MEYROWITZ CAROL
Form 4
April 02, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
MEYROWITZ CAROL

(Last) (First) (Middle)

THE TJX COMPANIES, INC., 770 COCHITUATE ROAD

(Street)

FRAMINGHAM, MA 01701

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TJX COMPANIES INC /DE/ [TJX]

3. Date of Earliest Transaction (Month/Day/Year)
03/31/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and CEO - TJX

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/31/2009		J(1)		300,000	A	(1)	530,580	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MEYROWITZ CAROL THE TJX COMPANIES, INC. 770 COCHITUATE ROAD FRAMINGHAM, MA 01701	X		President and CEO - TJX	

Signatures

Mary B. Reynolds, by Power of Attorney dated January 28, 2002	04/02/2009
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Award pursuant to the Company's Stock Incentive Plan which includes the right to have shares withheld to satisfy tax withholding obligations upon vesting.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e year and until their respective successors are duly elected and qualified.

At the Annual Meeting, eight directors will be elected to serve until the 2006 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The Board of Directors has nominated Messrs. Scott H. Rechler, Douglas Crocker II, Ronald H. Menaker, Peter Quick, Lewis S. Ranieri, John F. Ruffle and Stanley Steinberg and Ms. Elizabeth McCaul to serve as directors of the Company (the "Nominees"). Each of the Nominees is currently serving as a director of the Company. The Board of Directors anticipates that each of the Nominees will serve, if elected, as a director. However, if any person nominated by the Board of Directors is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

The Board of Directors recommends a vote FOR each of the eight Nominees.

Information Regarding Nominees and Officers

The following table and biographical descriptions set forth certain information with respect to each of the directors of the Company and the executive officers who are not directors, based upon information furnished to the Company by each director and executive officer.

Name	Age	Director Since	Amount and Nature of Beneficial Ownership of Common Stock(1)	Percent of Class(2)
Scott H. Rechler	37	1994	857,081(3)	1.01%
Douglas Crocker II	65	2004	6,000(4)	*
Elizabeth McCaul	43	2004	6,000(5)	*
Ronald H. Menaker	60	2002	14,966(6)	*
Peter Quick	49	2002	12,949(7)	*
Lewis S. Ranieri	58	1997	42,466(8)	*
John F. Ruffle	68	2004	4,000(9)	*
Stanley Steinberg	72	2004	4,676(10)	*

*

Less than one percent.

(1)

All information has been determined as of March 21, 2005. For purposes of this table a person is deemed to have "beneficial ownership" of the number of shares of common stock that a person has the right to acquire pursuant to the exercise of stock options exercisable within sixty days, or the redemption of units ("Units") of limited partnership interest (including vested LTIP Units, as defined herein) in our operating partnership, Reckson Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") (assuming the Company elects to issue common stock rather than pay cash upon such redemption). Pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of June 2, 1995, as amended, the Operating Partnership is obligated to redeem Units for cash, or, at the option of the Company, shares of common stock. LTIP Units are convertible into common units only upon the satisfaction of certain conditions. With respect to the foregoing, the Company has assumed that all conditions required for all vested LTIP Units to be convertible into an equal number of common units have been satisfied. See "Executive Compensation" for a discussion of LTIP Units and the vesting of stock options granted to directors and officers.

(2)

For purposes of computing the percentage of outstanding shares of common stock held by each person, any shares of common stock that such person has the right to acquire pursuant to the

exercise of a stock option exercisable within 60 days is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percent ownership of any other person. In addition, for purposes of such calculation, Units (including vested LTIP Units) held by each person are treated as if such person had converted and held the related equivalent number of shares of common stock. With respect to the foregoing, the Company has assumed that all conditions required for all vested LTIP Units to be convertible into an equal number of common units have been satisfied.

(3)

Represents (a) 399,859 shares of common stock, including 396,238 shares of common stock owned directly, 614 shares of common stock owned through the Company's 401(k) plan and 3,007 shares of common stock held in trust for the benefit of his children, (b) 34,722 LTIP Units and (c) 422,500 exercisable options.

(4)

Represents 6,000 shares of common stock. Excludes 695 restricted stock units which were awarded under one of our existing stock option plans in lieu of a portion of the holder's director's fees and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors.

(5)

Represents 6,000 shares of common stock. Excludes 695 restricted stock units which were awarded under one of our existing stock option plans in lieu of a portion of the holder's director's fees and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors.

(6)

Represents (a) 7,466 shares of common stock and (b) options to purchase 7,500 shares of common stock. Excludes 1,485 restricted stock units which were awarded under one of our existing stock option plans and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors. 695 of such restricted stock units were awarded in lieu of a portion of the holder's director's fees.

(7)

Represents (a) 5,449 shares of common stock and (b) options to purchase 7,500 shares of common stock. Excludes 2,065 restricted stock units which were awarded under one of our existing stock option plans and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors. 1,275 of such restricted stock units were awarded in lieu of a portion of the holder's director's fees.

(8)

Represents (a) 10,966 shares of common stock and (b) options to purchase 31,500 shares of common stock. Excludes 790 restricted stock units which were awarded under one of our existing stock option plans in lieu of a portion of the holder's director's fees and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors.

(9)

Represents 4,000 shares of common stock. Excludes 695 restricted stock units which were awarded under one of our existing stock option plans in lieu of a portion of the holder's director's fees and which are to be settled in an equal number of shares of common stock upon the holder's retirement from the Board of Directors.

(10)

Represents 4,676 shares of common stock.

Nominees for Election at 2005 Annual Meeting Term to Expire in 2006

Scott H. Rechler has served as Chief Executive Officer and President since December 2003 and as Chairman of the Board since November 2004, served as Co-Chief Executive Officer of the Company from May 1999 until December 2003, serves as the Chairman of the Executive Committee of the Board and has served as a director of the Company since its formation. He served as President of the Company from February 1997 to May 2001 and served as Chief Operating Officer of the Company from its formation until May 1999. In addition, from the Company's formation until February 1997,

Mr. Rechler served as Executive Vice President of the Company. Mr. Rechler has been employed at Reckson since 1989. Mr. Rechler was the architect of Reckson's successful public offering in June 1995 and has led the Company from a Long Island based owner and developer to one of the largest office REITs in the New York tri-state area. Mr. Rechler has overseen in excess of $3.0 billion in acquisitions and developments since joining the Company. Mr. Rechler is a member of the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). Mr. Rechler is actively involved with the Real Estate Roundtable, for which he serves as Co-Chair of its political action committee. Since 1997 Mr. Rechler has served as Chief Executive Officer and Chairman of the Board of Directors of FrontLine Capital Group ("FrontLine"), and also served as the non-executive Chairman of the Board of Directors and as former interim executive officer of HQ Global Holdings, Inc., both companies that filed for protection from creditors under the Federal bankruptcy laws. Mr. Rechler is a Director of American Campus Communities, Inc. (NYSE: ACC). Mr. Rechler also serves as a member of the Board of Directors of the Long Island Children's Museum, the Tribeca Film Institute, the Association for a Better New York, and the Association for a Better Long Island. Mr. Rechler is a graduate of Clark University and received a Master's Degree in Finance with a specialization in real estate from New York University.

Douglas Crocker II has served as a director of the Company since 2004. Mr. Crocker was Chief Executive Officer, President and a Trustee of Equity Residential, the nation's largest apartment REIT, from 1993 to 2002, and also served as Vice Chairman of the Board. Mr. Crocker remains very active in the multifamily housing industry, serving on boards or committees of various multifamily housing associations. Mr. Crocker is a past Trustee of the Multifamily Council of the Urban Land Institute and former member of the Board of Governors of NAREIT. Mr. Crocker is a past chairman of the National Multi Housing Council and currently serves on the Advisory Board of the De Paul University Real Estate School. Mr. Crocker also serves as a director of the following companies in the real estate industry: Wellsford Real Properties, Inc., a real estate merchant banking firm; Ventas, Inc., a leading healthcare related REIT; Prime Group Realty Trust, an owner and operator of office and industrial properties; Post Properties, a multifamily REIT; and Acadia Realty Trust, a REIT which owns and operates shopping centers.

Elizabeth McCaul has served as a director of the Company since 2004. Ms. McCaul currently serves as a Partner and runs the New York office of Promontory Financial Group, a regulatory and financial consulting firm that specializes in risk management, crisis management, corporate governance and compliance, as well as strategic planning and mergers and acquisitions. From 1997 to 2003, Ms. McCaul served as the Superintendent of Banks of the State of New York where she was responsible for the supervision of some of the world's largest financial institutions with total assets of approximately $2 trillion. Prior to being appointed as Superintendent, she served as First Deputy Superintendent and Chief of Staff. From 1985 through 1995, Ms. McCaul was an investment banker at Goldman Sachs & Co. Ms. McCaul has also served as Chairman of the Conference of State Bank Supervisors and participated in the Joint Forum for Financial Conglomerates. She has been an instructor on corporate governance at the Financial Stability Institute at the Bank for International Settlements in Basel, Switzerland and has assisted many financial institutions to meet their obligations under the Sarbanes-Oxley Act of 2002 and the USA Patriot Act. Ms. McCaul was also a leader in fighting predatory lending, where she proposed and adopted the first regulation addressing this issue, which became a national model for other states and Federal legislation. Ms. McCaul earned her Bachelor of Arts in Economics from Boston University.

Ronald H. Menaker has served as a director of the Company since 2002. From 1966 to 1999, Mr. Menaker worked for J.P. Morgan & Co. Incorporated, holding various positions, including President and a director of J.P. Morgan Services. At the time of his retirement on January 1, 1999, Mr. Menaker was a managing director and head of corporate services of J.P. Morgan & Co. Inc. of New York. In this capacity, Mr. Menaker had management responsibility for a $500 million budget and 1,700 employees, including a range of administrative, support and operations functions for J.P. Morgan

companies. These functions included facilities management, real estate design and construction, corporate insurance and contingency planning, security services and investigations, health services, payroll and payment services, executive compensation, travel services, management services and operations. Mr. Menaker previously served as a director of Atalanta Sosnoff Capital Corp. He serves as a director of NYU Medical Center and Vice Chairman and director of NYU Downtown Hospital. He was formerly the Chairman of NYU Downtown Hospital. Mr. Menaker also serves as the Chairman of the American Kennel Club.

Peter Quick has served as the Company's lead independent director since 2003 and as a director of the Company since 2002. Mr. Quick has served as President of the American Stock Exchange and on its Board of Governors since July 2000. From 1982 to 2000, Mr. Quick worked for Quick & Reilly, Inc., a leading national discount brokerage firm, holding various positions, including President and Chief Executive Officer thereof. Mr. Quick is a director of the Securities Industry Automation Corporation. Mr. Quick serves as a director of St. Francis Hospital and Good Shepard Hospice and Fund for the Poor, Inc. He is a member of the National Selection Committee for the Jefferson Scholars Program of the University of Virginia and a Trustee of the Securities Industry Institute at the Wharton School of the University of Pennsylvania. Mr. Quick received a bachelor's degree in engineering from the University of Virginia and attended Stanford University's Graduate School of Petroleum Engineering. He was a lieutenant in the United States Navy, and served four years on active duty. Recognized for his personal and professional achievements, Mr. Quick received the prestigious Ellis Island Medal of Honor award in May 2001.

Lewis S. Ranieri has served as a director of the Company since 1997. Mr. Ranieri is the prime originator and founder of the Hyperion private equity funds ("Hyperion") and chairman and/or director of various other non-operating entities owned directly and indirectly by Hyperion. Mr. Ranieri also serves as Chairman, Chief Executive Officer and President of Ranieri & Co., Inc., a private investment advisor and management corporation, and is Chairman and a member of the Board of Directors of Hyperion Capital Management, Inc., a registered investment advisor. He is also Chairman of American Financial Realty Trust, Capital Lease Funding, Inc., Computer Associates International, Inc., Franklin Bank Corp. and Five Mile Capital Partners LLC, a private sponsor and manager of private investment funds. Prior to forming Hyperion, Mr. Ranieri had been Vice Chairman of Salomon Brothers, Inc. ("Salomon"). He is generally considered to be the "father" of the securitized mortgage market. Mr. Ranieri helped develop the capital markets as a source of funds for housing and commercial real estate, established Salomon's leadership position in the mortgage-backed securities area, and also led the effort to obtain Federal legislation to support and build the market. At Salomon, Mr. Ranieri had responsibility for the firm's activities in the mortgage, real estate and government-guaranteed areas. Regarded as an expert and innovator in both the mortgage and capital markets, Mr. Ranieri has served on the National Association of Home Builders Mortgage Roundtable continuously since 1989. In recognition of his dedication and lifelong achievements in the housing industry, Mr. Ranieri was inducted into the National Housing Hall of Fame. He is also a recipient of the lifetime achievement award given by the Fixed Income Analysts Society, Inc. and was subsequently inducted into the FIASI Hall of Fame for outstanding practitioners in the advancement of the analysis of fixed-income securities and portfolios. In November 2004, *BusinessWeek* magazine named him one of "the greatest innovators of the past 75 years." Mr. Ranieri acts as a trustee or director of Environmental Defense and The Metropolitan Opera Association and is Chairman of the Board of the American Ballet Theatre.

John F. Ruffle has served as a director of the Company since 2004. Mr. Ruffle retired as Vice Chairman and a Director of J.P. Morgan & Co. Incorporated on May 31, 1993, having served in this capacity since 1985, and as a member of the Corporate Office, the firm's senior policy and planning group. Mr. Ruffle served in a similar position in the firm's lead subsidiary, Morgan Guaranty Trust Company of New York. Mr. Ruffle joined Morgan in 1970 as Controller. In 1980, Mr. Ruffle became Chief Financial Officer. Earlier in his career, Mr. Ruffle had been with International Paper Company

as Assistant Treasurer and Director of Accounting, and with Price Waterhouse. Mr. Ruffle was a member of the Board of Trustees of the Financial Accounting Foundation from 1985 to 1990 and Chairman during his last two years. This Board offers oversight over the Financial Accounting Standards Board and Governmental Accounting Standards Board processes as well as selection of members and compensation. Mr. Ruffle was also a national past Chairman of the Board of the Financial Executives Institute and awarded a lifetime membership in the organization. In 1991, Mr. Ruffle received the Financial Executive's Institute's National Award for Distinguished Service to his profession. Mr. Ruffle was named by "Accounting Today," a national professional newspaper, as the Most Influential Accountant in America during the year 1990. Mr. Ruffle is a Director of several mutual funds in the JP Morgan Family of mutual funds as well as certain other investment funds managed by J.P. Morgan Investment Management Inc. Mr. Ruffle is also a Director of American Shared Hospital Services, Inc. and a member of the Board of Trustees of The Johns Hopkins University since 1990. In prior years, Mr. Ruffle has served as a member of the Board of Directors of many companies, including Bethlehem Steel Corporation, Wackenhut Corporation, Wackenhut Corrections Corp., Trident Corp., and Sallie Mae. Mr. Ruffle also serves as an Elder in the Presbyterian Church. Mr. Ruffle graduated from The Johns Hopkins University with a B.A. degree in 1958 and from Rutgers University with an M.B.A. in finance in 1963, the same year in which he became a Certified Public Accountant.

Stanley Steinberg has been a director of the Company since 2004. Mr. Steinberg currently serves as a Senior Advisor to the financial and management consulting firm of Casas, Benjamin & White, a division of Navigant Consulting, Inc. (NYSE: NCI). Mr. Steinberg formerly served as Chairman and Chief Executive Officer of Sony Retail Entertainment where he was responsible for the development and operation of major location-based retail entertainment centers, a major theater chain and Sony retail stores. Prior to joining Sony, Mr. Steinberg served as Executive Vice President and Chief Operating Officer of Walt Disney Imagineering, where he managed the development of over $4.5 billion of theme parks. Prior to joining Disney, Mr. Steinberg served as Executive Vice President of the Portman Companies where he was responsible for the company operations and was directly involved in the design, development, financing and operation of numerous major hotels and mixed-used projects around the world including: Peachtree Center in Atlanta; Embarcadero Center in San Francisco; Marina Square in Singapore; and the New York Marriott Marquis Hotel at Times Square. Mr. Steinberg currently serves as a member of the Board of Directors of Electronics Boutique (NASDAQ: ELBO), a retailer of video game related hardware and software products and AmericasMart, Inc., one of the nation's largest wholesale marketplaces. Mr. Steinberg earned both Bachelor of Science and Bachelor of Architecture degrees from the Georgia Institute of Technology and a Master of Architecture from the Massachusetts Institute of Technology.

Executive Officers Who Are Not Directors

Michael Maturo has served as Executive Vice President, Chief Financial Officer and Treasurer of the Company since 1995. Mr. Maturo was named Chairman of the Company's Investment Committee in May 2004. Mr. Maturo oversees the Company's finance, accounting, treasury management, public reporting, capital markets, investor relations and strategic planning functions. Mr. Maturo also oversees the Company's investment functions and allocation of capital. During his tenure with the Company, Mr. Maturo has led the Company's efforts to obtain its investment grade rating and thereafter the issuance of $800 million of senior unsecured notes. He also established a $500 million unsecured corporate line of credit with a 14 member bank group. In addition, Mr. Maturo has led efforts to raise over $2.0 billion of additional debt and equity capital during this time period. Mr. Maturo is a member of NAREIT. Prior to joining the Company, Mr. Maturo was a Senior Manager at E&Y Kenneth Leventhal Real Estate Group (formerly Kenneth Leventhal & Company), a public accounting and consulting firm. Mr. Maturo specialized in diverse phases of real estate finance, including corporate and property debt financings and recapitalization transactions.
Mr. Maturo is a graduate of Seton Hall

University with a degree in accounting and finance and is a Certified Public Accountant. From 1998 to 2001, Mr. Maturo served as an executive officer and director of FrontLine, a company that filed for protection from creditors under the Federal bankruptcy laws in June 2002. Mr. Maturo is 43 years old.

Jason M. Barnett has served as Executive Vice President of the Company since May 1999, General Counsel of the Company since May 1997 and Secretary of the Company since 2003. Mr. Barnett joined the Company in 1996. Mr. Barnett is responsible for the coordination of all legal and compliance matters for the Company. Mr. Barnett has been involved in over $2.5 billion of real estate transactions, including acquisitions, dispositions, joint ventures, and financings. Mr. Barnett has also been involved in approximately $2.0 billion of public securities offerings on behalf of the Company. Prior to joining the Company, Mr. Barnett practiced as an associate in the corporate REIT practice area of Sidley Austin Brown & Wood LLP. While at Sidley Austin Brown & Wood LLP, Mr. Barnett participated in numerous corporate and real estate transactions involving publicly-held REITs, including initial public offerings, joint ventures and corporate and real estate acquisitions. Mr. Barnett holds a Bachelor of Arts degree from Clark University and a *Juris Doctor* from Emory University School of Law. Mr. Barnett is a member of the American Bar Association, a member of the Real Estate Board of New York, a member of NAREIT, and is involved in various industry related groups. Mr. Barnett is also a member of the Association of Small Claims Arbitors for the Civil Court of the City of New York. Mr. Barnett is admitted to the Bar of the State of New York. From 1998 to 2000, Mr. Barnett served as an executive officer of FrontLine, a company that filed for protection from creditors under the Federal bankruptcy laws in June 2002. Mr. Barnett is 36 years old.

Salvatore Campofranco has served as Executive Vice President and Chief Operating Officer of the Company since 2003. Mr. Campofranco served as the Senior Vice President and Managing Director of the Company's Westchester and Connecticut divisions from 1996 to 2003 where he was responsible for the leasing, acquisitions, construction and property management in the Company's Westchester County and Southern Connecticut Portfolio of office and industrial properties currently consisting of 4.8 million square feet in 32 properties. Mr. Campofranco has 16 years of experience in real estate finance and operations. Before joining the Company in 1996, Mr. Campofranco was Senior Vice President in charge of finance and operations for Towermarc Corporation. Prior to that, he was a manager with E&Y Kenneth Leventhal Real Estate Group (formerly Kenneth Leventhal & Company) in New York. He is a Certified Public Accountant in New York State and a graduate of Saint John's University, New York, with a B.S. in Accounting. He is also a member of the Executive Committee for the Board of Trustees for the Westchester Arts Council and The Westchester County Association, among other corporate and civic boards. Mr. Campofranco received the Westchester County Business Leader of the Year award for 2000. Mr. Campofranco is 47 years old.

F. D. Rich III has served as Executive Vice President and Chief Administrative Officer since 2003. Mr. Rich joined the Company in 1996 and has held numerous positions, including Senior Vice President and head of the Company's Southern Connecticut Division and Chief Information Officer. Mr. Rich has extensive real estate development and management expertise in office, housing and retail developments in various regions in the country and in the Caribbean. Prior to joining the Company, Mr. Rich was a senior vice president with the F. D. Rich Company (the "Rich Company") and responsible for its operations. Mr. Rich has had extensive involvement with the City of Stamford's urban renewal efforts and the development, construction and operations of commercial office space in downtown Stamford. Mr. Rich is a founding member of the Board of the Stamford Downtown Special Services District and past Chairman. Mr. Rich has also served on the boards of the Stamford Partnership and the Stamford Chamber of Commerce. Mr. Rich attended Marquette University, Utica College of Syracuse University and Loyola College, majoring in Business Administration. Mr. Rich is 49 years old.

Philip Waterman III has served as Executive Vice President, Chief Development Officer and Managing Director of the Company's New York City division since 2003. Mr. Waterman joined the

Company in 1999 as Managing Director of the Company's New York City division. Mr. Waterman is responsible for the Company's business activities in New York City. Prior to joining the Company, Mr. Waterman spent 12 years with Tishman Speyer Properties. He served as a Managing Director of Tishman Speyer Properties and sat on that company's Management Committee, which was responsible for investment and acquisition decisions. He was responsible for the oversight of Tishman Speyer's domestic leasing and marketing efforts for approximately 38 million square feet, including Rockefeller Center and the Chrysler Building in New York. Past responsibilities included oversight of Tishman Speyer's Los Angeles and San Francisco offices. He also spent two years in Tishman Speyer's Chicago office. Mr. Waterman received his B.A. from the University of Michigan. His professional affiliations include The Real Estate Board of New York, where he serves as a Governor; The Urban Land Institute; The Realty Foundation of New York where he serves as a Board Member; and The Young Men's and Women's Real Estate Association. His charitable affiliations include The Fresh Air Fund, where he sits on the Board of Directors, The Jeffrey Modell Foundation, where he serves as a Board Member, and The Downtown School, where he serves as a Board Member. Mr. Waterman is 38 years old.

The Board of Directors and Its Committees

The Company is currently managed by an eight member Board of Directors, seven of whom are independent of the Company's management. Director independence was determined in accordance with the applicable corporate governance listing standards of the New York Stock Exchange. The Company has a policy in place whereby every three years at least one non-employee director (an "Independent Director") of the Company will have rotated off the Board.

The Company's corporate governance guidelines state that the retirement of a director should normally occur at the end of the term in which he or she reaches the age of 72, but there should be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the appropriateness of continued service after such time. Stanley Steinberg, a Nominee for director at the Annual Meeting, turned 72 years of age in 2005. In accordance with the Company's aforementioned retirement policy, the Nominating and Corporate Governance Committee has determined that it would be appropriate for Mr. Steinberg to stand for re-election at the Annual Meeting and, if elected, to continue to serve as a director of the Company through the 2006 Annual Meeting of Stockholders.

The Board of Directors held seven meetings during fiscal year 2004. In addition, the Independent Directors of the Company held six executive sessions during fiscal year 2004 in which management directors did not participate. Executive sessions are held after each annual and quarterly meeting of the Board of Directors and otherwise when deemed necessary or appropriate.

Each of the directors attended at least 75% of the total number of meetings of the Board of Directors and of the Committees of the Company of which he or she was a member during 2004. It is the Board's policy that directors should attend the annual meeting. All of the members of the Board of Directors were present at the 2004 Annual Meeting of Stockholders.

Lead Independent Director. In May 2003, the Board created a new position of lead independent director, whose primary responsibility is to preside over the executive sessions of the Board in which management directors and other members of management do not participate. The lead independent director also advises the Chairman of the Board and, as appropriate, Committee chairs with respect to agendas and information needs relating to Board and Committee meetings, and performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. Mr. Quick serves as the lead independent director of the Board.

Audit Committee. The Company has a standing Audit Committee consisting of John F. Ruffle, Elizabeth McCaul, Ronald H. Menaker and Peter Quick, each of whom is "independent" as defined in

the New York Stock Exchange's listing standards. Information regarding the functions performed by the Audit Committee is set forth in the "Audit Committee Report" included in this Proxy Statement. Mr. Ruffle currently serves as chairman of the Audit Committee. The Audit Committee held six meetings during fiscal year 2004.

The Board has determined that Mr. Ruffle qualifies as an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission ("SEC"). There is a brief listing of Mr. Ruffle's qualifications in his biography that appears under the heading "Information Regarding Nominees and Officers." As noted above, the Board has determined that Mr. Ruffle is independent of the Company and its management.

Executive Committee. Subject to the supervision and oversight of the Board of Directors, the Executive Committee, which consists of Scott H. Rechler, Peter Quick, Douglas Crocker II and Stanley Steinberg, has the authority to approve acquisitions, financings and dispositions by the Company and to authorize the execution of certain contracts and agreements, including those relating to the borrowing of money by the Company, and to exercise all such other powers as are appropriately delegated by the Board of Directors, except for those which require action by all directors or the Independent Directors under the Charter or Bylaws of the Company or under applicable law. Mr. Scott H. Rechler serves as chairman of the Executive Committee. The Executive Committee held seven meetings during fiscal year 2004.

Compensation Committee. The Company's Compensation Committee, which consists of Lewis S. Ranieri, Douglas Crocker II, Ronald H. Menaker and Stanley Steinberg, makes recommendations and exercises all powers of the Board of Directors in connection with compensation matters, including incentive compensation and benefit plans. The Compensation Committee also has authority to grant awards under the Company's stock option plans. The functions of the Compensation Committee also include ensuring that the Company has developed an executive management succession plan, and periodically reviewing and evaluating such plan, and furthering the professional development of the Company's senior executive officers. Mr. Ranieri serves as chairman of the Compensation Committee. All current members of the Compensation Committee are independent as defined in the rules of the New York Stock Exchange. The Compensation Committee held six meetings during fiscal year 2004.

Disclosure Committee. The Company's Disclosure Committee, which consists of all of the Company's executive officers as well as certain other officers of the Company, has responsibility for the development and assessment of the financial and non-financial information to be included in the reports filed by the Company with the SEC and assists the Company's Chief Executive Officer and Chief Financial Officer in connection with their certifications contained in the Company's periodic reports. The Disclosure Committee reports to the Audit Committee on a quarterly or more frequent basis. The Disclosure Committee held six meetings during fiscal year 2004.

Nominating and Corporate Governance Committee. The functions of the Nominating and Corporate Governance Committee are to assist the Board in promoting the best interests of the Company and its stockholders through the implementation of sound corporate governance principles and practices. The Nominating and Corporate Governance Committee is also responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and recommending to the Board the director nominees for the next annual meeting of stockholders, (ii) developing and recommending to the Board a set of corporate governance principles applicable to the Company and (iii) overseeing the evaluation of the Board and the Company's management.

Each of Ronald H. Menaker, Douglas Crocker II, Elizabeth McCaul, Peter Quick, Lewis S. Ranieri, John F. Ruffle and Stanley Steinberg currently serves as a member of the Nominating and Corporate Governance Committee. Mr. Menaker serves as chairman of the Nominating and Corporate

Governance Committee. All current members of the Nominating and Corporate Governance Committee are independent as defined in the rules of the New York Stock Exchange.

The Nominating and Corporate Governance Committee has a charter which is available and can be viewed and downloaded from the Company's website at *www.reckson.com*. The Company's corporate governance guidelines are also available and can be viewed and downloaded from the Company's website at *www.reckson.com*. Copies of the charter, as well as the corporate governance guidelines, are available to stockholders free of charge on request to the Company's Secretary, Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747.

The Nominating and Corporate Governance Committee will consider appropriate nominees for director whose names are submitted in writing by a stockholder of the Company. Nominations must be addressed to Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, Attn: Jason M. Barnett, Secretary, indicating the nominee's qualification and other relevant biographical information and providing confirmation of the nominee's consent to serve as director. In order to be considered for the next annual election of directors, any such written request must comply with the requirements set forth in the Bylaws of the Company and below under "Stockholder Proposals and Nominations for 2006 Annual Meeting." The Company has not made any material changes to these procedures since their implementation.

The Nominating and Corporate Governance Committee held three meetings during the fiscal year 2004. The Nominating and Corporate Governance Committee meets in executive session following each annual and quarterly meeting of the Board and otherwise when deemed necessary or appropriate.

The Nominating and Corporate Governance Committee reviews with the Board on an annual basis the appropriate skills and characteristics required of Board members in the context of the then-current composition of the Board. This assessment includes, in addition to qualities of intellect, integrity and judgment, business experience and knowledge, reputation and character, issues of diversity, relevant industry and trade association knowledge and participation, accounting and financial expertise, public company experience, willingness and ability to devote the time and effort required to effectively serve on the Board and relevant legal and regulatory qualifications. The Nominating and Corporate Governance Committee makes this determination in the context of an assessment of the perceived needs of the Board at that point in time. The Nominating and Corporate Governance Committee evaluates all nominees for director based on these criteria, including nominees recommended by stockholders.

All Nominees for director at the 2005 Annual Meeting currently serve as directors of the Company.

The Nominating and Corporate Governance Committee considers nominees for the Board from any reasonable source, including current Board members, stockholders or other persons. While the Nominating and Corporate Governance Committee has the ability to retain a third party to assist in the nomination process, the Company has not paid a fee to any third party to identify or assist in identifying or evaluating potential nominees.

Pricing Committee. The Company's Pricing Committee consists of Douglas Crocker II, Peter Quick, Lewis S. Ranieri and Scott H. Rechler. The Pricing Committee is designated from time to time and as needed to consider the price at which securities of the Company may be offered. The Pricing Committee held five meetings during the fiscal year 2004. Mr. Crocker serves as chairman of the Pricing Committee.

Director Independence

The Board has determined that all of the Company's directors, with the exception of Mr. Scott H. Rechler (the Company's Chairman of the Board, Chief Executive Officer and President), have met the

independence requirements of the New York Stock Exchange, based upon the application of objective categorical standards adopted by the Board. In making a determination regarding a director's independence, the Board considers all relevant facts and circumstances, including the director's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and such other criteria as the Board may determine from time to time. In accordance with the Company's corporate governance guidelines, a director who satisfies all of the following criteria will be determined to be an Independent Director of the Company:

(i) The director is not a current employee of the Company and has not been an employee of the Company within the preceding three years (other than in the capacity as a former interim Chairman or Chief Executive Officer);

(ii) No immediate family member is currently an executive officer of the Company, and has not been such within the preceding three years;

(iii) The director (other than in the capacity of a former interim Chairman or Chief Executive Officer), and any immediate family member of the director acting in the capacity of an executive employee, did not receive more than $100,000 in a twelve month period in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), within the preceding three years;

(iv) The director was not affiliated with or employed by a present or former (internal or external) auditor of the Company and no immediate family member of the director was affiliated with or employed in a professional capacity by a present or former (internal or external) auditor of the Company, within the preceding three years;

(v) Neither the director nor an immediate family member of the director was employed as an executive officer of another company where any of the Company's present executives served on that company's compensation committee within the preceding three years;

(vi) The director is not a current executive officer or employee, and no immediate family member of the director is a current executive officer, of another company that made payments to or received payments from the Company for property or services in an amount which, in any of the preceding three fiscal years, exceeded the greater of $1 million or two percent (2%) of such other company's consolidated gross revenues (based on those revenues reported in the applicable fiscal year);

(vii) The director is not an executive officer of another company which is indebted to the Company or to which the Company is indebted, in an amount greater than five percent (5%) of such other company's total consolidated assets at the end of the last completed fiscal year; and

(viii) The director does not serve as an executive officer of any charitable organization to which the Company has made payments in any of the preceding three years of the greater of $1 million or two percent (2%) of such charitable organization's consolidated gross revenues (based on those revenues reported in the applicable fiscal year).

Direct or indirect ownership of even a significant amount of Company stock by a director who may otherwise be determined to be independent as a result of the application of the foregoing standards may not bar an independence finding as to such director.

For purposes of the foregoing, an "immediate family member" is defined as a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than an employee) who shares such person's home. Individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated, are not taken into consideration with respect to the determination of a director's independence.

Director Compensation

Each Independent Director of the Company receives an annual director's fee of $30,000 ($45,000 in the case of the lead independent director). Each Independent Director also receives $1,500 for each quarterly and special meeting of the Board of Directors attended in person or via teleconference. Each Independent Director receives $1,000 for each Committee meeting attended in person or via teleconference, except that members of the Audit Committee receive $2,000 for each Audit Committee meeting attended in person or via teleconference. Certain directors have made an election to receive, in lieu of cash payments, a portion of his or her director's fees in the form of restricted stock units, which are to be settled in an equal number of shares of common stock upon the director's retirement from the Board of Directors. The restricted stock units, which were issued under one of our existing stock option plans, are not transferable while such Independent Director remains a director of the Company.

Each Independent Director appointed or elected to the Board for the first time receives 1,000 shares of restricted common stock or (at his or her election) restricted stock units on his or her date of appointment or election. In addition, following each annual meeting of stockholders, each of the Company's Independent Directors receives a number of shares of restricted common stock or (at his or her election) restricted stock units having a fair market value of $20,000 on the date of grant ($30,000 in the case of the lead independent director); provided, however, that an Independent Director who is appointed or elected to the Board for the first time is not eligible to receive this award for the initial year of his or her appointment. The actual number of shares of restricted common stock or restricted stock units that we will grant will be determined by dividing the fixed value of the grant by the closing price of our common stock on the New York Stock Exchange on the grant date. All shares of restricted common stock or restricted stock units granted to the Independent Directors vest immediately. However, no shares of restricted common stock or restricted stock units granted to an Independent Director are transferable by such Independent Director while such Independent Director remains a director of the Company. Awards issued in the form of restricted stock units are to be settled in an equal number of shares of common stock upon the Independent Director's retirement from the Board of Directors.

In accordance with the foregoing, on June 9, 2004, each of Messrs. Menaker, Quick and Ranieri was granted 790 restricted stock units. The closing price of the Company's common stock on the New York Stock Exchange on June 9, 2004 was $25.30 per share. The restricted stock units were granted under one of our existing stock option plans. Because the Company's existing stock option plans were adopted prior to the Company's establishment of the lead independent director position, such plans do not contemplate the grant to the lead independent director of an additional number of shares of restricted common stock or restricted stock units having a fair market value of $10,000 on the date of grant. As a result, the Company was unable to award Mr. Quick, the Company's lead independent director, such additional number of shares or restricted stock units, and instead awarded him an additional $10,000 in cash compensation, a portion of which he elected to receive, in lieu of cash payments, in the form of restricted stock units. The Company's 2005 Stock Option Plan, stockholder approval for which is being sought at the Annual Meeting (see "Proposal 3: Approval of the 2005 Stock Option Plan"), provides for the annual grant to the lead independent director of an additional number of shares of restricted common stock or (at his or her election) restricted stock units having a fair

market value of $10,000 on the date of grant. Moreover, each Independent Director initially appointed to the Board in 2004 (*i.e.,* Messrs. Crocker, Ruffle and Steinberg and Ms. McCaul) was granted 1,000 shares of restricted common stock on the date of his or her appointment. These shares were granted under one of our existing stock option plans.

Communication with the Board of Directors

The Company has a process for handling letters received by the Company and addressed to the Board of Directors or members of the Board. Through this process, any person, including our stockholders, may communicate directly with the Chairman of the Board, the lead independent director or with any individual Board member, or the entire Board, a Committee of the Board or the Independent Directors as a group, at any time. You may contact the Company's Board or specific members thereof (i) via U.S. mail by writing to Board of Directors, Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747 or (ii) via e-mail using the following e-mail address: *BoardofDirectors@reckson.com*.

Code of Business Conduct and Ethics

The Company has a code of business conduct and ethics, which is designed to promote honest and ethical conduct and deter wrongdoing at all levels of the Company's organization. All employees, officers and directors of the Company are bound by the code of business conduct and ethics. In addition to the code of business conduct and ethics, the Chief Financial Officer, Chief Accounting Officer and other senior financial officers that hold significant positions of leadership and trust at the Company must set an exemplary standard of conduct for the Company as described in the CFO and senior financial officers' code of conduct. A copy of each code is available on the Company's website at *www.reckson.com.* To request a copy via U.S. mail you may write to Jason M. Barnett, Corporate Secretary, Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747.

PROPOSAL 2: APPROVAL OF AMENDMENT TO THE CHARTER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK OF THE COMPANY FROM 100,000,000 TO 200,000,000

Article VI, Section 1 of the Company's Charter currently provides the Company with the authority to issue 100,000,000 shares of common stock, par value $0.01 per share, 25,000,000 shares of preferred stock, par value $0.01 per share, and 75,000,000 shares of excess stock, par value $0.01 per share. The Board of Directors has determined that the Charter should be amended to increase the number of authorized shares of common stock of the Company from 100,000,000 to 200,000,000. In furtherance of this purpose, the Board has unanimously adopted a resolution approving the amendment and declaring its advisability and recommending such amendment to our stockholders.

As of March 21, 2005, the Company had 81,628,943 shares of common stock issued and outstanding and had reserved 6,137,657 shares of common stock for issuance upon the redemption of Units (including LTIP Units, as defined herein) in the Operating Partnership, and in connection with the Company's various stock option plans. This leaves approximately 12.2 million authorized but unissued shares of common stock available for future use.

The Board of Directors believes that an increase in the number of authorized shares of common stock is necessary to provide the Company with additional financial flexibility to meet its future business needs. For example, during 2004 the Company was able to strengthen its balance sheet by timely accessing the public equity markets by issuing an aggregate of 15 million shares of common stock for proceeds (before underwriting discounts and expenses) of approximately $436.2 million in three separate public offerings. If the proposed amendment is approved by our stockholders, the Company will have additional shares available for acquisitions, equity financings, stock option plans, stock dividends or stock splits, the reduction of indebtedness and other corporate purposes. The additional shares would be available for issuance without further stockholder approval, except as may be required by applicable law or the rules of the New York Stock Exchange. Although the Company does not have any commitment or understanding at this time for the issuance of additional shares of common stock (other than as permitted or required under the Operating Partnership's Amended and Restated Agreement of Limited Partnership, dated as of June 2, 1995, as amended, or the Company's stock option plans), the proposed amendment should enable the Company to take timely advantage of favorable opportunities and market conditions when they arise.

In accordance with the Company's Charter, the Board of Directors is permitted to reclassify any unissued shares of common stock, including the additional 100,000,000 shares of common stock for which authorization is sought, from time to time in one or more classes or series of stock. The additional 100,000,000 shares of common stock for which authorization is sought would not (and the shares of common stock currently outstanding do not) entitle holders thereof to preemptive rights.

The issuance of additional shares of common stock could have a dilutive effect on earnings per common share and on the equity and voting power of those holding shares of common stock at the time of issuance. In addition, the proposed amendment could have an anti-takeover effect, as additional shares of common stock could be issued to dilute the stock ownership and voting power of, or increase the cost to, a person seeking to obtain control of the Company. However, the amendment to our Charter is not being proposed for such purposes and is not in response to any known effort to accumulate shares of common stock or obtain control of the Company.

The text of the proposed amendment to our Charter is attached as Annex A to this Proxy Statement.

The Board unanimously recommends a vote FOR the approval of the amendment to the Company's Charter to increase the number of authorized shares of common stock of the Company from 100,000,000 to 200,000,000.

