11.3	\$0.04
Effect of dilutive common share equivalents:						
Unvested restricted stock units		0.1	—		0.1	—
Stock options		0.1	—		0.1	—
Warrants		—	—		0.3	—
Diluted EPS	\$3.6	11.6	\$0.31	\$0.5	11.8	\$0.04

Note: Basic and diluted earnings per share are calculated based on unrounded actual amounts.

Certain options were outstanding but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive. There were no anti-dilutive stock options outstanding for the three months ended March 31, 2012 compared to 104,020 outstanding for the three months ended March 31, 2011.

In 2004, we issued an aggregate of 9,800,000 shares of our common stock and warrants to purchase an aggregate of 990,616 shares of our common stock to the Class 6(B) creditors of Fleming (our former parent company) pursuant to its plan of reorganization. We refer to the warrants we issued to the Class 6(B) creditors as the Class 6(B) warrants.

We received no cash consideration at the time we issued the Class 6(B) warrants. The Class 6(B) warrants had an exercise price of \$20.93 per share. The shares of common stock and the Class 6(B) warrants were issued pursuant to an exemption from registration under Section 1145(a) of the Bankruptcy Code. We also issued warrants to purchase an aggregate of 247,654 shares of our common stock to the holders of our Tranche B Notes, which we refer to as Tranche B warrants. The Tranche B warrants had an exercise price of \$15.50 per share.

Both the Class 6(B) and Tranche B warrants expired on August 23, 2011, at which time any outstanding warrants were net issued in an automatic cashless exercise in accordance with their terms. As of March 31, 2012, (a) all 990,616 Class 6(B) warrants originally issued have been exercised resulting in a cumulative net issuance of 550,873 shares of common stock, and (b) all 247,654

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Tranche B warrants originally issued have been exercised resulting in a cumulative net issuance of 145,512 shares of common stock. Combined, a total of 696,385 shares have been net issued upon cash and cashless exercises of the Company's warrants and no Class 6(B) warrants or Tranche B warrants remain outstanding.

## 10. Stock-Based Compensation Plans

Total stock-based compensation cost recognized in the condensed consolidated statements of operations as a component of selling, general and administrative expenses was \$1.4 million and \$1.3 million for the three months ended March 31, 2012 and 2011, respectively. Total unrecognized compensation cost related to non-vested share-based compensation arrangements was \$9.3 million at March 31, 2012. This balance is expected to be recognized over a weighted-average period of 2.1 years.

During the three months ended March 31, 2012, we granted 78,760 restricted stock units to employees and non-employee directors from the 2010 Long Term Incentive Plan ("LTIP") at a weighted-average grant date fair value of \$39.57, compared to 137,532 restricted stock units from the 2010 LTIP at a weighted-average grant date fair value of \$34.12 for the same period in 2011. During the three months ended March 31, 2012, we also granted 81,375 performance-based shares to employees from the 2010 LTIP at a weighted-average grant date fair value of \$39.45, compared to 28,192 performance-based shares to employees from the 2010 LTIP at the weighted-average grant date fair value of \$34.12 for the same period in 2011. The number of performance shares granted during 2012 that the employee ultimately earns is based upon achievement of certain specified performance metrics. The weighted-average grant date fair value is based on the fair market value of our common stock at the date of grant.

The following table summarizes the activity for all stock options, restricted stock units and performance shares under all of the LTIPs for the three months ended March 31, 2012:

Plans	Securities	December 31, 2011		Activity during 2012						March 31, 2012			
		Outstanding	Price	Granted	Exercised	Canceled	Outstanding	Exercisable	Price	Number	Price	Number	Price
2004 LTIP	RSUs	188	\$0.01	—	\$—	(188 )	\$0.01	—	\$—	—	\$—	—	\$—
	Options	41,077	35.08	—	—	(6,188 )	34.48	—	—	34,889	35.18	34,889	35.18
2005 LTIP	RSUs	3,053	0.01	—	—	—	—	—	—	3,053	0.01	3,053	0.01
2005 Directors' Plan	Options	7,500	27.03	—	—	(1,500 )	27.03	—	—	6,000	27.03	6,000	27.03
2007 LTIP (1)	RSUs	78,509	0.01	—	—	(17,803 )	0.01	(167 )	0.01	60,539	0.01	25,660	0.01
	Options	274,034	25.71	—	—	(11,271 )	27.70	—	—	262,763	25.62	262,763	25.62
	Perf. shares	11,271	0.01	—	—	(2,818 )	0.01	—	—	8,453	0.01	8,453	0.01
2010 LTIP (1)	RSUs	137,532	0.01	78,760	0.01	(60,271 )	0.01	(500 )	0.01	155,521	0.01	2,083	0.01
	Options	7,500	32.78	—	—	—	—	—	—	7,500	32.78	—	—
	Perf. shares	28,192	0.01	81,375	0.01	(15,646 )	0.01	—	—	93,921	0.01	1,666	0.01
Total		588,856		160,135		(115,685)		(667 )		632,639		344,567	

Note: Price is weighted-average price per share.

(1) The 2007 and 2010 LTIPs are for officers, employees and non-employee directors.

## 11. Employee Benefit Plans

## Pension Plans

We sponsored a qualified defined-benefit pension plan and a post-retirement benefit plan (collectively, “the Pension Plans”) consisting of a Core-Mark pension plan, which was frozen on September 30, 1986 and three plans we inherited from Fleming, our former parent company. The Fleming plans were frozen on, or prior to, August 20, 1998. There have been no new entrants to the Pension Plans after those benefit plans were frozen.

Our defined-benefit pension plan is subject to the Employee Retirement Income Security Act of 1974 (“ERISA”). Under ERISA, the Pension Benefit Guaranty Corporation (“PBGC”) has the authority to terminate an underfunded pension plan under limited circumstances. In the event our pension plan is terminated for any reason while it is underfunded, we will incur a liability to the PBGC that may be equal to the entire amount of the underfunding. Our post-retirement benefit plan is not subject to ERISA. As a result, the post-retirement benefit plan is not required to be pre-funded, and, accordingly, has no plan assets.