PROPOSAL 3: APPROVAL OF THE 2005 STOCK OPTION PLAN

Subject to stockholder approval, the Board of Directors approved the adoption of the Company's 2005 Stock Option Plan (the "2005 Stock Option Plan"), under which 2,000,000 shares of the Company's common stock will be reserved for issuance. The Board is asking the Company's stockholders to approve the 2005 Stock Option Plan so that the Company may continue to provide incentives for management of the Company, including non-executive officers and directors. In addition, our Compensation Committee has the right to issue shares of common stock in lieu of the payment of cash to satisfy the Company's obligations, if any, under the Special Outperformance Award (as defined herein) pursuant to the Company's Long-Term Incentive Plan described under "Executive Compensation Report on Executive Compensation." The Board of Directors also approved the adoption of the 2005 Stock Option Plan in order to provide the Compensation Committee with the flexibility to pay such awards in common stock if the targets for the Special Outperformance Award are satisfied.

The Company has not adopted an option plan since 2002 and believes that the 2005 Stock Option Plan is important in order to attract, retain and motivate key managers and other personnel in a highly competitive marketplace. These incentives are designed to align the interests of management and stockholders in order to maximize stockholder value. The 2005 Stock Option Plan will not become effective until it is approved by the Company's stockholders. In the event that the 2005 Stock Option Plan is not approved, the Company intends to continue to grant stock-based awards with respect to shares that remain available under its existing stock option plans.

As of March 21, 2005, the Company had unexercised options outstanding under its existing plans with respect to 1,886,860 shares at a weighted average exercise price of $24.67 per share and a weighted average remaining contractual life of approximately 3.3 years. Of this amount, options in respect of 906,860 shares were held by persons other than the Named Executive Officers (as defined herein). Under the Company's existing plans, an aggregate of 475,391 shares were available for future awards and 830,024 shares were reserved for future issuance (including the outstanding LTIP Units), of which 217,910 shares were reserved for persons other than the Named Executive Officers. In the aggregate, outstanding unexercised options, together with shares available for future awards and shares reserved for future issuance under our existing plans, total 3,192,275 shares and represent approximately 3.8% of our total outstanding shares of common stock and Units (including LTIP Units) as of March 21, 2005. Including the 2,000,000 shares proposed to be reserved for issuance under the 2005 Stock Option Plan, the aggregate outstanding unexercised options, together with shares available for future awards, would represent approximately 6.0% of our total outstanding shares of common stock and Units (including LTIP Units) as of March 21, 2005. The closing price of our shares of common stock on the New York Stock Exchange on March 21, 2005 was $31.36. At that time, the aggregate fair market value of the 2,000,000 shares of common stock proposed to be reserved for purposes of the 2005 Stock Option Plan was $62,720,000.

The 2005 Stock Option Plan is being presented to stockholders for approval in compliance with requirements of the New York Stock Exchange and in order to satisfy certain regulatory requirements regarding the Plan.

The following is a description of the 2005 Stock Option Plan, which description is subject to and qualified by the complete text of the 2005 Stock Option Plan, which is included as Annex B to this Proxy Statement.

General. The 2005 Stock Option Plan will be administered by the Compensation Committee of the Board of Directors. All current members of the Compensation Committee are independent as defined in the rules of the New York Stock Exchange and in accordance with the Company's corporate governance guidelines. Officers and employees of the Company and its subsidiaries (constituting approximately 290 persons as of March 21, 2005) generally will be eligible to participate in the 2005

Stock Option Plan. Independent Directors of the Company (constituting seven persons as of March 21, 2005) will be eligible to receive automatic grants of restricted common stock or restricted stock units on an annual basis, as well as other discretionary grants of restricted common stock or restricted stock units, under the 2005 Stock Option Plan. The total cumulative amount of discretionay grants to Independent Directors will be limited to 10% of the shares authorized for grant under the 2005 Stock Option Plan.

The 2005 Stock Option Plan authorizes (i) the grant of stock options that qualify as incentive stock options ("ISOs") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) the grant of stock options that do not so qualify ("NQSOs"), (iii) the grant of shares of common stock subject to certain restrictions on transfer and certain risks of forfeiture ("restricted stock"), (iv) the grant of unrestricted shares of common stock, (v) the grant of restricted stock units, which represent the right to receive either (a) an amount of cash equal to the fair market value of an equal number of shares of common stock or (b) an equal number of shares of common stock, as determined by the Compensation Committee, and (vi) the grant of units of a special class of partnership interests in the Operating Partnership ("LTIP Units"). See "Executive Compensation Report on Executive Compensation" for additional information on LTIP Units. The 2005 Stock Option Plan also authorizes the grant of such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock as are deemed by the Compensation Committee to be consistent with the purposes of the 2005 Stock Option Plan. No award granted under the 2005 Stock Option Plan will be assignable or transferable, other than by will or by the laws of descent and distribution.

The Board may at any time and from time to time suspend, discontinue or amend the 2005 Stock Option Plan. However, (i) no such amendment may impair any rights under any award previously made without the consent of the grantee of such award, (ii) except as and to the extent otherwise permitted by the terms of the 2005 Stock Option Plan, no such amendment may cause the 2005 Stock Option Plan to fail to satisfy any applicable regulatory requirement without stockholder approval, and (iii) to the extent required to meet the requirements of any national securities exchange or system on which the shares of common stock are then listed or reported, stockholder approval will be necessary for any amendment that constitutes a material revision to the 2005 Stock Option Plan. The 2005 Stock Option Plan will terminate on the earlier to occur of (i) ten years after the date on which it is approved by the Company's stockholders or (ii) such other date as the Board may determine.

Stock Options Awards. The Compensation Committee may grant stock options in such amounts and on the terms and conditions as the Compensation Committee may determine, subject to the terms of the 2005 Stock Option Plan. The exercise price of stock options may not be less than 100% of the fair market value of the shares of common stock on the date of grant. The Compensation Committee will determine the time or times at which and the conditions under which stock options may be exercisable. In any calendar year, a person eligible for awards under the 2005 Stock Option Plan may not be granted options covering more than 250,000 shares of common stock. The 2005 Stock Option Plan prohibits the re-pricing of option grants thereunder. The term of each stock option may not exceed ten years from the date the option is granted.

Other Stock-Based Awards.

Discretionary Awards. Under the 2005 Stock Option Plan, the Compensation Committee may grant awards of restricted stock, unrestricted shares of common stock, restricted stock units, LTIP Units and rights to dividends and dividend equivalents, as well as such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock, in such amounts and on the terms and conditions as the Compensation Committee may determine, subject to the terms of the 2005 Stock Option Plan. The total cumulative amount of

discretionay grants to Independent Directors will be limited to 10% of the shares authorized for grant under the 2005 Stock Option Plan.

Non-Discretionary Awards. The 2005 Stock Option Plan provides that each Independent Director appointed or elected to the Board for the first time shall automatically be granted 1,000 shares of restricted stock or (at his or her election) restricted stock units on his or her date of appointment or election. Further, each Independent Director who is serving as a director on the fifth business day after each annual meeting of stockholders shall, on such day, automatically be granted a number of shares of restricted stock or (at his or her election) restricted stock units having a fair market value of $20,000 on the date of grant ($30,000 in the case of the lead independent director); provided, however, that an Independent Director who is appointed or elected to the Board for the first time shall not be eligible to receive restricted stock or restricted stock units pursuant to this sentence for the year of his or her initial appointment or election.

Certain Federal Income Tax Consequences of the 2005 Stock Option Plan. The following is a brief summary of the principal Federal income tax consequences of the grant of (i) stock options, (ii) unrestricted shares of common stock, (iii) restricted stock, (iv) restricted stock units and (v) LTIP Units under the 2005 Stock Option Plan. The summary is based upon current Federal income tax laws and interpretations thereof, all of which are subject to change at any time, possibly with retroactive effect. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign tax consequences.

Stock Options. A participant is not subject to Federal income tax either at the time of grant or at the time of exercise of an ISO. However, upon exercise, the difference between the fair market value of the common stock and the exercise price is an item of tax preference subject to the possible application of the alternative minimum tax. If a participant does not dispose of common stock acquired through the exercise of an ISO in a "disqualifying disposition" (*i.e.*, no disposition occurs within two years from the date of grant of the share option nor within one year of the transfer of the common stock to the participant), then the participant will be taxed only upon the gain, if any, from the sale of such common stock, and such gain will be taxable to the participant as gain from the sale of a capital asset. The Company will not receive any tax deduction on the exercise of an ISO or, if the above holding period requirements are met, on the sale of the underlying common stock. If there is a disqualifying disposition (*i.e.*, one of the holding period requirements is not met), the participant will be treated as receiving compensation subject to ordinary income tax in the year of the disqualifying disposition and the Company will be entitled to a deduction for compensation expense in an amount equal to the amount included in income by the participant. The participant generally will be required to include in income an amount equal to the difference between the fair market value of the common stock at the time of exercise and the exercise price. Any appreciation in value after the time of exercise will be taxable to the participant upon the sale of the common stock as capital gain and will not result in any deduction by the Company.

If NQSOs are granted to a participant, there are no Federal income tax consequences at the time of grant. Upon exercise of the option, the participant must report as ordinary income an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. The Company will receive a tax deduction in like amount. Any appreciation in value after the time of exercise will be taxed as capital gain and will not result in any deduction by the Company.

Unrestricted Shares of Common Stock. If a participant is granted unrestricted shares of common stock, such participant will have compensation income at the time of grant equal to the fair market value of such shares. The Company will receive a tax deduction in the amount of the income recognized by the participant.

Restricted Stock. A participant who is awarded restricted stock that is subject to a substantial risk of forfeiture (as defined in the Code) will not be taxed at the time of the grant unless the participant makes a special election under Section 83(b) of the Code. Assuming that no such election is made, the Company will receive no tax deduction at the time of the grant. Upon the lapse of the substantial risk of forfeiture associated with the restricted stock, a participant will recognize ordinary income equal to the fair market value of the restricted stock at the time of the lapse. At the same time, the Company will receive a tax deduction in the amount of ordinary income recognized by a participant.

If a participant makes an election under Section 83(b) of the Code or if the restricted stock is subject to restrictions that do not comprise a substantial risk of forfeiture, he or she will recognize ordinary income in an amount equal to the fair market value of the restricted stock at the time of the grant (determined without regard to any restrictions which may lapse). The Company will receive a tax deduction in an equal amount at the same time. No additional income tax will be payable by a participant (and no additional deduction will be taken by the Company) upon lapse of the restrictions.

Restricted Stock Units. A participant generally will not be taxed at the time restricted stock units are granted. A participant will be subject to employment tax when the restricted stock units are no longer subject to a substantial risk of forfeiture and to income tax withholding when paid in cash or shares of common stock. In addition, dividend equivalents paid to a participant with respect to restricted stock units will be subject to tax as ordinary income at the time of receipt of such cash. Generally, the Company will receive a tax deduction that corresponds in time and amount to the recognition of ordinary income by a participant.

LTIP Units. A participant generally should not be taxed at the time LTIP Units are granted or become vested, but should recognize capital gain or loss upon the disposition of such LTIP Units. The Company will not receive any tax deductions relating to the granting or vesting of the LTIP Units. Profits allocated to the holders of LTIP Units should be treated as a distributive share of the profits of the Operating Partnership and reduce the profits of the Operating Partnership allocable to the Company and the remaining partners, if any.

New Plan Benefits Reckson Associates Realty Corp. 2005 Stock Option Plan

The New Plan Benefits Table below sets forth the awards that will be granted under the 2005 Stock Option Plan through 2008 to the following: (i) each Named Executive Officer; (ii) the executive officers of the Company as a group; (iii) the Independent Directors of the Company as a group; and (iv) the non-executive officer employees of the Company as a group. Specifically, the table sets forth the total number of shares of restricted stock or restricted stock units that would be granted in the future pursuant to the nondiscretionary portion of the 2005 Stock Option Plan to Independent Directors through 2008, assuming the current seven Independent Directors remain directors through such period and assuming no additional discretionary grants are made to the Independent Directors under the 2005 Stock Option Plan during such period. On the fifth business day after each annual meeting of stockholders during the term of the 2005 Stock Option Plan, each such Independent Director who is acting as a director on such date will receive a grant of a number of shares of restricted stock or (at his or her election) restricted stock units having a fair market value of $20,000 on the date of grant ($30,000 in the case of the lead independent director), assuming no additional discretionary grants are made to the Independent Directors on such date. All other awards under the

2005 Stock Option Plan are dependent on the election or appointment of new Independent Directors or are discretionary and therefore are not currently determinable.

Name and Principal Position	Dollar Value of Grants from 2005 to 2008 ($)	Number of Units Under the Plan
Scott H. Rechler: Chairman of the Board, Chief Executive Officer and President	*	*
Michael Maturo: Executive Vice President, Chief Financial Officer and Treasurer	*	*
Jason M. Barnett: Executive Vice President, Secretary and General Counsel	*	*
Salvatore Campofranco: Executive Vice President and Chief Operating Officer	*	*
Philip Waterman III: Executive Vice President, Chief Development Officer and Managing Director, New York City Division		
Executive Group	*	*
Independent Director Group	600,000(1)	(2)
Non-Executive Officer Employee Group	*	*

* Not currently determinable.

(1) Assumes six Independent Directors are awarded $20,000 of restricted stock or restricted stock units annually and one lead independent director is awarded $30,000 of restricted stock or restricted stock units annually.

(2) The actual number of shares or units awarded to the Independent Directors will be determined by dividing the fixed value of the grant by the closing price of our common stock on the New York Stock Exchange on the grant date.

The Board unanimously recommends a vote FOR the approval of the 2005 Stock Option Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the Company's stock option plan information at December 31, 2004:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(2)
Stock option plans approved by security holders	2,337,146	$ 23.77	980,713
Stock option plan not approved by security holders(1)	43,750	$ 23.92	169,586
Total	2,380,896	$ 23.78	1,150,299

(1) Includes information relating to the Company's 1996 Employee Stock Option Plan (the "1996 Plan"). The 1996 Plan was adopted by the Board of Directors on November 7, 1996, and provides for the grant of awards of up to an aggregate of 200,000 shares of common stock. The 1996 Plan is administered by the Compensation Committee. Existing officers and directors of the Company are not eligible to participate in the 1996 Plan. The 1996 Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, (ii) the grant of "nonqualified" stock options, (iii) the grant of shares of common stock subject to certain restrictions on transfer and certain risks of forfeiture, and (iv) grants of unrestricted shares of common stock. The exercise price of stock options is determined by the Compensation Committee, but may not be less than 100% of the fair market value of the shares of common stock on the date of grant. In any calendar year, a person eligible for awards under the 1996 Plan may not be granted options covering more than 75,000 shares of common stock. The 1996 Plan shall terminate 10 years after its effective date. Additional information related to the 1996 Plan is set forth in the Company's consolidated financial statements and the notes thereto that are part of the Company's Form 10-K for the year ended December 31, 2004.

(2) In March 2005, the Company granted an aggregate of 272,100 LTIP Units to the Named Executive Officers and certain other senior officers, further reducing the number of shares of common stock available for future awards under the Company's existing stock option plans. The terms of these grants of LTIP Units, which are subject to time and performance-based vesting, are discussed under the caption "Executive Compensation Report on Executive Compensation."

PROPOSAL 4: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected the accounting firm of Ernst & Young LLP to serve as independent registered public accounting firm of the Company for the fiscal year ending December 31, 2005, subject to ratification of this appointment by the stockholders of the Company. Ernst & Young LLP has served as the Company's independent registered public accounting firm since the Company's formation in September 1994 and is considered by management of the Company to be well qualified. The Company has been advised by that firm that neither it nor any member thereof has any financial interest, direct or indirect, in the Company or any of its subsidiaries in any capacity. A representative of Ernst & Young LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Ernst & Young LLP's fees for providing services to the Company in 2004 and 2003 were as follows:

Audit Fees. The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2004 and 2003 and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for the fiscal years ended December 31, 2004 and 2003 were approximately $1,047,000 and $476,000, respectively. Audit fees for 2004 included approximately $350,000 for services rendered in connection with the Company's report on internal control over financial reporting, a new requirement imposed by the Sarbanes-Oxley Act of 2002. In addition, approximately $200,000 of the audit fees for 2004 related to the Company's equity offerings and debt issuances.

Audit Related Fees. The aggregate fees billed by Ernst & Young LLP for professional services rendered for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, other than the services described under "Audit Fees," including employee benefit plan audits and accounting assistance, for the fiscal years ended December 31, 2004 and 2003 were approximately $27,500 and $344,000, respectively.

Tax Fees. The aggregate fees billed by Ernst & Young LLP for professional services rendered for tax compliance (including REIT tax compliance), tax advice, and tax planning for the fiscal years ended December 31, 2004 and 2003 were approximately $207,000 and $247,000, respectively.

All Other Fees. There were no other fees billed by Ernst & Young LLP for the fiscal years ended December 31, 2004 and 2003.

All of the services described under "Audit Fees," "Audit Related Fees" and "Tax Fees" were approved by the Audit Committee.

Under the Audit Committee's pre-approval policies and procedures, each member of the Audit Committee has the authority to approve all permissible non-audit services to be performed by Ernst & Young LLP, provided that each decision relating to the approval of permissible non-audit services is presented to the Audit Committee at its next scheduled meeting. All such approvals are also reported to the full Board at the next scheduled Board meeting.

The Board of Directors recommends a vote FOR the ratification of the selection of the independent registered public accounting firm.

REPORT OF THE AUDIT COMMITTEE

The following is a report by the Company's Audit Committee regarding the responsibilities and functions of the Audit Committee.

The Audit Committee, on behalf of the Board of Directors of the Company, serves as an independent and objective party to monitor the Company's financial reporting process and internal control system, and to review and appraise the audit efforts of the Company's independent registered public accounting firm. The Audit Committee performs these oversight responsibilities in accordance with its Audit Committee charter, which the Board of Directors revised in 2002. A copy of the revised charter was included in the Company's proxy statement for the 2003 Annual Meeting of Stockholders and can be viewed and obtained from the Company's website at *www.reckson.com*. A copy of the charter is also available to stockholders free of charge on request to the Company's Secretary, Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747.

Management has the primary responsibility for the Company's financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements included in the Company's Annual Report, and discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also reviewed and discussed the Company's earnings releases with management.

Ernst & Young LLP, the Company's independent registered public accounting firm, are responsible for auditing the Company's financial statements and for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. The Audit Committee reviewed and discussed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, as currently in effect. The Audit Committee also received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1, as currently in effect, discussed with the independent registered public accounting firm their independence from management and the Company and considered the compatibility of non-audit services with the independent registered public accounting firm's independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets at least quarterly with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also meets with management prior to the filing with the SEC of the Company's quarterly reports on Form 10-Q and release to the public of its quarterly and year-end financial results.

In reliance on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to below, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the SEC.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with

accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the financial statements are presented in accordance with U.S. generally accepted accounting principles or that Ernst & Young LLP is in fact "independent."

Submitted by the Audit Committee
of the Board of Directors of the
Company
John F. Ruffle (Chairman)
Elizabeth McCaul
Ronald H. Menaker
Peter Quick

EXECUTIVE COMPENSATION

Report on Executive Compensation

The Role of the Committee. Generally, the Compensation Committee of the Board of Directors (the "Compensation Committee") establishes, oversees and directs the Company's executive compensation policies and programs, administers the Company's stock option plans and seeks to ensure that the Company's executive compensation philosophy is consistent with the Company's best interests. The functions of the Compensation Committee also include ensuring that the Company has developed an executive management succession plan, and periodically reviewing and evaluating such plan, and furthering the professional development of the Company's senior executive officers.

The Compensation Committee has a charter which is available and can be viewed and downloaded from the Company's website at *www.reckson.com*. A copy of the charter is available to stockholders free of charge on request to the Company's Secretary, Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747. The Compensation Committee charter provides that the responsibilities of the Compensation Committee include (i) reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and determining and approving the Chief Executive Officer's compensation level based on this evaluation, (ii) making recommendations to the Board with respect to non-Chief Executive Officer compensation, incentive compensation plans and equity based plans, and (iii) producing this annual compensation committee report on executive compensation as required by the SEC.

Compensation Philosophy and Review. The Compensation Committee seeks to align executive compensation with the Company's business objectives and strategies, management programs and financial performance. The Company's compensation philosophy for executive officers serves three principal purposes: (i) to provide a total compensation package for executive officers that is competitive with the total compensation paid by REITs similar to the Company and other public and private real estate companies and with the current market for executive talent, (ii) to attract, retain and motivate talented executives who will maximize stockholder value and (iii) to encourage senior management's long-term equity ownership in the Company by linking a portion of executive compensation directly to increases in stockholder value.

The Compensation Committee has overall responsibility for evaluating and approving the executive officer benefit, bonus, incentive compensation, severance, equity based or other compensation plans, policies and programs of the Company. The Compensation Committee exercises independent discretion in respect of executive compensation matters. With respect to the compensation of the Named Executive Officers (as defined herein) other than Scott H. Rechler, the Compensation Committee reviews the recommendations of Scott H. Rechler. The Compensation Committee also utilizes an independent compensation consultant in making its determinations.

Executive Compensation. The Company's executive compensation program consists primarily of an annual salary, cash bonuses linked to the performance of executives and the Company and long-term equity based compensation, which is also linked to the performance of the Company.

Final compensation determinations for each fiscal year are generally made after the end of the fiscal year. At that time, base salaries for the following fiscal year are set, cash bonuses, if any, are determined for the past year's performance, and option grants, equity awards or other long-term compensation awards, if any, are generally made. For fiscal 2004, the Compensation Committee reviewed the annual salaries of the Company's executive officers. At a meeting held in March 2005, the Compensation Committee set the base salaries for the Named Executive Officers for the fiscal year ending December 31, 2005 and approved cash bonuses for such officers in respect of the fiscal year ended December 31, 2004.

The Compensation Committee was advised by an independent compensation consultant regarding executive officer compensation matters, including annual base salary, annual incentives and long-term incentives. The independent compensation consultant is a consultant specializing in compensation matters in the real estate industry and is not affiliated with the Company. The Compensation Committee considered the independent compensation consultant's recommendations and advice in determining base salaries for 2005 and annual bonuses and long-term incentives for fiscal 2004. In addition, the independent compensation consultant advised the Compensation Committee on the appropriate long-term incentive arrangements in order to meet the Company's objectives.

In determining executive compensation, the Compensation Committee noted that the Company significantly exceeded its 2004 operating and investment goals. Specifically, the Compensation Committee noted several factors, including the integration of a new management team, the increase of the Company's office occupancy to approximately 94% and the execution of the Company's investment strategy with the closing of $488 million of investments. The Compensation Committee also considered the enhancement of the Company's balance sheet with the issuance of over $550 million of common stock at historically high offering prices and $300 million of unsecured debt at historically low interest rates. Additional factors taken into account by the Compensation Committee included the annual total return to stockholders and the Company's performance relative to its peers.

The following is a discussion of each element of the Company's executive compensation:

Annual Base Salary. Base salaries for certain of the Named Executive Officers are the subject of employment and noncompetition agreements between the Company and each such executive as discussed below. Each such agreement provides that the base salary provided for under the respective agreement will be reviewed no less frequently than annually. For 2004, the Compensation Committee determined base salaries for the Named Executive Officers based upon comparable industry salaries, the current economic environment, the responsibility and performance of the executives and the advice provided by the Company's Chief Executive Officer and the independent compensation consultant for the fiscal year ended December 31, 2004. The Named Executive Officers' 2005 base salaries increased between 3% and 20% from their 2004 base salaries.

Annual Incentives. Annual incentives are provided in the form of cash bonuses and were determined at the discretion of the Compensation Committee based upon the overall performance of the Company, the personal performance of each executive and the advice provided by the independent compensation consultant. For fiscal 2004, each of the Named Executive Officers, other than Scott H. Rechler, the Company's Chairman, Chief Executive Officer and President, received a cash bonus equal to between 100% and 115% of his 2004 base salary.

Long-Term Incentives. Long-term incentives have historically been provided by the Company through a variety of means, including the grant of stock options, restricted stock awards, restricted stock unit awards, rights and, in prior years, stock loans to purchase the Company's common stock. These awards are intended to align the executive's long-term objectives with those of the Company's stockholders. The grant of stock options, restricted stock awards, restricted stock unit awards, rights and stock loans are made under the Company's stock option plans which are administered by the Compensation Committee. The Compensation Committee has the discretion to determine those individuals to whom awards are made and the terms and conditions of the awards.

In 2003, the Company reviewed and adopted a Long-Term Incentive Plan (the "2003 LTIP"), which was recommended by the Compensation Committee, for the Company's executive officers and other senior officers. The four-year plan has a core component (the "Core Award"), which provides for annual stock based compensation based upon continued service and 75% of which is based on attaining certain annual performance measures. The 2003 LTIP also has a special outperformance award (the "Special Outperformance Award"), which provides for compensation to be earned at the end of a four-year period if the Company attains certain four-year cumulative performance measures. Amounts

earned under the special outperformance long-term component may be paid in cash or stock at the discretion of the Compensation Committee. Performance measures are based on total stockholder returns on a relative and absolute basis, as described below.

The Core Award was made in the form of a grant to the Named Executive Officers in 2003 of shares of restricted stock to be earned over the four-year plan period. The shares of restricted stock were granted from available shares of common stock under one of our existing stock option plans. Under the terms of the 2003 LTIP, 6.25% of an officer's shares will become vested on each of the four anniversaries of the date of grant, provided that the officer remains in continuous employment with the Company until such date. 18.75% of an officer's shares will become vested on each of the four anniversaries of the date of grant, provided that the officer remains in continuous employment with the Company until such date, and the Company has achieved a total return to holders of the common equity of the Company and the Operating Partnership ("Common Equity") that either (i) is at or above the 50th percentile of the total return to stockholders achieved by members of a designated peer group during the same period or (ii) equals at least 9% per annum. Under the terms of the 2003 LTIP, if the performance requirement is not satisfied for a given year, the shares from that year will be rolled over to the following year and will become vested if the performance requirement is satisfied on a cumulative and compounded basis for the extended period. Dividends on the shares of restricted stock will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. See "Summary Compensation Table" below for a discussion of the payouts made to the Named Executive Officers in 2004 with respect to the vested portion of the Core Awards. In June 2004, Scott H. Rechler, the Company's Chairman, Chief Executive Officer and President, was awarded a retroactive tax payment in an amount sufficient to pay the tax liability on the portion of Mr. Rechler's Core Award that vested in March 2004. The award was made in recognition of the Company's 2004 performance and to incentivize him to retain his equity interests in the Company, thus further aligning Mr. Rechler with the Company's stockholders. See "Summary Compensation Table" below.

The special outperformance component of the 2003 LTIP, also granted to the Named Executive Officers in 2003, consists of a bonus pool equal to 10% of the total return in excess of a 9% cumulative and compounded annual total return on the Common Equity for the period through the four-year anniversary after the date of grant (the "Special Outperformance Pool"). The aggregate amount payable to such officers from the Special Outperformance Pool is capped at an amount calculated based upon a total cumulative and compounded annual return on the Common Equity of 15%. An officer's Special Outperformance Award represents an allocation of the Special Outperformance Pool and will become vested on the fourth anniversary of the date of grant, provided that the officer remains in continuous employment with the Company or any of its affiliates until such date, and the Company has achieved on a cumulative and compounded basis, during the four fiscal years completed on the applicable anniversary date, a total return to holders of the Common Equity that (i) is at or above the 60th percentile of the total return to stockholders achieved by members of the peer group during the same period and (ii) equals at least 9% per annum. Special Outperformance Awards will be paid in cash; however, the Compensation Committee, in its sole discretion, may elect to pay such an award in shares of common stock, valued at the date of vesting, if shares are available at such time under any of the Company's existing stock option plans. The 2003 LTIP generally provides that no dividends or dividend equivalent payments will accrue with respect to the Special Outperformance Awards.

Under the 2003 LTIP, if an officer's employment is terminated by the officer for "Good Reason," by the Company without "Cause" or if a "Change in Control" occurs while an officer is still employed by the Company (as each such term is defined in the agreement evidencing the award under the 2003 LTIP), the officer will become fully vested in the Core Award and, with regard to a designated amount of the Special Outperformance Award ($2.5 million with respect to Messrs. Rechler, Maturo and Barnett). However, if a Change in Control occurs wherein the Company continues in existence as a

public company or another public company is the survivor in a transaction whereby the holders of the Company's common stock receive common stock of the surviving company, the 2003 LTIP awards will continue in existence and will not vest unless (i) the officer's employment is terminated or materially modified or (ii) the performance of the Company or surviving public company satisfies the vesting standards over the four year term of the 2003 LTIP award (as adjusted, if appropriate, to reflect the consideration in the Change in Control).

During 2004, the Compensation Committee began evaluating revisions to the 2003 incentive awards under the 2003 LTIP designed to offer participating officers the same long-term incentives as restricted stock, while providing incentives for them to retain their equity interests in the Company subsequent to vesting. The revised 2003 LTIP was designed to provide the potential for officers to retain a greater equity interest in the Company by eliminating the need for officers to sell a portion of their Core Awards immediately upon vesting in order to satisfy personal income taxes which are due upon vesting under the original Core Awards. An officer holding LTIP Units generally will be taxed only when he or she chooses to liquidate his or her LTIP Units, rather than at the time of vesting. Therefore, an officer who wishes to hold his or her equity awards for the long-term would be taxed at long-term capital gain rates under the revised 2003 LTIP. In December 2004, the Operating Partnership entered into definitive agreements with certain of the Named Executive Officers and certain other senior officers to revise their 2003 LTIP award agreements. The revised agreements provide for (i) the rescission of all or a portion of the unvested portion of their Core Awards and (ii) the award in exchange for the rescinded Core Awards of an equal number of LTIP Units.

The terms of each award of LTIP Units are substantially similar to those of the Core Awards. The vesting, performance hurdles and timing for vesting remain unchanged. However, an LTIP Unit represents an equity interest in the Operating Partnership, rather than the Company. At issuance, the LTIP Unit has no value but may over time accrete to a value equal to (but never greater than) the value of one share of common stock of the Company. Initially, LTIP Units will not have full parity with common units of the Operating Partnership with respect to liquidating distributions. Upon the occurrence of certain "triggering events," the Operating Partnership will revalue its assets for the purpose of the capital accounts of its partners and any increase in valuation of the Operating Partnership's assets from the date of the issuance of the LTIP Units through the "triggering event" will be allocated to the capital accounts of holders of LTIP Units until their capital accounts are equivalent to the capital accounts of holders of common units. If such equivalence is reached, LTIP Units would achieve full parity with common units for all purposes, and therefore accrete to an economic value equivalent to shares of common stock on a one-for-one basis. After two years from the date of grant, if such parity is reached, vested LTIP Units may be redeemed for cash in an amount equal to the then fair market value of an equal number of shares of common stock or converted into an equal number of common units of the Operating Partnership, as determined by the Compensation Committee. However, there are circumstances under which such economic equivalence would not be reached. Until and unless such economic equivalence is reached, the value that the officers will realize for vested LTIP Units will be less than the value of an equal number of shares of common stock. In addition, unlike Core Awards (wherein dividends that accumulate during the 2003 LTIP are paid upon vesting), LTIP Units receive the same quarterly distributions as common units of the Operating Partnership on a current basis, thus providing full dividend equivalence with shares of common stock. At the scheduled March 2005 vesting date, the specified performance hurdles were met, and officers that received LTIP Units received a one-time cash payment that represented payment of the full vested amount of the accrued unpaid dividends under the Core Award through the issuance date of the LTIP Units.

Each Named Executive Officer and any other senior officer participating in the 2003 LTIP was offered the option to retain all or a portion of his or her Core Awards or to rescind them in exchange for new awards of LTIP Units. Each of Messrs. Rechler, Maturo and Barnett accepted such offer and thereby amended his award agreement to cancel his unvested Core Award (constituting 104,167 shares

of restricted stock for each such Named Executive Officer) and received an equal number of LTIP Units. Each LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of our existing stock option plans, reducing availability for other equity awards on a one-for-one basis. In order to more closely replicate the terms of the Core Awards being rescinded, the Company also entered into agreements with Messrs. Rechler, Maturo and Barnett, which provide that in the event of a change in control of the Company the applicable officer shall receive the equivalent value of one share of common stock for each LTIP Unit.

The Compensation Committee believes that the revised 2003 LTIP (1) advances the goal of promoting long-term equity ownership in the Company by officers, (2) has no adverse impact on dilution as compared to using restricted stock, (3) does not materially increase the economic cost to the Company of equity-based compensation awards as compared to using restricted stock awards, (4) further aligns the interests of officer with the interests of stockholders, and (5) is accounted for to reflect the full compensation costs incurred by the Company. As a result, the Compensation Committee intends to continue to offer eligible officers and employees their equity based compensation in the form of LTIP Units.

In accordance with the above and in order to reflect the Company's performance during 2004 and to continue to incentivize management for the long-term, in March 2005, following the recommendation of the Compensation Committee, the Independent Directors of the Board granted the Named Executive Officers the following numbers of LTIP Units: Scott H. Rechler 200,000; Michael Maturo 25,000; Jason M. Barnett 6,500; Salvatore Campofranco 15,000; and Philip Waterman 2,600. As noted above, Mr. Rechler did not receive a cash bonus for 2004. Each such LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of our existing stock option plans, reducing availability for other equity awards on a one-for-one basis. Under the terms of the grant, the LTIP Units will become vested in two equal annual installments on December 31, 2006 and December 31, 2007, provided that the officer remains in continuous employment with the Company until such date and, during 2005, either (i) the Company has achieved a total return to holders of the Common Equity that either (a) is at or above the 50th percentile of the total return to stockholders achieved by members of a designated peer group during the same period or (b) equals at least 9%, or (ii) funds from operations per share increases by at least 5%. If the performance requirement is not met in 2005 the LTIP Units will become vested if the performance requirement is satisfied on a cumulative and compounded basis in 2006 or 2007. The terms of the 2005 LTIP Unit grants are generally consistent with the terms of the 2003 LTIP, including with respect to the impact upon vesting in the event of a change in control.

Chief Executive Officer. The Compensation Committee determined the 2004 compensation of the Chief Executive Officer in accordance with the above discussion. Also as described above, the Compensation Committee determined to award Mr. Rechler long-term incentive compensation comprised of 200,000 LTIP Units.

Tax Deductibility of Executive Compensation. Section 162(m) of the Code limits the deductibility on the Company's tax return of compensation over $1 million to the Chief Executive Officer and the next four highest compensated officers of the Company (the "Covered Employees") unless, in general, the compensation is paid pursuant to a plan which is performance related, non-discretionary and has been approved by the Company's stockholders. The Company paid aggregate compensation of approximately $3.7 million to its Covered Employees during 2004 which would be non-deductible under the limitations set forth in Section 162(m).

Submitted by the Compensation Committee
of the Board of Directors of the Company
Lewis S. Ranieri (Chairman)
Douglas Crocker II
Ronald H. Menaker
Stanley Steinberg

Summary Compensation Table

The following table sets forth information regarding the compensation awarded for the past three fiscal years to Scott H. Rechler, Chairman of the Board, Chief Executive Officer and President of the Company, and the other four most highly compensated executive officers of the Company (the "Named Executive Officers").

Annual Compensation

				Long-Term Compensation		
Name and Principal Position	**Year**	**Salary($)(1)**	**Bonus($)**	**Restricted Stock Awards($)(3)**	**LTIP Payouts($)**	**Other($)(8)**
Scott H. Rechler:	2004	506,350			939,230(7)	8,400(9)(10)
Chairman of the Board, Chief	2003	486,875	486,875			35,754(10)
Executive Officer and President	2002	486,875	486,875	885,148(4)		35,754(10)
Michael Maturo:	2004	453,050	453,050	77,730(5)	939,230(7)	11,367(10)
Executive Vice President, Chief	2003	435,625	435,625			576
Financial Officer and Treasurer	2002	435,625	435,625	726,760(4)		35,576(10)
Jason M. Barnett:	2004	435,625	435,625	51,820(5)	939,230(7)	10,666(10)(11)
Executive Vice President, Secretary	2003	435,625	435,625			576
and General Counsel	2002	435,625	435,625	156,240(4)		35,576(10)
Salvatore Campofranco:	2004	330,000	379,500		563,533(7)	532
Executive Vice President and Chief	2003	300,000	300,000			45,576(12)
Operating Officer	2002	270,375	275,000	449,157(6)		576
Philip Waterman III:	2004	400,000	410,000(2)		675,005(7)	532
Executive Vice President,	2003	400,000	400,000			70,464(12)
Chief Development Officer and	2002	343,917	350,000			576
Managing Director, New York City Division						

(1) The base salaries of Scott H. Rechler, Michael Maturo, Jason M. Barnett and Salvatore Campofranco were paid by Reckson Management Group, Inc. ("RMG"). The base salary of Philip Waterman III was paid by RANY Management Group, Inc. ("RANY"). The Company and the Operating Partnership reimburse the appropriate subsidiary corporation for time spent by the Named Executive Officer on the business of the Company or the Operating Partnership, respectively.

(2) Excludes tax payments in the amount of $8,315 in connection with a $10,000 cash bonus awarded to Mr. Waterman in 2004.

(3) As of December 31, 2004, the Named Executive Officers held 203,290 shares of restricted stock, aggregating approximately $6.7 million (based on the closing price on the New York Stock Exchange of the Company's common stock on December 31, 2004), including the 2002 Rights and the 2003 Rights referred to below.

(4) Represents the value, as of the date of grant, of (i) an award of Rights, which was granted to certain of the Named Executive Officers in November 2002 (the "2002 Rights") and (ii) an award of Rights, which was granted to certain of the Named Executive Officers in March 2003 (the "2003 Rights"). The Rights were granted pursuant to agreements with the respective Named Executive Officer. Each Right represents the right to receive, upon vesting, one share of common stock, if

shares are then available for grant under one of the Company's stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights were earned as of March 13, 2005 and vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares are held by the Company until such shares vest, and are distributed thereafter to the applicable officer. The 2002 Rights also entitled the holder thereof to cash payments in respect of taxes payable by the holder resulting from the 2002 Rights. The 2002 Rights were granted as follows: Scott H. Rechler received 35,247 Rights; and Michael Maturo received 27,588 Rights. With respect to the 2003 Rights, each of the foregoing Named Executive Officers and Jason M. Barnett received 8,680 Rights.

(5)

Represents the value, as of the date of grant, of an award of restricted stock which was granted to certain of the Named Executive Officers following their mid-year reviews. The shares were granted from available shares of common stock under one of our existing stock option plans. The shares vest one year from the date of grant. Dividends on the shares are distributed to the applicable officer from and after the date of grant. Each officer is also entitled to receive cash payments in respect of taxes payable by such officer upon vesting of the shares. The shares were granted as follows: Michael Maturo received 3,000 shares; and Jason Barnett received 2,000 shares.

(6)

In 1999, Mr. Campofranco was awarded a stock grant of 65,000 shares of common stock. The award vested in three equal annual installments beginning in 2000. The shares were granted from available shares of common stock under one of our existing stock option plans. No dividends on the shares were earned or payable until after such shares vested.

(7)

Represents the value, as of the date of vesting, of that portion of the Named Executive Officer's Core Award under the Company's 2003 LTIP that vested on March 13, 2004. On March 13, 2003, the Named Executive Officers received the following numbers of shares of restricted stock as Core Awards under the Company's 2003 LTIP: Scott H. Rechler 138,889; Michael Maturo 138,889; Jason M. Barnett 138,889; Salvatore Campofranco 83,333; and Philip Waterman III 111,111. On March 13, 2004, the Named Executive Officers' Core Award shares vested as follows: in the case of each of Scott H. Rechler, Michael Maturo and Jason M. Barnett 34,722 shares vested; in the case of Salvatore Campofranco 20,833 shares vested; and in the case of Philip Waterman III 27,778 shares vested. In December 2004, the Operating Partnership entered into definitive agreements with Messrs. Rechler, Maturo and Barnett and certain other senior officers to revise their 2003 LTIP award agreements. The revised agreements provide for (i) the rescission of the unvested portion of their Core Awards (constituting 104,167 shares of restricted stock for each such Named Executive Officer) and (ii) the award in exchange for the rescinded Core Awards of an equal number of LTIP Units. See "Executive Compensation Report on Executive Compensation" for a description of the 2003 LTIP and the Core Awards.

(8)

Excludes (i) loan forgiveness and related tax payments in 2004, 2003 and 2002, respectively, pursuant to the terms of previously awarded stock loans and (ii) tax payments in 2004 and 2003, respectively, pursuant to the terms of the 2002 Rights in the following amounts: Scott H. Rechler $966,500, $680,400 and $985,400; Michael Maturo $796,700, $558,000 and $807,500; Jason M. Barnett $558,100, $383,200 and $534,700; Salvatore Campofranco $119,800, $312,143 and $272,156; and Philip Waterman III $406,700, $2,258,655 and $759,278. See "Certain Relationships and Related Transactions." In addition, with respect to Michael Maturo, excludes loan forgiveness and a related tax payment in 2003 and 2002 of $106,211 and $79,832, respectively, pursuant to the terms of Mr. Maturo's 1995 employment and noncompetition agreement with the Company. See "Employment and Noncompetition Agreements."

(9)

Excludes a retroactive tax payment in the amount of $399,000 on the portion of Mr. Rechler's Core Award that vested on March 13, 2004.

(10)

Includes the following premiums paid during 2004 for life insurance policies for certain of the Named Executive Officers: Scott H. Rechler $7,867; Michael Maturo $10,835; and Jason M. Barnett $10,134. Also includes the following premiums paid during 2003 and 2002, respectively, for life insurance policies under which certain of the Named Executive Officers have the right to receive the cash surrender value of the policies: Scott H. Rechler $35,178 and $35,178; Michael Maturo $0 and $35,000; and Jason M. Barnett $0 and $35,000. Prior to the enactment of the Sarbanes-Oxley Act of 2002, the Company had loaned, on behalf of executive officers, the payment of the premiums on such life insurance policies, subject to the refund of premiums to the Company upon the termination of such policies.

(11)

Excludes loan forgiveness and related tax payments in 2004 in the amount of $366,733 pursuant to the terms of loans made to Mr. Barnett prior to the time he was an executive officer of the Company.

(12)

Each of Messrs. Campofranco and Waterman was granted a special cash award of $45,000 and $60,000, respectively, in connection with his promotion to an executive position in December 2003.

Aggregated Fiscal Year-End 2004 Option Values

The following table sets forth the value of options at the end of 2004 by the Company's Named Executive Officers.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Shares Underlying Unexercised Options at Fiscal Year-End(#)		Value of Unexercised in-the-Money Options at Fiscal Year-End($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Scott H. Rechler	0	0	422,500	0	3,276,500	
Michael Maturo	40,000	730,879	437,500	0	3,928,600	
Jason M. Barnett	10,000	136,241	120,000	0	1,016,000	
Salvatore Campofranco	70,000	226,773	0	0		
Philip Waterman III	190,000	1,035,841	0	0		

(1)

The value of unexercised in-the-money options at fiscal year-end based on the fair market value of the common stock of $32.81 per share as of December 31, 2004.

Employment and Noncompetition Agreements

Each of the Named Executive Officers, other than Mr. Campofranco, has entered into an employment and noncompetition agreement with the Company. In addition, Messrs. Rechler, Maturo and Barnett have each entered into severance agreements with the Company.

The employment and noncompetition agreements with each of Scott H. Rechler, Michael Maturo and Jason M. Barnett were renewed as of August 15, 2000 for five-year terms, unless in each case otherwise extended. The term of each of their severance agreements is identical to their employment and noncompetition agreement, including any extension thereof. However, in the event of a "Change in Control" (as such term is defined in the applicable agreement), each severance agreement automatically extends the term of the corresponding employment agreement until the later of (i) the date on which the employment and noncompetition agreement otherwise would have expired and (ii) the date which is 60 months after the end of the calendar year in which such Change in Control occurs. Each agreement provides for certain benefits in the event of termination of the executive by the Company without "Good Reason" (as such term is defined in the applicable agreement) or the

resignation of the executive upon a material breach of the agreement by the Company or a Change in Control of the Company. These benefits include the continued payment of the executive's base salary during the remaining term of the agreement, immediate vesting of all equity awards as well as continued entitlement to receive other benefits conferred under the applicable agreement for such remaining term. Under the agreements, each executive is also entitled to certain specified benefits in the event of his death or disability.

In addition, the employment and noncompetition agreements for each of Messrs. Rechler, Maturo and Barnett, subject to limited exceptions, prohibit each such executive from engaging, directly or indirectly, during the term of his employment, in any business, which engages or attempts to engage in, directly or indirectly, the acquisition, development, construction, operation, management or leasing of any industrial or office real estate property in any of the submarkets throughout the tri-state metropolitan area of New York, New Jersey and Connecticut in which the Company is operating ("Competitive Activities"). These employment and noncompetition agreements also prohibit such persons from engaging, directly or indirectly, during a specified Noncompetition Period in any Competitive Activities, subject to limited exceptions. The Noncompetition Period for each such executive is the period beginning on the date of the termination of employment and ending on the later of (i) the first anniversary of such person's termination of employment with the Company and (ii) the third anniversary of the person's prior employment and noncompetition agreement.

Mr. Waterman's employment agreement has a four-year term, which may be renewed or extended upon mutual consent of the parties thereto, and provides for certain benefits in the event the Company terminates his employment without Cause (as defined in the agreement) or Mr. Waterman terminates his employment for Good Reason (as defined in the agreement). These benefits include a cash lump sum payment of $2,000,000, immediate vesting of any stock options, the forgiveness of certain tax loans and the continuation of certain health, life insurance and disability benefits. In addition, Mr. Waterman's right to any remaining Core Award and the Special Outperformance Award under the Company's 2003 LTIP will be forfeited. Mr. Waterman's employment agreement also provides for specified benefits upon a change-in-control of the Company and his death or disability.

Mr. Waterman's employment agreement also prohibits him from engaging, directly or indirectly, in any business which engages or attempts to engage in the acquisition, development, construction, operation, management or leasing of any industrial or office real estate anywhere in New York, New Jersey or Connecticut or intentionally interfering with, disrupting or attempting to disrupt the relationship between the Company and any customer, tenant, supplier, contractor, lender or employee during a specified Restrictive Period. The Restrictive Period for Mr. Waterman is the period beginning on the date of termination of his employment and an additional six months under certain circumstances.

Pursuant to the original employment and noncompetition agreement with Mr. Maturo entered into in 1995, the Company made a nonrecourse loan to Mr. Maturo in the amount of approximately $400,000 (the "Loan") in order to finance his purchase of an equity interest in the Company. On each of the first four anniversaries of the Loan, $100,000 of the outstanding principal amount was forgiven by the Company and the Company made non recourse loans to Mr. Maturo in an amount equivalent to his resulting tax liability, which in turn is forgiven (together with accrued interest thereon and on the Loan) over the sixth through eighth anniversaries of the date the Loan was made.

STOCK PERFORMANCE GRAPH

The following graph provides a comparison of the cumulative total stockholder return on the common stock for the period from December 31, 1999 to December 31, 2004 with the cumulative total return on the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") and the NAREIT Equity REIT Total Return Index. Total return values were calculated based on cumulative total return assuming (i) the investment of $100 in the common stock of the Company on December 31, 1999, in the S&P 500 and in the NAREIT Equity REIT Total Return Index on December 31, 1999, and (ii) the reinvestment of dividends.

5-year Stock Performance

PRINCIPAL AND MANAGEMENT STOCKHOLDERS

The following table sets forth the beneficial ownership of common stock for (i) each stockholder of the Company holding more than a 5% beneficial interest in the common stock of the Company, (ii) each Named Executive Officer of the Company and (iii) the directors and executive officers of the Company as a group. Stock ownership of the directors who are not Named Executive Officers of the Company appears under the heading "Information Regarding Nominees and Officers" in this Proxy Statement.

	Shares of Common Stock and Units Beneficially Owned as of March 21, 2005(1)	
Name of Beneficial Owners	**Number**	**Percent of Class(2)**
Cohen & Steers, Inc.(3)	9,462,925	11.59%
FMR Corp.(4)	9,978,463	12.22%
LaSalle Investment Management, Inc.(5)	4,519,141	5.54%
Security Capital Research & Management Incorporated(6)	6,813,200	8.35%
Morgan Stanley(7)	5,118,709	6.27%
Scott H. Rechler(8)	857,081	1.01%
Michael Maturo(9)	699,953	*
Jason M. Barnett(10)	291,840	*
Salvatore Campofranco(11)	65,250	*
Philip Waterman III(12)	122,725	*
F. D. Rich III(13)	117,527	*
All directors and executive officers as a group (13 persons)	2,245,433	2.62%

* Less than one percent.

(1) All information has been determined as of March 21, 2005. For purposes of this table a person is deemed to have "beneficial ownership" of the number of shares of common stock that person has the right to acquire pursuant to the exercise of stock options within 60 days or upon the redemption of Units (including vested LTIP Units) in the Operating Partnership (assuming the Company elects to issue common stock rather than pay cash upon such redemption). Units are exchangeable for cash or, at the option of the Company, on a one-for-one basis for shares of common stock, subject to certain limitations. LTIP Units are convertible into common units only upon the satisfaction of certain conditions. With respect to the foregoing, the Company has assumed that all conditions required for all vested LTIP Units to be convertible into an equal number of common units have been satisfied. See "Executive Compensation" for a discussion of LTIP Units and the vesting of stock options granted to directors and officers.

(2) For purposes of computing the percentage of outstanding shares of common stock held by each person, any shares of common stock which such person has the right to acquire pursuant to the exercise of a stock option exercisable within 60 days is deemed to be outstanding, but is not deemed to be outstanding for the purposes of computing the percent ownership of any other person. In addition, for purposes of such calculation, Units (including vested LTIP Units) held by each person are treated as if such person had converted and held the related equivalent number of shares of common stock. With respect to the foregoing, the Company has assumed that all conditions required for all vested LTIP Units to be convertible into an equal number of common units have been satisfied.

(3) This information is based upon information reported by the stockholder in filings made with the SEC. Of the 9,462,925 shares reported to be beneficially owned by Cohen & Steers, Inc., a parent holding company, 9,417,405 shares (11.54% of total shares of common stock outstanding) are

owned by Cohen & Steers Capital Management, Inc. ("CSCM"), an investment adviser registered under the Investment Advisers Act of 1940. The address of both Cohen & Steers, Inc. and CSCM is 757 Third Avenue, New York, NY 10017.

(4)

This information is based upon information reported by the stockholder in filings made with the SEC. The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109. Of the 9,978,463 shares reported to be beneficially owned by FMR Corp., a parent holding company, 6,769,520 shares (8.29% of total shares of common stock outstanding) are owned by Real Estate Invest Portfolio, an investment company registered under the Investment Company Act of 1940.

(5)

This information is based upon information reported by the stockholder in filings made with the SEC. LaSalle Investment Management, Inc. ("LaSalle") owns 1,118,772 shares of common stock of the Company (1.37% of total shares of common stock outstanding) and LaSalle Investment Management (Securities), L.P. ("LIM"), a subsidiary of LaSalle, owns 3,400,369 shares of common stock of the Company (4.17% of total shares of common stock outstanding). The address of both LaSalle and LIM is 200 East Randolph Drive, Chicago, IL 60601.

(6)

This information is based upon information reported by the stockholder in filings made with the SEC. The address of Security Capital Research & Management Incorporated is 10 South Dearborn Street, Suite 1400, Chicago, IL 60603.

(7)

The information is based upon information reported by the stockholder in filings made with the SEC. The address of Morgan Stanley is 1585 Broadway, New York, NY 10036. Morgan Stanley is the parent company of, and indirect beneficial owner of shares held by, Morgan Stanley Investment Management Inc. ("MSIM"). The address of MSIM is 1221 Avenue of the Americas, New York, NY 10020.

(8)

Represents (a) 399,859 shares of common stock, including 396,238 shares of common stock owned directly, 614 shares of common stock owned through the Company's 401(k) plan and 3,007 shares of common stock held in trust for the benefit of his children, (b) 34,722 LTIP Units and (c) 422,500 exercisable options.

(9)

Represents (a) 75,710 Units, including 40,988 common units and 34,722 LTIP Units, (b) 186,743 shares of common stock, including 185,262 shares of common stock owned directly and 1,481 shares of common stock owned through the Company's 401(k) plan, and (c) 437,500 exercisable options.

(10)

Represents (a) 135,118 shares of common stock, (b) 36,722 Units, including 2,000 common units and 34,722 LTIP Units, and (b) 120,000 exercisable options.

(11)

Represents 65,250 shares of common stock.

(12)

Represents 122,725 shares of common stock.

(13)

Represents (a) 57,427 shares of common stock, (b) options to purchase 52,100 shares of common stock and (c) 8,000 Units.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities ("10% Holders"), to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Officers, directors and 10% Holders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company, all Section 16(a) filing requirements applicable to its executive officers, directors and 10% Holders were satisfied during 2004, except as follows: Elizabeth McCaul, Peter Quick, Lewis S. Ranieri, Scott H. Rechler, Jason M. Barnett and Michael Maturo each filed a Form 4 with respect to

Explanation of Responses:

one transaction subsequent to its due date; Donald J. Rechler, the former non-executive Chairman of the Board of Directors until his resignation therefrom in November 2004, filed four Forms 4 with respect to six transactions subsequent to their due dates; and Salvatore Campofranco reported two transactions on his Form 5 that should have previously been reported on a Form 4.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Property Transactions

In connection with our initial public offering in May 1995 (the "IPO"), the Company was granted ten-year options to acquire ten properties (the "Option Properties") which were either owned by certain Rechler family members who were also executive officers of the Company, or in which the Rechler family members owned a non-controlling minority interest, at prices based upon an agreed upon formula. In years prior to 2001, one Option Property was sold by the Rechler family members to a third party and four of the Option Properties were acquired by the Company for an aggregate purchase price of approximately $35 million, which included the issuance of approximately 475,000 Units valued at approximately $8.8 million.

During November 2003, in connection with the Company's sale of its Long Island industrial building portfolio, four of the five remaining options (the "Remaining Option Properties") were terminated along with management contracts relating to three of the properties. In return the Company received an aggregate payment from the Rechler family members of $972,000. Rechler family members have also agreed to extend the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and to release the Company from approximately 15,500 square feet under its lease at this property. In connection with the restructuring of the remaining option, the Rechler family members paid the Company $1 million in return for the Company's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by the Company was increased by $1 million. In addition, in exchange for the right to terminate its existing lease at 225 Broadhollow Road eighteen months early, the Company amended the terms of its option to acquire such property by providing certain Rechler family members with customary tax protection in the event the Company were to acquire the property and then dispose of it within five years. This amendment was negotiated and approved by the Independent Directors of the Company.

As part of the Company's REIT structure it is provided management, leasing and construction related services through taxable REIT subsidiaries, as defined by the Code. These services are currently provided by Reckson Construction Group, Inc., RMG, RANY and Reckson Construction Group New York, Inc. During the year ended December 31, 2004, Reckson Construction & Development, LLC ("RCD") billed approximately $859,400 of market rate services and RMG billed approximately $280,000 of market rate management fees to the Remaining Option Properties.

RMG leases approximately 26,000 square feet of office space at the Remaining Option Property located at 225 Broadhollow Road, Melville, New York for its corporate offices at an annual base rent of approximately $780,000. RMG had also entered into a short-term license agreement at the property for 6,000 square feet of temporary space which expired in January 2004. RMG also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family at an annual base rent of approximately $77,000. In addition, commencing April 1, 2004, RCD has been leasing approximately 17,000 square feet of space at the Remaining Option Property, located at 225 Broadhollow Road, Melville, New York, which was formerly occupied by an affiliate of First Data Corp. and which is scheduled to terminate on September 30, 2006. Base rent of approximately $360,000 was paid by RCD during the nine month period ended December 31, 2004. RCD anticipates it will mitigate this obligation by sub-letting the

space to a third party. However, there can be no assurances that RCD will be successful in sub-leasing the aforementioned space and mitigating its aggregated costs.

A company affiliated with Lewis S. Ranieri, a director of the Company, leases 15,566 square feet in a property owned by the Company at an annual base rent of approximately $445,000. Reckson Strategic Venture Partners, LLC ("RSVP") leased 5,144 square feet in one of the Company's joint venture properties at an annual base rent of approximately $176,000. On June 15, 2003, this lease was mutually terminated and RSVP vacated the premises.

FrontLine Capital Group

During 1997, the Company formed FrontLine and RSVP. RSVP is a real estate venture capital fund, which invested primarily in real estate and real estate operating companies outside the Company's core office and industrial/R&D focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of $100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company advanced approximately $93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to $100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). At December 31, 2004 approximately $109.1 million had been funded through the RSVP Commitment, of which $59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and $49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2004, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately $19.6 million.

A committee of the Board of Directors, comprised solely of Independent Directors, considers any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a $163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

At December 31, 2001, the Company, pursuant to Section 166 of the Code, charged off for tax purposes $70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company charged off for tax purposes an additional $38 million of the reserve directly related to the FrontLine Facility, including accrued interest, and $47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and on June 12, 2002 filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

In September 2003, RSVP completed the restructuring of its capital structure and management arrangements. RSVP also restructured its management arrangements whereby a management company formed by its former managing directors has been retained to manage RSVP pursuant to a management agreement and the employment contracts of the managing directors with RSVP have been

terminated. The management agreement provides for an annual base management fee and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales. (The base management fee and disposition fees are subject to a maximum over the term of the agreement of $7.5 million.) In addition, the managing directors retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of $75 million to RSVP and/or the Company in respect of its joint ventures with RSVP. The management agreement has a three-year term, subject to early termination in the event of the disposition of all of the assets of RSVP.

In connection with the restructuring, RSVP and certain of its affiliates obtained a $60 million secured loan (the "RSVP Secured Loan"). In connection with this loan, the Operating Partnership agreed to indemnify the lender in respect of any environmental liabilities incurred with regard to RSVP's remaining assets in which the Operating Partnership has a joint venture interest (primarily certain student housing assets held by RSVP) and guaranteed the obligation of an affiliate of RSVP to the lender in an amount up to $6 million plus collection costs for any losses incurred by the lender as a result of certain acts of malfeasance on the part of RSVP and/or its affiliates. The RSVP Secured Loan is scheduled to mature in 2006 and is expected to be repaid from proceeds of asset sales by RSVP and/or a joint venture between RSVP and a subsidiary of the Operating Partnership.

In August 2004, American Campus Communities, Inc. ("ACC"), a student housing company owned by RSVP and the joint venture between RSVP and a subsidiary of the Operating Partnership, completed an initial public offering (the "ACC IPO") of its common stock. RSVP and the joint venture between RSVP and a subsidiary of the Operating Partnership sold its entire ownership position in ACC as part of the ACC IPO. Proceeds from the ACC IPO were used in part to pay accrued interest on the RSVP Secured Loan and reduce the principal balance down to $30 million. The Company, through its ownership position in the joint venture and outstanding advances made under the RSVP Facility, anticipates realizing approximately $30 million in the aggregate from the ACC sale. To date, the Company has received approximately $10.6 million of such proceeds. The remaining amount is expected to be received subsequent to the United States Bankruptcy Court's approval of a plan of reorganization of FrontLine. At December 31, 2004, RSVP had approximately $20.5 million of cash and cash equivalents net of contractual reserves. There can be no assurances as to the final outcome of such plan of reorganization.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately $55.2 million, which was reassessed with no change by management as of December 31, 2004. Such amount has been reflected in investments in affiliate loans and joint ventures on the Company's consolidated balance sheet.

Scott H. Rechler, who serves as Chief Executive Officer, President and Chairman of the Board of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine and is its sole board member. Scott H. Rechler also serves as a member of the management committee of RSVP and serves as a member of the Board of Directors of ACC.

In November 2004, Concord Associates LLC and Sullivan Resorts LLC, a joint venture approximately 47% owned by RSVP, executed a binding agreement to contribute its Concord and Grossingers resort properties (excluding residential land) to Empire Resorts Inc. (NASDAQ: NYNY) ("Empire") for consideration of 18 million shares of common stock of Empire and the right to appoint five members of the Board of Directors. It is currently anticipated that Scott H. Rechler will be appointed to fill one seat on Empire's Board. On March 4, 2005, Empire announced that the agreement had been amended, whereby the parties agreed to waive the condition to closing which required final governmental approval of gaming in the Catskills. The transaction is subject to satisfaction of certain conditions and approvals, including the approval of Empire's shareholders.

Loans

The Company has historically structured long-term incentive programs using restricted stock and stock loans. In addition, the Company had loaned, on behalf of executive officers, the payment of premiums on life insurance policies under which the executive has an interest in the cash surrender value of the policy, subject to the refund of such premiums to the Company upon the termination of such policies. Consistent with the requirements of the Sarbanes-Oxley Act of 2002, the Company has discontinued the use of loans in its long-term incentive programs and with regard to such life insurance policies. In connection with long-term incentive program grants made prior to the enactment of the Sarbanes-Oxley Act of 2002, with respect to each fiscal year from 1996 through 2000, each of the Company's executive officers received a loan from the Company to purchase shares of common stock (the "1996 Stock Loans," the "1997 Stock Loans," the "1998 Stock Loans," the "1999 Stock Loans" and the "2000 Stock Loans" and collectively, the "Stock Loans"). The 1996 and 1997 Stock Loans matured in 2003 and were satisfied in full with the return to the Company of shares of restricted stock securing the loans.

Each 1998 Stock Loan has a term of seven years, accrues interest at the mid-term "Applicable Federal Rate" ("AFR"), is secured by the shares purchased and is otherwise non-recourse. Each 1998 Stock Loan is forgiven ratably each year during the term of the loan, provided that the officer is then employed by the Company. By their terms, the 1998 Stock Loans also provide for the Company to loan to each officer an amount equal to his aggregate tax liability resulting from such forgiveness, which loans (together with interest thereon) are forgiven in one year, provided that the officer is still employed by the Company and for tax gross-up payments upon forgiveness of the tax loans. Consistent with the requirements of the Sarbanes-Oxley Act of 2002, the Company has discontinued the use of tax loans, but may make tax payments in lieu of such tax loans. The 1998 Stock Loans also provide for forgiveness upon the occurrence of certain events, including a change-in-control of the Company, the officer's death or permanent disability, termination of his employment by the Company without cause or a reduction in the nature or scope of his duties. In the event an officer leaves the employ of the Company or is terminated with cause, the outstanding amount of the applicable loans is immediately due and payable.

Each 1999 Stock Loan and 2000 Stock Loan has a term of ten years, accrues interest at the AFR, is secured by the shares purchased and is otherwise non-recourse. Forty percent of each officer's 1999 and 2000 Stock Loan (together with accrued interest) is forgiven ratably each year during the ten-year term of the loan, provided that the officer is then employed by the Company. The other 60% (together with accrued interest) is forgiven ratably each year during the term of the loan if the performance of the Company's common stock since the Company's IPO is ranked in the top 40% for office and industrial REITs (as reported by NAREIT or, if not available from NAREIT, from such other standard industry source as may be approved by the Compensation Committee) at the end of the respective year. In the event this criteria is not satisfied in any particular year, the portion of the 1999 Stock Loan or 2000 Stock Loan that is not forgiven in respect of such year is carried forward and forgiven in a subsequent year only if the Company's common stock satisfies the aforementioned performance criteria. The terms of the 1999 Stock Loans and 2000 Stock Loans are otherwise substantially similar to the terms of the 1998 Stock Loans with respect to tax loans and forgiveness upon the occurrence of certain events. Consistent with the requirements of the Sarbanes- Oxley Act of 2002, the Company has discontinued the use of tax loans, but may make tax payments in lieu of such tax loans.

Messrs. Campofranco and Waterman also have outstanding loans which were made to them prior to the time they became executive officers. Such loans are also forgiven ratably during the terms of the loans, provided that the officer is then employed by the Company and certain of the loans entitle the officers to tax payments upon such forgiveness. Mr. Barnett entered into two loans with the Company prior to the time he became an executive officer. The loans were forgiven in full upon maturity in 2004, at which time the Company made related tax payments on the loans.

As of March 21, 2005, the aggregate principal amount outstanding under the loans was $1,590,267 in the case of Scott H. Rechler; $1,406,195 in the case of Michael Maturo; $1,332,759 in the case of Jason M. Barnett; $59,307 in the case of Salvatore Campofranco; and $802,512 in the case of Philip Waterman III. The largest aggregate principal amount outstanding under all loans during fiscal 2004 was $2,046,447 in the case of Scott H. Rechler; $1,807,221 in the case of Michael Maturo; $1,697,066 in the case of Jason M. Barnett; $88,960 in the case of Salvatore Campofranco; and $1,503,088 in the case of Philip Waterman III.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR 2006 ANNUAL MEETING

For a proposal of a stockholder to be presented at the 2006 Annual Meeting of Stockholders to be included in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act ("Rule 14a-8"), the Secretary of the Company must receive written notice thereof on or before December 19, 2005.

The Company's Bylaws provide that any stockholder wishing to nominate a director or have a stockholder proposal, other than a stockholder proposal included in the Company's proxy statement pursuant to Rule 14a-8, considered at an annual meeting must provide written notice of such nomination or proposal and appropriate supporting documentation, as set forth in the Bylaws, to the Company at its principal executive offices not less than 120 days nor more than 180 days prior to the anniversary of the immediately preceding annual meeting of stockholders (the "Anniversary Date"); provided, however, that in the event that the annual meeting is scheduled to be held more than seven calendar days prior, or more than 60 days subsequent, to the Anniversary Date, such nominations or proposals must be delivered to the Company not earlier than the 180th day prior to such meeting and not later than the close of business on the later of the 120th day prior to such annual meeting or the twentieth day following the earlier of the day on which public announcement of the date of such meeting is first made or notice of the meeting is mailed to stockholders. Accordingly, for a proposal of a stockholder to be presented at the Company's 2006 Annual Meeting of Stockholders, other than a stockholder proposal included in the Company's proxy statement pursuant to Rule 14a-8, it must be received at the principal executive offices of the Company after November 20, 2005 and on or before January 19, 2006. Any such proposal should be mailed to: Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, Attn: Jason M. Barnett, Secretary.

In addition, pursuant to Rule 14a-4 under the Exchange Act, if a stockholder fails to notify the Company after November 20, 2005 and on or before January 19, 2006, management proxies are allowed to use their discretionary voting authority if the Board determines to permit the proposal at the 2006 Annual Meeting of Stockholders, without any discussion of the matter in the proxy statement.

OTHER MATTERS

The Board of Directors does not know of any matters other than those described in this Proxy Statement that will be presented for action at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the best judgment of the proxy holders.

ANNEX A

**PROPOSAL 2 APPROVAL OF AMENDMENT TO THE CHARTER
TO INCREASE THE NUMBER OF AUTHORIZED SHARES
OF COMMON STOCK OF THE COMPANY
FROM 100,000,000 TO 200,000,000**

"The charter of Reckson Associates Realty Corp., a Maryland corporation (the "Corporation"), is hereby amended by deleting Article VI, Section 1 in its entirety and by adding a new Article VI, Section 1 to read as follows:

Section 1. *Authorized Shares.* The Corporation has authority to issue 200,000,000 shares of Common Stock, $0.01 par value per share ("Common Stock"), 25,000,000 shares of Preferred Stock, $0.01 par value per share ("Preferred Stock"), and 75,000,000 shares of Excess Stock, $0.01 par value per share ("Excess Stock"). The aggregate par value of all authorized shares of stock having par value is $3,000,000."

ANNEX B

PROPOSAL 3 APPROVAL OF THE 2005 STOCK OPTION PLAN

RECKSON ASSOCIATES REALTY CORP.
2005 STOCK OPTION PLAN

ARTICLE 1. GENERAL

1.1. *Purpose.* The purpose of the Reckson Associates Realty Corp. 2005 Stock Option Plan (the "Plan") is to provide for certain officers, directors and employees of Reckson Associates Realty Corp. (the "Company") and certain of its Affiliates (as defined below) an equity-based incentive to maintain and enhance the performance and profitability of the Company. It is the further purpose of this Plan to permit the granting of awards that will constitute performance based compensation for certain executive officers, as described in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder.

1.2. *Administration.*

(a) The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), which Committee shall consist of two or more directors, or by the Board. It is intended that the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Act")), "outside directors" (within the meaning of Code Section 162(m)) and "independent directors" (within the meaning of Section 303A of the Listed Company Manual of the New York Stock Exchange, Inc.); however, the mere fact that a Committee member shall fail to qualify under any of these requirements shall not invalidate any award made by the Committee which award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board.

(b) The Committee shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Plan Agreements (as defined below) executed pursuant to the Plan, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make any determination necessary or advisable in administering the Plan, (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan and (vi) to delegate to the Company's Chief Executive Officer (the "Proper Officer") its authority to grant awards under the Plan to employees, excluding those employees who are executive officers ("Non-Executive Officers"), provided that (a) the aggregate number of shares of Common Stock and/or OP Units granted to any Non-Executive Officer during any calendar year shall not exceed an aggregate of 100,000 shares and/or units and (b) the Proper Officer shall report annually to the Committee regarding the material terms of awards granted to any Non-Executive Officers.

(c) The determination of the Committee on all matters relating to the Plan or any Plan Agreement shall be conclusive.

(d) No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any award hereunder.

(e) Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, resolve to administer the Plan, in which case, the term Committee as used herein shall be deemed to mean the Board.

1.3. *Persons Eligible for Awards.* Awards under the Plan may be made to such officers, directors and employees of the Company or its Affiliates as the Committee shall from time to time in its sole

discretion select. No member of the Board who is not an officer or employee of the Company or an Affiliate (an "Independent Director") shall be eligible to receive any Awards under the Plan, except for restricted stock and/or restricted stock unit awards granted (i) automatically or (ii) at the discretion of the Committee under the provisions of Article 5 of the Plan.

1.4. *Types of Awards Under Plan.*

(a) Awards may be made under the Plan in the form of (i) stock options ("options"), (ii) restricted stock awards, (iii) unrestricted stock awards, (iv) restricted stock unit awards and (v) LTIP Unit awards, all as more fully set forth in Articles 2 and 3. The Committee also may grant such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as are deemed by the Committee to be consistent with the purposes of the Plan. Grants made under the Plan may also be made in lieu of cash fees otherwise payable to Directors of the Company or cash bonuses payable to employees of the Company or any Affiliate.

(b) Options granted under the Plan may be either (i) "nonqualified" stock options ("NQSOs") or (ii) options intended to qualify for incentive stock option treatment described in Code Section 422 ("ISOs").

(c) All options when granted are intended to be NQSOs, unless the applicable Plan Agreement explicitly states that the option is intended to be an ISO. If an option is intended to be an ISO, and if for any reason such option (or any portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such option (or portion) shall be regarded as a NQSO appropriately granted under the Plan provided that such option (or portion) otherwise meets the Plan's requirements relating to NQSOs.

1.5. *Shares/Units Available for Awards.*

(a) Subject to Section 4.5 (relating to adjustments upon changes in capitalization), as of any date the total number of shares of Common Stock and/or OP Units with respect to which awards may be granted under the Plan, shall equal the excess (if any) of an aggregate of 2,000,000 shares of Common Stock and/or OP Units, over (i) the number of shares of Common Stock and/or OP Units subject to outstanding awards, (ii) the number of shares and/or units in respect of which options have been exercised, grants of restricted or unrestricted Common Stock, LTIP Units or restricted stock units have been made pursuant to the Plan and (iii) the number of shares and/or units issued subject to forfeiture restrictions which have lapsed. In any calendar year, a person eligible for awards under the Plan may not be granted options under the Plan covering a total of more than 250,000 shares of Common Stock.

In accordance with (and without limitation upon) the preceding sentence, awards may be granted in respect of the following shares of Common Stock and/or OP Units: shares covered by previously-granted awards that have expired, terminated or been cancelled for any reason whatsoever (other than by reason of exercise or vesting).

(b) Shares of Common Stock and/or OP Units that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Common Stock or OP Units, or shares of Common Stock purchased on the open market or from stockholders of the Company for such purpose, or OP Units purchased from unitholders of Reckson Operating Partnership, L.P. (the "Operating Partnership"), the Company's operating partnership, for such purpose.

1.6. *Definitions of Certain Terms.*

(a) The term "Affiliate" as used herein means the Operating Partnership, Reckson FS Limited Partnership, RANY Management Group, Inc., Reckson Finance, Inc., Reckson Management Group, Inc., Reckson Construction Group, Inc., Reckson Construction Group New York Inc., Reckson Construction & Development, LLC, Metropolitan Partners LLC, any person or entity that directly, or

indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company, or any other person or entity as subsequently approved by the Board.

(b) The term "Cause" shall mean a finding by the Committee that the recipient of an award under the Plan has (i) acted with gross negligence or willful misconduct in connection with the performance of his or her material duties to the Company or its Affiliates; (ii) defaulted in the performance of his or her material duties to the Company or its Affiliates and has not corrected such action within 15 days of receipt of written notice thereof; (iii) willfully acted against the best interests of the Company or its Affiliates, which act has had a material and adverse impact on the financial affairs of the Company or its Affiliates; or (iv) been convicted of a felony or committed a material act of common law fraud against the Company, its Affiliates or their employees and such act or conviction has, or the Committee reasonably determines will have, a material adverse effect on the interests of the Company or its Affiliates.

(c) The term "Common Stock" as used herein means the shares of common stock of the Company as constituted on the effective date of the Plan, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split up, combination, exchange of shares or the like.

(d) The "fair market value" (or "FMV") as of any date and in respect of any share of Common Stock shall be:

(i) if the Common Stock is listed for trading on the New York Stock Exchange, the closing price, regular way, of the Common Stock as reported on the New York Stock Exchange Composite Tape, or if no such reported sale of the Common Stock shall have occurred on such date, on the next preceding date on which there was such a reported sale; or

(ii) if the Common Stock is not so listed but is listed on another national securities exchange or authorized for quotation on the National Association of Securities Dealers Inc.'s NASDAQ National Market System ("NASDAQ/NMS"), the closing price, regular way, of the Common Stock on such exchange or NASDAQ/NMS, as the case may be, on which the largest number of shares of Common Stock have been traded in the aggregate on the preceding twenty trading days, or if no such reported sale of the Common Stock shall have occurred on such date on such exchange or NASDAQ/NMS, as the case may be, on the preceding date on which there was such a reported sale on such exchange or NASDAQ/NMS, as the case may be; or

(iii) if the Common Stock is not listed for trading on a national securities exchange or authorized for quotation on NASDAQ/NMS, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or, if no such prices shall have been so reported for such date, on the next preceding date for which such prices were so reported.

(e) The term "LTIP Unit" shall mean an OP Unit, granted to a grantee pursuant to Article 3, that is subject to the restrictions set forth in such Article.

(f) The term "OP Unit" shall mean a unit of partnership interest in the Operating Partnership.

(a) The term "Restricted Period" shall mean, in relation to shares of restricted stock, restricted stock units, LTIP Units or Common Stock received upon the exercise of options, the period determined by the Committee, during which restrictions on the transferability of such shares of restricted stock, restricted stock units, LTIP Units or Common Stock received upon the exercise of options are in effect.

(g) The term "restricted stock unit" shall mean a right, granted to a grantee pursuant to Article 3, to receive either (i) an amount in cash equal to the FMV of one share of Common Stock or (ii) one share of Common Stock, as provided by the Committee at the time of grant.

1.7. *Agreements Evidencing Awards.*

(a) Option, restricted stock, LTIP Unit and restricted stock unit awards granted under the Plan shall be evidenced by written agreements. Any such written agreements shall (i) contain such provisions not inconsistent with the terms of the Plan as the Committee may in its sole discretion deem necessary or desirable and (ii) be referred to herein as "Plan Agreements."

(b) Each Plan Agreement shall set forth the number of shares of Common Stock or OP Units, as applicable, subject to the award granted thereby.

(c) Each Plan Agreement with respect to the granting of an option shall set forth the amount (the "option exercise price") payable by the grantee to the Company in connection with the exercise of the option evidenced thereby. The option exercise price per share shall not be less than 100% of the fair market value of a share of Common Stock on the date the option is granted.

ARTICLE 2. STOCK OPTIONS

2.1. *Option Awards.*

(a) *Grant of Stock Options.* The Committee may grant options to purchase shares of Common Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine, subject to the terms of the Plan.

(b) *Dividend Equivalent Rights.* To the extent expressly provided by the Committee at the time of the grant, each NQSO granted under this Section 2.1 shall also generate Dividend Equivalent Rights ("DERs"), which shall entitle the grantee to receive an additional share of Common Stock for each DER received upon the exercise of the NQSO, at no additional cost, based on the formula set forth herein. As of the last business day of each calendar quarter, the amount of dividends paid by the Company on each share of Common Stock with respect to that quarter shall be divided by the FMV per share to determine the actual number of DERs accruing on each share subject to the NQSO. Such amount of DERs shall be multiplied by the number of shares covered by the NQSO to determine the number of DERs which accrued during such quarter. The provisions of this Section 2.1(b) shall not be amended more than once every six months other than to comport with changes in applicable law.

For example. Assume that a grantee holds a NQSO to purchase 600 shares of Common Stock. Further assume that the dividend per share for the first quarter was $0.10, and that the FMV per share on the last business day of the quarter was $20. Therefore, .005 DER would accrue per share for that quarter and such grantee would receive three DERs for that quarter (600 X .005). For purposes of determining how many DERs would accrue during the second quarter, the NQSO would be considered to be for 603 shares of Common Stock.

2.2. *Exercisability of Options.* Subject to the other provisions of the Plan:

(a) *Exercisability Determined by Plan Agreement.* Each Plan Agreement shall set forth the period during which and the conditions subject to which the option shall be exercisable (including, but not limited to vesting of such options), as determined by the Committee in its discretion.

(b) *Partial Exercise Permitted.* Unless the applicable Plan Agreement otherwise provides, an option granted under the Plan may be exercised from time to time as to all or part of the full number of shares for which such option is then exercisable, in which event the DERs relating to the portion of the option being exercised shall also be exercised.

(c) *Notice of Exercise; Exercise Date.*

(i) An option shall be exercisable by the filing of a written notice of exercise with the Company, on such form and in such manner as the Committee shall in its sole discretion prescribe, and by payment in accordance with Section 2.4.

(ii) Unless the applicable Plan Agreement otherwise provides, or the Committee in its sole discretion otherwise determines, the date of exercise of an option shall be the date the Company receives such written notice of exercise and payment.

2.3. *Limitation on Exercise.* Notwithstanding any other provision of the Plan, no Plan Agreement shall permit an ISO to be exercisable more than 10 years after the date of grant.

2.4. *Payment of Option Price.*

(a) *Tender Due Upon Notice of Exercise.* Unless the applicable Plan Agreement otherwise provides or the Committee in its sole discretion otherwise determines, any written notice of exercise of an option shall be accompanied by payment of the full purchase price for the shares being purchased.

(b) *Manner of Payment.* Payment of the option exercise price shall be made in any combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent thereof acceptable to the Committee);

(ii) by personal check (subject to collection), which may in the Committee's discretion be deemed conditional;

(iii) with the consent of the Committee in its sole discretion, by delivery of previously acquired shares of Common Stock owned by the grantee for at least six months having a fair market value (determined as of the option exercise date) equal to the portion of the option exercise price being paid thereby, provided that the Committee may require the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and does not require any Consent (as defined in Section 4.2); and

(iv) by withholding shares of Common Stock from the shares otherwise issuable pursuant to the exercise.

(c) *Issuance of Shares.* As soon as practicable after receipt of full payment, the Company shall, subject to the provisions of Section 4.2, deliver to the grantee one or more certificates for the shares of Common Stock so purchased, which certificates may bear such legends as the Company may deem appropriate concerning restrictions on the disposition of the shares in accordance with applicable securities laws, rules and regulations or otherwise.