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The following tables provide the components of the net periodic pension and other post-retirement benefit costs for the three months ended March 31, 2012 and 2011 (in millions):

	Three Months Ended March 31,	
	2012	2011
<b>PENSION BENEFITS</b>		
Interest cost	\$ 0.4	\$ 0.4
Expected return on plan assets	(0.5	) (0.5
Amortization of net actuarial loss	0.1	0.1
Net periodic benefit cost	\$—	\$—
	Three Months Ended March 31,	
	2012	2011
<b>OTHER POST-RETIREMENT BENEFITS</b>		
Interest cost	\$ 0.1	\$ 0.1
Amortization of prior service cost	—	(0.1
Net periodic other benefit cost	\$ 0.1	\$—

We made no contributions to the Pension Plans during the three months ended March 31, 2012 and 2011. We expect to contribute a total of approximately \$3.2 million to the Pension Plans during 2012.

## 12. Stockholders' Equity

### Dividends

On October 19, 2011, we announced the commencement of a quarterly dividend program. On February 3, 2012, the Board of Directors declared a quarterly cash dividend of \$0.17 per common share to shareholders of record as of the close of business on February 24, 2012. This resulted in payments of approximately \$2.0 million on March 15, 2012. On May 3, 2012, the Board of Directors declared a quarterly cash dividend of \$0.17 per common share, which is payable on June 15, 2012 to shareholders of record as of the close of business on May 25, 2012.

### Repurchase of Common Stock

In May 2011, our Board of Directors authorized the repurchase of up to \$30 million of our common stock. Our available funds for future share repurchases were re-established at \$30 million under the February 2010 amendment to our Credit Facility. The share repurchase program was approved by our Board to enable the company to buy shares when we believe our stock price is undervalued. Repurchases under the program also have the positive effect of offsetting the dilution associated with new share issuances due to vesting of restricted stock and the exercise of stock options. The timing and amount of the purchases are based on market conditions, our cash and liquidity requirements, relevant securities laws and other factors. The share repurchase program may be discontinued or amended at any time. The program has no expiration date and expires when the amount authorized has been expended or the Board withdraws its authorization. We account for share repurchases using the cost method.

During the three months ended March 31, 2012, we repurchased 17,800 shares of common stock under the share repurchase program at an average price of \$39.50 per share for a total cost of \$0.7 million. As the program was authorized in May 2011, no shares were repurchased during the three months ended March 31, 2011. As of March 31, 2012, there was \$10.3 million available for future share repurchases under the program.

## 13. Segment and Geographic Information

As of March 31, 2012, we operated 26 distribution centers (excluding two distribution facilities we operate as a third party logistics provider) which support our wholesale distribution business. Twenty-two of our distribution centers are located in the U.S. and four are located in Canada. Two of the facilities we operate in the U.S. are consolidating warehouses which buy products from our suppliers in bulk quantities and then distribute the products to our other distribution centers.

Our distribution centers (operating divisions) produced almost all of our revenues and have been aggregated into two

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geographic reporting segments (U.S. and Canada). Corporate adjustments and eliminations include the net results after intercompany eliminations for our consolidating warehouses, service fee revenue, LIFO and reclassifying adjustments, corporate allocations and elimination of intercompany interest charges. Inter-segment revenues were not significant. Couche-Tard accounted for approximately 13.5% of our net sales in the first quarter of 2012 and no single customer accounted for 10% or more of our total net sales during the three months ended March 31, 2011. In addition, no single customer accounted for 10% or more of our accounts receivables as of March 31, 2012 or 2011.

Information about our business operations based on the two geographic reporting segments is as follows (in millions):

	Three Months Ended	
	March 31,	
	2012	2011
Net sales:		
United States	\$1,818.5	\$1,451.6
Canada	274.6	269.3
Corporate adjustments and eliminations	7.6	1.6
Total	\$2,100.7	\$1,722.5
Income (loss) before income taxes:		
United States	\$3.5	\$2.4
Canada	0.2	(1.3)
Corporate adjustments and eliminations	2.0	0.2
Total	\$5.7	\$1.3
Interest expense:		
United States	\$6.4	\$5.0
Canada	0.2	0.3
Corporate adjustments and eliminations	(6.0)	(4.7)
Total	\$0.6	\$0.6
Depreciation and amortization:		
United States	\$4.3	\$3.6
Canada	0.7	0.7
Corporate	1.3	0.8
Total	\$6.3	\$5.1
Identifiable assets by geographic reporting segment are as follows (in millions):		
	March 31,	December 31,
	2012	2011
Identifiable assets:		
United States	\$666.1	\$768.6
Canada	90.9	101.6
Total	\$757.0	\$870.2

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The net sales mix for our primary product categories is as follows (in millions):

Product Category	Three Months Ended	
	March 31, 2012	2011
	Net Sales	Net Sales
Cigarettes	\$1,452.4	\$1,223.0
Food	271.4	200.7
Candy	121.8	103.6
Other tobacco products	163.4	122.0
Health, beauty & general	64.7	54.0
Beverages	26.4	18.4
Equipment/other	0.6	0.8
Total food/non-food products	\$648.3	\$499.5
Total net sales	\$2,100.7	\$1,722.5

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

The following discussion and analysis should be read together with the condensed consolidated financial statements, including the related notes, and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q. See "Forward-Looking Statements" at the end of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our Business

Core-Mark is one of the largest marketers of fresh and broad-line supply solutions to the convenience retail industry in North America. We offer a full range of products, marketing programs and technology solutions to approximately 29,000 customer locations in the U.S. and Canada. Our customers include traditional convenience stores, grocery stores, drug stores, liquor stores and other specialty and small format stores that carry convenience products. Our product offering includes cigarettes, other tobacco products, candy, snacks, fast food, groceries, fresh products, dairy, bread, beverages, general merchandise and health and beauty care products. We operate a network of 26 distribution centers (excluding two distribution facilities we operate as a third party logistics provider) in the U.S. and Canada. Our objective is to help our customers increase their sales and profitability, which will increase our overall return to shareholders by growing our market share, revenues and profitability. To that end we remained focused during the first quarter of 2012 on enhancing our "Fresh" product offering, driving our Vendor Consolidation Initiative ("VCI"), providing category management consultations and expanding our market share.