2.5. *Default Rules Concerning Termination of Employment.*

Subject to the other provisions of the Plan and unless the applicable Plan Agreement otherwise provides:

(a) *General Rule.* All options granted to a grantee shall terminate upon the grantee's termination of employment for any reason except to the extent post-employment exercise of the option is permitted in accordance with this Section 2.5.

(b) *Termination for Cause.* All unexercised or unvested options granted to a grantee shall terminate and expire on the day a grantee's employment is terminated for Cause.

(c) *Regular Termination; Leave of Absence.* If the grantee's employment terminates for any reason other than as provided in subsection (b), (d) or (f) of this Section 2.5, any awards granted to such grantee which were exercisable immediately prior to such termination of employment may be exercised, and any awards subject to vesting may continue to vest, until the earlier of either: (i) 90 days after the grantee's termination of employment and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement; provided that the Committee may, in its sole discretion, determine such other period for

exercise in the case of a grantee whose employment terminates solely because the grantee's employer ceases to be an Affiliate or the grantee transfers employment with the Company's consent to a purchaser of a business disposed of by the Company. The Committee may, in its sole discretion, determine (i) whether any leave of absence (including short-term or long-term disability or medical leave) shall constitute a termination of employment for purposes of the Plan and (ii) the effect, if any, of any such leave on outstanding awards under the Plan.

(d) *Retirement.* If a grantee's employment terminates by reason of retirement (*i.e.,* the voluntary termination of employment by a grantee after attaining the age of 55), the options exercisable by the grantee immediately prior to the grantee's retirement shall be exercisable by the grantee until the earlier of (i) 36 months after the grantee's retirement and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

(e) *Death After Termination.* If a grantee's employment terminates in the manner described in subsections (c) or (d) of this Section 2.5 and the grantee dies within the period for exercise provided for therein, the options exercisable by the grantee immediately prior to the grantee's death shall be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of subsections (c) or (d) of this Section 2.5.

(f) *Death Before Termination.* If a grantee dies while employed by the Company or any Affiliate, all options granted to the grantee but not exercised before the death of the grantee, whether or not exercisable by the grantee before the grantee's death, shall immediately become and be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

2.6. *Special ISO Requirements.* In order for a grantee to receive special tax treatment with respect to stock acquired under an option intended to be an ISO, (i) the Plan must be approved by the Company's stockholders in accordance with the requirements of Code Section 422(b) and (ii) the grantee of such option must be, at all times during the period beginning on the date of grant and ending on the day three months before the date of exercise of such option, an employee of the Company or any of the Company's parent or subsidiary corporations (within the meaning of Code Section 424), or of a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which Code Section 424(a) applies. If an option granted under the Plan is intended to be an ISO, and if the grantee, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the grantee's employer corporation or of its parent or subsidiary corporation, then (i) the option exercise price per share shall in no event be less than 110% of the fair market value of the Common Stock on the date of such grant and (ii) such option shall not be exercisable after the expiration of five years after the date such option is granted.

ARTICLE 3. RESTRICTED STOCK, UNRESTRICTED STOCK, RESTRICTED STOCK UNIT AND LTIP UNIT AWARDS

3.1. *Restricted Stock Awards.*

(a) *Grant of Awards.* The Committee may grant restricted stock awards, alone or in tandem with other awards, under the Plan in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such restricted stock awards may be made in lieu of, or in tandem with, other cash compensation and bonuses. The vesting of a restricted stock award granted under the Plan may be conditioned upon the completion of a specified period of employment with the Company or any Affiliate, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(b) *Payment by Grantee.* Each Plan Agreement with respect to a restricted stock award shall set forth the amount (if any) to be paid by the grantee with respect to such award. If a grantee makes any payment for a restricted stock award which does not vest, appropriate payment may be made to the grantee following the forfeiture of such award on such terms and conditions as the Committee may determine.

(c) *Forfeiture upon Termination of Employment.* Unless the applicable Plan Agreement otherwise provides or the Committee otherwise determines, (i) if a grantee's employment terminates for any reason (including death) before all of his or her restricted stock awards have vested, such awards shall terminate and expire upon such termination of employment, and (ii) in the event any condition to the vesting of restricted stock awards is not satisfied within the period of time permitted therefor, such unvested shares shall be returned to the Company.

(d) *Issuance of Shares.* The Committee may provide that one or more certificates representing restricted stock awards shall be registered in the grantee's name and bear an appropriate legend specifying that such shares are not transferable and are subject to the terms and conditions of the Plan and the applicable Plan Agreement, or that such certificate or certificates shall be held in escrow by the Company on behalf of the grantee until such shares vest or are forfeited, all on such terms and conditions as the Committee may determine. Unless the applicable Plan Agreement otherwise provides, no share of restricted stock may be assigned, transferred, otherwise encumbered or disposed of by the grantee until such share has vested in accordance with the terms of such award (or, if longer, until the completion of the Restricted Period). Subject to the provisions of Section 4.2, as soon as practicable after any restricted stock award shall vest, the Company shall issue or reissue to the grantee (or to the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the Common Stock represented by such restricted stock award.

(e) *Grantees' Rights Regarding Restricted Stock.* Unless the applicable Plan Agreement otherwise provides: (i) a grantee may vote and receive dividends on restricted stock awarded under the Plan; and (ii) any stock received as a distribution with respect to a restricted stock award shall be subject to the same restrictions as such restricted stock.

3.2. *Unrestricted Stock.* The Committee may issue unrestricted stock under the Plan, alone or in tandem with other awards, in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such unrestricted stock awards may be made in lieu of, or in tandem with other, cash compensation and bonuses.

3.3. *Restricted Stock Unit Awards.*

(a) *Grant of Awards.* The Committee may grant restricted stock unit awards, alone or in tandem with other awards, under the Plan in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such restricted stock unit awards may be made in lieu of, or in tandem with, other cash compensation and bonuses. The vesting of a restricted stock unit award granted under the Plan may be conditioned upon the completion of a specified period of employment with the Company or any Affiliate, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(b) *Payment by Grantee.* Each Plan Agreement with respect to a restricted stock unit award shall set forth the amount (if any) to be paid by the grantee with respect to such award. If a grantee makes any payment for a restricted stock unit award which does not vest, appropriate payment may be made to the grantee following the forfeiture of such award on such terms and conditions as the Committee may determine.

(c) *Forfeiture upon Termination of Employment.* Unless the applicable Plan Agreement otherwise provides or the Committee otherwise determines, (i) if a grantee's employment terminates for any reason (including death) before all of his or her restricted stock unit awards have vested, such awards shall terminate and expire upon such termination of employment, and (ii) in the event any condition to the vesting of restricted stock unit awards is not satisfied within the period of time permitted therefor, such unvested restricted stock units shall be returned to the Company.

(d) *Dividend Equivalent Rights.* To the extent expressly provided by the Committee at the time of grant, each restricted stock unit granted under this Section 3.3 shall also generate DERs, which shall entitle the grantee to receive, with respect to each such restricted stock unit, a cash amount (or, if the Committee so determines, a number of additional restricted stock units having a value equal to the amount of such dividend payment based on the FMV per share of a share of Common Stock on the date of such additional grant), in the same manner, at the same time and in the same amount paid, as such dividend.

(e) *Restriction on Transfer.* No restricted stock unit may be assigned, transferred, otherwise encumbered or disposed of by the grantee until such restricted stock unit has vested in accordance with the term of the award (or, if longer, until the completion of the Restricted Period).

(f) *Payment to Grantee.* Once the restricted stock units have vested (or, if longer, following the completion of the Restricted Period), there shall be paid to the grantee, as determined by the Committee, either (1) an amount in cash equal to the FMV per share of one share of Common Stock for each vested restricted stock unit measured on the last trading day of the vesting period (or, if longer, the Restricted Period), or (2) one share of Common Stock for each vested restricted stock unit, free of restrictions. For restricted stock units satisfied in shares of Common Stock, the Company shall issue to the grantee (or to the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the appropriate number of shares of Common Stock.

(g) *Grantees' Rights Regarding Restricted Stock Units.* With respect to restricted stock units satisfied in shares of Common Stock, prior to the settlement of the restricted stock units in shares of Common Stock pursuant to the terms of the Plan Agreement, the grantee shall have no rights as a stockholder of the Company with respect to such restricted stock units or such underlying shares of Common Stock.

3.4. *LTIP Unit Awards.*

(a) *Grant of Awards.* The Committee may grant LTIP Unit awards, alone or in tandem with other awards, under the Plan in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such LTIP Unit awards may be made in lieu of, or in tandem with, other cash compensation and bonuses. The vesting of an LTIP Unit award granted under the Plan may be conditioned upon the completion of a specified period of employment with the Company or any Affiliate, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(b) *Payment by Grantee.* Each Plan Agreement with respect to an LTIP Unit award shall set forth the amount (if any) to be paid by the grantee with respect to such award. If a grantee makes any payment for an LTIP Unit award which does not vest, appropriate payment may be made to the grantee following the forfeiture of such award on such terms and conditions as the Committee may determine.

(c) *Forfeiture upon Termination of Employment.* Unless the applicable Plan Agreement otherwise provides or the Committee otherwise determines, (i) if a grantee's employment terminates for any reason (including death) before all of his or her LTIP Unit awards have vested, such awards shall terminate and expire upon such termination of employment, and (ii) in the event any condition to the

vesting of LTIP Unit awards is not satisfied within the period of time permitted therefor, such unvested LTIP Units shall be returned to the Company.

(d) *Issuance of LTIP Units; Grantee's Rights Regarding LTIP Units.* At the time of grant of LTIP Units, one or more certificates representing the appropriate number of LTIP Units granted to a grantee shall be registered in his or her name, but shall be held by the Company for the account of the grantee. Upon the occurrence of certain specified events, and subject to conditions specified in the Plan Agreement, the grantee shall have all rights of a unit holder as to such LTIP Units, including the right to (i) receive distributions and allocations, (ii) redeem the LTIP Units for cash in an amount equal to the FMV of an equal number of OP Units or shares of Common Stock or (iii) convert such LTIP Units into OP Units or shares of Common Stock; provided, however, that (A) the grantee shall not be entitled to delivery of certificates representing the LTIP Units until the expiration of the Restricted Period; and (B) except as otherwise provided in the Plan Agreement, none of the LTIP Units may be assigned, transferred, otherwise encumbered or disposed of by the grantee during the Restricted Period. Any OP Units, shares of Common Stock or other securities or property received with respect to such LTIP Units shall be subject to the same restrictions as such LTIP Units. Once the LTIP Units have vested (or, if longer, following the completion of the Restricted Period) and all conditions contained in the Plan Agreement or award of LTIP Units and in the Plan have been satisfied, the appropriate number of OP Units shall be delivered to the grantee, free of restrictions, in the form of OP Unit certificates (or, if and to the extent that such units are converted into shares of Common Stock, the Company shall issue to the grantee (or the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the appropriate number of shares of Common Stock).

ARTICLE 4. MISCELLANEOUS

4.1. *Amendment of the Plan; Modification of Awards.*

(a) *Plan Amendments.* The Board may, without stockholder approval, at any time and from time to time suspend, discontinue or amend the Plan in any respect whatsoever, except that (i) no such amendment shall impair any rights under any award theretofore made under the Plan without the consent of the grantee of such award, (ii) except as and to the extent otherwise permitted by Section 4.5 or 4.11, no such amendment shall cause the Plan to fail to satisfy any applicable requirement under Rule 16b-3 without stockholder approval, and (iii) to the extent required to meet the requirements of any national securities exchange or system on which the shares of Common Stock are then listed or reported, stockholder approval shall be necessary for any amendment that constitutes a material revision to the Plan.

(b) *Award Modifications.* Subject to the terms and conditions of the Plan (including Section 4.1(a)), the Committee may amend outstanding Plan Agreements with such grantee, including, without limitation, any amendment which would (i) accelerate the time or times at which an award may vest or become exercisable and/or (ii) extend the scheduled termination or expiration date of the award; provided, however, that no modification having a material adverse effect upon the interest of a grantee in an award shall be made without the consent of such grantee; and provided, further, that no amendment may be made to adjust the option exercise price per share specified in a Plan Agreement evidencing a stock option award, unless such adjustment occurs pursuant to Section 4.5, and no award may be cancelled and re-granted to effect a re-pricing.

4.2. *Restrictions.*

(a) *Consent Requirements.* If the Committee shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award under the Plan, the acquisition, issuance or purchase of shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan

Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Committee. Without limiting the generality of the foregoing, the Committee shall be entitled to determine not to make any payment whatsoever until Consent has been given if (i) the Committee may make any payment under the Plan in cash, Common Stock or both, and (ii) the Committee determines that Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms.

(b) *Consent Defined.* The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or other self regulatory organization or under any federal, state or local law, rule or regulation, (ii) the expiration, elimination or satisfaction of any prohibitions, restrictions or limitations under any federal, state or local law, rule or regulation or the rules of any securities exchange or other self regulatory organization, (iii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, and (iv) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any parties to any loan agreements or other contractual obligations of the Company or any Affiliate.

4.3. *Nontransferability.* No award granted to any grantee under the Plan or under any Plan Agreement shall be assignable or transferable by the grantee other than by will or by the laws of descent and distribution. During the lifetime of the grantee, all rights with respect to any award granted to the grantee under the Plan or under any Plan Agreement shall be exercisable only by the grantee.

4.4. *Withholding Taxes.*

(a) Whenever under the Plan shares of Common Stock and/or OP Units are to be delivered pursuant to an award, the Committee may require as a condition of delivery that the grantee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid under the Plan, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto or to the delivery of any shares of Common Stock and/or OP Units under the Plan.

(b) Without limiting the generality of the foregoing, (i) a grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Common Stock and/or OP Units owned by the grantee for at least six months (or such other period as the Committee may determine) having a fair market value (determined as of the date of such delivery by the grantee) equal to all or part of the amount to be so withheld, provided that the Committee may require, as a condition of accepting any such delivery, the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and (ii) the Committee may permit any such delivery to be made by withholding shares of Common Stock and/or OP Units from the shares or units otherwise issuable pursuant to the award giving rise to the tax withholding obligation (in which event the date of delivery shall be deemed the date such award was exercised).

4.5. *Adjustments Upon Changes in Capitalization.* If and to the extent specified by the Committee, the number of shares of Common Stock and/or OP Units which may be issued pursuant to awards under the Plan, the maximum number of options which may be granted to any one person in any year, the number of shares of Common Stock and/or OP Units subject to awards, the option exercise price of options theretofore granted under the Plan, and the amount payable by a grantee in respect of an award, shall be appropriately adjusted (as the Committee may determine) for any change in the number of issued shares of Common Stock and/or OP Units resulting from the subdivision or

combination of shares of Common Stock and/or OP Units or other capital adjustments, or the payment of a stock dividend or unit distribution after the effective date of the Plan, or other change in such shares of Common Stock and/or OP Units effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock and/or OP Units resulting from any such adjustment shall be eliminated and provided further, that each ISO granted under the Plan shall not be adjusted in a manner that causes such option to fail to continue to qualify as an ISO within the meaning of Code Section 422. Adjustments under this Section shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

4.6. *Right of Discharge Reserved.* Nothing in the Plan or in any Plan Agreement shall confer upon any person the right to continue in the employment of the Company or an Affiliate or affect any right which the Company or an Affiliate may have to terminate the employment of such person.

4.7. *No Rights as a Stockholder.* No grantee or other person shall have any of the rights of a stockholder of the Company with respect to shares or of a unit holder of the Operating Partnership with respect to units, as applicable, subject to an award until the issuance to him or her of a stock certificate for such shares or a certificate evidencing such units, as applicable. Except as otherwise provided in Section 4.5, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate or unit certificate, as applicable, is issued. In the case of a grantee of an award which has not yet vested, the grantee shall have the rights of a stockholder of the Company or of a unit holder of the Operating Partnership, as applicable, if and only to the extent provided in the applicable Plan Agreement.

4.8. *Nature of Payments.*

(a) Any and all awards or payments hereunder shall be granted, issued, delivered or paid, as the case may be, in consideration of services performed for the Company or for its Affiliates by the grantee.

(b) No such awards and payments shall be considered special incentive payments to the grantee or, unless otherwise determined by the Committee, be taken into account in computing the grantee's salary or compensation for the purposes of determining any benefits under (i) any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate or (ii) any agreement between the Company or any Affiliate and the grantee.

(c) By accepting an award under the Plan, the grantee shall thereby waive any claim to continued exercisability or vesting of an award or to damages or severance entitlement related to non-continuation of the award beyond the period provided herein or in the applicable Plan Agreement, notwithstanding any contrary provision in any written employment contract with the grantee, whether any such contract is executed before or after the grant date of the award.

4.9. *Non-Uniform Determinations.* The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Plan Agreements, as to (a) the persons to receive awards under the Plan, (b) the terms and provisions of awards under the Plan, and (c) the treatment of leaves of absence pursuant to Section 2.5(c).

4.10. *Other Payments or Awards.* Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company, any Affiliate or the Committee from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

4.11. *Reorganization.*

(a) In the event that the Company is merged or consolidated with another corporation and, whether or not the Company shall be the surviving corporation, there shall be any change in the shares of Common Stock by reason of such merger or consolidation, or in the event that all or substantially all of the assets of the Company are acquired by another person, or in the event of a reorganization or liquidation of the Company (each such event being hereinafter referred to as a "Reorganization Event") or in the event that the Board shall propose that the Company enter into a Reorganization Event, then the Committee may in its discretion, by written notice to a grantee, provide that his or her options will be terminated unless exercised within 30 days (or such longer period as the Committee shall determine in its sole discretion) after the date of such notice; provided that if, and to the extent that, the Committee takes such action with respect to the grantee's options not yet exercisable, the Committee shall also accelerate the dates upon which such options shall be exercisable. The Committee also may in its discretion by written notice to a grantee provide that all or some of the restrictions on any of the grantee's awards may lapse in the event of a Reorganization Event upon such terms and conditions as the Committee may determine.

(b) Whenever deemed appropriate by the Committee, the actions referred to in Section 4.11(a) may be made conditional upon the consummation of the applicable Reorganization Event.

4.12. *Section Headings.* The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said Sections.

4.13. *Effective Date and Term of Plan.*

(a) The Plan shall be deemed adopted and become effective upon the approval thereof by the stockholders of the Company.

(b) The Plan shall terminate 10 years after the date on which it is approved by stockholders, and no awards shall thereafter be made under the Plan. Notwithstanding the foregoing, all awards made under the Plan prior to such termination date shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Plan Agreement.

4.14. *Governing Law.* The Plan shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within such state.

ARTICLE 5. RESTRICTED STOCK/RESTRICTED STOCK UNIT AWARDS GRANTED TO INDEPENDENT DIRECTORS

5.1. *Automatic Grant of Restricted Stock/Restricted Stock Units.* Each Independent Director appointed or elected to the Board for the first time shall automatically be granted (under this Plan or another applicable Company stock option plan) 1,000 shares of restricted stock or 1,000 restricted stock units, as determined by such Independent Director, on his or her date of appointment or election. Each Independent Director who is serving as a Director of the Company on the fifth business day after each annual meeting of stockholders shall, on such day, automatically be granted (under this Plan or another applicable Company stock option plan) either a number of shares of restricted stock or a number of restricted stock units, as determined by such Independent Director, having a fair market value of $20,000 on the date of grant; provided, however, that an Independent Director who is also serving as the lead non-employee director of the Board of Directors as of the fifth business day after such annual meeting shall, on such day, automatically be granted (under this Plan or another applicable Company stock option plan), in lieu of receiving such number of shares or restricted stock units having a fair market value of $20,000 on the date of grant, either a number of shares of restricted stock or a number of restricted stock units, as determined by such Independent Director, having a fair market value of $30,000 on the date of grant; and provided, further that an Independent Director who is appointed or

elected to the Board for the first time shall not be eligible to receive restricted stock or restricted stock units, as applicable, pursuant to this sentence for the year of his or her initial appointment or election.

5.2. *Discretionary Grant of Restricted Stock/Restricted Stock Units.* The Committee (composed entirely of Independent Directors), in its discretion, may grant additional awards of restricted stock or restricted stock units to the Independent Directors; provided, however, that the total cumulative amount of such awards to Independent Directors under this Plan may not exceed 10% of the shares of Common Stock authorized for grant under this Plan. Any such grant may vary among individual Independent Directors.

5.3. *Vesting; Non-Transferability; Issuance of Shares or Restricted Stock Units*

(a) All shares of restricted stock or restricted stock units granted under this Article 5 shall vest immediately.

(b) No shares of restricted stock or restricted stock units granted under this Article 5 shall be transferable by an Independent Director while such Independent Director remains a Director of the Company. The shares of restricted stock or restricted stock units granted under this Article 5 shall be transferable, subject to any restrictions imposed by applicable law, by an Independent Director immediately on the date upon which such Independent Director ceases to be a Director of the Company. Restricted stock units granted under this Article 5 shall be settled solely in shares of Common Stock within 30 days of the date upon which such Independent Director ceases to be a Director of the Company. Restricted stock units granted under this Article 5 shall not be settled in cash.

(c) Where shares of restricted stock are awarded under this Article 5, as soon as practicable after the date of grant, the Company shall register, in the name of each applicable Independent Director, one or more certificates representing the number of shares of restricted stock granted to such Director and bearing the appropriate legend specifying that such shares are not transferable and are subject to the terms and conditions of the Plan.

5.4. *Limited to Independent Directors.* The provisions of this Article 5 shall apply only to restricted stock or restricted stock unit awards granted or to be granted to Independent Directors, shall be interpreted as if this Article 5 constituted a separate plan of the Company and shall not be deemed to modify, limit or otherwise apply to any other provision of this Plan or to any restricted stock or restricted stock unit award granted under this Plan to a participant who is not an Independent Director of the Company. To the extent inconsistent with the provisions of any other Section of this Plan, the provisions of this Article 5 shall govern the rights and obligations of the Company and Independent Directors respecting restricted stock or restricted stock unit awards granted or to be granted to Independent Directors. The provisions of this Article 5 shall not be amended more than once every six months other than to comport with changes in applicable law.

RECKSON ASSOCIATES REALTY CORP.
225 Broadhollow Road
Melville, New York 11747

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 19, 2005

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Scott H. Rechler and Peter Quick, or either of them, as Proxies of the undersigned, with full power of substitution in each of them, to represent the undersigned and to vote all shares of Common Stock of Reckson Associates Realty Corp., a Maryland corporation (the "Company"), held of record by the undersigned as of the close of business on March 21, 2005, on behalf of the undersigned at the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the MGM Theatre at 1350 Avenue of the Americas, New York, New York, 10:30 a.m., local time, on Thursday, May 19, 2005, and at any adjournments or postponements thereof.

When properly executed, this proxy will be voted in the manner directed herein by the undersigned stockholder(s). If no direction is given, this proxy will be voted FOR the eight nominees of the Board of Directors listed in Proposal 1, FOR Proposal 2, FOR Proposal 3 and FOR Proposal 4. In their discretion, the Proxies are each authorized to vote upon such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof. A stockholder wishing to vote in accordance with the Board of Directors' recommendations need only sign and date this proxy and return it in the enclosed envelope.

Please vote and sign on other side and
return promptly in the enclosed envelope.

SEE REVERSE SIDE

ANNUAL MEETING OF STOCKHOLDERS OF

RECKSON ASSOCIATES REALTY CORP.

May 19, 2005

**Please date, sign and mail
your proxy card in the
envelope provided as soon as possible.**

Please detach along perforated line and mail in the envelope provided.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý

1. Election of Directors.

		NOMINEES:
o	FOR ALL NOMINEES	Scott H. Rechler Douglas Crocker II Elizabeth McCaul
o	WITHHOLD AUTHORITY FOR ALL NOMINEES	Ronald H. Menaker Peter Quick Lewis S. Ranieri
o	FOR ALL EXCEPT (See instructions below)	John F. Ruffle Stanley Steinberg

Instructions: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and write the nominee name(s) below:

		FOR	AGAINST	ABSTAIN
2.	To amend the charter of the Company to increase the number of authorized shares of Common Stock from 100,000,000 to 200,000,000.	o	o	o
3.	To approve the Company's 2005 Stock Option Plan.	o	o	o
4.	To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2005.	o	o	o
5.	To consider and vote upon any other matters that may properly be brought before the Annual			

Meeting and at any adjournments or postponements thereof.

The undersigned hereby acknowledge(s) receipt of a copy of the accompanying Notice of Annual Meeting of Stockholders, the Proxy Statement with respect thereto and the Company's 2004 Annual Report to Stockholders and hereby revoke(s) any proxy or proxies heretofore given. This proxy may be revoked at any time before it is exercised.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. **o**

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If the signer is a partnership, please sign in partnership name by authorized person.

QuickLinks

4px; padding-bottom: 3pt; margin-top: 0pt; margin-right: 0pt; margin-left: 0pt; margin-bottom: 0pt">Each Selling Stockholder represented to us that it was an accredited investor and that it was acquiring the Common Stock for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof in a manner that would violate the Securities Act or any applicable state securities laws.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or share voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants or pursuant to the conversion of our Series B Convertible Preferred Stock that are either immediately exercisable or convertible or exercisable or convertible within 60 days of January 10, 2014. Shares underlying such options, warrants and Series B Convertible Preferred Stock, however, are only considered outstanding for the purpose of computing the percentage ownership of that person and are not considered outstanding when computing the percentage ownership of any other person.

The following table sets forth certain information regarding the Selling Stockholders, the Shares that may be offered by this prospectus and other shares of Common Stock beneficially owned by them as of January 10, 2014. Selling Stockholders may offer Shares under this prospectus from time to time and may elect to sell none, some or all of the Shares set forth below. As a result, we cannot estimate the number of shares of Common Stock that a Selling Stockholder will beneficially own after termination of sales under this prospectus. However, for the purposes of the table below, we have assumed that, after completion of the offering, none of the Shares covered by this prospectus will be held by the Selling Stockholders. In addition, a Selling Stockholder may have sold, transferred or otherwise disposed of all or a portion of that holder s Shares since the date on which they provided information for this table. We

are relying on the Selling Stockholders to notify us of any changes in their beneficial ownership after the date they originally provided this information. See Plan of Distribution beginning on page 29. Unless otherwise disclosed in the footnotes to the table below, except for the ownership of the Common Stock, the Selling Stockholders have not had any material relationship with us within the past three years.

Selling Stockholder[1]	Number of Shares Beneficially Owned Before Offering	Number of Shares Covered by This Prospectus	Number of Shares Beneficially Owned After Offering[2]	Percentage of Shares Beneficially Owned after Offering[3]
Edward Cappabianca[4]	338,791	338,791		
OTA, LLC[5]	1,016,373	1,016,373		
NRM VII Holdings I, LLC[6]	46,785,712[7]	20,000,000	26,785,712[7]	9.69 %
Broadfin Healthcare Master Fund, Ltd	14,000,000	14,000,000		
MSD Credit Opportunity Master Fund, L.P.[8]	8,827,000	8,827,000		
Mintz & Co.	400,000	400,000		
Smokeshire Partners, LLC	1,000,000	1,000,000		
BioMatrix Partners, Ltd.	6,100,000	6,000,000	100,000	*
Perceptive Life Sciences Master Fund Ltd.	3,740,000	3,740,000		
Titan Perc Ltd.	260,000	260,000		
Sphera Global Healthcare Master Fund LP	3,787,200	3,787,200		
HFR HE Sphera Global Healthcare Master Trust	212,800	212,800		
Empery Asset Master, Ltd[9]	1,200,000	1,200,000		

TABLE OF CONTENTS

Selling Stockholder[1]	Number of Shares Beneficially Owned Before Offering	Number of Shares Covered by This Prospectus	Number of Shares Beneficially Owned After Offering[2]	Percentage of Shares Beneficially Owned after Offering[3]
Allen Adler	1,381,600	1,200,000	181,600	*
Gerald Pogue & Mai Pogue	200,000	200,000		
Michael Bego	351,000	300,000	51,000	*
Marcus Pelham-Webb	450,890	360,000	90,890	*
Vinh C. Nguyen & JanMari Williams-Nguyen	100,000	100,000		
Susan K. Rho	362,000	200,000	162,000	*
Hudson Bay Master Fund, Ltd.[10]	1,000,000	1,000,000		
Brio Capital Master Fund Ltd.	1,000,000	1,000,000		
Gemini Master Fund, Ltd.	1,000,000	1,000,000		
Kingsbrook Opportunities Master Fund LP[11]	600,000	600,000		
Baxter F. Phillips III	300,000	300,000		
Marc Levy	200,000	200,000		
BTG Investments LLC[12]	72,000	72,000		
Griffin Securities, Inc.	1,735,714 [13]	48,000	1,735,714[13]	*
Phillip Asset Management Ltd[14]	14,928,562[15]	6,000,000	8,928,562[15]	3.27 %

* Less than 1%.

(1) If required, information about other selling stockholders, except for any future transferees, pledgees, donees or successors of Selling Stockholders named in this table, will be set forth in a prospectus supplement or amendment to the registration statement of which this prospectus is a part. Additionally, post-effective amendments to the registration statement will, to the extent necessary, be filed to disclose any material changes to the plan of distribution from the description contained in the final prospectus.

(2) This number assumes the sale of all shares offered by this prospectus.

(3) This percentage is based upon 271,135,285 shares of Common Stock outstanding on January 10, 2014.

(4) Consists of shares of common stock underlying a warrant to purchase 338,791 shares of common stock.

(5) Consists of shares of common stock underlying a warrant to purchase 1,016,373 shares of common stock.

(6) Julian P. Kirk, a member of the Company s Board of Directors, is the son of Randal J. Kirk, who controls NRM VII Holdings I, LLC.

(7) Includes 21,428,570 shares of common stock issuable upon conversion of Series B Convertible Preferred Stock (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock) and shares of common stock underlying a warrant to purchase 5,357,142 shares of common stock.

(8) MSDC Management, L.P. is the investment manager of, and may be deemed to have or share voting and dispositive power over, and/or beneficially own securities owned by, MSD Credit Opportunity Master Fund, L.P. MSDC Management (GP), LLC is the general partner of and may be deemed to have or share voting and dispositive power over, and/or beneficially own securities owned by, MSDC Management, L.P. Each of Glenn R. Fuhrman, John C. Phelan and Marc R. Lisker is manager of MSDC Management (GP), LLC and may be deemed to have or share voting and/or dispositive power over, and beneficially own, the common stock beneficially owned by MSD Management (GP), LLC. Each of Mr. Fuhrman, Mr. Phelan and Mr. Lisker disclaim beneficial ownership of such common stock, except to the extent of the pecuniary interest of such person in such shares. The mailing address for MSD Credit Opportunity Master Fund, L.P. is c/o MSDC Management, L.P., 645 Fifth Avenue, 21 st

Floor, New York, NY 10022.

(9) Empery Asset Management LP, referred to as EAM, the authorized agent of Empery Asset Master Ltd, has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by EAM. EAM, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares.

Explanation of Responses:

TABLE OF CONTENTS

(10) Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general partner of Hudson Bay Capital Management LP. Sander Gerber disclaims beneficial ownership over these securities.

(11) Kingsbrook Partners LP, referred to as Kingsbrook Partners, is the investment manager of Kingsbrook Opportunities Master Fund LP, referred to as Kingsbrook Opportunities, and consequently has voting control and investment discretion over securities held by Kingsbrook Opportunities. Kingsbrook Opportunities GP LLC, referred to as Opportunities GP, is the general partner of Kingsbrook Opportunities and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Opportunities. KB GP LLC, referred to as GP LLC, is the general partner of Kingsbrook Partners and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Partners. Ari J. Storch, Adam J. Chill and Scott M. Wallace are the sole managing members of Opportunities GP and GP LLC and as a result may be considered beneficial owners of any securities deemed beneficially owned by Opportunities GP and GP LLC. Each of Kingsbrook Partners, Opportunities GP, GP LLC and Messrs. Storch, Chill and Wallace disclaim beneficial ownership of these securities.

(12) Byron Roth and Gordon Roth, as members of the selling stockholder have shared voting and investment power over the shares. The address of the selling stockholder is 888 San Clemente Drive, Suite 400, Newport Beach, CA 92660. The selling stockholder is a registered broker-dealer and acted as the placement agent for the private placement of shares of the Company s common stock that occurred in December 2013.

(13) Consists of shares of common stock underlying warrants to purchase 1,735,714 shares of common stock.

(14) Phillip Asset Management Ltd holds all shares in its capacity as trustee for Bioscience Managers Pty Ltd. Jeremy Curnock Cook, the Chairman of the Company s Board of Directors, is a Managing Director and holds an ownership interest in Bioscience Managers Pty Ltd.

(15) Includes 7,142,850 shares of common stock issuable upon conversion of Series B Convertible Preferred Stock (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock) and shares of common stock underlying a warrant to purchase 1,785,712 shares of common stock.

TABLE OF CONTENTS

PLAN OF DISTRIBUTION

The shares of common stock being offered for resale by the Selling Stockholders consist of an aggregate of up to 73,362,164 shares, of which 72,007,000 shares were issued pursuant to a Subscription Agreement, dated as of December 19, 2013, and 1,355,164 shares are underlying the exercise of warrants held by certain of the Selling Stockholders. We will pay any fees and expenses incurred by us incident to the registration of the securities.

Each Selling Stockholder of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the OTC Pink market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
an exchange distribution in accordance with the rules of the applicable exchange;
privately negotiated transactions;
in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
a combination of any such methods of sale; or
any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by

them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

TABLE OF CONTENTS

The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock, and currently do not plan to declare cash dividends on shares of our common stock in the foreseeable future. We expect that we will retain all of our available funds and future earnings, if any, for use in the operation and expansion of our business. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, restrictions imposed by applicable law, our overall financial condition and any other factors deemed relevant by our board of directors.

DILUTION

We are not offering any shares of our common stock by this prospectus. All shares of the common stock that are being registered are beneficially owned by the Selling Shareholders and either are issued and outstanding or, in the case of the warrants, will be issued and outstanding prior to the effectiveness of this registration statement. Accordingly, the sale of the registered shares will not have a dilutive effect to potential shareholders since the common stock to be sold will already be issued and outstanding.

Our historical net tangible book value as of September 30, 2013 was approximately $3,654,000, or $0.04 per share, based on 102,235,274 shares of common stock outstanding as of September 30, 2013.

TABLE OF CONTENTS

MARKET PRICE OF AND DIVIDENDS ON COMMON STOCK AND RELATED MATTERS

Market Information

Our shares of common stock are quoted on the OTC Pink market under the symbol APHB. Our shares were previously quoted under the symbol TGEN. On February 22, 2011, in connection with our name change to AmpliPhi Biosciences Corporation, our quotation symbol was changed to APHB.

The following table sets forth the range of reported high and low closing bid quotations for our common stock for the fiscal quarters indicated. These quotations reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. Consequently, the information provided below may not be indicative of our common stock price under different conditions.

	High	Low
Fiscal Year 2014		
Period from January 1, 2014 to January 17, 2014	$ 0.74	$ 0.45
Fiscal Year 2013		
Fourth Quarter ended December 31, 2013	$ 0.59	$ 0.31
Third Quarter ended September 30, 2013	$ 0.71	$ 0.15
Second Quarter ended June 30, 2013	$ 0.20	$ 0.10
First Quarter ended March 31, 2013	$ 0.18	$ 0.11
Fiscal Year 2012		
Fourth Quarter ended December 31, 2012	$ 0.22	$ 0.14
Third Quarter ended September 30, 2012	$ 0.20	$ 0.09
Second Quarter ended June 30, 2012	$ 0.23	$ 0.13
First Quarter ended March 31, 2012	$ 0.24	$ 0.11
Fiscal Year 2011		
Fourth Quarter ended December 31, 2011	$ 0.27	$ 0.14
Third Quarter ended September 30, 2011	$ 0.29	$ 0.20
Second Quarter ended June 30, 2011	$ 0.39	$ 0.25
First Quarter ended March 31, 2011	$ 0.17	$ 0.06

Holders of Common Stock

As of January 10, 2014, there were 325 holders of record of our common stock. As of such date, 182,535,505 shares of common stock were issued and outstanding.

Dividends

We have never declared or paid any cash dividends or distributions on our capital stock. See Dividend Policy on page 30 for a description of our dividend policy.

Securities Authorized for Issuance under Equity Compensation Plans

In October 2012, our board of directors approved and adopted the 2012 Plan. Under the 2012 Plan, we are authorized to issue up to 35,000,000 shares of our common stock in stock incentive awards to employees, directors and consultants.

In March 2009, our board of directors and shareholders adopted the 2009 Plan. Under the 2009 Plan, we are authorized to issue up to 4,200,000 shares of our common stock in stock incentive awards to employees, directors and consultants.

In December 2013, our board of directors adopted the 2013 Plan. Under the 2013 Plan, we are authorized to issue up to 40,000,000 shares of our common stock in stock incentive awards to employees, directors and consultants. We expect that our shareholders will consider approval of the 2013 Plan in February 2014.

TABLE OF CONTENTS

The following table provides information as of September 30, 2013 with respect to our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders[1]	166,000	$ 0.90	1,304,760
Equity compensation plans not approved by security holders[2]	24,896,677	$ 0.18	9,937,323
Total	25,062,677	$ 0.19	11,242,083

(1) The 2009 Plan.
(2) The 2012 Plan.

32

TABLE OF CONTENTS

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the financial statements and the related notes contained elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. See Special Note Regarding Forward-Looking Statements. Our actual results may differ substantially from those referred to herein due to a number of factors, including but not limited to risks described in the section entitled Risk Factors and elsewhere in this prospectus.

Overview

AmpliPhi Biosciences is a biotechnology company focused on the discovery, development and commercialization of novel phage therapeutics. Our proprietary pipeline is based on the use of bacteriophages, a family of viruses that infect only bacteria. Phages have powerful and highly selective mechanisms of action that permit them to target and kill specific bacterial pathogens, including the so-called multi-drug-resistant (MDR) or Superbug strains.

We are combining our proprietary approach and expertise in identifying, characterizing and developing naturally occurring bacteriophages with that of our collaboration partners in bacteriophage biology, drug engineering, development and manufacturing, to develop second-generation bacteriophage products. We believe that phages represent a promising means to treat bacterial infections, especially those that have developed resistance to current medicines.

Our lead programs consist of three product candidates: AmpliPhage-001 for the treatment of *P. aeruginosa* lung infections in cystic fibrosis (CF) patients; AmpliPhage-002, for the treatment of methicillin-resistant *S. aureus* (MRSA) infections; and AmpliPhage-004 for the treatment of *C. difficile* infections.

We have incurred net losses since our inception. Our operations to date have been limited to research and development and raising capital. Since November 2010, we have raised approximately $5.6 million through the sale and issuance of convertible notes and warrants to purchase common stock. In June and July of 2013, we completed a private placement of shares of our Series B Convertible Preferred Stock and warrants to purchase common stock, which raised approximately $7.0 million in addition to converting approximately $6.3 million in outstanding convertible notes. In December 2013, we completed a private placement of shares of our common stock, which raised approximately $18 million, prior to commissions. To date, we have not generated any revenue and have primarily financed our operations through the sale and issuance of convertible notes and the private placement of our equity securities. As of December 31, 2012, we had a deficit accumulated of $320.4 million. We recorded annual net losses of $1.1 million in 2012 and $3.9 million in 2011. We anticipate that a substantial portion of our capital resources and efforts in the foreseeable future will be focused on completing the development and obtaining regulatory approval of our product candidates.

We expect our research and development expenses to increase as we pursue regulatory approval for our product candidates. We also expect to incur additional expenses associated with operating as a public company. As a result, we expect to continue to incur significant and increasing operating losses at least for the next several years. We do not

expect to generate product revenue unless and until we successfully complete development and obtain marketing approval for at least one of our product candidates.