First Quarter Overview

In the first quarter of 2012 we continued to benefit from the momentum created in 2011 by expanding our geographic presence in two markets, through the acquisition of Forrest City Grocery Company ("FCGC") and the establishment of a new operating division in Tampa, Florida, and by increasing our market share in the Southeastern U.S. primarily through our new agreement with Alimentation Couche-Tard, Inc. ("Couche-Tard").

Net sales for the first quarter of 2012 increased 22.0%, or \$378.2 million, to \$2,100.7 million compared to \$1,722.5 million for the same period in 2011. The primary drivers for the increase were sales attributable to FCGC and the new customer agreement, and an additional 13.2% increase in food/non-food sales driven primarily by higher sales to existing customers, market share gains and one additional selling day in the first quarter of 2012.

Although we saw a healthy increase in food/non-food sales to our existing customers during the first quarter of 2012, we continue to monitor the current macroeconomic conditions, including consumer confidence, spending, cigarette consumption, employment, inflation/deflation levels and fuel prices. A significant change in macroeconomic conditions could materially impact our operating results.

Gross profit for the three months ended March 31, 2012 increased by \$17.8 million, or 19.3%, to \$110.1 million from \$92.3 million during the same period in 2011. Remaining gross profit<sup>1</sup> increased \$18.4 million, or 19.7%, to \$111.9 million during the first quarter of 2012 from \$93.5 million in the same period in 2011. The increase in remaining gross profit was driven by an \$12.0 million, or 18.5%, increase in food/non-food remaining gross profit and a four cents per carton increase in cigarette remaining gross profit resulting primarily from the higher margins we earn in fair trade states. Remaining gross profit margin declined 10 basis points to 5.33% during the first quarter of 2012 from 5.43% for the same period in 2011. The decline in remaining gross profit margin was due primarily to lower margins under the new customer contract which commenced in the third quarter of 2011, as well as margin compression resulting from price increases by cigarette manufacturers in 2011. To the extent that we continue to capture additional large chain business, we will likely realize lower across the board gross profit margins as our invested assets for these customers are lower, allowing us, in most cases, to offer lower prices to achieve a favorable return on investment. Net income was \$3.6 million for the three months ended March 31, 2012, compared to \$0.5 million for the same period in 2011. The \$3.1 million increase in net income resulted from a 19.3% increase in gross profit driven by higher sales offset partially by an increase in operating expenses of 14.2%. Operating expenses as a percentage of net sales improved 34 basis points during the three months ended March 31, 2012 compared to the same period in 2011 due primarily to leverage from higher sales. Net fuel costs, which are a component of operating expenses, increased

modestly during the first quarter this year. Future increases or decreases in fuel costs or the fuel surcharges we pass on to our customers may materially impact our financial results depending on the extent and timing of these changes.

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(1) Remaining gross profit and remaining gross profit margin are non-GAAP financial measures which we provide to segregate the effects of cigarette inventory holding gains, LIFO expense and other items that significantly affect the comparability of gross profit and related margins (see the calculation of remaining gross profit and remaining gross profit margin in “Comparison of Sales and Gross Profit by Product Category” below).

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Adjusted EBITDA<sup>2</sup> increased \$6.2 million, or 59.0%, to \$16.7 million in the first quarter of 2012 from \$10.5 million during the first quarter in 2011. The increase in adjusted EBITDA was driven primarily by the addition of FCGC and the new customer agreement, increases in gross profit dollars driven primarily by higher sales and operating expense leverage.

**Business and Supply Expansion**

Our expansion into the Southeastern U.S. in 2011 continues to fuel our revenue growth into 2012. In addition, we continue to execute our core strategies of enhancing our fresh product offering, driving our VCI, and providing category management consultations, that are each specifically focused on growing our customers' profits. Our strategies are designed to take cost and inefficiencies out of our customers' supply chains, to provide them a means of offering fresh and attractive foods that consumers are demanding and partner with the independent retailer to optimize how they manage what they bring to their customers. Each of these, when adopted, tend to increase the retailers' profits.

Some of our more recent activities include:

In 2011, as part of our selling strategy of providing "Fresh" product to our retailers to meet consumer demand, we increased sales for this small, but growing food category by approximately 28%. In part, we accomplished this by increasing the number of stores participating in our proprietary "Fresh and Local™" program by over 2,100 locations to a total of 8,700 participating stores. We continue to add breadth to the program by offering new fresh item solutions and we anticipate positive sales and margin growth in 2012 for "Fresh" by improving product assortment, in-store marketing efforts and spoil management. Our sales of "Fresh" products increased 37% in the first three months of 2012 compared with the same period in 2011.

On September 7, 2011, we signed a distribution agreement with Couche-Tard to service approximately 970 additional Couche-Tard corporate stores, under the Circle K brand, within Couche-Tard's Southeast, Gulf Coast and Florida markets. We began supplying the additional Circle K stores in September 2011 through a new distribution center in Tampa, Florida and certain of our existing facilities. Effective October 31, 2011, Core-Mark became the authorized wholesaler for the Couche-Tard chain of Circle K franchised stores located throughout the eastern U.S. which allows us the opportunity to carry all Circle K franchise proprietary products. On December 15, 2011, we finalized the renewal of our existing distribution agreements with Couche-Tard for stores located in western Canada and the western U.S. Sales to Couche-Tard accounted for approximately 13.5% of our total net sales in the first quarter of 2012.