We currently expect to use our existing cash and cash equivalents for the continued research and development of our product candidates and for working capital and other general corporate purposes. We may also use a portion for the potential acquisition of, or investment in, product candidates, technologies, formulations or companies that complement our business, although we have no current understandings, commitments or agreements to do so. We expect that these funds will not be sufficient to enable us to complete all necessary development of any potential product candidates. Accordingly, we will be required to obtain further funding through other public offerings, debt financing, collaboration and licensing arrangements or other sources. Adequate additional funding may not be available to us on acceptable terms, or at all. If we

TABLE OF CONTENTS

are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs.

Financial Operations Overview

Revenue

To date, we have not generated any revenue from the sale of our product candidates and do not expect to generate any revenue from the sale of our product candidates in the near term. In the last two years, we recognized $3.9 million in revenue related to the sale of assets used in our former gene therapy business including patents, process development, quality control, quality assurance, manufacturing and bioanalytical functions and licensing revenue. We also received revenue from license agreements and grants from governments and academic institutions. These revenues were used in our new focus, the development of phages.

Research and Development Expenses

Research and development costs consist of the costs associated with our research and discovery activities, conducting clinical trials, manufacturing development efforts and activities related to regulatory filings. Our research and development expenses consist of salaries, non-cash stock-based compensation, costs of outside collaborators and outside services, royalty and license costs and facility, occupancy and utility expenses. We expense research and development costs as incurred. We expect annual research and development expenses will increase significantly in the future as we progress with development. In the last two years, we incurred an aggregate of $2.2 million on research and development expenses, including non-cash stock-based compensation expense.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for our personnel in the executive, finance, patent, accounting and other administrative functions, including non-cash stock-based compensation, as well as consulting costs for functions for which we either do not or only partially staff internally, including public relations, market research and recruiting. Other costs include professional fees for legal and accounting services, insurance and facility costs. In the last two years, we incurred an aggregate of $6.5 million in general and administrative expenses, including non-cash stock-based compensation expense.

Interest Income (Expense)

Interest income consists of interest earned on our cash and cash equivalents and is not considered significant to our financial statements. We expect our interest income to increase in the future as we invest further in our operations.

Critical Accounting Policies and Use of Estimates

Our management s discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and various

other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Goodwill

Costs of investments in purchased companies in excess of the underlying fair value of net assets at the date of acquisition are recorded as goodwill and assessed annually for impairment. If considered impaired, goodwill will be written down to fair value and a corresponding impairment loss recognized. As of

TABLE OF CONTENTS

December 31, 2012, we have recorded goodwill of $17.6 million due to the 2012 acquisition of SPH s know-how and phage libraries and the 2011 acquisition of Biocontrol s patents and phage library. In management s opinion, no goodwill has been impaired as of September 30, 2013.

Stock-Based Compensation Expenses

We account for stock options and restricted stock units related to our Stock Incentive Plans under the provisions of ASC 718-10, which requires the recognition of the fair value of stock-based compensation. The fair value of stock options and restricted stock units was estimated using a Black-Scholes option valuation model. This model requires the input of subjective assumptions in implementing ASIC 718-10, including expected dividend, expected life, expected volatility and forfeiture rate of each award, as well as the prevailing risk-free interest rate and the fair value of the underlying common stock on the date of grant. The fair value of equity-based awards is amortized over the vesting period of the award, and we have elected to use the straight-line method of amortization. Actual results could differ from our assumptions, which may cause us to record adjustments to increase or decrease compensation expense, in future periods. The assumptions used in the Black-Scholes option valuation model for the years ended December 31, 2012 and 2011 and for the nine months ended September 30, 2013 and 2012 are set forth below.

The weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the stock option grants were as follows:

	Years Ended December 31,		Nine Months Ended September 30,	
	2011[(1)]	2012	2012	2013
Risk-free interest rate		0.6 %		1.1 %
Expected volatility		172.1 %		172.1 %
Expected term (in years)		4.0		4.0
Expected dividend yield		0.0 %		0.0 %

(1) No stock options were granted in the year ended December 31, 2011.

The following are the assumptions for the periods in which we granted stock options:

Expected Dividend: We do not anticipate any dividends.

Expected Life: The expected life represents the period that we expect our stock-based awards to be outstanding. We determine life based on historical experience and vesting schedules of similar awards.

Expected Volatility: Our expected volatility represents the weighted average historical volatility of the shares of our common stock for the most recent four-year and five-year periods.

Risk-Free Interest Rate: We base the risk-free interest rate used on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term. Where the expected term of our stock-based awards does not correspond with the terms for which interest rates are quoted, we perform a straight-line interpolation to determine the rate from the available term maturities.

Forfeiture Rate: We apply an estimated forfeiture rate that is derived from historical forfeited shares. If the actual number of forfeitures differs from our estimates, we may record additional adjustments to compensation expense in future periods.

Accounting for Income Taxes

Our income tax policy records the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying balance sheets, as well as operating loss and tax credit carry-forwards. We have recorded a full valuation allowance to reduce our deferred tax assets, as based on available objective evidence; it is more likely than not that the deferred tax assets will not

TABLE OF CONTENTS

be realized. In the event that we were to determine that we would be able to realize our deferred tax assets in the future, an adjustment to the deferred tax assets would increase net income in the period such determination was made.

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update (ASU) no. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment that simplifies how public and nonpublic entities test goodwill for impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in FASB Accounting Standards Codification Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The guidance also includes examples of the types of events and circumstances to consider in conducting the qualitative assessment. The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We elected to early adopt this standard and used these new guidelines in assessing goodwill impairment for the consolidated financial statements.

On May 16, 2013, the FASB issued a proposed Accounting Standards Update, Leases (Topic 842): a revision of the 2010 proposed Accounting Standards Update, Leases (Topic 840). The proposal affects operating leases, especially with properties, and requires lessees to recognize assets and liabilities arising from those leases. The draft also proposes changes in accounting for purchase options and contingent rentals, which would affect the measurement of assets and liabilities for capital leases. An entity will be required to recognize all outstanding leases within the scope of the draft as of the date of initial application using a simplified retroactive approach. The exposure draft proposes that lessee and lessors should apply a right-of-use model in accounting for all leases, with few exceptions. An entity has a right to use an asset if it has control over the asset which is fulfilled if one of the three conditions outlined in the document are met. For leases within the scope of the draft, a lessee would recognize a right of use asset representing its right to use and the liability to make lease payments. A lessor would recognize an asset representing its right to receive lease payments using a performance obligation approach or a derecognition approach depending on its exposure to risks. There are numerous disclosures that would also be required such as a reconciliation of the opening and closing balances for the leased asset and liabilities. This proposed guidance could impact all companies that participate in leasing activities. We do not believe this proposed accounting standard will have a significant impact on the Company s future financial reporting.

JOBS Act

In April 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an emerging growth company. As an emerging growth company, we are electing not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision not to take advantage of the extended transition period is irrevocable. In addition, we are in the process of evaluating the benefits of relying on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an emerging growth company we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor s attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor s

report providing additional information about the audit and the financial statements (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer s compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our initial public offering or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

TABLE OF CONTENTS

Results of Operations

Comparison of the Years Ended December 31, 2012 and 2011

Revenue

For the years ended December 31, 2012 and 2011, we recognized $3.8 million and $0.1 million in revenue, respectively. In June 2012, we sold certain assets used in our gene therapy business including process development, quality control, quality assurance, manufacturing and bioanalytical functions for $3.0 million. In addition to this cash consideration, we may receive a long-term royalty of 1.75% on all product sales. This royalty may be completely canceled at any time by a one-time payment of $1.8 million.

In 2006, we granted a non-exclusive, field-restricted, perpetual license to Amsterdam Molecular Therapeutics, or AMT, for the patent rights related to an AAV1 vector gene delivery system in certain lipoprotein lipase deficiency conditions. For the years ended December 31, 2012 and 2011, we earned $0.2 million and $0.1 million of revenue under the AMT license, respectively.

For the years ended December 31, 2012 and 2011, we also earned $0.1 million and $20,000 in grant revenue, respectively.

Research and Development

Research and development expenses were $1.5 million for the year ended December 31, 2012, compared to $0.7 million for the year ended December 31, 2011. The $0.8 million increase in expenses is due to an increase in consulting and development expenses.

Research and development expenses are expected to increase in 2013 compared to 2012 as we plan to continue devoting substantial resources to research and development in future periods as we start clinical trials and continue our discovery efforts.

General and Administrative

General and administrative expenses were $3.2 million for 2012, compared to $3.3 million for 2011. The $0.1 million decrease is due to lower administrative staffing and facilities expenses, partially offset by higher legal expenses related to the acquisition of SPH.

We currently expect our general and administrative expenses to increase in 2013 compared to 2012 due to the costs associated with preparing this registration statement and being a public company.

Tax Refund

As of December 31, 2012, we had a United Kingdom research and development tax refund of $0.1 million (£0.1 million) for the losses in the subsidiary based in the United Kingdom, compared to $0.3 million for 2011. The decrease in the refund was due to reduced staffing in 2012 compared to 2011.

Interest Income (Expense)

Interest expense in 2012 was $0.3 million, compared to $0.1 million for 2011. The increase was due to interest accrued for convertible notes. During 2012 and 2011, we issued $1.0 million and $2.7 million in convertible notes, respectively. Interest on the unpaid principal balance of these notes accrues at the rate of ten percent (10%) per annum.

Income Taxes

We incurred net operating losses for the years ended December 31, 2012 and 2011 and, accordingly, we did not pay any federal or state income taxes. As of December 31, 2012, we had accumulated approximately $170.4 million in U.S. and UK operating loss carry-forwards and research tax credit carry-forwards of approximately $4.3 million. The carry-forwards began to expire in 2012. Our net operating loss carry-forwards are subject to certain limitations on annual utilization as a result of changes in ownership of us, as defined by federal and state tax laws.

Net Operating Losses

We have not recorded a benefit from our net operating loss or research credit carry-forwards because we believe that it is uncertain that we will have sufficient income from future operations to realize the

TABLE OF CONTENTS

carry-forwards prior to their expiration. Accordingly, we have established a valuation allowance against the deferred tax asset arising from the carry-forwards.

Liquidity and Capital Resources

We have incurred net losses since inception through December 31, 2012 of $320.4 million, of which $315.5 million was incurred in the Company s prior focus of gene therapy in 2010 and years earlier. We have not generated any product revenues and do not expect to generate revenue from the sale of product candidates in the near term.

We had cash of $0.9 million and $1.1 million at December 31, 2012 and 2011, respectively.

Net cash used in operating activities for the years ended December 31, 2012 and 2011 was $1.1 million and $4.7 million, respectively. For the year ended December 31, 2012, cash used in operations was attributable to the net loss for the year after adding back non-cash charges for stock-based compensation expense, depreciation expenses and loss on disposal of equipment, offset by a decrease in accrued liabilities and an increase in receivables. For the year ended December 31, 2011, cash used in operations was attributable to the net loss for the year after adding back non-cash charges for stock-based compensation expense and depreciation expenses, offset by a decrease in accrued liabilities and an increase in receivables. Net cash used in investing activities for the year ended December 31, 2012 was $0.1 million, due to purchases of property and equipment. Net cash used in investing activities for the year ended December 31, 2011 was $0.1 million, due to purchases of property and equipment. Net cash provided by financing activities was $1.0 million for the year ended December 31, 2012, due to proceeds from convertible notes. Net cash provided by financing activities was $2.5 million for the year ended December 31, 2011, due to proceeds from convertible notes. We expect 2013 cash requirements to be in the range of $9.0 million to $10.0 million. We believe that our cash as of December 31, 2012, in addition to convertible loan note revenue received in February through May 2013 and the recent $7.0 million in financing, will be sufficient to fund our projected operating requirements into the first quarter of 2014.

We expect to need to raise additional capital or incur indebtedness to continue to fund our future operations. We may seek to raise capital through a variety of sources, including:

the public equity market;
private equity financing;
collaborative arrangements;
licensing arrangements; and/or
public or private debt.

Our ability to raise additional funds will depend on our clinical and regulatory events, our ability to identify promising in-licensing opportunities and factors related to financial, economic and market conditions, many of which are beyond our control. We cannot be certain that sufficient funds will be available to us when required or on satisfactory terms. If adequate funds are not available, we may be required to significantly reduce or refocus our operations or to obtain funds through arrangements that may require us to relinquish rights to certain of our products, technologies or potential markets, any of which could delay or require that we curtail our development programs or otherwise have a material adverse effect on our business, financial condition and results of operations. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities would result in ownership dilution to our existing stockholders.

If we are unable to secure additional financing on a timely basis or on terms favorable to us, we may be required to cease or reduce certain research and development projects, to sell some or all of our technology or assets or to merge

all or a portion of our business with another entity. Insufficient funds may require us to delay, scale back or eliminate some or all of our activities, and if we are unable to obtain additional funding, there is uncertainty regarding our continued existence.

TABLE OF CONTENTS

Contractual Obligations and Commitments

In February 2011, we entered into an agreement with Virginia Biotechnology Research Partnership Authority for Richmond, Virginia laboratory space. This agreement has a contractual expiration date of February 29, 2012, at which time it converted to a rolling three-month lease. At September 30, 2013, our minimum payment commitment for our Richmond, Virginia laboratory space was $4,800.

In December 2011, we entered into an agreement with Nevis Limited and Charter Limited for laboratory space in Bedfordshire, United Kingdom. This agreement had a minimum period of three years and a contractual expiration date of December 8, 2016. At September 30, 2013, our minimum payment commitment for the Bedfordshire laboratory space was $0.2 million.

In February 2013, we entered into an agreement with Office Suites Plus (now Regus Management Group, LLC) for office space in Glen Allen, Virginia. The agreement has a minimum period of one year ending February 28, 2014, with a monthly cost of $2,075. At September 30, 2013, our minimum payment commitment for the Glen Allen space was $10,375.

Off-Balance Sheet Arrangements

As of December 31, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. Therefore, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Comparison of the Nine Months Ended September 30, 2013 and 2012

Revenue

For the nine-month periods ended September 30, 2013 and 2012, we recognized $0.3 million and $3.8 million in revenue, respectively. In May 2013, we received a $0.3 million sublicense fee from Celladon Corporation. In addition to the June 2012 sale of certain assets used in our gene therapy business to Celladon Corporation for $3.5 million, we earned $0.2 million of revenue under the AMT license for the nine-month period ended September 30, 2012. We received $23,000 in grant revenue for the nine-month period ended September 30, 2013 compared to $0.2 million for the nine-month period ended September 30, 2012.

Research and Development

Research and development expenses were $5.4 million for the nine-month period ended September 30, 2013 compared to $0.9 million for the nine-month period ended September 30, 2012. $3.0 million of the $4.5 million increase in expenses was due to a one-time non-cash technology access fee paid to Intrexon as part of the Exclusive Channel Collaboration Agreement, which we refer to as the ECC. The remaining increase is due to the addition of staff and facility expense for our new Australian subsidiary, stock option expense and an increase in consulting

expense.

General and Administrative

General and administrative expenses were $4.0 million for the nine-month period ended September 30, 2013 compared to $2.3 million for the nine-month period ended September 30, 2012. The $1.7 million increase was due primarily to $1.2 million in stock option expense and a placement agent commission of $0.3 million for the private placement of convertible preferred stock.

Interest Expense

Interest expense was $0.6 million for the nine-month period ended September 30, 2013, compared to $0.2 million for the nine-month period ended September 20, 2012. The $0.4 million increase was due to the accrual of dividends payable on Series B Preferred Stock. During the nine-month periods ended September 30, 2013 and 2012, we issued $2.0 million and $1.0 million in convertible notes, respectively. Interest on the unpaid principal balance of these notes accrues at the rate of ten percent (10%) per annum. We also issued $7.0 million in Series B Preferred Stock. Dividends on the stock also accrue at the rate of ten percent (10%) per annum.

TABLE OF CONTENTS

Net Cash Used in Operating Activities

For the nine months ended September 30, 2013, net cash flow used in operating activities was $4.8 million, compared to net cash flow provided by operating activities of $0.4 million for the nine months ended September 30, 2012. Net cash flow used in operating activities during the nine months ended September 30, 2013 consisted primarily of a net loss of $9.6 million, increased by $3.0 million for the Intrexon technology access fee paid by stock, $1.2 million for stock option expense, $0.5 million for the receipt of tax refund, $0.2 million for accrued interest on convertible loans and $0.3 million for accrued dividends payable on Series B Preferred Stock. Net cash flow provided by operating activities during the nine months ended September 30, 2012, consisted primarily of net income of $0.3 million, increased by $0.1 million for the receipt of an AMT license fee receivable and $0.2 million for accrued interest on convertible notes, and decreased by $0.2 million for accounts payable and accrued liabilities.

Net Cash from Financing Activities

During the nine months ended September 30, 2013, net cash flow provided from financing activities was $8.9 million, compared to net cash flow provided from financing activities of $1.0 million for the nine months ended September 30, 2012. Net cash flow provided from financing activities during the nine months ended September 30, 2013 consisted of $7.0 million received through the Series B Convertible Preferred Stock issuance and $2.0 million received through the issuance of convertible notes. Net cash flow provided from financing activities during the nine months ended September 30, 2012, consisted of $1.0 million received through the issuance of convertible notes.

Recent Financings

On June 26, 2013, we completed a private placement of convertible preferred stock and warrants to purchase common stock with gross proceeds of $7.0 million through the sale of shares of our newly-created Series B Convertible Preferred Stock. As part of the same transaction, approximately $5.5 million in outstanding convertible notes were converted into shares of Series B Convertible Preferred Stock and warrants to purchase common stock. On July 15, 2013, we completed a second closing in which we converted approximately $0.8 million of outstanding convertible notes into Series B Convertible Preferred Stock and warrants to purchase common stock. The financing was led by life-sciences investors RA Capital Management and Third Security, LLC, with participation from BioScience Managers Pty Ltd.

Under the terms of the financing, we issued an aggregate amount of approximately 10.0 million shares of the Series B Convertible Preferred Stock for an aggregate purchase price of approximately $13.3 million (including the conversion of approximately $6.3 million of outstanding convertible notes). Each share of Series B Convertible Preferred Stock is convertible into 10 shares of common stock. Additionally, we issued warrants to purchase an aggregate of up to approximately 25.0 million shares of common stock at an exercise price of $0.14 per share. As a result of the completion of this private placement, as of July 15, 2013, all previously issued convertible notes have been converted and there are no convertible notes outstanding.

On December 16, 2013, we entered into subscription agreements to issue an aggregate amount of approximately 72,003,000 shares of common stock for an aggregate purchase price of approximately $18 million as part of a private placement. This transaction was completed in two closings, which occurred on December 19, 2013 and December 24, 2013.

TABLE OF CONTENTS

BUSINESS

Company Overview

AmpliPhi Biosciences is a biotechnology company focused on the discovery, development and commercialization of novel phage therapeutics. Our proprietary pipeline is based on the use of bacteriophages, a family of viruses that infect only bacteria. Phages have powerful and highly selective mechanisms of action that permit them to target and kill specific bacterial pathogens, including the so-called multi-drug-resistant (MDR) or Superbug strains.

We believe that we are a leading developer of phage-based therapeutics. We are combining our proprietary approach and expertise in identifying, characterizing and developing naturally occurring bacteriophages with that of our collaboration partners in bacteriophage biology, drug engineering, development and manufacturing, to develop second-generation bacteriophage products. We believe that phages represent a promising means to treat bacterial infections, especially those that have developed resistance to current medicines.

The extensive use of antibiotics, since their discovery in the 1940s, has resulted in drug resistance among many disease-causing bacteria. Resistance to antibiotics, according to the Centers for Disease Control (CDC), threatens to reverse the medical advances of the last half-century. Examples of clinically important microbes that are rapidly developing resistance to available antimicrobials include bacteria that cause skin, bone, lung and bloodstream infections (e.g., *S. aureus* and MRSA), pneumonia and lung infections in the community, hospital and cystic fibrosis (e.g., *A. baumanii*, *P. aeruginosa*, and *K. pneumoniae*), meningitis (e.g., *S. pneumonia*), urinary tract and gastrointestinal infections (e.g., *E. coli* and *C. difficile*). As a phage kills bacteria in ways entirely unlike the mechanisms used by antibiotics, MDR bacteria are not resistant to a phage in the same manner. Furthermore, as new resistant bacteria emerge, it should be possible to identify new phages that will still have efficacy.

Our lead programs consist of three product candidates: AmpliPhage-001 for the treatment of *P. aeruginosa* lung infections in CF patients; AmpliPhage-002, for the treatment of *S. aureus* infections (including methicillin-resistant MRSA); and AmpliPhage-004 for the treatment of *C. difficile* infections.

We currently plan to develop these phage product candidates using our proprietary discovery and development platform, which is designed for rapid identification, characterization and manufacturing of multiple phage therapies. Each product candidate combines several carefully chosen phages which target a specific disease-causing bacterial pathogen such as MRSA. We believe that our understanding of bacteriophage biology combined with the clinical and scientific expertise of our collaboration partners will enable the rapid advancement of phage treatments through the clinic and eventually to the market.

In March 2013, we entered into the ECC with Intrexon directed towards the research, development and commercialization of new bacteriophage-based therapies to target specific antibiotic-resistant infections, including for use in the treatment of bacterial infections associated with acute and chronic wounds, the treatment of acute and chronic *P. aeruginosa* lung infections, and the treatment of infections of *C. difficile*.

In April 2013, we entered into a collaboration agreement, which we refer to as the April Collaboration Agreement, and on September 5, 2013, we entered into a license agreement, which we refer to as the Leicester License Agreement, with the University of Leicester to develop a phage therapy that targets and kills all toxin types of *C. difficile*. Pursuant to the Leicester License Agreement, we may be obligated to pay the University of Leicester a royalty in the single digits and an aggregate of up to £575,000 million in milestone payments. We also entered into a

collaboration agreement on August 1, 2013, which we refer to as the August Collaboration Agreement, with the University of Leicester and the University of Glasgow, whereby the University of Glasgow will carry out certain animal model development work. Pursuant to the August Collaboration Agreement, we may be obligated to pay up to a total of approximately £205,000 in milestone payments.

In June 2013, we entered a CRADA with the USAMRMC and the Walter Reed Army Institute of Research, or WRAIR focusing on developing bacteriophage therapeutics to treat *S. aureus*, *E. coli* and *P. aeruginosa* infections.

We plan to initiate at least one new clinical study in 2014.

TABLE OF CONTENTS

The Need for New Anti-Infective Therapies

The rapid and continuous emergence of antibiotic-resistant bacteria has become a global crisis. While the numbers of novel anti-infective therapies in development are at historically low levels, antibiotic-resistant infections have dramatically increased. The CDC estimates that more than two million people in the United States acquire an antibiotic-resistant infection each year and more than 23,000 of these prove fatal. It is estimated that 50 70% of hospital-acquired infections are resistant to first-line anti-infective therapies. The cumulative annual cost for treating resistant bacterial infections in the United States alone is estimated to be $20 billion, while the global antibiotics market opportunity is estimated to be $40.3 billion by 2015.

The CDC s latest report on the matter, *Antibiotic Resistance Threats in the United States, 2013*, notes that there are potentially catastrophic consequences of inaction and ranks *C. difficile* as belonging to the highest tier of threat, Urgent Threats. Despite the potential market opportunity, only two new antibacterial drug applications were approved between 2010 and 2012 compared to eighteen in the period between 1980 and 1984. One of the primary CDC recommendations is the development of new antibiotics to diversify treatment options.

Product Candidates

AmpliPhage-001: Lung Infections in Cystic Fibrosis (CF) Patients Caused by *P. aeruginosa*

According to Global Data in April 2013, the market for CF therapeutics was $1.2 billion in 2012 and forecasted to grow to $4.6 billion in 2017, with 65% of this market in the United States. One of our lead programs targets *P. aeruginosa*, the most prevalent bacterial infection that leads to the highest mortality in patients with CF with approximately 440 deaths per year in the United States. To develop our products, we have created a global diversity panel of relevant *P. aeruginosa* clinical isolates from CF clinics around the globe. Clinical isolates are bacteria isolated from patients. This diversity panel has been screened against our phage library that was isolated and characterized according to our proprietary discovery and development platform. We have demonstrated *in vitro* that we are able to effectively kill up to 100% of the targeted bacteria with a mixture of a few phages propagated in carefully selected bacterial hosts. Furthermore, our phage mix was selected to exhibit a high degree of complementation, defined as the number of bacteria targeted by more than one phage in the product. High complementation is an important factor in preventing bacteria from developing resistance to our phage products.

In collaboration with Institut Pasteur (Paris, France) and Brompton Clinic, Imperial College (London, United Kingdom), we have demonstrated in the preclinical studies described below that phages can effectively treat infections in animal models of acute *P. aeruginosa* lung infections. The graphic below shows the three groups from a study conducted at the Institute Pasteur. Each group consisted of eight mice. Group 1 was treated with Placebo, or PBS, Group 2 was treated with an antibiotic (note the model was optimized for this antibiotic) and Group 3 was treated with an AmpliPhi phage mix. The colored regions demonstrate where the *P. aeruginosa* infection is active and the bacteria are actively replicating. By the 24th hour, the surviving

TABLE OF CONTENTS

untreated animals (Group 1) are sacrificed as the infection has spread and in some cases has already proved lethal whereas the two treatment groups (Group 2, antibiotic and Group 3, phage) demonstrate effective reduction of the active infection.

Bacterial counts and the number of bacteriophage infection units detected by assay, or phage titers, were measured in these animals, and the results demonstrated that our phage mix effectively lowered the bacterial counts, or CFU, in the mouse lung to levels comparable to antibiotic treatment. Furthermore, it was evident that phage replicated to high levels in the infected lung. These results are shown in the graphics below.

TABLE OF CONTENTS

In a separate *in vivo* study of acute *P. aeruginosa* infection of the mouse lung conducted at the Brompton Clinic, results demonstrated that our phage mix reduced CFU levels upon simultaneous intranasal administration (six mice in each of the treatment and control groups) and also when administered 24 hours post-bacterial infection (seven mice in the treatment group and eight mice in the control group) using Pa01, a standard strain of *P. Aeruginosa*. These results are depicted in the graphics below.

Importantly, a preclinical study conducted at the Institut Pasteur in mice (12 mice in each of the treatment and control groups) demonstrated the ability of our phage mix to reach the lung within two hours of being delivered by oral administration. The phage levels increased between two and six hours post-treatment, and the results were statistically significant (p-value <0.001). These results demonstrate that when orally administered in mice, phages not only reached the lungs but were also able to infect and multiply in target bacteria.

We plan to consult with the United Kingdom Medicines and Healthcare products Regulatory Agency, or MHRA, in the first quarter of 2014 and intend to move the CF program into additional preclinical testing in preparation for a Phase 1/2 study. Initially, we aim to prove that our phage mix can be safely administered to healthy volunteers and CF patients while demonstrating a decrease in bacterial counts, thus setting the stage for later-stage trials. We plan to manufacture the AmpliPhage-001 product as further described below.

We believe that successful proof of concept in this lung indication could lead to other acute and chronic lung infection markets, such as Ventilator Associated Bacterial Pneumonia (VABP) and Chronic Obstructive Pulmonary Disease (COPD). The bacteria we are currently targeting are predominant pathogens in both of these indications.

AmpliPhage-002: Wound and Skin Infections Caused by *S. aureus*

In conjunction with our CRADA with the USAMRMC, we are developing a phage product that is intended to effectively treat acute and chronic wound and skin infections caused by *S. aureus*, including infections caused by methicillin-resistant (MRSA) strains of the same bacterium. MRSA infections are one of the most common causes of hospital-acquired (nosocomial) infections and Global Data estimates the MRSA market for infections alone was more than $2.7 billion in 2007. This market is forecast to grow to more than $3.5 billion by 2019.

Using the same strategy outlined above for product development of AmpliPhage-001, we have selected a phage product mix that has greater than 85% efficacy with high complementation against a global diversity panel that includes some of the most virulent isolates of *S. aureus* identified by the U.S. Army.

We plan to initiate a Phase 1 study of AmpliPhage-002 in 2014 to demonstrate the safety of AmpliPhage-002 when administered to healthy normal volunteers colonized by *S. aureus*. If that study is successful, we then intend to conduct a Phase 2 study in *S. aureus* for wound and skin infections.

TABLE OF CONTENTS

We are currently working with the U.S. Army bioprocessing facility to manufacture cGMP AmpliPhage-002, formulated for nasal delivery. We plan to further formulate our product for delivery to patients with wound and skin infections.

AmpliPhage-004: Gastrointestinal (GI) Infection Caused by *C. difficile Infection (CDI)*

According to the Center for Disease Control, almost 250,000 people each year require hospitalization for *C. difficile* infections, and at least 14,000 people die each year in the United States from *C. difficile* infections. From 2000 through 2007, deaths in the United States from *C. difficile* infection increased over 400%. Over 90% of such deaths occur in hospitalized or confined patients over the age of 65. Global Data estimates that the major European Union and United States markets for CDI therapies grew to more than $314 million in 2011 and they are expected to grow to more than $500 million by 2019.

We are actively working with researchers at the University of Leicester and the University of Glasgow to develop a phage therapy that targets and kills all toxin types of *C. difficile*. We believe that orally delivered phages are well suited to treat CDI. Within this collaboration, researchers at the University of Leicester have discovered phages that have been shown to be effective against clinically-relevant strains of *C. difficile* isolated from around the world. Since current therapies against *C. difficile* are considered less than optimal, we believe that there is a significant market opportunity for our product in treating this disease.

Prior Clinical Development

In 2010, the Company s wholly owned subsidiary, Biocontrol, reported a double-blind placebo-controlled, randomized Phase 1/2 clinical trial targeting chronic ear infections (otitis) caused by antibiotic-resistant *P. aeruginosa*. This was the first, and to date, we believe the only, regulated efficacy trial of bacteriophage therapy in humans that has been reported. Positive results were reported demonstrating decreasing levels of *P. aeruginosa* in the ear and improvement of clinical condition with a single input dose of 2.4 nanograms of bacteriophage preparation. While this was a small trial (n=24), changes from baseline at the end of the trial in the test group (n=12) were statistically significant for both clinical condition (p=0.001) and bacterial load (p=0.016). No significant changes were seen in the control group (n=12) compared to baseline at the end of the trial. Difference between test and control groups was statistically significant by analysis by covariance (ANCOVA) on day 21 for bacterial count (p=0.0365). These results will need to be validated in larger well-controlled trials.

Anti-Infective Therapeutics Market

The market opportunity for antibiotics is extremely large, with the market estimated to reach $40.3 billion in annual sales globally in 2015.

Almost one in every five deaths worldwide occurs as a result of infection and, according to the World Health Organization, or WHO, many bacterial infections will become difficult or impossible to cure as the efficacy of current antibiotic drugs wanes. Despite the advances in antimicrobial and vaccine development, infectious diseases still remain as the third-leading cause of death in the United States and the second-leading cause of death worldwide.

The number of new antibiotics approved by the FDA and other global regulatory authorities has declined consistently over the last two decades. According to the Infectious Diseases Society of America, as of early 2013, only two new

antibiotics have been approved by the FDA since 2009 and only seven new antibiotics targeting multi-drug-resistant Gram-negative bacilli were in either Phase 2 or Phase 3 trials. This dramatic decrease in productivity is evidenced by only two classes of antibiotics oxazolidinones and cyclic lipopeptides having been developed and launched in the last 30 years. At the same time, the evolution of antibiotic-resistant bacteria has led to an increasing number of infections for which there are no current treatments available.

Hospital-acquired (nosocomial) infections are a major healthcare problem throughout the world, affecting developed countries as well as resource-poor countries. The WHO reports that hospital-acquired infections are among the major causes of death and increased morbidity among hospitalized patients and estimates that more than 1.4 million people per year worldwide suffer from infectious complications from a hospital stay.

TABLE OF CONTENTS

A recent CDC report also cites that in the United States, between 5 and 10% of all patients admitted to a hospital will be affected by a hospital-acquired infection during their stay, typically requiring extended stays and additional care. There is also a significant risk of death from such infections. In the United States, the CDC estimates that approximately 99,000 people die from hospital-acquired infections each year. The Cystic Fibrosis Foundation estimates that *P. aeruginosa* accounts for 10% of all hospital-acquired infections.

Infections also occur in connection with Cystic Fibrosis (CF), which is a genetic disease affecting primarily Caucasians of northern European descent. According to the Cystic Fibrosis Foundation, there are approximately 50,000 cases of CF in North America and Europe. *P. aeruginosa* opportunistically infects the mucous membranes, primarily the lungs, of CF patients and quickly grows out of control, resulting in pneumonia. *P. aeruginosa* infections are notoriously resistant to known antibiotics, and treatment may be further complicated by the formation of biofilms. Biofilms are organized structures of microorganisms growing on solid surfaces (such as lung tissue) and often limit access of antibiotics to the covered tissues. Since phages attack bacteria in a manner independent of chemical antibiotic resistance mechanisms and can infect bacteria growing in biofilms, we believe that *P. aeruginosa* infection among CF patients represents a compelling indication to pursue. The availability of *Pseudomonas* specific phages along with validated animal models of *P. aeruginosa* lung infections has contributed to the development of our bacteriophage program in CF.

Compounding the above situations is the alarming and continuing rise in the prevalence of antibiotic-resistant bacterial infections. This, coupled with the lack of new antibiotics in current discovery and development pipelines, has generated a significant clinical management problem worldwide, leading to increases in morbidity and mortality due to these antibiotic-resistant bacteria as well as increases in healthcare costs.

The first of these antibiotic-resistant infections to reach epidemic proportions was caused by the Gram-positive bacterium *S. aureus*. *S. aureus* resistance to a broad range of antibiotics has necessitated the use of expensive and potentially toxic drugs of last resort , most notably vancomycin. Antibiotic-resistant forms of *S. aureus*, usually termed MRSA (methicillin-resistant *S. aureus*), VISA (vancomycin-intermediate *S. aureus*), or VRSA (vancomycin-resistant *S. aureus*), can be extremely challenging to treat. Although several antibiotics targeting *S. aureus* have been developed, rapidly developing bacterial resistance has been noted for all of these including linezolid, daptomycin and tigecycline. On the basis of historical evidence, resistance to these existing products is likely to increase over time, and this picture is further complicated by the reduced efficacy of conventional antibiotics against *Staphylococcus* biofilms.

Typically *S. aureus* infection causes a variety of suppurative (pus-forming) infections and toxinoses in humans. It causes superficial skin lesions such as boils, styes and furuncles; more serious infections such as pneumonia, mastitis, phlebitis, meningitis and urinary tract infections; and deep-seated infections, such as osteomyelitis and endocarditis. *S. aureus* is the leading cause of wound infections, in particular, hospital-acquired (nosocomial) infection of surgical wounds and infections associated with indwelling medical devices. *S. aureus* is the leading pathogen in healthcare-associated infections in the United States as a whole, accounting for 30.4% of surgical site infections (SSI), and 15.6% of such infections overall.

Anti-Infective Treatments with Bacteriophages

Background

The dramatic rise in antibiotic resistance, the appearance of an increasing number of new superbugs and the lack of new antibiotics in the pipeline has prompted calls to action from many of the world s major health bodies such as the

CDC and the WHO, who warn of an antibiotic cliff and a post-antibiotic era. In 2009, the European Antimicrobial Resistance Surveillance System, or EARSS, concluded that the loss of effective antimicrobial therapy increasingly threaten[s] the delivery of crucial health services in hospitals and in the community. This conclusion was reinforced by The Antimicrobial Availability Task Force, or AATF, of the Infectious Diseases Society of America, or IDSA, and the European Centre for Disease Prevention and Control, or ECDC, in conjunction with the European Medicine Agency, or EMA. Clearly, there is a pressing need to find alternative antibacterial therapies.

TABLE OF CONTENTS

Bacteriophage therapy has the potential to be an alternative method of treating bacterial infection. Phages are ubiquitous environmental viruses that grow only within bacteria. The name bacteriophage translates as eaters of bacteria and reflects the fact that as they grow, phages kill the bacterial host by multiplying inside and then bursting through the cell membrane in order to release the next generation of phages. Phages can differ substantially in morphology and each phage is active against a specific range of a given bacterial species. Phages were first discovered in 1915 at the Institut Pasteur and were shown to kill bacteria taken from patients suffering from dysentery. Furthermore, it was noted that phage numbers rose as patients recovered from infection, suggesting a direct association.

Life Cycle of a Bacteriophage

Until the discovery of effective antibiotics, phages were used as an effective means of combating bacterial infection. When broad-spectrum antibiotics came into common use in the early 1940s, phages were considered unnecessary, with antibiotics being seen for many years as the answer to bacterial disease. This attitude persisted until the development of the wide-ranging, and in some cases total, resistance to antibiotics seen within the last 10 years.

It is now clear that bacteria can adapt to resist chemical antibiotics. In addition, there is now strong pressure to limit the use of antibiotics for human and veterinary use. There is a real need for different approaches to the control of antibiotic-resistant bacterial infections. In the light of current knowledge, it is apparent that early work with phages was hindered by poor understanding of the biology of phages, leading to exaggerated claims that damaged the reputation of phage therapy. Several companies in the 1920s and 1930s began to produce and market bacteriophage preparations. Unfortunately, these were often marketed with promises of efficacy against diseases that are now known to have nothing to do with bacteria, and many preparations themselves failed to actually contain bacteriophages. These conditions made bacteriophage subject to understandable skepticism. Now, with the far greater understanding of phages and their function that is now available, it is possible to identify the bacteria that are causing disease and then target them with highly specific phages that will kill only those bacteria.

Phages have the potential to provide both an alternative to, and a synergistic approach with, antibiotic therapy. Since they use entirely different mechanisms of action, phages are unaffected by resistance to conventional antibiotics. They also have the ability to disrupt bacterial biofilms, thus potentiating the effect of chemical antibiotics when used in combination with them.

In fact, the ability to isolate and develop phages for any of a broad range of bacterial targets, combined with their ability to disrupt bacterial biofilms, suggests strong potential for this approach in the control of bacterial infections. Published literature indicates that phages have the potential to be used as topical agents for the control of bacterial infection, and that such use is compatible with the approaches that have been shown to be effective in the treatment of wound injuries.

Bacteriophage therapy for the treatment of bacterial infections has been in constant use since 1917. Most of the research on phage-based therapy was conducted in the former Soviet Union prior to and immediately after World War II. While the West primarily focused resources into the development of chemical antibiotics, physicians and researchers in the Soviet Union were mass-producing phages and demonstrating their efficacy against a wide range of bacterial infections affecting the GI tract (dysentery), wounds (surgical and combat), skin (boils) and bone (osteomyelitis). While these studies are compelling, most lacked appropriate control

TABLE OF CONTENTS

group design or lacked control groups completely. Furthermore, the standard of care has changed substantially during the ensuing decades since those studies were performed, making claims of improved cure rates open for debate.

Despite numerous encouraging case studies, bacteriophage treatment was never adopted by Western medicine due to a lack of robust scientific evidence generated through systematically planned, controlled and regulated clinical trials. Recently, however, an increasing number of papers, reviews and books appearing on bacteriophage therapy indicate an increasing appetite among the scientific community and healthcare industry for developing bacteriophage therapy as part of mainstream medicine. Current biomedical technology is vastly superior to that available during the early days of bacteriophage therapy and our understanding of phage biology and the mechanisms of phage-bacterial host interaction have improved, along with advances in knowledge concerning bacterial infection. Although our knowledge of the biology, genetics and bactericidal efficacy of bacteriophages *in vitro* is impressive, less is known about their pharmacokinetic behavior *in vivo*, in particular in human subjects. To date very few human clinical trials have been conducted to modern standards in either the United States or Europe. In 2009, a U.S. Phase 1 clinical trial carried out at the Southwestern Regional Wound Care Center in venous ulcers using a mixture or cocktail of phages which individually attack different species of bacteria (*S. aureus*, *P. aeruginosa* and *E. coli*) was reported. The results of this trial showed this multi-bacteriophage preparation to be safe in trial subjects.