On May 2, 2011, we acquired Forrest City Grocery Company ("FCGC"), located in Forrest City, Arkansas, and FCGC thereafter became a subsidiary of Core-Mark. FCGC was a regional wholesale distributor servicing customers in Arkansas, Mississippi, Tennessee and the surrounding states. Total consideration to acquire FCGC was approximately \$54 million. The acquisition resulted in approximately \$12 million of goodwill and \$18 million of intangible assets based on the purchase price allocation from the valuation of the assets and liabilities. The acquisition was funded with a combination of cash on hand and borrowings under our \$200 million revolving credit facility. This acquisition has allowed us to increase our infrastructure and market share in the southeastern U.S. The financial results of FCGC's operations have been included in our consolidated financial statements since the date of acquisition, along with the costs associated with completing the acquisition and integrating them onto our operating systems. FCGC's customers are located primarily in states where cigarette pricing is regulated. Sales in these states, known as "fair trade" states, will likely result in higher cigarette gross profits, in terms of cents per carton, and lower food/non-food gross profit margins. (see Note 4 -- Acquisitions to our consolidated financial statements).

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Adjusted EBITDA is a non-GAAP financial measure and should be considered as a supplement to, and not as a (2) substitute for, or superior to, financial measures calculated in accordance with GAAP (see the calculation of adjusted EBITDA in "Liquidity and Capital Resources" below).



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## Results of Operations

Comparison of the Three Months Ended March 31, 2012 and 2011 (dollars in millions)<sup>(1)</sup>:

	Increase (Decrease) (in millions)	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
		Amounts (in millions)	% of Net sales	% of Net sales, less excise taxes	Amounts (in millions)	% of Net sales	% of Net sales, less excise taxes
Net sales	\$ 378.2	\$ 2,100.7	100.0	% —	% \$ 1,722.5	100.0	% —
Net sales — Cigarettes	229.4	1,452.4	69.1	63.1	1,223.0	71.0	64.5
Net sales — Food/non-food	148.8	648.3	30.9	36.9	499.5	29.0	35.5
Net sales, less excise taxes (2)	331.0	1,626.5	77.4	100.0	1,295.5	75.2	100.0
Gross profit <sup>(3)</sup>	17.8	110.1	5.2	6.8	92.3	5.4	7.1
Warehousing and distribution expenses	9.5	63.4	3.0	3.9	53.9	3.1	4.2
Selling, general and administrative expenses	3.0	39.7	1.9	2.4	36.7	2.1	2.8
Amortization of intangible assets	0.4	0.9	—	0.1	0.5	—	—
Income from operations	4.9	6.1	0.3	0.4	1.2	0.1	0.1
Interest expense	—	(0.6	) —	—	(0.6	) —	—
Interest income	—	0.1	—	—	0.1	—	—
Foreign currency transaction gains, net	(0.5	) 0.1	—	—	0.6	—	0.1
Income before taxes	4.4	5.7	0.3	0.4	1.3	0.1	0.1
Net income	3.1	3.6	0.2	0.2	0.5	—	—
Adjusted EBITDA <sup>(4)</sup>	6.2	16.7	0.8	1.0	10.5	0.6	0.8

(1) Amounts and percentages have been rounded for presentation purposes and might differ from unrounded results.

Net sales, less excise taxes is a non-GAAP financial measure which we provide to separate the increase in sales due to actual sales growth and increases in state, local and provincial excise taxes which we are responsible for collecting and remitting. Federal excise taxes are levied on the manufacturers who pass the taxes on to us as part of

(2) the product cost and thus are not a component of our excise taxes. Although increases in cigarette excise taxes result in higher net sales, our overall gross profit percentage may be reduced, however we do not expect increases in excise taxes to negatively impact gross profit per carton (see Comparison of Sales and Gross Profit by Product Category, page 19).

(3) Gross profit may not be comparable to those of other entities because warehousing and distribution expenses are not included as a component of our cost of goods sold.

Adjusted EBITDA is a non-GAAP financial measure and should be considered as a supplement to, and not as a (4) substitute for, or superior to, financial measures calculated in accordance with GAAP (see calculation of adjusted EBITDA in “Liquidity and Capital Resources” below).

Net Sales. Net sales increased by \$378.2 million, or 22.0%, to \$2,100.7 million for the three months ended March 31, 2012 from \$1,722.5 million in for the same period in 2011. The primary drivers for the increase were sales attributable to FCGC and the new customer agreement with Couche-Tard, and an additional 13.2% increase in food/non-food sales driven primarily by higher sales to existing customers, market share gains and one additional selling day in the first quarter of 2012.

Net Sales of Cigarettes. Net sales of cigarettes for the three months ended March 31, 2012 increased by \$229.4 million, or 18.8%, to \$1,452.4 million from \$1,223.0 million for the same period in 2011. This increase in net cigarette sales was driven by sales attributable to FCGC, net market share gains arising primarily from the new customer agreement and one additional selling day in the first quarter of 2012. In addition, there was a 2.5% increase in the average sales price per carton due primarily to cigarette manufacturer price increases. Total carton sales during the first quarter of 2012 increased 18.1%, consisting of increases of 20.3% in the U.S. and 0.9% in Canada. Excluding incremental carton sales attributable to FCGC, the new customer agreement and one additional selling day this year, carton sales declined by 1.0% in the U.S. While we have experienced only slight declines in carton

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sales on a comparative basis, consistent with industry trends over the last several years, we believe long-term cigarette consumption will be negatively impacted by rising prices, legislative actions, diminishing social acceptance and sales through illicit markets. We expect cigarette manufacturers will raise prices as carton sales decline in order to maintain or enhance their overall profitability, thus mitigating the effects of the decline to the distributor. Total net cigarette sales as a percentage of total net sales were 69.1% for the three months ended March 31, 2012 compared to 71.0% for the same period in 2011.

Net Sales of Food/Non-food Products. Net sales of food/non-food products for the three months ended March 31, 2012 increased \$148.8 million, or 29.8%, to \$648.3 million from \$499.5 million in 2011. The following table provides net sales by product category for our food/non-food products (dollars in millions)<sup>(1)</sup>:

Product Category	Three Months Ended		Increase / (Decrease)		
	March 31, 2012	2011	Dollars	Percentage	
Food	\$271.4	\$200.7	\$70.7	35.2	%
Candy	121.8	103.6	18.2	17.6	%
Other tobacco products	163.4	122.0	41.4	33.9	%
Health, beauty & general	64.7	54.0	10.7	19.8	%
Beverages	26.4	18.4	8.0	43.5	%
Equipment/other	0.6	0.8	(0.2)	(25.0)	)%
Total Food/Non-food Products	\$648.3	\$499.5	\$148.8	29.8	%

(1) Amounts and percentages have been rounded for presentation purposes and might differ from unrounded results.

Sales associated with FCGC and the new customer agreement represented approximately 56% of the increase in food/non-food sales for the first quarter of 2012. The remaining 44% of the increase in food/non-food sales in the first quarter was driven primarily by higher sales to existing customers, net market share gains and one additional selling day. Sales growth in our food category was driven by our sales and marketing initiatives with existing and new customers. In addition, sales grew in our other tobacco products (“OTP”) due primarily to higher sales of smokeless tobacco products. Total net sales of food/non-food products as a percentage of total net sales increased to 30.9% for the three months ended March 31, 2012 compared to 29.0% for the same period in 2011.

Gross Profit. Gross profit represents the amount of profit after deducting cost of goods sold from net sales during the period. Vendor incentives, inventory holding gains and changes in LIFO reserves are components of cost of goods sold and therefore part of our gross profit. Gross profit for the three months ended March 31, 2012 increased by \$17.8 million, or 19.3%, to \$110.1 million from \$92.3 million during the same period in 2011 due primarily to the addition of FCGC, the new customer agreement and an increase in sales in our food/non-food category. Remaining gross profit increased \$18.4 million, or 19.7%, to \$111.9 million for the three months ended March 31, 2012 from \$93.5 million in for the same period in 2011.

The following table provides the components comprising the change in gross profit as a percentage of net sales for the three months ended March 31, 2012 and 2011<sup>(1)</sup>:

	Three Months Ended				Three Months Ended				
	March 31, 2012				March 31, 2011				
	Increase (Decrease)	Amounts (in millions)	% of Net sales	% of Net sales, less excise taxes	Amounts (in millions)	% of Net sales	% of Net sales, less excise taxes		
Net sales	\$378.2	\$2,100.7	100.0	% —	\$1,722.5	100.0	% —		
Net sales, less excise taxes <sup>(2)</sup>	331.0	1,626.5	77.4	100.0	1,295.5	75.2	100.0	%	%
Components of gross profit:									
Cigarette inventory holding gains	\$0.2	\$1.1	0.05	% 0.07	\$0.9	0.05	% 0.07	%	%
OTP tax items <sup>(3)</sup>	(0.8)	)—	—	—	0.8	0.05	0.06		

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LIFO expense	—	(2.9	) (0.14	) (0.18	) (2.9	) (0.17	) (0.23	)
Remaining gross profit <sup>(4)</sup>	18.4	111.9	5.33	6.88	93.5	5.43	7.22	
Gross profit	\$17.8	\$110.1	5.24	% 6.77	% \$92.3	5.36	% 7.12	%

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- (1) Amounts and percentages have been rounded for presentation purposes and might differ from unrounded results. Net sales, less excise taxes is a non-GAAP financial measure which we provide to separate the increase in sales due to product sales growth and increases in state, local and provincial excise taxes which we are responsible for collecting and remitting. Federal excise taxes are levied on the manufacturers who pass the tax on to us as part of
- (2) the product cost and thus are not a component of our excise taxes. Although increases in cigarette excise taxes result in higher net sales, our overall gross profit percentage may be reduced, however we do not expect increases in excise taxes to negatively impact gross profit per carton (see Comparison of Sales and Gross Profit by Product Category, page 19).
- (3) During the three months ended March 31, 2011, we recognized an OTP tax refund of \$0.8 million. Remaining gross profit is a non-GAAP financial measure which we provide to segregate the effects of LIFO
- (4) expense, cigarette inventory holding gains and other items that significantly affect the comparability of gross profit.

Our remaining gross profit margin was 5.33% of total net sales for the three months ended March 31, 2012 compared to 5.43% for the same period in 2011. The new customer agreement with Couche-Tard reduced remaining gross profit margin by 10 basis points in the first quarter of 2012. In addition, cigarette manufacturer price increases compressed our remaining gross profit margin by approximately 4 basis points for the three months ended March 31, 2012. Cigarette remaining gross profit increased approximately 22.2%, or four cents on a per carton basis, in the first quarter of 2012 compared to the same period in 2011 due primarily to higher remaining gross profit per carton from FCGC, which operates primarily in fair trade states and the additional cigarette sales from the new customer agreement. As we expand our presence into fair trade states, cigarette margins will be positively impacted and food/non-food margins will generally be negatively impacted.

Food/non-food remaining gross profit increased \$12.0 million, or 18.5%, for the three months ended March 31, 2012 compared to the same period in 2011. The increase was driven by the addition of FCGC, the new customer agreement and by growth in sales to existing customers in our food product category. Remaining gross profit margin for our food/non-food category for the first quarter of 2012 was 11.83% compared to 12.95% for the same period in 2011. Food/non-food remaining gross profit margins decreased 44 basis points excluding FCGC and the new customer agreement. Market share gains and increased sales from large customers negatively impacted remaining gross profit margins as these large customers generally have lower margins. However, these larger customers generally require us to utilize less working capital than our other customers. In addition, we recorded lower income from manufacturer price increases and other incentives in the first quarter of 2012 compared to the same period in 2011. Our gross profit can be positively or negatively impacted on a comparable basis depending on the relative level of price inflation or deflation period over period and the timing of certain vendor incentives.

For the three months ended March 31, 2012, our remaining gross profit for food/non-food products was approximately 68.5% of our total remaining gross profit compared to 69.2% for the same period in 2011.

**Operating Expenses.** Our operating expenses include costs related to Warehousing and Distribution, and Selling, General and Administrative activities. For the three months ended March 31, 2012, operating expenses increased \$12.9 million, or 14.2%, to \$104.0 million from \$91.1 million for the three months ended March 31, 2011.

Approximately half of the increase in operating expenses was attributable to the addition of FCGC and the new Florida distribution center. As a percentage of net sales, total operating expenses declined to 5.0% for the three months ended March 31, 2012 compared to 5.3% for the same period in 2011 due primarily to leverage from higher net sales.