These trials, alongside the body of less well-conducted studies, suggest that phage therapy shows promise for treating infectious diseases caused by antibiotic-resistant bacteria. One, conducted by the Polish Academy of Sciences, started in 2005 and is treating a broad range of infections and clinical conditions associated with antibiotic-refractory infections. This work derives from a phage therapy clinic that has operated at this location. A second is the European Union-sponsored Phagoburn Phase I/II clinical trial, which is being conducted at multiple centers in France, Belgium and Switzerland. The project has been under way since June 2013, using multiple phages for treatment of burn wounds infected with *E. coli* and *P. aeruginosa*.

Our Strategy

Our strategy is to use techniques of modern biotechnology and current state-of-the-art practices for drug development to develop a pipeline of bacteriophage products that will destroy bacterial pathogens such as MRSA, which are resistant to chemical antibiotics. Our business strategy will apply state-of-the-art techniques in molecular biology and in clinical trial design to build upon the long successful history of using phages therapeutically to treat and cure infections.

We plan to initiate a Phase 1 study in 2014 and commence subsequent Phase 2 studies if the Phase 1 study is successful. Initially, in collaboration with the U.S. Army, we plan to study the safety and tolerability of our phage product (AmpliPhage-002) developed for treating *S. aureus* (MRSA) infections in a Phase 1 study and then in a Phase 2 study of wounds and skin infections. Additionally, in conjunction with leading Centers of Excellence in the UK and Australia, we plan to conduct a Phase 1/2 study using AmpliPhage-001 to treat CF patients with *P. aeruginosa* lung infections. Longer term, we plan to build upon our preclinical data and conduct studies in patients suffering from serious gastrointestinal infections caused by *C. difficile*.

Recent Acquisitions

In January 2011, we completed the acquisition of Biocontrol, with the goal of developing their phage therapy programs using funding from the sale of our legacy gene therapy assets. Under the terms of our acquisition of Biocontrol, we issued 22,817,198 shares of our common stock to the shareholders of Biocontrol with a total fair value of approximately $8.6 million as of January 6, 2011, resulting in Biocontrol s former shareholders owning

approximately 50% of our outstanding equity securities at the time. As a condition to closing the acquisition, Biocontrol raised approximately £200,000 (US$310,000) in working capital for use by us.

In November 2012, we acquired SPH, pursuant to our offer to acquire all outstanding shares of SPH from its shareholders under the terms of a Shareholder Sale Agreement and a Managers Warranty Deed, collectively referred to as the SPH Agreements, in exchange for up to 40,000,000 shares of our common stock. 20,000,000 of those shares were issued directly to the selling stockholders of SPH upon the closing of the acquisition, and the remaining 20,000,000 shares were issued and held in escrow. Of the escrow shares, 8,000,000 shares,

TABLE OF CONTENTS

referred to as Claims Shares, were subject to claims by us for breaches of representations by the selling stockholders of certain individual representations and certain additional representations made with respect to SPH itself and its operations by Dr. Anthony Smithyman and Mrs. Margaret Smithyman, the two largest shareholders of SPH, referred to as the Managers. The Claims Shares were released from escrow in November 2013, 12 months following the closing of the acquisition. The remaining 12,000,000 shares held in escrow, referred to as Contingent Shares, are to be released to the Managers upon the meeting (within 24 months of the closing) of three clinical and developmental milestones relating to SPH s phage therapy projects. At the satisfaction of each of those milestones, one third of the Contingent Shares will be released to the Managers. If, within 24 months of the closing, any of those milestones has not been met, as a result of our failure to use best endeavors to cause such milestones to occur or as a result of a natural and unavoidable catastrophe that prevents the milestone from occurring, the unsatisfied milestone will be deemed satisfied and we will be required to release the applicable number of Contingent Shares to the Managers. Contingent Shares relating to milestones that have not been released to the Managers as of the 24th month following the acquisition, and that are not subject to claim by the Managers that such milestone was met or is otherwise due, will be returned to us. The Contingent Shares are also subject to claims for breaches of the representations being made by the Managers to the extent that the Claims Shares are insufficient to satisfy our claims under the terms of the SPH Agreements. Further, the Managers are not eligible to retain any dividends or other distributions by us that are allocable to unreleased Contingent Shares and have designated our President and Chairman of the Board, and each of them, as proxies to vote unreleased Contingent Shares.

In connection with our acquisition of SPH, we entered into certain other arrangements, including the repayment under a Loan Repayment Deed (as amended) of a $770,000 loan originally made by Cellabs Pty Ltd, or Cellabs, an Australian company affiliated with Dr. Smithyman, to SPH, a consulting agreement with Dr. Smithyman and the payment of $3,017 per month to Cellabs for our laboratory space in Australia. Under the terms of the Loan Repayment Deed, the loan from Cellabs to SPH was to be repaid and fully satisfied partly in cash and partly by issuing 2,000,000 shares of our common stock to Cellabs. As of September 30, 2013, $150,000 has been paid by us to Cellabs and all 2,000,000 shares have been issued. Under the terms of the Loan Repayment Deed, we are obligated to pay an additional $200,000. These remaining payments are to be paid out of proceeds we receive in connection with certain commercial transactions we may enter into, and if we have not repaid the remaining obligation to Cellabs by the end of the 18th month following the closing of our acquisition of SPH, we will be obligated to pay any remaining amounts in $10,000 monthly installments thereafter. The SPH acquisition also included several phage therapy projects which had reached the pre-clinical or animal study stage, including the Bromptom Hospital CF study, the Adelaide University MRSA chronic rhinosinusitis study and the University of Leicester *C. difficile* project. We believe that acquisition of SPH brings substantial phage scientific expertise and know-how to the Company sufficient to develop, manufacture and commercialize phage-based therapeutics. Under the terms of the consulting agreement with Dr. Smithyman, we were obligated to pay a fee of $10,000 per month to Dr. Smithyman, who provided management consulting services as an independent contractor for an initial term of 12 months ending October 2013. Between the acquisitions of Biocontrol and SPH, we believe that we are the leading therapeutically focused phage company in the world.

Strategic Alliances and Research Agreements

As discussed below, we have established collaborations with Intrexon, the U.S. Army and the University of Leicester, which provide us with access to the considerable scientific, developmental, and regulatory capabilities of our collaborators. We believe that our collaborations contribute to our ability to rapidly advance our product candidates, build our product platform and concurrently progress a wide range of discovery and development programs.

Exclusive Channel Collaboration with Intrexon

On March 29, 2013, we entered into the ECC with Intrexon that governs a collaboration arrangement in which AmpliPhi uses Intrexon s technologies directed towards the research, development and commercialization of new bacteriophage-based therapies to target specific antibiotic-resistant infections. We believe that combining the broadest and most advanced synthetic biology platform with our world-leading phage capabilities will lead to the development of innovative second-generation phage products. The ECC establishes committees comprised of representatives of the Company and Intrexon that govern activities

TABLE OF CONTENTS

related to the bacteriophage programs in the areas of project establishment and prioritization, as well as budgets and their approval, chemistry, manufacturing and controls, clinical and regulatory matters, commercialization efforts and intellectual property.

Intrexon is a publicly held biotechnology company focused on the industrial engineering of synthetic biology. According to Intrexon, their advanced bioindustrial engineering platform enables Better DNA™ technology by combining DNA control systems with corresponding advancements in modular transgene design, assembly and optimization to enable unprecedented control over the function and output of living cells.

Under the terms of the ECC, the Company will receive an exclusive, worldwide license to utilize Intrexon s proprietary technology and expertise for the standardized design and production of genetically modified bacteriophages, which we refer to collectively as the Bacteriophage Program. The ECC seeks to develop bacteriophage-containing human therapeutics for use in the treatment of bacterial infections associated with acute and chronic wounds, the treatment of acute and chronic *P. aeruginosa* lung infections and the treatment of infections of *C. difficile*, which we collectively refer to as AmpliPhi Products. The ECC grants the Company a worldwide license to use patents and other intellectual property of Intrexon in connection with the research, development, use, importing, manufacture, sale and offer for sale of AmpliPhi Products. Such license is exclusive with respect to any clinical development, selling, offering for sale or other commercialization of AmpliPhi Products, and otherwise is non-exclusive. Subject to limited exceptions, we may not sublicense the rights to Intrexon s technology without Intrexon s written consent.

Under the ECC, and subject to certain exceptions, we are responsible for, among other things, the performance of the Bacteriophage Program, including development, commercialization and certain aspects of manufacturing AmpliPhi Products. Intrexon is responsible for the costs of establishing manufacturing capabilities and facilities, subject to certain exceptions, for the bulk manufacture of products developed under the Bacteriophage Program, certain other aspects of manufacturing and costs of basic-stage research with respect to Intrexon Channel Technology and Intrexon materials, i.e., platform improvements and costs of filing, prosecution and maintenance of Intrexon s patents.

Subject to certain expense allocations and other offsets provided in the ECC, AmpliPhi has agreed to pay Intrexon on a quarterly basis tiered royalties on net sales derived in that quarter from the sale of AmpliPhi Products, which are based on or incorporate Intrexon s technology, calculated on a product-by-product basis. If AmpliPhi sublicenses a product developed under the collaboration with Intrexon, AmpliPhi has likewise agreed to pay Intrexon on a quarterly basis a certain percentage of revenues received from the sublicensee. Pursuant to the ECC, Intrexon received 24,000,000 shares of our common stock as an upfront technology access fee. We may also pay Intrexon up to $7.5 million in aggregate milestone payments for each product, payable either in cash or equity upon the achievement of certain events. Intrexon is also are entitled to tiered royalties as a percentage in the upper-single digits of the net product sales of a product developed under the ECC.

The ECC is effective until terminated by either Intrexon or AmpliPhi. Intrexon may terminate the ECC if AmpliPhi fails to use diligent efforts to develop and commercialize AmpliPhi Products or if AmpliPhi elects not to pursue the development of an AmpliPhi Program identified by Intrexon that is a Superior Therapy as defined in the ECC. AmpliPhi has the right to terminate the ECC upon 90 days written notice to Intrexon at any time.

Upon termination of the ECC, AmpliPhi may continue to develop and commercialize any AmpliPhi Product that, at the time of termination:

is being commercialized by the Company;
has received regulatory approval;
is a subject of an application for regulatory approval that is pending before the applicable regulatory authority; or

is the subject of an ongoing Phase 2 or completed Phase 3 clinical trial in the field.

TABLE OF CONTENTS

AmpliPhi s obligation to pay royalties described above with respect to these retained products will survive termination of the ECC.

Global R&D Agreement with U.S. Army

In June 2013, we entered a CRADA with the USAMRMC and the WRAIR. The CRADA will focus on developing and commercializing bacteriophage therapeutics to treat at least three types of infections: *S. aureus*, *E. coli* and *P. aeruginosa*. The increasing prevalence of antibiotic-resistant bacteria poses a serious threat to public health and military personnel and is a major problem in hospitals and clinics around the world. The initial indication will be wounds and skin infections from *S. aureus*, which is the leading pathogen in healthcare-associated infections in the United States as a whole, accounting for 30.4% of surgical site infections.

In connection with our CRADA with the U.S. Army, we submitted a Pre-IND briefing package to the FDA to obtain their feedback on our Chemistry, Manufacturing and Controls (CMC) program and plans for our first human study with our lead product, AmpliPhage-002 (*S. aureus*). The FDA endorsed our plan for progressing bacteriophage therapy to the clinic, specifically agreeing to our platform s manufacturing process, product specifications and the absence of any need of non-clinical toxicology to initiate our first Phase 1 study.

We plan to manufacture our initial phage product in collaboration with the Walter Reed Bioprocessing facility in Bethesda, Maryland and, in collaboration with the U.S. Army, will conduct clinical trials at various sites throughout the world. We plan to initiate a Phase 1 feasibility and safety study in phage treatment of *S. aureus* infections in 2014 followed by a Phase 2 study of *S. aureus* infections.

We will retain global regulatory ownership and commercial rights to all products developed by us under the agreement. USAMRMC will gain access rights to any products developed. We also have the rights to exclusively license any intellectual property developed by USAMRMC under the collaboration on terms to be agreed upon. WRAIR will be responsible for cGMP production of the lead *S. aureus* product, AmpliPhage-002 for Phase 1 and 2 clinical trials at its bioproduction facility.

The CRADA expires in June 2018 and can be terminated by either USAMRMC or AmpliPhi upon 60 days written notice to the other party at any time.

University of Leicester Development Agreements

On April 24, 2013, we entered into the April Collaboration Agreement and on September 5, 2013, we entered into the Leicester License Agreement with the University of Leicester to develop a phage therapy that targets and kills all toxin types of *C. difficile*. We also entered into the August Collaboration Agreement with the University of Leicester and the University of Glasgow, whereby the University of Glasgow will carry out certain animal model development work.

Under these agreements, which we refer to collectively as the Leicester Development Agreements, we are funding the University of Leicester to carry out *in vitro* and the University of Glasgow to carry out animal model development work on the University of Leicester s development of a bacteriophage therapeutic to resolve *C. difficile* infections and we are licensing related patents, materials and know-how from the University of Leicester. Under the Leicester Development Agreements, the University of Leicester will provide the bacteriophage and act as overall project coordinator for the development work. All rights, title and interest to any intellectual property developed under the Leicester Development Agreements belong to us. Under the Leicester License Agreement, we have exclusive rights to

certain background intellectual property of the University of Leicester, for which we will pay the University of Leicester royalties based on product sales and make certain milestone payments based on product development.

The April Collaboration Agreement expires on November 12, 2014 and is terminable by either party upon (a) material breach by the other party, subject to a 90-day cure period, (b) the inability of the principal investigator to continue the collaboration or (c) our bankruptcy or winding up of our operations.

The August Collaboration Agreement expires on October 22, 2014 and is terminable under the same conditions as the April Collaboration Agreement.

TABLE OF CONTENTS

The license agreement expires on the later of the expiration of the licensed patents or September 5, 2028, and is terminable by us at any time upon 60 days notice, by the University of Leicester (a) if we legally challenge the validity or ownership of any of the licensed patents, (b) if we fail to pay the fees, milestones or royalties due under the license agreement or (c) if we fail to make substantial commercial process and agree with Leicester that we will be unable to do so. The license agreement is also terminable by either party upon the material breach by the other party (subject to a 30-day cure period) or upon the other party s bankruptcy or insolvency.

Grants

Engineering and Physical Sciences Research Council (EPSRC) Grant: Encapsulated Phage for Treatment of Burns and Wound Site Infections

Through its wholly owned subsidiary, Biocontrol, the Company benefits from a United Kingdom grant awarded jointly to the University of Bath, the Frenchay Hospital, and Biocontrol. The grant runs for four years from June 2011. The awarding body is the Engineering and Physical Sciences Research Council. The total amount awarded is £0.6 million (US$0.9 million), of which £63,000 (US$0.1 million) is allocated to fund work at Biocontrol, along with staff paid from the grant, which is administered by the University of Bath. At present all staff are based at the University of Bath.

Technology Strategy Board Grant: Development of Instrumental and Bioinformatic Pipelines to Accelerate Commercial Applications of Metagenomics Approaches

Through its wholly owned subsidiary, Biocontrol, the Company benefits from a United Kingdom grant awarded jointly to Unilever PLC, the University of Glasgow, the University of Liverpool, Skalene Limited, and Biocontrol. The grant runs for three years from September 2011. The grant-awarding body is the Technology Strategy Board. The total amount awarded is £2.3 million (US$3.5 million as of June 30, 2013), of which up to £0.3 million (US$0.4 million as of June 30, 2013) is to be used at Biocontrol.

European Union Consortium Grant

The Company is also in the process of closing down a European Union consortium grant and returning £45,481 (US$70,496) of a £69,353 (US$0.1 million) advance, the remainder of which has been spent on work carried out prior to closure.

Legacy Programs

Sale of Assets to Celladon Corporation

On June 27, 2012, we entered into an asset purchase agreement and amended and restated license agreement, or license agreement, with Celladon Corporation, or Celladon, where we sold and transferred all of our rights and interest in our gene therapy business, subject to certain limitations relating to rights contained in our license agreements with the University of Pennsylvania and Genzyme Corporation. Pursuant to our license agreement with the University of Pennsylvania, or UPenn, we may be obligated to make certain royalty and license payments to UPenn as a result of Celladon s (or its affiliate s or licensee s) use of certain technology licensed under our license agreement with Celladon.

Pursuant to the license agreement with Celladon, Celladon has agreed to comply with certain terms of the UPenn license agreement and to reimburse us for any payments that come due under the UPenn license agreement. Pursuant to the license agreement, we may receive a long-term royalty of 1.75% on certain product sales. This royalty may be completely canceled at any time by making a one-time payment to us in the amount of $1.75 million.

Under the terms of the Celladon asset sale and license agreement, we retained certain liabilities, including obligations to indemnify against charges of infringement of certain intellectual property pursuant to our asset purchase agreement with Genzyme Corporation, our license agreement with Amsterdam Molecular Therapeutics B.V. and our collaboration and license agreement dated January 1, 2005 with the International AIDS Vaccine Initiative, the Children s Research Institute and the Children s Hospital of Philadelphia.

TABLE OF CONTENTS

Intellectual Property

General

Our goal is to obtain, maintain and enforce patent protection for our product candidates, formulations, processes, methods and any other proprietary technologies, preserve our trade secrets and operate without infringing on the proprietary rights of other parties, both in the United States and in other countries. Our policy is to actively seek to obtain, where appropriate, the broadest intellectual property protection possible for our current product candidates and any future product candidates, proprietary information and proprietary technology through a combination of contractual arrangements and patents, both in the United States and abroad. However, patent protection may not afford us with complete protection against competitors who seek to circumvent our patents.

We also depend upon the skills, knowledge, experience and know-how of our management and research and development personnel, as well as that of our advisors, consultants and other contractors. To help protect our proprietary know-how, which is not patentable, and for inventions for which patents may be difficult to enforce, we currently and will in the future rely on trade secret protection and confidentiality agreements to protect our interests. To this end, we require all of our employees, consultants, advisors and other contractors to enter into confidentiality agreements that prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business.

We hold or have exclusive license rights to five U.S. and foreign patents, expiring on various dates between 2024 and 2029. These patents relate to the therapeutic uses of bacteriophages, bacteriophage compositions, the sequential use of bacteriophages in combination with conventional antibiotics, genetic sequence variations, biofilm disrupting agents and methods to reduce antibiotic resistance.

US 7758856 and national patents within the EU deriving from PCT WO2004062677; Bacteriophage for the treatment of bacterial biofilms

Under an existing license from the United Kingdom Health Protection Agency, we have exclusive rights to develop and exploit technologies relating to the use of bacteriophages combined with biofilm-disrupting agents in treating biofilm infections. The patent specifies agents able to facilitate the penetration of biofilms, and their combination with therapeutic bacteriophage preparations. The priority date for these patents is January 10, 2003 and the date of U.S. grant is July 20, 2010. The date of expiration is December 5, 2026 in the United States (extended by the United States Patent and Trademark Office, or USPTO). The patent is also granted in the European Union (France, Germany, Netherlands, Switzerland/Liechtenstein and the United Kingdom). The date of expiration is January 12, 2024 in the European Union. Pursuant to this license agreement, we may be required to pay the United Kingdom Health Protection Agency aggregate milestone payments of up to £10,000 per product and single-digit royalties.

US 7807149, US 8105579, US 8388946, continuation application and national filings deriving from PCT WO2005009451; Bacteriophage containing therapeutic agents

Through our wholly owned subsidiary, Biocontrol, we have three granted U.S. patents and a further continuation application filed. The granted patents relate to therapeutic, sequential use of bacteriophages in combination with conventional antibiotics, to bacteriophage compositions, and to the uses of bacteriophages. The filed continuation application relates to genetic sequence variation around the protected agents. The priority dates for these patents are

July 23, 2003 and May 14, 2004. Dates of U.S. grant are October 5, 2010, January 31, 2012 and March 5, 2013. The dates of expiry for the granted patents are March 18, 2027 (extended by the USPTO), July 23, 2024 and July 23, 2024 in the United States. The national application in Australia was granted as AU 2004258731 on February 9, 2010, with July 23, 2024 as the date of expiry. Examination in other jurisdictions is proceeding: for example, in the EU, claims for bacteriophage compositions are approaching allowance; and a divisional application has been submitted for therapy claims although there is no assurance that claims or applications will ultimately be granted.

US 7807149, US 8105579, US 8388946, continuation application and nationalfilings deriving from PCT WO200500

TABLE OF CONTENTS

US 8475787, continuation application and national filings deriving from PCT WO2008110840; Beneficial effects of bacteriophage treatment

Through our wholly owned subsidiary, Biocontrol, we have one granted U.S. patent, with a continuation application filed. The granted patent relates to bacteriophage-induced induction of antibiotic sensitivity for *P. aeruginosa*. The priority date for these patents is March 9, 2007. The date of U.S. grant is July 2, 2013 and the date of expiry for the granted patent is March 21, 2029 (extended by the USPTO). The continuation application has been filed relating to other bacterial species. The national application in Australia was granted as AU 2008224651 on August 7, 2013, with March 7, 2028 as the date of expiry. National applications are under examination in other jurisdictions.

United Kingdom filing 1207910.9; Therapeutic bacteriophage compositions

Through our wholly owned subsidiary, Biocontrol, we have a United Kingdom patent application relating to the design of effective combinations of bacteriophages. The priority date for this application is May 4, 2012. The application has now progressed to the PCT stage (as yet unpublished).

Our success in preserving market exclusivity for our product candidates relies on patent protection, including extensions to this where appropriate, and on data exclusivity relating to an approved biologic. This may be extended by orphan drug and/or pediatric use protection where appropriate. Once any regulatory period of data exclusivity expires, depending on the status of our patent coverage, we may not be able to prevent others from marketing and selling biosimilar versions of our product candidates. We are also dependent upon the diligence of our appointed agents in national jurisdictions, acting for and on behalf of the Company, which manage the prosecution of pending domestic and foreign patent applications and maintain granted domestic and foreign patents.

Competition

We operate in highly competitive segments of the biotechnology and biopharmaceutical markets. We face competition from many different sources, including commercial pharmaceutical and biotechnology enterprises, academic institutions, government agencies and private and public research institutions all seeking to develop novel treatment modalities for bacterial disease. Many of our competitors have significantly greater financial, product development, manufacturing and marketing resources than we do. Large pharmaceutical companies have extensive experience in clinical testing and obtaining regulatory approval for drugs. In addition, many universities and private and public research institutes are active in cancer research, some in direct competition with us. We also may compete with these organizations to recruit scientists and clinical development personnel. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

Manufacturing and Supply

The manufacturing process for our bacteriophage product is currently under development. We are optimizing a manufacturing platform that will allow us to prepare therapeutic phages to cGMP regulations, in a cost-effective manner. Preclinical studies with Institut Pasteur and other centers of academic excellence have been conducted. We have evaluated phage efficacy when given at different doses via different routes of administration. We are establishing banks of relevant clinical bacterial isolates for ongoing phage sensitivity testing. We currently depend on third-party contract manufacturers for all of our required raw materials, active pharmaceutical ingredients, or API, and finished products for our preclinical and clinical trials. Manufacturers of our products are required to comply with applicable

cGMP regulations, which require, among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation. Pharmaceutical product manufacturers and other entities involved in the manufacture and distribution of approved pharmaceutical products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain cGMP compliance. Discovery of problems with a product after approval may result in restrictions on a product, manufacturer or holder of an approved NDA/Biologics License Application, or BLA, including withdrawal of the product from the market. In addition, changes to the manufacturing process generally require prior FDA approval before being

TABLE OF CONTENTS

implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Commercialization and Marketing

We have full worldwide commercial rights to all of our phage-based products to treat drug-resistant bacterial infections, including our lead programs: AmpliPhage-001 for the treatment of CF patients with *P. aeruginosa* lung infections; AmpliPhage-002, for the treatment of antibiotic-resistant *S. aureus* (MRSA) infections; and AmpliPhage-004 for the treatment of *C. difficile* infections. We believe we can maximize the value of our company by retaining substantial global commercialization rights to these product candidates and, where appropriate, entering into partnerships to develop and commercialize our other product candidates. We plan to build a successful commercial enterprise using a sales team in the United States and possibly other major markets and with partners in other territories.

We have not yet established a sales, marketing or product distribution infrastructure because our lead candidates are still in early clinical development. We generally expect to retain commercialization and co-commercialization rights in the United States for all of our product candidates for which we receive marketing approvals. Subject to receiving marketing approvals, we intend to explore building the necessary marketing and sales infrastructure to market and sell our current product candidates. We also intend to explore the use of a variety of distribution agreements and commercial partnerships in territories where we do not establish a sales force for any of our product candidates that obtain marketing approval.

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of products such as those we are developing.

United States Product Development Process

In the United States, the FDA regulates biological products under the Federal Food, Drug and Cosmetic Act, or FDCA, and the Public Health Service Act, or the PHS Act, and related regulations. Biological products are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the product development process or approval process, or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us. The process required by the FDA before a biological product may be marketed in the United States generally includes the following:

completion of preclinical laboratory tests, animal studies and formulation studies according to good laboratory practice requirements, or GLP, or other applicable regulations;

submission to the FDA of an IND, which must become effective before human clinical trials may begin in the United States;

performance of adequate and well-controlled human clinical trials according to the FDA s regulations commonly referred to as good clinical practices, or GCPs, and any additional requirements for the protection of human research subjects and their health information, to establish the safety and efficacy of the proposed biological product for its intended use or uses;

submission to the FDA of a Biologics License Application (BLA) for a new biological product;

satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with the FDA s cGMP regulations, to assure that the facilities, methods and controls are adequate to preserve the biological product s identity, strength, quality and purity;

TABLE OF CONTENTS

potential FDA audit of the nonclinical study sites and clinical trial sites that generated the data in support of the BLA; and

FDA review and approval, or licensure, of the BLA which must occur before a biological product can be marketed or sold.

The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations require the expenditure of substantial resources even when approvals are inherently uncertain.

The strategies, nature, and technologies of bacteriophage products are different from the conventional antibiotic therapy products. From the regulatory requirements established to ensure the safety, efficacy and quality of bacteriophage preparations, there are several major points to consider during the development, manufacturing, characterization, preclinical study and clinical study of bacteriophage. The major issues include:

bacteriophage preparation design (single agent versus phage mixes and wild-type phage versus genetically engineered phage);

proof of concept in development of bacteriophage products;

selectivity of bacteriophage replication and targeting to specific species of bacteria;

relevant animal models in preclinical studies; and

clinical safety.

Before testing any compounds with potential therapeutic value in humans, the biological product candidate enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product biology, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the biological product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements including GLP. The sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND application. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the IND on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a biological product candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, we cannot be certain that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such clinical trial.

Clinical trials involve the administration of the biological product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by the sponsor. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject inclusion and exclusion criteria and the parameters to be used to monitor subject safety. Each protocol must be submitted to the FDA if conducted under an IND. Clinical trials must be conducted in accordance with GCP requirements. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, or ethics committee if conducted outside of the U.S., at or servicing each institution at which the clinical trial will be conducted. An IRB or ethics committee is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB or ethics committee also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. We intend to use third-party CROs to administer and conduct our planned clinical trials and will rely upon such CROs, as well as medical institutions, clinical investigators and consultants, to conduct our trials in accordance with our clinical protocols and to play a significant role in the subsequent collection and analysis of data from these trials. The failure by any of such third parties to meet expected timelines, adhere

TABLE OF CONTENTS

to our protocols or meet regulatory standards could adversely impact the subject product development program and we remain legally responsible for compliance with applicable laws and regulations governing the conduct of these clinical trials.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

Phase 1: The biological product is initially introduced into healthy human subjects and tested primarily for safety and dosage tolerance. Absorption, metabolism, distribution and excretion may also be tested.
Phase 2: The biological product is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.
Phase 3: Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA and other regulatory authorities for approval of a marketing application.
Post-approval studies, or Phase 4 clinical trials, may be requested by the FDA as a condition of approval and are conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests that there may be a significant risk for human subjects. The FDA or the sponsor or, if used, its data safety monitoring board may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB or ethics committee can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB s or ethics committee s requirements or if the pharmaceutical product has been associated with unexpected serious harm to patients. Suspension of a clinical study due to safety risks attributed to the investigational product will result in termination of the study and possibly others that are underway.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the physical characteristics of the biological product as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. To help reduce the risk of the introduction of adventitious agents or other impurities with the use of biological products, the PHS Act emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the sponsor must develop methods for testing the identity, strength, quality, potency, and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

United States Review and Approval Processes

In order to obtain approval to market a biological product in the United States, a BLA must be submitted to the FDA that provides data establishing to the FDA s satisfaction the safety and effectiveness of the investigational biological product for the proposed indication. The application includes all data available from nonclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating

to the product s manufacture and composition, and proposed labeling, among other things. The testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

TABLE OF CONTENTS

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. According to the FDA s fee schedule, effective through September 30, 2014, the user fee for an application requiring clinical data, such that the biological product candidate does not undergo unacceptable deterioration over its shelf life as a BLA, is $2,169,100. PDUFA also imposes an annual product fee for biologics ($104,060), and an annual establishment fee ($554,5600) on facilities used to manufacture prescription biologics. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency s threshold determination that the application is sufficiently complete to permit substantive review. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product is safe and effective for its intended use, has an acceptable purity profile, and whether the product is being manufactured in accordance with GMP regulations to assure and preserve the product s identity, safety, strength, quality, potency, and purity. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and, if so, under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA may ultimately decide that the NDA/BLA does not satisfy the criteria for approval. If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling.

Special FDA Expedited Review and Approval Programs

The FDA has various programs, including fast track designation, accelerated approval and priority review, that are intended to expedite the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs and biological products to patients earlier than under standard FDA review procedures.

To be eligible for a fast track designation, the FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life threatening disease or condition and demonstrates the potential to address an unmet medical need, or if the drug or biological product qualifies as a qualified infectious disease product under the recently enacted Generating Antibiotic Incentives Now, or GAIN Act. The FDA will determine that a product will fill an unmet medical need if it will provide a therapy where none exists or provide a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. We intend to request fast track designation for our product candidates if applicable.

Specifically, new drugs and biological products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening condition and demonstrate the potential to address unmet medical needs for the condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a new drug or biological may request the FDA to designate the drug or biologic as a Fast

Track product at any time during the clinical development of the product. Unique to a Fast Track product, the FDA may consider for review sections of the marketing application on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the application, the FDA agrees to accept sections of the application and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the application.

TABLE OF CONTENTS

Any product submitted to the FDA for marketing, including under a Fast Track program, may be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. Any product is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new drug or biological product designated for priority review in an effort to facilitate the review. Additionally, a product may be eligible for accelerated approval. Drug or biological products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may receive accelerated approval, which means that they may be approved on the basis of adequate and well-controlled clinical studies establishing that the product has an effect on a surrogate endpoint that is reasonably likely to predict a clinical benefit, or on the basis of an effect on a clinical endpoint other than survival or irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments.

As a condition of approval, the FDA may require a sponsor of a drug or biological product receiving accelerated approval perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug or biological product may be subject to accelerated withdrawal procedures. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product. Fast Track designation, priority review and accelerated approval do not change the standards for approval but may expedite the development or approval process.

Moreover, under the provisions of the new Food and Drug Administration Safety and Innovation Act, or FDASIA, enacted in 2012, a sponsor can request designation of a product candidate as a breakthrough therapy. A breakthrough therapy is defined as a drug or biological product that is intended, alone or in combination with one or more other drugs or biological products, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the biological product or drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs or biological products designated as breakthrough therapies are also eligible for accelerated approval. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy. We intend to request breakthrough therapy designation for our product candidates if applicable.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

Drug Price Competition and Patent Term Restoration Act of 1984

Under the Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Amendments, a portion of a product s patent term that was lost during clinical development and application review by the FDA may be restored. The Hatch-Waxman Amendments also provide for a statutory protection, known as non-patent market exclusivity, against the FDA s acceptance or approval of certain competitor applications.

Patent term restoration can compensate for time lost during product development and the regulatory review process by returning up to five years of patent life for a patent that covers a new product or its use. This period is generally one-half the time between the effective date of an IND (falling after issuance of the patent) and the submission date of

an NDA, plus the time between the submission date of a BLA and the approval of that application. Patent term restorations, however, cannot extend the remaining term of a patent beyond a total of 14 years. The application for patent term extension is subject to approval by the United States Patent and Trademark Office in conjunction with the FDA. It takes at least six months to obtain approval of the application for patent term extension. Up to five years of interim one-year extensions are available if a product is still undergoing development or FDA review at the time of the expiration.

TABLE OF CONTENTS

A patent term extension is only available when the FDA approves a biological product for the first time. However, we cannot be certain that the PTO and the FDA will agree with our analysis or will grant a patent term extension.

A biological product can obtain pediatric market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued Written Request for such a study.

An abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product was created by the Biologics Price Competition and Innovation Act of 2009, which was part of the Patient Protection and Affordable Care Act, or PPACA, signed into law on March 23, 2010. This amendment to the PHS Act attempts to minimize duplicative testing. Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical study or studies. Interchangeability requires that a biological product is biosimilar to the reference biological product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the product and the reference product may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biological product. However, complexities associated with the larger, and often more complex, structure of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation that are still being worked out by the FDA.

A reference biological product is granted twelve years of exclusivity from the time of first licensure of the reference product. On April 10, 2013, President Obama released his proposed budget for fiscal year 2014 and proposed to cut this twelve year period of exclusivity down to seven years. He also proposed to prohibit additional periods of exclusivity for brand biological products due to minor changes in product formulation, a practice often referred to as evergreening. The first biological product submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against other biologics submitting under the abbreviated approval pathway for the lesser of (i) one year after the first commercial marketing, (ii) 18 months after approval if there is no legal challenge, (iii) 18 months after the resolution in the applicant s favor of a lawsuit challenging the biologic s patents if an application has been submitted, or (iv) 42 months after the application has been approved if a lawsuit is ongoing within the 42-month period.

FDA Post-Approval Requirements

Maintaining substantial compliance with applicable federal, state, local, and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Rigorous and extensive FDA regulation of biological products continues after approval, particularly with respect to GMP. We will rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of any products that we may commercialize. Manufacturers of our products are required to comply with applicable requirements in the GMP regulations, including quality control and quality assurance and maintenance of records and documentation. We cannot be certain that we or our present or future suppliers will be able to comply with the GMP and other FDA regulatory requirements. Other post-approval requirements applicable to biological products include reporting of GMP deviations that may affect the identity, potency, purity and overall safety of a distributed product, record-keeping requirements, reporting of adverse effects, reporting updated safety and efficacy information, and complying with electronic record and signature requirements. After a BLA is approved, the product also may be subject to official lot release. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is

released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer s tests performed on the lot. The FDA also may perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer. In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products.

TABLE OF CONTENTS

Discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements, by us or our suppliers, may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions and adverse publicity. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, clinical hold, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, mandated corrective advertising or communications with doctors, debarment, restitution, disgorgement of profits, or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

Biological product manufacturers and other entities involved in the manufacture and distribution of approved biological products are required to register their facilities with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with GMPs and other laws. In addition, changes to the manufacturing process or facility generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Labeling, Marketing and Promotion

The FDA closely regulates the labeling, marketing and promotion of biological products, including direct-to-consumer advertising, promotional activities involving the internet, and industry-sponsored scientific and educational activities. While doctors are free to prescribe any product approved by the FDA for any use, a company can only make claims relating to safety and efficacy of a biological product that are consistent with FDA approval, and the company is allowed to actively market a biological product only for the particular use and treatment approved by the FDA. In addition, any claims we make for our products in advertising or promotion must be appropriately balanced with important safety information and otherwise be adequately substantiated. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising, injunctions and potential civil and criminal penalties.

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other divisions of the United States Department of Health and Human Services (e.g., the Office of Inspector General), the United States Department of Justice and individual United States Attorney offices within the Department of Justice and state and local governments.

International Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our future products. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Under European Union regulatory systems, marketing authorizations may be submitted either under a centralized or a mutual recognition procedure. The centralized procedure provides for the grant of a single marketing authorization

that is valid for all European Union member states. The mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit an application to the remaining member states. Within 90 days of receiving the applications and assessment report, each member state must decide whether to recognize approval.

TABLE OF CONTENTS

Pricing and Reimbursement

Although none of our product candidates has been commercialized for any indication, if they are approved for marketing, commercial success of our product candidates will depend, in part, upon the availability of coverage and reimbursement from third-party payors at the federal, state and private levels. Government payor programs, including Medicare and Medicaid, private healthcare insurance companies and managed-care plans have attempted to control costs by limiting coverage and the amount of reimbursement for particular drug treatments. The U.S. Congress and state legislatures from time to time propose and adopt initiatives aimed at cost-containment. Ongoing federal and state government initiatives directed at lowering the total cost of healthcare will likely continue to focus on healthcare reform, the cost of prescription drugs and biological products and on the reform of the Medicare and Medicaid payment systems. Examples of how limits on drug coverage and reimbursement in the United States may cause reduced payments for drugs in the future include:

changing Medicare reimbursement methodologies;
fluctuating decisions on which drugs to include in formularies;
revising drug rebate calculations under the Medicaid program; and
reforming drug importation laws.

Indeed, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the Healthcare Reform Act, which was signed into law in March of 2010, substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts drugs and biological products manufacturers. The Healthcare Reform Act includes, among other things, the following measures:

annual, non-deductible fees on any entity that manufactures or imports certain prescription drugs;
increases in Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program for both branded and generic drugs;
a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research;
new requirements for manufacturers to discount drug prices to eligible patients by 50 percent at the pharmacy level and for mail order services in order for their outpatient drugs to be covered under Medicare Part D; and
an increase in the number of entities eligible for discounts under the Public Health Service pharmaceutical pricing program.

Additionally, some third-party payors also require pre-approval of coverage for new or innovative drug therapies before they will reimburse healthcare providers who use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, the announcement or adoption of these proposals could have a material adverse effect on our ability to obtain adequate prices for our product candidates and operate profitably.

In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of reimbursement from third-party payors, including government health administrative authorities, managed care providers, private health insurers and other organizations. Third-party payors are increasingly examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy, and, accordingly, significant uncertainty exists as to the reimbursement status of newly approved therapeutics. Adequate third-party reimbursement may not be available for our products to enable us realize an appropriate return on our investment in research and product development.

TABLE OF CONTENTS

Employees

As of January 10, 2014, we had nine full-time employees and three part-time employees.

Facilities

Our principal offices occupy approximately 314 square feet of leased office space pursuant to a lease agreement that expires in February 2014 and is located at 4870 Sadler Road, Suite 300, Glen Allen, VA 23060. We also lease approximately 708 square feet of lab space in Richmond (Virginia), approximately 153 square feet of office space in Carlsbad (California), approximately 5,000 square feet of lab space in Brookvale (Australia) and approximately 2,672 square feet of lab space in Bedford (United Kingdom). We believe our facilities are adequate for our current and near-term needs.

Legal Proceedings

From time to time we are involved in legal proceedings or subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe we are a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

History

AmpliPhi was incorporated under the laws of the State of Washington in March 1989 as a wholly owned subsidiary of Immunex Corporation and began operations as an independent company in 1992 as Targeted Genetics Corporation (TGEN). This predecessor company was effectively closed and any remaining technology was licensed or otherwise sold.

In January 2011, the board of directors of TGEN completed the acquisition of Biocontrol, with the goal of developing their phage therapy programs using funding from the sale of our legacy gene therapy assets. On February 22, 2011, the corporate name was changed to AmpliPhi Biosciences Corporation.

In November 2012, AmpliPhi completed the acquisition of SPH, pursuant to an offer to acquire all outstanding shares of SPH from its shareholders under the terms of a Shareholder Sale Agreement and a Managers Warranty Deed. SPH was formed in 2004 to address the rapidly escalating problem of antibiotic resistance through the development of a series of bacteriophage-based treatments.

As used in this prospectus, unless the context requires otherwise, the Company, we, us and our refer to AmpliPhi Biosciences Corporation, a Washington corporation, or, where appropriate, Targeted Genetics Corporation or AmpliPhi Biosciences Corporation, a Delaware corporation to be formed in connection with the Company s planned reincorporation.

TABLE OF CONTENTS

MANAGEMENT

The following table sets forth certain information about our executive officers, key employees and directors as of the date of this prospectus.

Name	Age	Position
Philip J. Young	56	President, Chief Executive Officer and Director
Kelley A. Wendt	39	Chief Financial Officer
Baxter F. Phillips III	38	Vice President of Corporate Strategy and Business Development
David Harper, Ph.D.	53	Chief Scientific Officer
Jeremy Curnock Cook[1][2][3]	63	Chairman of the Board
Louis Drapeau[1][2][3]	68	Director
Michael S. Perry, Ph.D.[1][2][3]	53	Director
Anthony Smithyman, Ph.D.	64	Director
Julian P. Kirk	39	Director

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and corporate governance committee.

No events listed in Item 401(f) of Regulation S-K have occurred during the past 10 years that are material to the evaluation of the ability or integrity of any of our directors or executive officers.

The following is a brief biography of the business experience during the past five years (and, in some instances, for prior years) of each director and executive officer of the Company, with each director biography including information regarding the experiences, qualifications, attributes or skills that caused our board of directors to determine that such member of our board of directors should serve as a director as of the date of this registration statement.

Executive Officers

Philip J. Young has served as our President, Chief Executive Officer and Director since November 2011. Mr. Young is a U.S.-based long-time executive in the biopharmaceuticals industry. He is the former President and CEO of Osteologix, Inc., a global biopharmaceutical company, which is currently based in Ireland. Prior to joining Osteologix, Mr. Young served as an Executive Vice President and Chief Business Officer for Insmed Inc., a publicly traded biotechnology company, from 2004 to 2007. Prior to Insmed Inc., Mr. Young held executive positions at Elan Corporation, Neurex Corporation, and Pharmacia Corporation. Mr. Young started his career in the biopharmaceuticals industry at Genentech, Inc. Mr. Young received a B.S. in Sociology with minors in Business and Psychology from James Madison University.

Kelley A. Wendt has served as our Chief Financial Officer since December 2011. Prior to joining AmpliPhi, she served as the Chief Financial Officer for Osteologix, Inc., a global biopharmaceutical company, which is currently based in Ireland. Prior to joining Osteologix, Ms. Wendt served as the Chief Financial Officer for Crop Life America, a global chemical industry trade organization, from 2006 to 2008. She is the former Controller for Sheltering Arms Hospitals, a rehabilitation hospital company with nine facilities across the Richmond, Virginia region. Her pre-executive experience consists of several regional and national public accounting firms, primarily in audit and

consulting roles. Ms. Wendt received a B.S. in Business, Accounting, from Wright State University.

Baxter F. Phillips III has served as our Vice President, Corporate Strategy and Business Development since October 2013. Prior to joining AmpliPhi, Mr. Phillips served as Director, Business Development at Depomed, Inc., a commercially engaged specialty pharmaceutical company developing and commercializing products to treat pain and other central nervous system conditions, from 2011 to 2013. Prior to Depomed, Mr. Phillips served as Senior Director, Corporate Development at Osteologix, Inc., a global biopharmaceutical company, from 2007 to 2011. Prior to Osteologix, Mr. Phillips served in a number of senior research, corporate and sales and marketing positions at Insmed Inc., a publically traded biotechnology company, from

TABLE OF CONTENTS

1998 to 2007. Mr. Phillips has a B.S. in Biology from Hampden-Sydney College and an MBA from The Mason School of Business at the College of William and Mary.

David Harper, Ph.D. has served as our Chief Scientific Officer since the January 2011 acquisition of Biocontrol Ltd. by Targeted Genetics Corporation. Prior to joining AmpliPhi, Dr. Harper served as Chief Scientific Officer of Biocontrol, which he founded in 1997, from 2002 to 2011. He previously served as leader of the herpes virus research group in the Department of Virology at St. Bartholomew s Medical School, joining the faculty in 1991 as a Lecturer in Molecular Virology. Dr. Harper received his B.Sc. in microbiology and virology at the University of Warwick and his Ph.D. at the University of Newcastle-upon-Tyne, studying viral genetics. He carried out post-doctoral work at St. Bartholomew s Medical School in London and at the University of Iowa.

Non-Employee Directors

Jeremy Curnock Cook has served as a member of our board of directors since July 1995 and as chairman of the board of directors since February 1998. Mr. Curnock Cook has served as Chairman of International Bioscience Managers Limited, a corporate and investment advisory firm since 2000, and also currently serves as Managing Director of Bioscience Managers Pty Ltd, a medical sciences fund manager. From 1987 to 2000, Mr. Curnock Cook was a director of Rothschild Asset Management Limited, a corporate and investment advisory company, and was responsible for the Rothschild Bioscience Unit. Mr. Curnock Cook founded the International Biochemicals Group in 1975, which was sold in 1985 to Royal Dutch Shell, where he served as managing director until 1987. Mr. Curnock Cook holds an M.A. in natural sciences from Trinity College, Dublin. He also serves as a member of the board of Avita Medical Ltd, Nexus6 Ltd and SeaDragon Ltd. Mr. Curnock Cook brings to the board significant experience as an investor in and board member of multiple biotechnology companies.

Louis Drapeau has served as a member of our board of directors since March 2011. Mr. Drapeau currently serves as Vice President and Chief Financial officer of InSite Vision, an ophthalmology drug development company, a position he has held since October 2007. From November 2008 until December 2010, he was also CEO of InSite Vision. Prior to InSite Vision, he served as Chief Financial Officer, Senior Vice President, Finance, at Nektar Therapeutics, a biopharmaceutical company, from January 2006 to August 2007. Prior to Nektar, he served as Acting Chief Executive Officer from August 2004 to May 2005 and as Senior Vice President and Chief Financial Officer from August 2002 to August 2005 for BioMarin Pharmaceutical Inc. Previously, Mr. Drapeau spent 30 years at Arthur Andersen, including 19 years as an Audit Partner in Arthur Andersen s Northern California Audit and Business Consulting practice, which included 12 years as Managing Partner. Mr. Drapeau received both his undergraduate degree in mechanical engineering and an M.B.A. from Stanford University. He also serves as a member of the board of Bio-Rad Laboratories and InterMune, Inc. Mr. Drapeau is able to provide valuable input with respect to accounting and financial matters as a result of his experience.

Michael S. Perry, D.V.M., Ph.D. has served as a member of our board of directors since November 2005. Dr. Perry is currently Global Head of Stem Cell Therapy and Vice President of the Integrated Hospital Care Franchise for Novartis Pharmaceuticals Corporation. Prior to joining Novartis in 2012, he was a Venture Partner with Bay City Capital, a venture capital firm, from 2005 to 2012. While serving in this capacity, he concurrently served as President and Chief Medical Officer at Poniard Pharmaceuticals, Inc., a publicly held drug development company, from 2009 to 2011 and also previously served as Chief Development Officer of VIA Pharmaceuticals, Inc., another publicly held biotechnology company, from 2005 to 2009. Dr. Perry served as chairman and Chief Executive Officer of Extropy Pharmaceuticals, Inc., a privately held pediatric specialty pharmaceutical company, from 2003 to 2005. From 2002 to 2003, Dr. Perry served as President and Chief Executive Officer of Pharsight Corporation, a publicly held software and consulting services firm. From 2000 to 2002, Dr. Perry served as Global Head of Research and Development for

Baxter Healthcare. From 1997 to 2000, Dr. Perry was President and Chief Executive Officer of both SyStemix Inc. and Genetic Therapy Inc., two wholly owned subsidiaries of Novartis Pharma; he was Vice President of Regulatory Affairs for Novartis from 1994 to 1997. Prior to 1994, Dr. Perry held various management positions with Syntex Corporation, Schering-Plough Corporation and BioResearch Laboratories, Inc. Dr. Perry holds a Doctor of Veterinary Medicine, a Ph.D. in Biomedical Science-CardioPulmonary Pharmacology and a B.S. in Physics from the University of Guelph. He also serves

TABLE OF CONTENTS

as a member of the board of Arrowhead Research Corporation and of Avita Medical Ltd. Dr. Perry brings to the board substantial scientific and medical knowledge, as well as operational and investing experience.

Anthony Smithyman, Ph.D. joined our board of directors in November 2012 following the merger with Special Phage Services Pty Ltd of Sydney, Australia. Born in Malawi, Central Africa, Dr. Smithyman was educated in Scotland and obtained a B.Sc. from the University of St. Andrews, followed by a Ph.D. in Bacteriology and Immunology from Glasgow University. After completing a two-year post-doctoral Fellowship at the Sloan-Kettering Cancer Center in New York in 1978, he joined ICI Pharmaceuticals Ltd in Alderley Edge, Cheshire, England as Laboratory Head in the Immunology Department before moving to Australia in 1982. Dr. Smithyman has been involved with the Australian biotechnology industry for over 30 years, including as the current Managing Director of Cellabs Pty Ltd., a longstanding Australian biotechnology company. In 2004, Dr. Smithyman established Special Phage Services Pty Ltd to develop novel phage therapeutics for the human health, veterinary and aquaculture industries. Dr. Smithyman s experience in the biotechnology industry, and with phage therapeutics specifically, bring a valuable perspective to our board.

Julian P. Kirk has served as a member of our board of directors since June 2013. Mr. Kirk has been a Managing Director of Third Security, LLC since its inception, working with several portfolio companies of its managed investment funds. He is also involved with oversight of Third Security, LLC s internal operations. Since October 2012, he has served on the board of directors of Fibrocell Science, Inc. Since August 2010, he has served on the board of the New River Valley Economic Development Alliance. From October 2006 until December 2011, he served as member of the board of directors of IntelliMat, Inc. and as co-chairman of the board between September 2008 and December 2011. From September 2005 until December 2011, Mr. Kirk served as President of Harvest Pharmaceuticals Inc. Mr. Kirk also served as chairman of the board of managers of ECDS, LLC from June 2008 until March 2010. Mr. Kirk graduated as an Echols Scholar from the University of Virginia. Mr. Kirk brings to our board significant financial and operations expertise within our industry.

Board Composition and Election of Directors

Our board of directors currently consists of six members. Our directors serve under a classified board structure, with each director serving for a three-year term of office. Directors are divided into three classes with one class standing for election every year at our annual meeting of stockholders. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors are divided among the three classes as follows:

The Class I directors are Jeremy Curnock Cook and Louis Drapeau and their terms will expire at our annual meeting of stockholders to be held in 2016;
The Class II directors are Julian P. Kirk and Michael S. Perry and their terms will expire at our annual meeting of stockholders to be held in 2014; and
The Class III directors are Philip J. Young and Anthony Smithyman and their terms will expire at our annual meeting of stockholders to be held in 2015.

The classification of the board of directors may have the effect of delaying or preventing changes in control of our company. We expect that additional directorships resulting from an increase in the number of directors, if any, will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Director Independence

Under the listing requirements and rules of the NYSE MKT, independent directors must compose a majority of a listed company s board of directors within a one-year period following the completion of our initial public offering. In addition, applicable NYSE MKT rules require that, subject to specified exceptions, each member of a listed company s audit, compensation and nominating committees must be independent within the meaning of applicable NYSE rules. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act.

TABLE OF CONTENTS

In October 2013, our board of directors undertook a review of the independence of each director and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. As a result of this review, our board of directors determined that Messrs. Jeremy Curnock Cook, Louis Drapeau and Michael Perry qualify as independent directors within the meaning of the NYSE MKT rules. As required under applicable NYSE MKT rules, we anticipate that our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

Board Committees

Our board of directors has established three committees of the board of directors: (1) an audit committee; (2) a compensation committee; and (3) a nominating and corporate governance committee.

Audit Committee. The audit committee, established in September 2008, is comprised of three members, each of whom is a non-employee member of the board of directors. The committee s members meet the independence and financial literacy requirements under the Exchange Act, and related SEC rules, and NYSE MKT listing requirements. In addition, at least one member of the committee is qualified as an audit committee financial expert as defined in SEC rules. The audit committee consists of Jeremy Curnock Cook, Louis Drapeau and Michael S. Perry. Louis Drapeau serves as the chair of the audit committee. The audit committee operates under a charter approved by our board.

The functions of the audit committee include, among other things:

choosing the independent certified public accountants to serve as the independent auditors of the Company;
evaluating the performance, independence and qualifications of our independent auditors;
reviewing and discussing with management and the independent auditors the results of the independent auditors annual audit examination;
reviewing and discussing with management and the independent auditors the annual audited financial statements of the Company;
reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation, and matters concerning the scope, adequacy and effectiveness of our financial controls;
establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters and other matters;
reviewing and providing oversight with respect to any related-party transactions and monitoring compliance with the Company s code of business conduct ethics;
adopting the guidelines governing hiring of employees or former employees of the independent auditors in accordance with SEC rules;
reviewing and discussing with management and the independent auditors the Company s off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors;
resolving any disagreements between management and the independent auditors regarding the Company s financial reporting;

67

TABLE OF CONTENTS

recommending to the board of directors whether, based on the review and discussions described above, the Company s annual audited financial statements should be included in the Company s Annual Report on Form 10-K; and
preparing an audit committee report for inclusion in the Company s proxy statement for its annual meeting of stockholders.

Compensation Committee. The compensation committee, established in January 2004, is comprised of three members, each of whom is a non-employee member of the board of directors. The committee s members meet the independence standards under NYSE MKT listing requirements. The compensation committee consists of Jeremy Curnock Cook, Louis Drapeau and Michael S. Perry. Michael S. Perry serves as the chair of the compensation committee. The compensation committee operates under a charter approved by our board.

The functions of the compensation committee include, among other things:

taking any and all actions that may be taken by the board of directors with respect to executive compensation, including developing executive compensation programs and policies;
reviewing and approving corporate and individual goals and objectives relevant to the compensation of the Company s executives;
evaluating the performance of the Company s CEO and other executive officers in light of such goals and objectives and, based on this evaluation, determining the compensation of the CEO and executive officers (including salary, bonus, stock option grants, expense accounts, perquisites and other direct or indirect benefits);
reviewing and making recommendations regarding the compensation of non-officer employees, directors and consultants of the Company;
supervising the administration of the Company s stock option plans, employee stock purchase plan and other stock- or cash-based compensation and incentive programs;
approving and making grants and awards of stock options and other equity securities to the Company s executive officers and non-employee directors under the Company s stock option plans and other incentive programs;
making recommendations to the board of directors with respect to incentive compensation plans and equity-based plans;
reviewing and approving, for the Company s executive officers, employment, severance, retirement and change of control agreements, arrangements or provisions and any special or supplemental benefits;
reviewing and discussing with management the Company s proposed disclosure under the Compensation Discussion and Analysis required by Regulation S-K under the Exchange Act and recommend to the Board whether such Compensation Discussion and Analysis should be included in the Company s proxy statement and Annual Report on Form 10-K; and
preparing a compensation committee report in accordance with the rules and regulations of the SEC for inclusion in the Company s proxy statement.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee, established in March, 2004, is comprised of three members, each of whom is a non-employee member of the board of directors. The committee s members meet the independence standards under NYSE MKT listing requirements. The nominating and corporate governance committee consists of Jeremy Curnock Cook, Louis Drapeau and Michael S. Perry. Jeremy Curnock Cook serves as the chair of the nominating and corporate governance committee. The nominating and corporate governance committee operates under a charter approved by our board.

TABLE OF CONTENTS

The functions of the nominating and corporate governance committee include, among other things:

developing and recommending to the board of directors criteria for board membership to assist the board in identifying and attracting candidates to become directors;

monitoring the independence under NYSE MKT listing requirements of directors;

annually presenting to the board of directors a list of individuals recommended for nomination for election as directors at the annual meeting of stockholders;

conducting the appropriate and necessary inquiries into the backgrounds, qualifications and skills of potential candidates and selecting and approving potential candidates for nomination as directors;

before recommending an incumbent director for re-nomination, reviewing his or her qualifications, including capability, availability to serve, conflicts of interest, past performance and other relevant factors;

reviewing any potential conflicts between the directors and director candidates and the interests of the Company;

reviewing and evaluating stockholder submissions for director nominees;

monitoring regulatory developments concerning stockholder access to director nominations, and recommending amendments or modifications to the Company s policies and procedures concerning stockholder access to director nominations;

reviewing the qualifications, requirements, membership, structure (including authority to delegate) and performance of board committees, including the nominating and corporate governance committee, and making recommendations to the board of directors regarding committee memberships;

reviewing and assessing the Company s corporate governance principles, including information reporting procedures to the board of directors, director engagement and the code of conduct applicable to the Company s directors, officers and employees;

overseeing evaluation of the performance of each director;

reviewing with the board of directors the Company s succession plans relating to positions held by executive officers, and making recommendations with respect to the selection of individuals to occupy these positions; and

reviewing the outside activities of senior executives.

Compensation Committee Interlocks and Insider Participation

None of our officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more officers serving as a member of our board of directors.

Code of Business Conduct and Ethics

We adopted a code of business conduct and ethics that applies to all of our employees, officers and directors including those officers responsible for financial reporting. Following our initial public offering, the code of business conduct and ethics will be available on our website at *http://www.ampliphibio.com.* We intend to disclose future amendments to the code or any waivers of its requirements on our website to the extent permitted by the applicable rules and exchange requirements.

TABLE OF CONTENTS

Board Leadership Structure

Our board of directors has a chairman, Jeremy Curnock Cook, who has authority, among other things, to call and preside over board meetings, to set meeting agendas and to determine materials to be distributed to the board of directors. Accordingly, the chairman has substantial ability to shape the work of the board of directors. We believe that separation of the positions of chairman and chief executive officer reinforces the independence of the board in its oversight of our business and affairs. In addition, we believe that having a separate board chairman creates an environment that is more conducive to objective evaluation and oversight of management s performance, increasing management accountability and improving the ability of the board of directors to monitor whether management s actions are in the best interests of us and our stockholders. As a result, we believe that having a separate board chairman can enhance the effectiveness of the board of directors as a whole.

Role of the Board in Risk Oversight

Our audit committee is primarily responsible for overseeing our financial risk management processes on behalf of the full board of directors. Going forward, we expect that the audit committee will receive reports from management at least quarterly regarding our assessment of risks. In addition, the audit committee reports regularly to the full board of directors, which also considers our risk profile. The audit committee and the full board of directors focus on the most significant risks we face and our general risk management strategies. While the board oversees our risk management, management is responsible for day-to-day risk management processes. Our board of directors expects management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the audit committee and the board of directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face and that our board leadership structure, which also emphasizes the independence of the board in its oversight of its business and affairs, supports this approach.

Family Relationships

No family relationships exist between any of the directors or executive officers of our company.

TABLE OF CONTENTS

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation paid during the last two fiscal years to our principal executive officer, and our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers at the end of the last completed fiscal year, who are collectively referred to as named executive officers elsewhere in this prospectus.

Name and Principal Position	Year	Salary	Bonus	Option Awards[1]	All Other Compensation	Total
Philip J. Young	2013	$400,000	$	$1,856,000	$ 105,396	$2,361,396
President, Chief Executive and Director	2012	$325,000	$	$1,680,000	$	$2,005,000
David Harper, Ph.D.	2013	$225,541	$	$	$	$225,541
Chief Scientific Officer	2012	$228,672	$	$240,000	$	$468,672
Kelley A. Wendt,	2013	$155,938	$	$	$ 18,575	$174,513
Chief Financial Officer[2]	2012	$	$	$100,000	$ 120,247	$220,247

(1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

(2) Ms. Wendt became Chief Financial Officer on January 1, 2013. Prior to this date, Ms. Wendt was engaged as an accounting consultant and all compensation paid during the year ended December 31, 2012 was for her services in that capacity.

Executive Employment Agreement

We entered into an employment agreement with Philip J. Young on October 19, 2011. The employment agreement provides for at-will employment, base salary, incentive bonuses, standard employee benefit plan participation and recommendations for initial stock option grants. The employment agreement was subject to execution of a standard proprietary information and invention agreement and proof of identity and work eligibility in the United States.

Mr. Young is entitled to severance and change in control benefits pursuant to his employment, the terms of which are described below under Potential Payments upon Termination or Change in Control. We believe that these severance and change in control benefits help us from a retention standpoint and they are particularly necessary in an industry, such as ours, where there has been market consolidation. We believe that they help executive officers maintain continued focus and dedication to their assigned duties to maximize shareholder value if there is a change of control. We believe that these severance and change in control benefits are an essential element of our overall executive compensation package.

Pursuant to the terms of his employment agreement, as amended, Mr. Young was granted options to purchase 8,400,000 shares of our common stock on October 23, 2012 and options to purchase 11,600,000 of our common stock on June 25, 2013.

Potential Payments upon Termination or Change in Control

Regardless of the manner in which a named executive officer s employment terminates, the named executive officer is entitled to receive amounts earned during his term of employment, including salary and unused vacation pay. In addition, each of our named executive officers that are currently employed by us is entitled to severance and change in control benefits described below.

On October 19, 2011, the Company entered into an employment agreement with Mr. Young, the Company s President, Chief Executive Officer and member of the board of directors, which provides if the Company terminates Mr. Young without cause or he resigns for good reason, he will be entitled to: (i) severance payments on a monthly basis at a rate equal to his base salary then in effect for a period ranging from at least six months up to one year and (ii) accelerated vesting of his stock option shares with respect to the number of shares that would have vested if Mr. Young had remained employed by the Company during the period in which he is to receive severance payments.

TABLE OF CONTENTS

If Mr. Young s employment is terminated by the Company, with or without cause, or by Mr. Young for changed circumstances in connection with or following a change in control, he will be entitled to: (i) severance payments on a monthly basis at a rate equal to his base salary then in effect for a period of one year, (ii) accelerated vesting of his stock option shares with respect to the number of shares that would have vested if Mr. Young had remained employed by the Company during the period in which he is to receive severance payments, and (iii) the pro rata portion of any eligible bonus compensation as of the date of termination.

The following table sets forth potential payments payable to our named executive officers upon a termination of employment without cause or resignation for good reason or termination of employment with or without cause or resignation following a change in control. The table below reflects amounts payable to our executive officers assuming their employment was terminated on December 31, 2013 and, if applicable, a change in control also occurred on such date.

	Upon Termination without Cause or Resignation for Good Reason No Change in Control			Upon Termination with or without Cause or Resignation Change in Control		
Name	Cash Severance	Value of Accelerated Vesting[1]	Total	Cash Severance	Value of Accelerated Vesting[1]	Total
Philip J. Young	$ 1,950,000	$ 420,000	$ 2,370,000	$ 3,900,000	$ 420,000	$ 4,320,000
David Harper, Ph.D.	$	$	$	$	$	$
Kelley A. Wendt	$	$	$	$	$	$

(1) The value of accelerated vesting is equal 2,100,000 stock option shares vesting at $0.20 per share.

Grants of Plan-Based Awards

The following table sets forth certain information regarding grants of plan-based awards to our named executive officers for 2013.

Name	Grant Date	All other option awards: number of securities underlying options (#)	Exercise or base price of option awards ($/share)[1]	Grant date fair value of option awards ($)[2]
Philip J. Young	6/25/2013	11,600,000	$ 0.16	$ 1,856,000
David Harper, Ph.D.			$	$
Kelley A. Wendt			$	$

(1) Represents the per share fair market value of our common stock, as determined in good faith by our board of directors on the grant date.

(2) Amounts listed represent the aggregate fair value amount computed as of the grant date of each option and award during 2013 in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 6, Stock Options and Warrants, of the Notes to the Financial Statements. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

Our named executive officers will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.

TABLE OF CONTENTS

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information regarding all outstanding equity awards held by our named executive officers as of December 31, 2013.

Name	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price ($)	Option Expiration Date
Philip J. Young	2,100,000 (1)	6,300,000	$ 0.20	10/23/2022
	5,152,334 (2)	6,447,666	$ 0.16	6/25/2023
David Harper, Ph.D.	300,000 (3)	800,000	$ 0.20	10/23/2022
Kelley A. Wendt	125,000 (4)	375,000	$ 0.20	10/23/2022

(1) 6.25% of the total shares underlying this option vested and became exercisable on January 23, 2013. 6.25% of the total shares underlying this option vests and becomes exercisable on the first business day of each three (3) month period thereafter, subject to continued service through each vesting date. This option may be subject to accelerated vesting as described above. As of December 31, 2013, 2,100,000 of the total shares underlying this option are vested and exercisable.

(2) 3,862,800 of the total shares underlying this option vested and became exercisable on the grant date, which was June 26, 2013. 1/36 of the remaining unvested shares underlying this option vests and becomes exercisable on each one month anniversary of the grant date thereafter, subject to continued service through each vesting date. This option may be subject to accelerated vesting as described above. As of December 31, 2013, 5,152,334 of the total shares underlying this option are vested and exercisable.

(3) 6.25% of the total shares underlying this option vested and became exercisable on January 23, 2013. 6.25% of the total shares underlying this option vests and becomes exercisable on the first business day of each three (3) month period thereafter, subject to continued service through each vesting date. This option may be subject to accelerated vesting as described below. As of December 31, 2013, 300,000 of the total shares underlying this option are vested and exercisable.

(4) 6.25% of the total shares underlying this option vested and became exercisable on January 23, 2013. 6.25% of the total shares underlying this option vests and becomes exercisable on the first business day of each three (3) month period thereafter, subject to continued service through each vesting date. This option may be subject to accelerated vesting as described below. As of December 31, 2013, 125,000 of the total shares underlying this option are vested and exercisable.

Option Exercises and Stock Vested

Our named executive officers did not exercise any stock option awards during the year ended December 31, 2013.

Pension Benefits

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Non-Qualified Deferred Compensation

None of our named executive officers participate in or have account balances in qualified or non-qualified defined contribution plans or other non-qualified compensation plans sponsored by us.

Equity Incentive Plans

The purpose of all of our equity incentive plans is to promote the long-term success of the Company and the creation of shareholder value by offering key service providers an opportunity to share in such long-term success by acquiring a proprietary interest in the Company and to attract and retain the best available personnel for positions of substantial responsibility, and to provide additional incentive to employees, consultants and directors.

TABLE OF CONTENTS

Our equity incentive plans seek to achieve these purposes by providing for discretionary long-term incentive awards in the form of options (which may constitute incentive stock options or nonstatutory stock options), stock appreciation rights, stock grants and stock units. Our equity incentive plans are administered by the board or a committee appointed by the board, which we refer to as the plan administrator and have a term of 10 years from the date they were adopted by the board of directors.

2009 Targeted Genetics Stock Incentive Plan and 2012 Stock Incentive Plan

Our board of directors and shareholders adopted our 2009 Plan in March 2009. Our board of directors adopted our 2012 Plan in October 2012. As of January 10, 2014, there are 1,304,760 shares of common stock and 9,353,323 shares of common stock remaining for future awards under the 2009 Plan and the 2012 Plan, respectively. We refer to the 2009 Plan and the 2012 Plan together as the Existing Plans.

This number of shares authorized under each of the Existing Plans is subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization. The shares we issue under the Existing Plans may be authorized but unissued shares or shares we reacquire. The shares of common stock underlying any equity awards that are forfeited, canceled, repurchased, expired or are otherwise terminated (other than by exercise) under the Existing Plans are currently added back to the shares of common stock available for issuance under the Existing Plans.

The Existing Plans permit us to make grants of incentive stock options to employees and grants of non-qualified stock options and restricted stock to employees, officers, directors and consultants. The Existing Plans are administered by our board of directors. Our board of directors has the authority to select the individuals to whom awards will be granted, to make any combination of awards to participants, to accelerate the exercisability or vesting of any award and to determine the specific terms and conditions of each award, subject to the provisions of the Existing Plans.

The Existing Plans permit the grant of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, and (2) options that do not so qualify. The option exercise price of each option will be determined by our board of directors but may not be less than 100% of the fair market value of the common stock on the date of grant. The term of each option will be fixed by our board of directors and may not exceed 10 years from the date of grant. All stock option awards that are granted pursuant to the Existing Plans are covered by an option agreement.

The Existing Plans also permit the award of stock grants, stock appreciation rights and stock units to participants, subject to such terms, conditions and restrictions as our board of directors may determine. All stock grants, stock appreciation rights and stock units that are granted pursuant to the Existing Plans are covered by a written agreement.

The Existing Plans provide that upon the effectiveness of a corporate transaction, as defined in each of the Existing Plans, in the event that all awards are not assumed or continued or substituted by the successor entity, all awards granted under the Existing Plans shall terminate. In addition, in connection with a corporate transaction, the plan administrator may provide the full automatic vesting and exercisability of one or more outstanding unvested awards under the Existing Plans in connection with a corporate transaction, on such terms and conditions as the plan administrator may specify. Furthermore, in connection with a change in control, as defined in each of the Existing Plans, the Existing Plans provide for the full automatic vesting and exercisability of any outstanding unvested awards held by certain key service providers, which under the terms of the Existing Plans, is defined as any employee, director or consultant who has been designated as a key service provider by the plan administrator, in the event that any such awards are not assumed or continued or substituted by the successor entity, or otherwise fully automatically vested by the plan administrator in connection with such change in control.

Our board of directors may amend, alter, suspend or terminate the Existing Plans at any time, subject to stockholder approval where such approval is required by applicable law. Our board of directors may also amend, modify or terminate any outstanding award, provided that no amendment to an award may materially

TABLE OF CONTENTS

impair any of the rights of a participant under any awards previously granted without his or her written consent. No awards may be granted under the 2009 Plan and 2012 Plan after March 3, 2019 and October 19, 2022, respectively.

2013 Stock Incentive Plan

Our 2013 Plan was approved by our board of directors in December 2013 and will be considered for adoption by our shareholders in February 2014. The 2013 Plan will replace the 2009 Plan and the 2012 Plan.

The 2013 Plan allows the plan administrator, to make equity-based incentive awards to our officers, employees, directors and other key persons (including consultants).

We have initially reserved 40,000,000 shares of our common stock for the issuance of awards under the 2013 Plan. This number is subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

The shares issuable pursuant to awards granted under the 2013 Plan will be authorized but unissued shares or shares that we reacquire. The shares of common stock underlying any awards from the 2013 Plan that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without any issuance of common stock, expire or are otherwise terminated (other than by exercise) under the 2013 Plan will be added back to the shares of common stock available for issuance under the 2013 Plan.

The 2013 Plan will be administered by the plan administrator. The plan administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2013 Plan. Persons eligible to participate in the 2013 Plan will be those full or part-time officers, employees, non-employee directors and other key persons (including consultants) as selected from time to time by our plan administrator in its discretion. The plan administrator may reprice options or stock appreciation rights without stockholder approval.

The 2013 Plan permits the granting of both options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and options that do not so qualify. The exercise price of each stock option will be determined by our plan administrator but may not be less than 100% of the fair market value of our common stock on the date of grant or, in the case of an incentive stock option granted to a 10% owner, less than 110% of the fair market value of our common stock on the date of grant. The term of each stock option will be fixed by the plan administrator and may not exceed 10 years from the date of grant. The plan administrator will determine at what time or times each option may be exercised.

The plan administrator may also award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of common stock, or cash, equal to the value of the appreciation in our stock price over the exercise price. The exercise price may not be less than 100% of the fair market value of the common stock on the date of grant.

The plan administrator may also award restricted stock or restricted stock units to participants subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals or continued employment with us through a specified vesting period. The plan administrator may also grant shares of common stock that are free from any restrictions under the 2013 Plan.

The plan administrator may grant cash bonuses under the 2013 Plan to participants, subject to the achievement of certain performance goals.

The plan administrator may grant performance-based awards to participants in the form of restricted stock, restricted stock units or cash-based awards upon the achievement of certain performance goals and such other conditions as the plan administrator shall determine. The plan administrator may grant such performance-based awards under the 2013 Plan that are intended to qualify as performance-based compensation under Section 162(m) of the Code. Those awards would only vest or become payable upon the attainment of performance goals that are established by our plan administrator and related to one or more performance criteria. The performance criteria that could be used with respect to any such awards include: net

TABLE OF CONTENTS

earnings or net income (before or after taxes); earnings per share; revenues or sales (including net sales or revenue growth); net operating profit; return measures (including return on assets, net assets, capital, invested capital, equity, sales, or revenue); cash flow (including operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment); earnings before or after taxes, interest, depreciation, and/or amortization; gross or operating margins; productivity ratios; share price (including growth measures and total stockholder return); expense targets; margins; operating efficiency; market share; working capital targets and change in working capital; economic value added or net operating income, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. From and after the time that we become subject to Section 162(m) of the Code, the maximum award that is intended to qualify as performance-based compensation under Section 162(m) of the Code that may be made to any one employee during any one calendar year period with respect to options and stock appreciation rights is 18,000,000 shares for existing employees and 5,000,000 shares in the case of new hires. The 12-month limit with respect to restricted stock and restricted stock units is 10,000,000 shares in the case of either existing or new employees. From and after the time that we become subject to Section 162(m) of the Code, the maximum cash-based award that is intended to qualify as performance-based compensation is limited to $10,000,000 in any 12-month period, which is pro-rated in the case of a partial performance period. The share limits are subject to adjustments in the event of a stock split, stock dividend or other change in our capitalization.

The 2013 Plan provides that upon the effectiveness of a corporate transaction, as defined in the 2013 Plan, in the event that all awards are not assumed or continued or substituted by the successor entity, all awards granted under the 2013 Plan shall terminate. In addition, in connection with a corporate transaction, the plan administrator may provide the full or partial automatic vesting and exercisability of one or more outstanding unvested awards under the 2013 Plan and the release from restrictions on transfer or forfeiture rights of such awards in connection with a corporate transaction, on such terms and conditions as the plan administrator may specify.

Our board of directors may amend or discontinue the 2013 Plan and our plan administrator may amend or cancel outstanding awards for purposes of satisfying changes in law or any other lawful purpose, but no such action may adversely affect rights under an award without the holder s consent. Certain amendments to the 2013 Plan require the approval of our stockholders.

No awards may be granted under the 2013 Plan after the date that is 10 years from the earlier of the date of adoption by our board of directors or the date of stockholder approval of the 2013 Plan. No awards under the 2013 Plan have been made prior to the date of this prospectus.

Non-Executive Director Compensation

The following table and related footnotes show the compensation paid during the fiscal year ended December 31, 2013 to our non-executive directors.

Name	Fees Earned or Paid in Cash	Option Awards	All Other Compensation	Total
Jeremy Curnock Cook[1]	$ 70,875	$	$	$ 70,875
Louis Drapeau[2]	$ 41,250	$	$	$ 41,250
Anthony Peter Gellert[3]	$ 11,666	$	$	$ 11,666
Michael S. Perry, Ph.D.[4]	$ 39,750	$	$	$ 39,750

Anthony Smithyman, Ph.D.[5]	$ 13,333	$	$	$ 13,333
Caroline A. Williams[6]	$ 50,750	$	$	$ 50,750
Julian P. Kirk[7]	$	$	$	$

(1) As of December 31, 2013, Mr. Cook holds stock options for an aggregate of 440,000 shares, of which 110,000 shares are vested and exercisable.

(2) As of December 31, 2013, Mr. Drapeau holds stock options for an aggregate of 120,000 shares, of which 30,000 shares are vested and exercisable.

TABLE OF CONTENTS

(3) On June 26, 2013, Mr. Gellert resigned from our board of directors. As of June 26, 2013, Mr. Gellert held stock options for an aggregate of 50,000, of which 6,250 shares were vested and exercisable. Pursuant to the terms of his resignation, vesting will continue until December 31, 2015 as if that was his resignation date, at which time all unvested shares will have vested and will be exercisable pursuant to the standard post-termination exercise terms of the applicable stock option agreements, which will allow the stock options to be exercised for a period of ninety (90) days following December 31, 2015. As of December 31, 2013, Mr. Gellert holds stock options for an aggregate of 50,000 shares, of which 12,500 shares are vested and exercisable.

(4) As of December 31, 2013, Mr. Perry holds stock options for an aggregate of 170,000 shares, of which 42,500 shares are vested and exercisable.

(5) As of December 31, 2013, Mr. Smithyman holds stock options for an aggregate of 50,000 shares, of which 12,500 shares are vested and exercisable.

(6) On June 26, 2013, Ms. Williams resigned from our board of directors. As of June 26, 2013, Ms. Williams held stock options for an aggregate of 150,000, of which 6,250 shares were vested and exercisable. Pursuant to the terms of her resignation, vesting will continue until December 31, 2015 as if that was her resignation date, at which time all unvested shares will have vested and will be exercisable pursuant to the standard post-termination exercise terms of the applicable stock option agreements, which will allow the stock options to be exercised for a period of ninety (90) days following December 31, 2015. As of December 31, 2013, Ms. Williams holds stock options for an aggregate of 150,000 shares, of which 37,500 shares are vested and exercisable.

(7) Mr. Kirk has served as a member of our board of directors since June 2013.

Liability and Indemnification of Directors and Officers

Sections 23B.08.510 and 23B.08.570 of the WBCA authorize Washington corporations to indemnify directors and officers under certain circumstances against expenses and liabilities incurred in legal proceedings in which they are involved by reason of being a director or officer, as applicable. Section 23B.08.560 of the WBCA authorizes a corporation by provision in a bylaw approved by its shareholders to indemnify or agree to indemnify a director made a party to a proceeding, or obligate itself to advance or reimburse expenses incurred in a proceeding, without regard to the limitations imposed by Sections 23B.08.510 through 23B.08.550; provided that no such indemnity shall indemnify any director from or on account of (a) acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law, (b) conduct of the director finally adjudged to be in violation of Section 23B.08.310 of the WBCA (which section relates to unlawful distributions) or (c) any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property or services to which the director was not legally entitled.

Article 11 of the Company s current articles of incorporation, provides that, to the fullest extent that the WBCA permits the limitation or elimination of the liability of a director, a director shall not be liable to the Registrant or its shareholders for monetary damages for conduct as a director. Section 10 of the Company s amended and restated bylaws requires the Company to indemnify every present or former director or officer against expenses, liabilities and losses incurred in connection with serving as a director or officer, as applicable, and to advance expenses of such director or officer incurred in defending any proceeding covered by the indemnity.

Upon reincorporation in Delaware, we intend to adopt provisions in our certificate of incorporation that limit the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under Delaware law. Under Delaware law, our directors have a fiduciary duty to us which will not be eliminated by this provision in our certificate of incorporation. In addition, each of our directors will continue to be subject to liability under Delaware law for breach of the director s duty of loyalty to us for acts or omissions which are found by a court of competent jurisdiction to be not in good faith or which involve intentional misconduct

or knowing violations of law for actions leading to improper personal benefit to the director and for payment of dividends or approval of stock repurchases or redemptions that are prohibited by Delaware law. This provision does not affect the directors responsibilities under any other laws, such as the Federal securities laws. Delaware law further provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liability for the following: (i) any breach of the director s duty of loyalty to us or our stockholders; (ii) acts or

TABLE OF CONTENTS

omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) unlawful payment of dividends or unlawful stock repurchases or redemptions; or (iv) any transaction from which the director derived an improper personal benefit. Additionally, Delaware law provides that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under our bylaws, any agreement, a vote of stockholders or otherwise. Our certificate of incorporation and bylaws, upon reincorporation, will eliminate the personal liability of directors to the maximum extent permitted by Delaware law. In addition, such certificate of incorporation and bylaws will provide that we may fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was one of our directors, officers, employees or other agents, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

The Company maintains a policy of directors and officers liability insurance that insures the directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances. The Company has also entered into indemnification agreements with its executive officers and directors that provide for the indemnification of directors and executive officers to the fullest extent permitted by the WBCA against expenses reasonably incurred by such persons in any threatened, pending or completed action, suit, investigation or proceeding in connection with their service as (i) a director or officer or (ii) as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, at the registrant s request. In addition, the indemnification agreements provide the Company with the obligation to advance expenses under certain circumstances and provide for procedural protections, including a determination by a reviewing party whether the indemnitee is permitted to be indemnified under applicable law. In addition, the Company acknowledges that it will be the indemnitor of first resort should the indemnitee have rights to indemnification provided by other persons. Upon reincorporation in Delaware, the Company intends to enter into substantially similar indemnification agreements with the same persons to indemnify such persons to the fullest extent permitted under the DGCL.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

TABLE OF CONTENTS

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Transactions with Related Persons

The following is a summary of transactions since January 1, 2013 to which we have been a participant in which the amount involved exceeded or will exceed $120,000, and in which any of our then directors, executive officers or holders of more than 5% of any class of our capital stock at the time of such transaction, or any members of their immediate family, had or will have a direct or indirect material interest, other than compensation arrangements which are described under the section of this prospectus titled Executive and Director Compensation.