**Warehousing and Distribution Expenses.** Warehousing and distribution expenses increased \$9.5 million, or 17.7%, to \$63.4 million for the three months ended March 31, 2012 from \$53.9 million for the same period in 2011. The increase in warehousing and distribution expenses was due primarily to the addition of FCGC and the new Florida distribution center and additional personnel to support the increases in sales volume. As a percentage of total net sales, warehousing and distribution expenses were 3.0% for the three months ended March 31, 2012 compared with 3.1% for the three months ended March 31, 2011.

Selling, General and Administrative (“SG&A”) Expenses. SG&A expenses increased \$3.0 million, or 8.2%, for the three months ended March 31, 2012 to \$39.7 million from \$36.7 million for the same period in 2011. Approximately half of the increase in SG&A expenses in the first quarter of 2012 were due to the addition of FCGC and the new Florida distribution center. SG&A expenses for the three months ended March 31, 2011 included \$0.7 million of acquisition costs related to FCGC. As a percentage of net sales, SG&A expenses declined to 1.9% for the first quarter of 2012 compared to 2.1%, for 2011.

Interest Expense. Interest expense includes both interest and loan amortization fees related to borrowings. Interest expense was \$0.6 million for both the three months ended March 31, 2012 and 2011. Lower fees for unused facility and letter of credit participation were offset in part by higher interest expense due to higher borrowings during the three months ended March 31, 2012. Average borrowings for the three months ended March 31, 2012 were \$24.8 million with an average interest rate of 2.1%. We did not borrow under the Credit Facility during the same period in 2011.

Foreign Currency Transaction Gains, Net. We realized foreign currency transaction gains of \$0.1 million for the three

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months ended March 31, 2012 compared to \$0.6 million for the same period in 2011.

**Income Taxes.** Our effective tax rate was 36.8% for the three months ended March 31, 2012 compared to 61.5% for the same period in 2011. The provision for income taxes for the three months ended March 31, 2012 included a \$0.1 million net benefit related primarily to the expiration of the statute of limitations for uncertain tax positions which reduced our effective tax rate by approximately 2.0%. Non-deductible transaction costs related to the acquisition of Forrest City Grocery Company added approximately 20.0% to our effective tax rate for the same period in 2011. We currently expect our effective tax rate to be approximately 40% for 2012.

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## Comparison of Sales and Gross Profit by Product Category

The following table summarizes our cigarette and food/non-food product sales, LIFO expense, gross profit and other relevant financial data for the three months ended March 31, 2012 and 2011 (dollars in millions)<sup>(1)</sup>:

	Three Months Ended		
	March 31,		
	2012	2011	
<b>Cigarettes</b>			
Net sales	\$ 1,452.4	\$ 1,223.0	
Excise taxes in sales <sup>(2)</sup>	425.7	387.4	
Net sales, less excise taxes <sup>(3)</sup>	1,026.7	835.6	
LIFO expense	1.3	1.2	
Gross profit <sup>(4)</sup>	35.0	28.5	
Gross profit %	2.41	% 2.33	%
Gross profit % less excise taxes	3.41	% 3.41	%
Remaining gross profit <sup>(5)</sup>	\$ 35.2	\$ 28.8	
Remaining gross profit %	2.42	% 2.36	%
Remaining gross profit % less excise taxes	3.43	% 3.45	%
<b>Food/Non-food Products</b>			
Net sales	\$ 648.3	\$ 499.5	
Excise taxes in sales <sup>(2)</sup>	48.5	39.6	
Net sales, less excise taxes <sup>(3)</sup>	599.8	459.9	
LIFO expense	1.6	1.7	
Gross profit <sup>(6)</sup>	75.1	63.8	
Gross profit %	11.58	% 12.78	%
Gross profit % less excise taxes	12.52	% 13.87	%
Remaining gross profit <sup>(5)</sup>	\$ 76.7	\$ 64.7	
Remaining gross profit %	11.83	% 12.95	%
Remaining gross profit % less excise taxes	12.79	% 14.06	%
<b>Totals</b>			
Net sales	\$ 2,100.7	\$ 1,722.5	
Excise taxes in sales <sup>(2)</sup>	474.2	427.0	
Net sales, less excise taxes <sup>(3)</sup>	1,626.5	1,295.5	
LIFO expense	2.9	2.9	
Gross profit <sup>(4),(6)</sup>	110.1	92.3	
Gross profit %	5.24	% 5.36	%
Gross profit % less excise taxes	6.77	% 7.12	%
Remaining gross profit <sup>(5)</sup>	\$ 111.9	\$ 93.5	
Remaining gross profit %	5.33	% 5.43	%
Remaining gross profit % less excise taxes	6.88	% 7.22	%

(1) Amounts and percentages have been rounded for presentation purposes and might differ from unrounded results.

Excise taxes included in our net sales consist of state, local and provincial excise taxes which we are responsible for collecting and remitting. Federal excise taxes are levied on the manufacturers who pass the tax on to us as part

(2) of the product cost and thus are not a component of our excise taxes. Although increases in cigarette excise taxes result in higher net sales, our overall gross profit percentage may be reduced since gross profit dollars generally remain the same.

(3)

Net sales, less excise taxes is a non-GAAP financial measure which we provide to separate the increase in sales due to product sales growth and increases in excise taxes.

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- (4) Cigarette gross profit includes (i) cigarette inventory holding gains related to manufacturer price increases, (ii) increases in state, local and provincial excise taxes, and (iii) LIFO effects.

Remaining gross profit is a non-GAAP financial measure which we provide to segregate the effects of LIFO (5) expense, cigarette inventory holding gains and other items, such as OTP tax items, that significantly affect the comparability of gross profit.

- Food/non-food gross profit includes (i) inventory holding gains related to manufacturer price increases, (ii) (6) increases in state, local and provincial excise taxes, (iii) LIFO effects and (iv) OTP tax items. Included in food/non-food gross profit for the three months ended March 31, 2011 is an OTP tax refund of \$0.8 million.

Liquidity and Capital Resources

Our cash and cash equivalents as of March 31, 2012 were \$16.9 million compared to \$15.2 million as of December 31, 2011. Our restricted cash as of March 31, 2012 was \$12.8 million compared to \$12.6 million as of December 31, 2011. Restricted cash primarily represents funds that have been set aside in trust as required by one of the Canadian provincial taxing authorities to secure amounts payable for cigarette and tobacco excise taxes.

Our liquidity requirements arise primarily from the funding of our working capital, capital expenditures, debt service requirements of our Credit Facility, income taxes, repurchases of common stock and dividend payments. We have historically funded our liquidity requirements through our cash flows from operations and external borrowings. As of March 31, 2012, we had \$167.3 million of borrowing capacity available under our Credit Facility.

On October 19, 2011, we announced the commencement of a quarterly dividend program. On February 3, 2012, the Board of Directors declared a quarterly cash dividend of \$0.17 per common share to shareholders of record as of the close of business on February 24, 2012. This resulted in payments of approximately \$2.0 million on March 15, 2012.

On May 3, 2012, the Board of Directors declared a quarterly cash dividend of \$0.17 per common share, which is payable on June 15, 2012 to shareholders of record as of the close of business on May 25, 2012.

Based on our anticipated cash needs, availability under our Credit Facility and the scheduled maturity of our debt, we expect that our current liquidity will be sufficient to meet all of our anticipated operating needs during the next twelve months.

Cash flows from operating activities

Net cash provided by operating activities increased by \$60.6 million to \$91.7 million for the three months ended March 31, 2012 compared to net cash provided of \$31.1 million for the same period in 2011. This increase in cash provided by operating activities was due to a \$55.0 million increase in net cash provided by working capital and a \$5.6 million increase in net income adjusted for non-cash items. The increase in net cash provided by working capital was due primarily to the decrease in inventory levels during the first quarter of 2012. Our inventory balance was unusually high as of December 31, 2011 due to investments in inventory to capitalize on promotional opportunities, support new business, maximize our LIFO buy and to support holiday timing. The decrease in inventory was partially offset by a decrease in accounts payable, as a result of lower inventory levels, and an increase in accounts receivable, as a result of higher sales in the first quarter of 2012 as compared to the first quarter of 2011.

Cash flows from investing activities

Net cash used in investing activities increased by \$3.6 million to \$5.3 million for the three months ended March 31, 2012 compared to \$1.7 million for the same period in 2011. This increase was due primarily to cash used for capital expenditures which increased by \$4.2 million to \$5.5 million for the three months ended March 31, 2012 compared with \$1.3 million for the same period in 2011. The increase in capital expenditures is due primarily to infrastructure enhancements to our new Florida facility and one other division. Capital expenditures for 2012 are expected to approach \$30 million, approximately half of which is expected to be for expansion projects and the remainder for maintenance investments.

Cash flows from financing activities

Net cash used in financing activities increased by \$79.9 million to \$84.4 million for March 31, 2012 compared to \$4.5 million for the same period in 2011. This increase was due primarily to the repayment of borrowings under our revolving credit facility of \$62.0 million, a decrease in book overdrafts of \$13.4 million, which was caused by the level of cash on hand in relation to the timing of vendor payments and \$2.0 million used to pay dividends.

#### Adjusted EBITDA

Adjusted EBITDA is a measure used by management to measure operating performance. We believe adjusted EBITDA provides meaningful supplemental information for investors regarding the performance of our business and allows investors to view results in a manner similar to the method used by our management. Adjusted EBITDA is also among the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our results to other companies in our industry. Adjusted EBITDA is not defined by GAAP and the discussion of adjusted EBITDA should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. We may

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define adjusted EBITDA differently than other companies and therefore such measures may not be comparable to ours.

The following table provides the components of adjusted EBITDA for the three months ended March 31, 2012 and 2011 (in millions):

	Three Months Ended	
	March 31,	
	2012	2011
Net income	\$ 3.6	\$ 0.5
Interest expense, net <sup>(1)</sup>	0.5	0.5
Provision for income taxes	2.1	0.8
Depreciation and amortization	6.3	5.1
LIFO expense	2.9	2.9
Stock-based compensation expense	1.4	1.3
Foreign currency transaction gains, net	(0.1	) (0.6
Adjusted EBITDA	\$ 16.7	\$ 10.5

(1) Interest expense, net, is reported net of interest income.

Adjusted EBITDA increased \$6.2 million, or 59.0%, to \$16.7 million for the three months ended March 31, 2012 from \$10.5 million for the same period in 2011. The increase in adjusted EBITDA for three months ended March 31, 2012 was driven primarily by the addition of FCGC and the new Couche-Tard business, and increases in gross profit dollars driven primarily by higher sales and operating expense leverage.

#### Our Credit Facility

We have a revolving credit facility (“Credit Facility”) with a capacity of \$200 million, which also provides for up to an additional \$100 million of lenders' revolving commitments, subject to certain provisions. On May 5, 2011, we entered into a fourth amendment to our Credit Facility (the “Fourth Amendment”), which extended our Credit Facility, from February 2014 to May 2016, and reduced the unused facility fees and the margin on LIBOR or CDOR borrowings. The margin added to LIBOR or CDOR is a range of 175 to 225 basis points, down from a range of 275 to 350 basis points. The Fourth Amendment ties the LIBOR or CDOR margin to the amount of available credit under the revolving Credit Facility, instead of the achievement of certain operating results as defined in the original agreement. At the date of signing the Fourth Amendment, we incurred fees of approximately \$0.7 million, which are being amortized over the term of the amendment.

All obligations under the Credit Facility are secured by first priority liens upon substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to LIBOR or CDOR based loans prepaid prior to the end of an interest period).

The Credit Facility contains restrictive covenants, including among others, limitations on dividends and other restricted payments, other indebtedness, liens, investments and acquisitions and certain asset sales. As of March 31, 2012, we were in compliance with all of the covenants under the Credit Facility.

Amounts borrowed, outstanding letters of credit and amounts available to borrow, net of certain reserves required under the Credit Facility were as follows (in millions):

	March 31,	December 31,
	2012	2011
Amounts borrowed	\$—	\$ 62.0
Outstanding letters of credit	\$ 21.8	\$ 23.7
Amounts available to borrow	\$ 167.3	\$ 106.2

Average borrowings during the three months ended March 31, 2012 were \$24.8 million, with amounts borrowed, at any one time outstanding, ranging from zero to \$72.9 million. For the same period in 2011, no monies were borrowed under the Credit Facility.

Our weighted-average interest rate was calculated based on our daily cost of borrowing, which was computed on a blend of prime and LIBOR rates. The weighted-average interest rate on our revolving credit facility for the three months ended March 31, 2012 was 2.1%. We paid total unused facility fees and letter of credit participation fees, which are included in interest expense, of \$0.2 million during the three months ended March 31, 2012 compared to \$0.5 million for the same period in 2011. Amortization of debt issuance costs are included in interest expense. Unamortized debt issuance costs were \$1.8 million as of March 31, 2012

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and \$1.9 million as of December 31, 2011.

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 8, 2012, regarding off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no changes during this quarter to our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 8, 2012.

FORWARD-LOOKING STATEMENTS

Except for historical information, the statements made in this Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on certain assumptions or estimates, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial conditions or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain.

Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Forward-looking statements in some cases can be identified by the use of words such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “would,” “project,” “predict,” “continue,” other similar words or expressions. These forward-looking statements are made only as of the date of this Form 10-Q and are based on the current intent, beliefs, plans and expectations of our management and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those discussed in such forward-looking statements.

Factors that might cause or contribute to such differences include, but are not limited to, challenging economic conditions; our dependence on the convenience retail industry for our revenues; competition in our distribution markets, including direct distribution by manufacturers; the dependence of some of our distribution centers on a few relatively large customers; gasoline and other price increases; the low-margin nature of cigarette and consumable goods distribution; our reliance on manufacturer discount and incentive programs and cigarette stamping allowances; our dependence on relatively few suppliers; risks and costs associated with efforts to grow our business through acquisitions; product liability claims and manufacturer recalls of products; unexpected outcomes in legal proceedings; our ability to achieve the expected benefits of implementation of marketing initiatives; failure or disruptions of our information technology systems; our dependence on our senior management; shortages of qualified labor; attempts by unions to organize our employees; declining cigarette sales volumes; legislation and other matters negatively affecting the cigarette and tobacco industry; increases in excise taxes or reduction in credit terms by taxing jurisdictions; potential liabilities associated with sales of cigarettes and other tobacco products; competition from sales of illicit and other low-priced sales of cigarettes; changes in tax legislation; changes in the funding of our pension plans; the payment or non-payment of dividends; currency exchange rate fluctuations; our ability to borrow additional capital, including any restrictions placed on our operations by such borrowings; changes to accounting rules or regulations; compliance with governmental regulations; and earthquake and natural disaster damage. For a more detailed discussion of such factors please refer to Part II, Item 1A, “Risk Factors” of this Form 10-Q and to our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 8, 2012. Except as provided by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SEC Regulation G - Non-GAAP Information

The financial statements in this Quarterly Report on Form 10-Q are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Core-Mark uses certain non-GAAP financial measures

including remaining gross profit, remaining gross profit margin, adjusted EBITDA and net sales, less excise taxes. We believe these non-GAAP financial measures provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful period to period evaluation. Management uses these non-GAAP financial measures in order to have comparable financial results to analyze changes in our underlying business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risk disclosures set forth in Item 7A of our Annual Report Form 10-K, for the year ended December 31, 2011, as filed with SEC on March 8, 2012, did not change materially during the three months ended March 31, 2012.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

We conducted, under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on our evaluation, the chief executive officer and chief financial officer concluded that, as of March 31, 2012, our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

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## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The Company is a plaintiff in a successful lawsuit, currently on appeal, against Sonitrol Corporation, as described in Item 3. Legal Proceedings, in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 8, 2012. On May 4, 2012, the Colorado appellate court issued a notice scheduling oral arguments on the appeal for June 27, 2012.

## ITEM 1A. RISK FACTORS

There have been no material changes from the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 8, 2012.

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

The following table provides the repurchases of common stock shares during the three months ended March 31, 2012: Issuer Purchases of Equity Securities

Calendar Month / Period in which purchases were made:	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in millions) <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in millions) <sup>(3)</sup>
January 1, 2012 to January 31, 2012	—	\$—	\$—	\$ 11.0
February 1, 2012 to February 29, 2012	—	—	—	11.0
March 1, 2012 to March 31, 2012	17,800	39.50	0.7	10.3
Total repurchases for the three months ended March 31, 2012	17,800	\$ 39.50	\$ 0.7	\$ 10.3

(1) All purchases were made as part of the share repurchase program announced on May 25, 2011.

(2) Includes related transaction fees.

On May 24, 2011, our Board of Directors authorized the repurchase of up to \$30 million of our common stock. The timing and amount of the purchases are based on market conditions, our cash and liquidity requirements, relevant securities laws and other factors. The share repurchase program may be discontinued or amended at any time. The program has no expiration date and expires when the amount authorized has been expended or the Board withdraws its authorization.

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ITEM 6. EXHIBITS

Exhibit No. Description

3.1	Certificate of Incorporation of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form 10 filed on September 6, 2005).
3.2	Second Amended and Restated Bylaws of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on August 18, 2008).
10.1	Form of Management Performance Share Award Agreement under the Core-Mark Holding Company, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K/A filed on March 7, 2012).
10.2	Form of Management Special Incentive Share Award Agreement under the Core-Mark Holding, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K/A filed on March 7, 2012).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

CORE-MARK HOLDING COMPANY, INC.

Date: May 8, 2012

By: /S/ J. MICHAEL WALSH

Name: J. Michael Walsh

Title: President and Chief Executive Officer

CORE-MARK HOLDING COMPANY, INC.

Date: May 8, 2012

By: /S/ STACY LORETZ-CONGDON

Name: Stacy Loretz-Congdon

Title: Chief Financial Officer