Sale of Convertible Notes

Since January 1, 2013, we have sold convertible notes to Pendinas Limited in varying principal amounts for an aggregate total of $2,000,000. Additionally, we issued warrants to purchase an aggregate of up to approximately 7.0 million shares of common stock at an exercise price of $0.14 per share. All such convertible notes have been converted as a result of the completion of our private placement of convertible preferred stock, as of July 15, 2013. The following table summarizes sales of such convertible notes to Pendinas Limited, which was a holder of more than 5% of our common stock as of the dates of each such transaction:

Related Party	Date	Principal Amount
Pendinas Limited	February 4, 2013	$ 500,000.00
	March 12, 2013	$ 500,000.00
	April 12, 2013	$ 500,000.00
	May 13, 2013	$ 500,000.00

Sale of Series B Convertible Preferred Stock

In June 2013, we sold an aggregate of 9,357,935 shares of our Series B Convertible Preferred Stock and warrants to purchase an aggregate of 23,394,835 shares of our common stock. Pendinas Limited, a holder of more than 5% of our common stock as of the date of such transaction, converted all of its outstanding convertible notes into 3,225,061 shares of Series B Convertible Preferred Stock and a warrant to purchase 8,062,652 shares of our common stock in the transaction.

In connection with our June 2013 private placement of convertible preferred stock, we paid a placement fee to Griffin Securities, Inc. in the amount of $270,000 in cash and warrants to purchase 4,285,714 shares of common stock at an exercise price of $0.14 per share, and to Phillip Capital Ltd in the amount of $60,000 in cash and warrants to purchase 714,285 shares of common stock at an exercise price of $0.14 per share.

In addition, in connection with the June 2013 private placement, NRM VII Holdings I, LLC purchased 2,142,857 shares of our Series B Convertible Preferred Stock and warrants to purchase an additional 5,357,142 shares of our common stock. NRM VII Holdings I, LLC is controlled by Randal J. Kirk, the father of Julian P. Kirk, a member of our board of directors. Randal J. Kirk is also deemed a holder of more than five percent of the shares of our common stock, as described in the section entitled Principal Stockholders. Phillip Asset Management Ltd also purchased

714,285 shares of our Series B Convertible Preferred Stock and warrants to purchase an additional 1,785,712 shares of our common stock. Phillip Asset Management Ltd holds its shares in its capacity as trustee for Bioscience Managers Pty Ltd. Jeremy Curnock Cook, the chairman of our board of directors, is a Managing Director and holds an ownership interest in Bioscience Managers Pty Ltd.

The shares of common stock post-conversion pursuant to the June private placement of our Series B Convertible Preferred Stock will be entitled to piggyback rights and S-1 and S-3 registration rights. See the section of this prospectus titled Description of Capital Stock Registration Rights for additional information.

TABLE OF CONTENTS

Sale of Common Stock

In December 2013, in connection with a private placement of our common stock, we sold an aggregate of 300,000 shares of our common stock to Baxter F. Phillips III, our Vice President, Corporate Strategy and Business Development, for $0.25 per share, which was the same price paid by the other investors participating in the private placement.

In addition, in connection with the December 2013 private placement, NRM VII Holdings I, LLC and Phillip Asset Management Ltd purchased 20,000,000 shares and 6,000,000 shares, respectively, of our common stock at a price per share of $0.25, which was the same price paid by the other investors participating in the offering. NRM VII Holdings I, LLC is controlled by Randal J. Kirk, the father of Julian P. Kirk, a member of our board of directors. Randal J. Kirk is also deemed a holder of more than five percent of the shares of our common stock, as described in the section entitled Principal Stockholders. Phillip Asset Management Ltd holds its shares in its capacity as trustee for Bioscience Managers Pty Ltd. Jeremy Curnock Cook, the chairman of our board of directors, is a Managing Director and holds an ownership interest in Bioscience Managers Pty Ltd.

The shares of common stock purchased in the December 2013 private placement are entitled to certain registration rights, including the registration of shares for resale pursuant to this prospectus. See the section of this prospectus titled Description of Capital Stock Registration Rights for additional information.

TABLE OF CONTENTS

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of January 10, 2014, for:

each person known by us to beneficially own more than 5% of our outstanding shares of common stock,
each of our directors,
each of our named executive officers, and
all such directors, nominees for director and executive officers as a group.

The percentage of ownership depicted below is based on 271,135,285 shares of common stock outstanding on January 10, 2014, which consists of 182,535,505 shares of common stock outstanding as of January 10, 2014, and 88,599,780 shares of common stock issuable upon conversion of all outstanding shares of Series B Convertible Preferred Stock as of January 10, 2014 (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock).

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or share voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants or pursuant to the conversion of our Series B Convertible Preferred Stock that are either immediately exercisable or convertible or exercisable or convertible within 60 days of January 10, 2014. Shares underlying such options, warrants and Series B Convertible Preferred Stock, however, are only considered outstanding for the purpose of computing the percentage ownership of that person and are not considered outstanding when computing the percentage ownership of any other person.

Name of Beneficial Owner[1]	Shares Beneficially Owned	Percentage Total Voting Power
5% Stockholders		
Anthony M. Smithyman	26,679,305[2]	9.84 %
Randal J. Kirk	70,785,712[3]	25.60 %
RA Capital Management, LLC	21,428,570[4]	7.75 %
Pendinas Limited	47,343,649[5]	16.54 %
Broadfin Healthcare Master Fund, Ltd	14,000,000	5.16 %
Phillip Asset Management Ltd	14,928,562[6]	5.47 %
Named Executive Officers and Directors		
Philip J. Young	7,777,334 [7]	2.79 %
Kelley A. Wendt	156,250 [8]	*
David Harper, Ph.D.	1,204,352 [9]	*
Jeremy Curnock Cook	300,500 [10]	*
Louis Drapeau	37,500 [11]	*
Michael S. Perry, Ph.D.	166,125 [12]	*
Anthony M. Smithyman	26,679,305[2]	9.84 %
Julian P. Kirk	0	*
Baxter F. Phillips III	300,000 [13]	*
All officers and directors as a group (9 persons)	36,321,366	13.43 %

* Less than 1%.

(1) Unless otherwise indicated, the address of such stockholder is c/o AmpliPhi Biosciences Corporation, 4870 Sadler Road, Suite 300, Glen Allen, VA 23060.

(2) Includes 12,000,000 shares of common stock held in escrow pending fulfillment of certain contractual terms of the SPH acquisition and options to purchase 15,625 shares of common stock.

TABLE OF CONTENTS

(3) Consists of 46,785,712 shares held by NRM VII Holdings I, LLC, which we refer to as NRM VII Holdings (20,000,000 shares of common stock, 21,428,570 shares of common stock issuable upon conversion of Series B Convertible Preferred Stock (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock) and 5,357,142 shares of common stock issuable upon exercise of warrants) and 24,000,000 shares held by Intrexon Corporation. Randal J. Kirk controls NRM VII Holdings. Shares held by this entity may be deemed to be indirectly beneficially owned (as defined under Rule 13d-3 promulgated under the Exchange Act) by Mr. Kirk. Mr. Kirk disclaims beneficial ownership of such shares, except to the extent of any pecuniary interest therein. Randal J. Kirk, directly and through certain affiliates, has voting and dispositive power over a majority of the outstanding capital stock of Intrexon Corporation. Mr. Kirk may therefore be deemed to have voting and dispositive power over the shares of the issuer owned by Intrexon Corporation. Shares held by Intrexon Corporation may be deemed to be indirectly beneficially owned (as defined under Rule 13d-3 promulgated under the Exchange Act) by Mr. Kirk. Mr. Kirk disclaims beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

(4) Consists of an aggregate of 21,428,570 of common stock issuable upon conversion of Series B Convertible Preferred Stock (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock) and an aggregate of 5,357,142 shares of common stock issuable upon the exercise of warrants, held by two of its funds, RA Capital Healthcare Fund, LP and Blackwell Partners, LLC. The address of such stockholder is 20 Park Plaza, Suite 1200, Boston, MA 02116.

(5) Consists of 32,250,610 shares of common stock issuable upon conversion of Series B Convertible Preferred Stock and 15,093,039 shares of common stock issuable upon exercise of warrants. The address of such stockholder is Ballacarrick, Pooilvaaish Road, Isle of Man, IM9 4PJ.

(6) Phillip Asset Management Ltd holds all shares in its capacity as trustee for Bioscience Managers Pty Ltd. Jeremy Curnock Cook, the Chairman of the Company s Board of Directors, is a Managing Director and holds an ownership interest in Bioscience Managers Pty Ltd.

(7) Consists of options to purchase 7,777,334 shares of common stock.

(8) Consists of options to purchase 156,250 shares of common stock.

(9) Includes options to purchase 375,000 shares of common stock.

(10) Includes options to purchase 235,500 shares of common stock.

(11) Consists of options to purchase 37,500 shares of common stock.

(12) Includes options to purchase 121,125 shares of common stock.

(13) Consists of 300,000 shares of common stock purchased by Mr. Phillips in the December 2013 private placement.

TABLE OF CONTENTS

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock, certain provisions of our articles of incorporation and bylaws as currently in effect and our intended certificate of incorporation and bylaws upon our reincorporation in Delaware, and certain provisions of Washington and Delaware law are summaries. You should also refer to the current articles of incorporation and the bylaws, which are filed as exhibits to this registration statement. We refer in this section to our certificate of incorporation and bylaws that we intend to adopt upon Delaware reincorporation as our certificate of incorporation and bylaws, respectively.

General

Prior to our reincorporation in Delaware, our articles of incorporation authorize us to issue up to 445,000,000 shares of common stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 par value per share, of which 180,000 shares of preferred stock are designated Series A Participating Cumulative Preferred Stock, 9,357,935 shares of preferred stock are designated Series B Convertible Preferred Stock and 462,065 shares of preferred stock are undesignated. After our reincorporation in Delaware, and without giving effect to the reverse stock split we intend to effect with stockholder approval in connection with such reincorporation, our certificate of incorporation will authorize us to issue up to 445,000,000 shares of common stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 par value per share, of which 9,357,935 shares of preferred stock will be designated Series B Convertible Preferred Stock and 642,065 shares of preferred stock will be undesignated.

Our board of directors may establish the rights and preferences of the preferred stock from time to time, both before and after our reincorporation in Delaware.

Common Stock

Voting Rights

As of January 10, 2014, there were 182,535,505 shares of common stock issued and outstanding. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of the stockholders, including the election of directors. Our amended and restated articles of incorporation and amended and restated bylaws do not provide for cumulative voting rights.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that are outstanding or that we may designate and issue in the future. All of our outstanding shares of common stock are fully paid and nonassessable.

Common Stock Held in Escrow

In October 2012, the Company announced the acquisition of SPH and its wholly owned subsidiary Special Phage Services Pty Ltd, and the consideration for such acquisition was paid in shares of our common stock. As a condition of the acquisition, 20,000,000 shares of such common stock were held in escrow, with 8,000,000 to satisfy potential warranty claims on behalf of the Company under the acquisition documents and

TABLE OF CONTENTS

the remaining 12,000,000 shares to be held pending completion of certain milestones. In November 2013, twelve months following the closing, 8,000,000 of the shares then held in escrow were released, with 12,000,000 shares remaining in escrow. Some or all of such 12,000,000 shares of common stock may, in the future, depending on certain circumstances, be returned to the Company as treasury stock.

Preferred Stock

As of January 10, 2014, there were 8,859,978 shares of Series B Convertible Preferred Stock outstanding.

Prior to our reincorporation in Delaware, our board of directors will have the authority, without further action by our stockholders, to issue up to 462,065 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding. After our reincorporation in Delaware, our board of directors will possess identical authority, except the number of shares of preferred stock authorized for issuance will equal up to 642,065 (without giving effect to the reverse stock split we intend to effect, with stockholder approval, after the reincorporation).

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of us and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights attached to that preferred stock.

There currently are no other provisions under our amended and restated articles of incorporation (nor will there be under our Delaware certificate of incorporation after reincorporation) or under any other contractual obligations whereby we are authorized or required to issue or sell shares of preferred stock and we have no present plans to issue any shares of preferred stock.

Series A Participating Cumulative Preferred Stock

The Company s current amended and restated articles of incorporation grant the board of directors authority to issue shares of Series A Participating Cumulative Preferred Stock upon the exercise of certain rights by certain stockholders pursuant to a Rights Agreement, dated October 17, 1996, between the Company and ChaseMellon Shareholder Services, as Rights Agent, as amended, which we refer to as the Rights Agreement. The Rights Agreement and all rights thereunder expired in October, 2006 and the Company currently has no plans to reauthorize or extend the effective term of any rights under the Rights Agreement or enter into a new rights agreement providing the same or similar rights to stockholders. Upon our reincorporation in Delaware, no shares of Series A Participating Cumulative Preferred Stock will be authorized.

Series B Convertible Preferred Stock

Shares of our Series B Convertible Preferred Stock are subject to automatic conversion into common stock upon the completion of an underwritten public offering with aggregate offering proceeds to the Company of at least $7 million dollars (after reduction for underwriting discounts and commissions) and a price per share to the public of at least the purchase price of the shares of Series B Convertible Preferred Stock (subject to adjustment in the event of any stock dividend, stock split, stock distribution or combination with respect to such shares) upon the closing of which the shares of common stock of the company shall be listed for trading on the national securities exchanges operated by the New York Stock Exchange or NASDAQ Stock Market, or (ii) at the election of the holders of two-thirds of the then outstanding shares of Series B Convertible Preferred Stock. The shares of Series B Convertible Preferred Stock are also subject to voluntary

TABLE OF CONTENTS

conversion by the holders thereof at any time. The number of shares of our common stock to be issued upon the conversion of all outstanding shares of our Series B Convertible Preferred Stock depends on the closing date of our initial public offering that triggers conversion, or the date of election by individual holders or holders of at least two-thirds of the then outstanding shares of Series B Convertible Preferred Stock.

The terms of our Series B Convertible Preferred Stock provide that the shares of Series B Convertible Preferred Stock accrue dividends at the rate of 10% per year, which results in additional shares of our common stock being issuable upon conversion of our Series B Convertible Preferred Stock as such dividends accrue. Subsequent to June 30, 2013, 1,156,102, shares of Series B Convertible Preferred Stock were converted into shares of common stock. As of January 10, 2014, the outstanding shares of our Series B Convertible Preferred Stock would convert into an aggregate of 88,599,780 shares of our common stock (assuming a conversion ratio of 10 shares of common stock for each share of Series B Convertible Preferred Stock).

Prior to the mandatory conversion of the Series B Convertible Preferred Stock, if the Company issues any shares of common stock for consideration per share of less than the conversion price then in effect for the Series B Convertible Preferred Stock, the conversion rate for the Series B Convertible Preferred Stock shall be adjusted to a new rate that equals the product of:

the conversion rate in effect immediately before such issuance, multiplied by
a fraction, the numerator of which is the Series B Stated Value (as defined in the Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock), and the denominator of which is the consideration per share received in such issue multiplied by the conversion rate in effect immediately before such issuance.

Except for matters requiring the separate approval of the holders of the Series B Convertible Preferred Stock, the holders of the Series B Convertible Preferred Stock are entitled to that number of votes equal to the number of shares of the common stock into which the Series B Convertible Preferred Stock may be converted as of the date such vote is held. Approval of the holders of at least two-thirds of the then outstanding shares of Series B Convertible Preferred Stock is required to:

authorize, create or issue (by reclassification or otherwise) any other class or series of capital stock having rights, preferences or privileges senior to or in parity with the Series B Convertible Preferred Stock; and
alter or change the rights, preferences or privileges of the Series B Convertible Preferred Stock, or increase or decrease the authorized or issued and outstanding number of shares of Series B Convertible Preferred Stock.

The holders of the Series B Convertible Preferred Stock are also entitled to preferential payments upon a liquidation event that occurs prior to the mandatory conversion of the Series B Convertible Preferred Stock. In the case of any Liquidation Event (as defined in the Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock), the holders of the Series B Convertible Preferred Stock then outstanding shall be entitled to receive and to be paid out of the assets or surplus funds available for distribution to our shareholders, prior to and in preference to any payments to be made to the holders of the shares of common stock, an amount per share equal to the greater of:

(i) the sum of (A) the Series B Stated Value then in effect plus (B) all accrued but unpaid dividends through the Liquidation Event plus (C) after the distribution contemplated by (A) and (B) above and assuming a distribution to the holders of shares of common stock in proportion to the shares of common stock held or that the holder has the right to acquire upon conversion of the Series B Convertible Preferred Stock, such additional aggregate amount that would be distributable with respect to the aggregate number of shares of common stock issuable upon conversion of such shares of Series B Convertible Preferred Stock, assuming conversion of all shares of Series B Convertible Preferred Stock; and

(ii)

assuming a distribution to the holders of shares of common stock in proportion to the shares of common stock held or that the holder has the right to acquire upon conversion of the Series B

85

TABLE OF CONTENTS

Convertible Preferred Stock, the aggregate amount that would be distributable with respect to the aggregate number of shares of common stock issuable upon conversion of such shares of Series B Convertible Preferred Stock, assuming conversion of all shares of Series B Convertible Preferred Stock.

For purposes of clause (i) above only, the holders of Series B Convertible Preferred Stock shall be entitled to receive remaining assets and funds of the Company of an aggregate value below or equal to, but not to exceed, the aggregate of two times the Series B Stated Value at the time of such Liquidation Event.

Warrants

As of January 10, 2014, there were outstanding warrants to purchase the following shares of our capital stock:

Description	# of shares subject to such Warrants	Weighted-average exercise price of such Warrants
Common Stock	42,746,165	$ 0.16

In December 2011, as compensation for certain services provided in connection with our acquisition of Biocontrol, we issued warrants to purchase an aggregate of 1,355,164 shares of our common stock with an initial exercise price of $0.46 per share. These warrants were issued to Rodman & Renshaw LLC and its affiliate, Edward Cappabianca. Rodman & Renshaw LLC subsequently assigned its ownership interest in its warrants (exercisable for 1,016,373 shares of our common stock) to OTA, LLC. All of the warrants held by Edward Cappabianca and OTA, LLC expire in December 2016.

In February through May 2013, we issued warrants to purchase 7,030,387 shares of common stock at an exercise price of $0.14 per share in connection with the issuance of convertible notes.

In June 2013, we issued warrants to purchase an aggregate of up to approximately 12.5 million shares of common stock at an exercise price of $0.14 per share in connection with the private placement of our Series B Convertible Preferred Stock. In connection with the financing, we issued warrants to purchase approximately 12.5 million shares of common stock at an exercise price of $0.14 per share to holders of our convertible notes that were converted in the financing.

In connection with our June 2013 private placement of convertible preferred stock, we paid a placement fee to Griffin Securities, Inc. in the amount of $270,000 in cash and warrants to purchase 4,285,714 shares of common stock at an exercise price of $0.14 per share and to Phillip Capital Ltd in the amount of $60,000 in cash and warrants to purchase 714,285 shares of common stock at an exercise price of $0.14 per share.

In connection with our December 2013 private placement of common stock, we paid a placement fee to Roth Capital Partners and Griffin Securities, Inc., consisting in the aggregate of $1,080,045 in cash and warrants to purchase 4,320,180 shares of common stock.

Options

As of September 30, 2013, there were 25,062,677 shares of common stock subject to outstanding options.

Anti-Takeover Provisions

Provisions in our current articles of incorporation and bylaws and under Washington law and our intended certificate of incorporation and bylaws (upon reincorporation in Delaware) under Delaware law may delay or prevent an acquisition of us or a change in our management. These provisions include a classified board of directors, a prohibition on shareholder actions by less than unanimous written consent, and a requirement for the vote of shareholders holding at least two-thirds of all shares of our issued and outstanding capital stock to approve certain changes to our articles of incorporation or any business combination, such as a merger or a share exchange with another company. In addition, because we are incorporated in Washington, we are governed by the provisions of Chapter 23B.19 of the WBCA, which, among other things, restricts the ability of shareholders owning ten percent (10%) or more of our outstanding voting stock from merging or combining with us. In addition, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it difficult for shareholders to replace members of our

TABLE OF CONTENTS

board of directors, which is responsible for appointing the members of our management. Also, because we are reincorporating in Delaware, we will then be governed by the provisions of Section 203 of the DGCL. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us.

Registration Rights

Holders of warrants to purchase an aggregate of 1,355,164 shares of our common stock at an exercise price of $0.46 per share are entitled to certain registration rights with respect to such shares and have elected to exercise such rights in connection with this registration statement. In addition, the shares of common stock issued in connection with the ECC with Intrexon, the shares of common stock issuable in connection with the June private placement of our Series B Convertible Preferred Stock (upon conversion of Series B Convertible Preferred Stock and/or exercise of warrants) and the shares of common stock to be issued in connection with the December 2013 private placement of our common stock are entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are collectively referred to herein as registrable securities. The holders of these registrable securities possess registration rights pursuant to their respective executed agreements and as described in additional detail below.

Piggyback Registration Rights

If we propose to register any of our securities under the Securities Act either for our own account or, in the case of the warrants described above, for the account of other stockholders, the holders of our registrable securities then outstanding will each be entitled to notice of the registration and will be entitled to include their shares of common stock in any such registration statement. These piggyback registration rights are subject to specified conditions and limitations, including, in the case of an underwritten offering, the right of the underwriters to limit the number of shares included in any such registration under specified circumstances.

Demand Registration Rights

From the date that is 180 days after the effective date of the registration statement relating to our initial public offering, holders of at least 50% of our registrable shares from the June private placement of our Series B Convertible Preferred Stock are entitled to request to have such shares registered by us on a Form S-1 registration statement. As of January 10, 2014, approximately 125,200,996 shares of common stock held by those holders post-conversion (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock and the exercise of all warrants issued in connection with the June private placement) will be entitled to these Form S-1 registration rights.

At any time we are eligible to use a Form S-3 registration statement, holders of at least 30% of our registrable securities from the June private placement of our Series B Convertible Preferred Stock are entitled to request to have such shares registered by us on a Form S-3 registration statement. As of January 10, 2014, approximately 125,200,996 shares of common stock held by those holders post-conversion (assuming a conversion ratio equal to ten (10) common shares for each share of Series B Convertible Preferred Stock and the exercise of all warrants issued in connection with the June private placement) will be entitled to these Form S-3 registration rights.

Resale Registration Statement

Pursuant to the Registration Rights Agreement, dated December 16, 2013, by and between the Company and the

purchasers of shares in the December 2013 private placement, the Company agreed to file, within 30 days of the closing of the private placement, a registration statement on Form S-1 covering the resale of the shares purchased in the private placement. The Company would be liable for certain liquidated damages in the event the registration statement is not filed by, or declared or kept effective during, the time periods specified in the Registration Rights Agreement. The Company is filing this registration statement in satisfaction of this obligation.

Expenses of Registration

We will pay all expenses relating to any piggyback or Form S-1 or S-3 registration, other than underwriting discounts and commissions, subject to specified conditions and limitations.

TABLE OF CONTENTS

Transfer Agent

Our shares of common stock are issued in certificated form. The transfer agent and registrar for our common stock is Computershare. The transfer agent s address is 250 Royall Street, Canton, MA 02021.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the effectiveness of the registration statement, there will be 73,362,164 outstanding common shares registered for resale by the Selling Stockholders in accordance with the Securities Act of 1933.

Prior to this registration statement, no public trading market has existed for shares of our common stock other than it being quoted on the Pink Sheets. The sale or availability for sale, of substantial amounts of common stock in the public trading market could adversely affect the market prices for our common stock. See Risk Factors Risks Related to This Offering and to Our Common Stock.

LEGAL MATTERS

The validity of the common stock being offered hereby will be passed upon for us by Morrison & Foerster LLP, Washington, DC.

EXPERTS

PBMares, LLP, an independent registered public accounting firm, has audited our consolidated financial statements for the fiscal years ended December 31, 2011 and December 31, 2012, as stated in their report appearing herein, and such audited consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-1, including exhibits, under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus does not contain all the information contained in the registration statement and the exhibits filed as part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits filed as part of the registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copies of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

When this registration statement becomes effective, we will begin to file annual, quarterly and current reports, proxy statements, information statements and other information with the SEC. You may read and copy this information, for a copying fee, 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 more information on its Public Reference Room. Our SEC filings will also be available to the public from commercial document retrieval services, and at the website maintained by the SEC at *http://www.sec.gov.*

Our Internet website address is *http://www.ampliphibio.com.* Information contained on the website does not constitute part of this registration statement. When this registration statement is effective, we will make available, through a link to the SEC s website, electronic copies of the materials it files with the SEC (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, the Section 16 reports filed by executive officers, directors and 10% shareholders and amendments to those reports).

The representations, warranties and covenants made by us in any agreement that is filed as an exhibit to the registration statement of which this prospectus is a part 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 made as of an earlier date. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

TABLE OF CONTENTS

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that they have gathered their information from sources they believe to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that these industry publications and third-party research, surveys and studies are reliable, we have not independently verified such data.

TABLE OF CONTENTS

AMPLIPHI BIOSCIENCES CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Balance Sheets

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$4,859,000	$862,000
Accounts receivable	11,000	23,000
Tax refund	136,000	618,000
Prepaid expenses and other current assets	302,000	148,000
Total current assets	5,308,000	1,651,000
Property and equipment, net of accumulated depreciation of $364,000 and $294,000 as of September 30, 2013 and December 31, 2012, respectively	169,000	138,000
Goodwill	17,567,000	17,567,000
Total assets	$23,044,000	$19,356,000
Liabilities and stockholders equity		
Current liabilities		
Accounts payable and accrued expenses	$1,492,000	$1,937,000
Convertible loan notes and accrued interest expense	331,000	4,113,000
Total liabilities	1,823,000	6,050,000
Stockholders equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; 8,883,205 shares issued and outstanding at September 30, 2013	89,000	
Preferred stock, $0.01 par value Additional paid-in capital	13,118,000	
Common stock, $0.01 par value, 445,000,000 shares authorized, 102,235,274 shares issued and outstanding at September 30, 2013 and 66,908,810 shares issued and outstanding at December 31, 2012	1,022,000	669,000
Common stock, $0.01 par value Additional paid-in capital	333,673,000	329,707,000
Paid-in-capital Contingent shares	3,400,000	3,400,000
Accumulated other comprehensive loss	(81,000)	(106,000)
Accumulated deficit	(330,000,000)	(320,364,000)
Total stockholders equity	21,221,000	13,306,000
Total liabilities and stockholders equity	$23,044,000	$19,356,000

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Operations and Comprehensive Gain (Loss)

	Nine Months Ended September 30,		Year Ended December 31,
	2013 (Unaudited)	2012 (Unaudited)	2012
Revenue	$333,000	$3,797,000	$3,814,000
Operating expenses			
Research and development	5,379,000	919,000	1,480,000
General and administrative	4,027,000	2,292,000	3,177,000
Total operating expenses	9,406,000	3,211,000	4,657,000
Income (loss) from operations	(9,073,000)	586,000	(843,000)
Tax refund			133,000
Loss on disposal of assets			(30,000)
Interest and dividend expense	(563,000)	(247,000)	(339,000)
Net income (loss)	$(9,636,000)	$339,000	$(1,079,000)
Net income (loss) per share basic	$(0.11)	$0.01	$(0.02)
Net income (loss) per share diluted	$(0.06)	$0.01	$(0.02)
Weighted average number of shares of common stock outstanding basic	85,688,356	44,908,810	48,034,493
Weighted average number of shares of common stock outstanding diluted	155,696,256	46,600,442	52,404,599
Other comprehensive loss			
Net unrealized gain (loss) on foreign currency translations	25,000	(44,000)	(14,000)
Comprehensive gain (loss)	$(9,611,000)	$295,000	$(1,093,000)

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Stockholders Equity (Deficit)

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Cash Flows

	Nine Months Ended September 30,		Year Ended December 31,
	2013 (Unaudited)	2012 (Unaudited)	2012
Cash flows from operating activities			
Net income (loss)	$(9,636,000)	$339,000	$(1,079,000)
Adjustments required to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Intrexon fee paid in shares	3,000,000		
Depreciation	70,000	40,000	60,000
Loss on sale/disposal of fixed assets			30,000
Accrued expense adjustment	100,000		
Stock-based compensation	1,206,000		9,000
Changes in operating assets and liabilities net of acquisitions:			
Accounts receivable	12,000	104,000	99,000
Tax refund	482,000	(219,000)	(133,000)
Accounts payable and accrued expenses	(445,000)	(171,000)	(458,000)
Prepaid expenses and other assets	(154,000)	19,000	2,000
Preferred dividends	331,000		
Interest on loan notes	227,000	247,000	339,000
Net cash provided by (used in) operating activities	(4,807,000)	359,000	(1,131,000)
Cash flows from investing activities			
Purchases of property and equipment	(101,000)	(41,000)	(53,000)
Net cash used in investing activities	(101,000)	(41,000)	(53,000)
Cash flows from financing activities			
Conversion of loan notes to preferred shares	(5,809,000)		
Conversion of loan note interest to preferred shares	(507,000)		
Payment of convertible loan note	(24,000)		
Issuance of Series B Convertible Preferred Stock for loan note	6,220,000		
Proceeds from issuance of Series B Convertible Preferred Stock	7,000,000		
Proceeds from issuance of convertible loan notes	2,000,000	950,000	950,000
Net cash provided by financing activities	8,880,000	950,000	950,000
Effect of exchange rates on cash and cash equivalents	25,000	(44,000)	
Net increase (decrease) in cash and cash equivalents	3,997,000	1,224,000	(234,000)
Cash and cash equivalents, beginning of period	862,000	1,096,000	1,096,000
Cash and cash equivalents, end of period	$4,859,000	$2,320,000	$862,000

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements
Nine Months Ended September 30, 2013 (Unaudited)

1. Nature of Business and Significant Accounting Policies

Nature of Business

AmpliPhi Biosciences Corporation (the Company) was incorporated in the state of Washington in 1989 under the name Targeted Genetics Corporation. In February 2011, Targeted Genetics Corporation changed its name to AmpliPhi Biosciences Corporation. The Company, headquartered in Richmond, Virginia, is dedicated to developing novel antibacterial solutions called bacteriophage (phage). Phages are naturally occurring viruses that preferentially target and kill their bacterial targets.

Basis of Presentation

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Biocontrol and AmpliPhi Australia. All significant intercompany accounts and transactions have been eliminated. All numbers on the financial statements and disclosures have been rounded to the nearest 1,000 except share and per share data.

The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC. In the opinion of the Company s management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations for the nine months ended September 30, 2013 and 2012, our cash flows for the nine months ended September 30, 2013 and 2012 and our financial position as of September 30, 2013 have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or omitted from these interim consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the 2012 audited consolidated financial statements and notes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash equivalents to be short-term investments that have a maturity at the time of purchase of three months or less, are readily convertible into cash and have an insignificant level of valuation risk attributable to potential changes in interest rates. Cash equivalents are recorded at cost, which approximates fair market value, and consist primarily of money market accounts.

Restricted Cash

The Company maintains a cash account for the payment of employee wages through HR Novations.

Accounts Receivable

Accounts receivable amounts are stated at their face amounts less any allowance. Provisions for doubtful accounts are estimated based on assessment of the probable collection from specific customer accounts and other known factors. If an account was determined to be uncollectible (payment has not been made in accordance with contract terms), it would be written off against the allowance. As of September 30, 2013 and December 31, 2012, management determined no allowance for doubtful accounts was required.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements
Nine Months Ended September 30, 2013 (Unaudited)

1. Nature of Business and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to seven years.

Prepaid Expenses and Other Current Assets

Prepaid and other current assets as of September 30, 2013 and December 31, 2012 consist primarily of prepaid insurance and deposits.

Goodwill

Costs of investments in purchased companies in excess of the underlying fair value of net assets at the date of acquisition are recorded as goodwill and assessed annually for impairment. If considered impaired, goodwill will be written down to fair value and a corresponding impairment loss recognized.

During the year ended December 31, 2012, the rights to SPH Holdings Pty Ltd s know-how and phage libraries were acquired by the business combination described in Note 3 for $6,800,000. At December 31, 2012, goodwill in the amount of $7,841,000 has been recorded for these patents as SPH Holdings Pty Ltd s had a negative stockholders equity balance of approximately $800,000 at the time of the transaction. In management s opinion, no goodwill has been impaired as of September 30, 2013 and December 31, 2012.

During the year ended December 31, 2011, the rights to Biocontrol Limited s patents and phage libraries were acquired by the business combination described in Note 3 for $8,584,000. At December 31, 2011, goodwill in the amount of $9,726,000 has been recorded for these patents as Biocontrol had a negative stockholders equity balance of approximately $3.5 million at the time of the transaction. In management s opinion, no goodwill has been impaired as of September 30, 2013 and December 31, 2012.

Stock-Based Compensation

The Company accounts for stock-based payments under the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718-10, *Stock Compensation*, which requires measurement of compensation cost for all share-based payment awards at fair value on the date of grant and recognition of compensation cost over the requisite service period (typically the vesting period) for awards expected to vest.

Revenue Recognition

The Company generates revenue from technology licenses, collaborative research arrangements and agreements to provide research and development services. Revenue under technology licenses typically consists of nonrefundable, up-front license fees, technology access fees and various other payments. The Company recognizes revenue associated with performance milestones as earned, typically based upon the achievement of the specific milestones defined in the applicable agreements.

The Company recognizes revenue under research and development contracts as the related costs are incurred. When contracts include multiple elements, the Company follows ASC 605-25, *Multiple Element Arrangements*, which requires the Company to satisfy the following before revenue can be recognized:

The delivered items have value to the customer on a stand-alone basis;
Any undelivered items have objective and reliable evidence of fair value; and
Delivery or performance is probable and within the Company s control for any delivered items that have a right of return.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Nine Months Ended September 30, 2013 (Unaudited)

1. Nature of Business and Significant Accounting Policies (continued)

The Company classifies advance payments received in excess of amounts earned as deferred revenue.

Based upon the terms specified in its collaboration agreements, the Company receives advance payments from some of its collaboration partners before the project has been performed. These payments are deferred and recognized as revenue when the costs are incurred.

Research and Development Costs

Research and development costs include salaries, costs of outside collaborators and outside services, royalty and license costs and allocated facility, occupancy and utility expenses. The Company expenses research and development costs as incurred.

Recent Accounting Pronouncements

On February 5, 2013, the FASB issued ASU no. 2013-02 which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. For public entities, the new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2013, and interim and annual periods thereafter. The Company elected to early adopt this standard which did not result in any changes to the consolidated financial statements.

2. Liquidity

The Company has prepared the accompanying consolidated financial statements on a going concern basis, which assumes that the Company will realize its assets and satisfy its liabilities in the normal course of business. However, the Company has incurred net losses since its inception, has negative operating cash flows and has an accumulated deficit of $330 million and $320.4 million as of September 30, 2013 and December 31, 2012, respectively. These circumstances raise substantial doubt about the Company s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of the uncertainty concerning the Company s ability to continue as a going concern.

The Company believes that its current resources will only be sufficient to fund operations into the first quarter of 2014. This estimate is based on the Company s ability to manage its staffing expenses and its working capital and actual results could differ from its estimates. The Company is seeking additional financing in order to fund operations through 2014; however, the Company cannot provide assurances that it will be successful in obtaining additional financing for these periods or as needed in the future. If the Company does not raise additional funds by the first quarter of 2014, it plans to implement cost reduction measures, such as a reduction in workforce, reducing its intellectual property prosecution, reducing other operating activities, and/or the pursuit of alternative financing transactions that would likely be on terms disadvantageous to the Company and dilutive to its shareholders. The Company could also be required to relinquish rights to its technology or product candidates or in-licensed technology on unfavorable terms, either of which would reduce the ultimate value of the technology or product candidates, or to sell assets likely at values significantly below their potential worth. If the Company is unable to secure additional capital, it may be required to cease operations, declare bankruptcy or otherwise wind up its business.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Nine Months Ended September 30, 2013 (Unaudited)

3. Business Combinations

On November 9, 2012, the Company acquired Australia-based Special Phage Services (SPS). The combination of the two companies results in the creation of a leading anti-infective company focused on developing phage-based therapies to combat the growing threat of antibiotic-resistant infection. In a share exchange transaction, AmpliPhi Australia Pty Limited, a wholly owned subsidiary of US-based AmpliPhi, acquired Sydney-based SPH, the holding company of SPS. Under the terms of the acquisition the Company offered 40 million shares of its common stock in exchange for 100% of the fully diluted share capital of SPH. 20 million shares are held in escrow, 8 million to satisfy potential warranty claims under the transaction documents and the remaining 12 million shares are held pending completion of certain milestones. As part of this transaction, the Company acquired $260,000 in assets to include a $221,000 receivable for an Australian research and development tax refund, $37,000 in equipment, and $2,000 in cash. The Company also assumed liabilities of $613,000.

On January 6, 2011, the Company acquired Biocontrol, a clinical development stage biotechnology company in the United Kingdom (the Acquisition). Biocontrol was formed in 1997 to develop bacteriophage-based therapeutics. The Acquisition allows the Company to extend its product reach into bacteriophage-based products. The Company acquired 100% of the voting stock of Biocontrol and issued 22,817,198 shares of its common stock to the Biocontrol shareholders with a total fair value of approximately $8.6 million as of January 6, 2011. The Acquisition was made through an acquisition subsidiary, which has continued post-Acquisition as Biocontrol.

4. Collaborative and Other Agreements

In June 2013, the Company entered into a Collaborative Research and Development Agreement (CRADA) with the United States Army Medical Research and Materiel Command (USAMRMC) and the Walter Reed Army Institute of Research (WRAIR). The CRADA will focus on developing and commercializing bacteriophage therapeutics to treat *S. aureus*, *E. coli* and *P. aeruginosa* infections.

In March 2013, the Company entered into an Exclusive Channel Collaboration Agreement with Intrexon Corporation. This agreement allows the Company to utilize Intrexon s synthetic biology platform for the identification, development and production of bacteriophage-containing human therapeutics. The Company paid a one-time technology access fee to Intrexon of $3,000,000 in common stock. The Company shall pay Intrexon, in cash or stock, milestone fees for the initiation of a Phase 2 trial of $2,500,000 upon commencement of the first Phase 2 trial and $5,000,000 upon the first regulatory approval of any product in any major market country. With regard to each product sold by the Company, the Company will pay, in cash, tiered royalties on a quarterly basis based on net sales of AmpliPhil Products, calculated on a product-by-product basis.

In June 2012, the Company sold all of its assets used in its gene therapy business including process development, quality control, quality assurance, manufacturing and bioanalytical functions for $3.0 million. In addition to this cash

consideration, the Company may receive a long-term royalty of 1.75% on certain product sales. This royalty may be completely canceled at any time by a one-time payment of $1.75 million.

5. Preferred Shares

On June 13, 2013, the Company s Board of Directors approved a resolution designating 9,357,935 shares of Preferred Stock as Series B Convertible Preferred Stock with an initial stated value of $1.40 and par value of $0.01. Each Series B preferred share is convertible into 10 shares of common stock and is entitled to the number of votes equal to the number of shares of common stock. These Series B shares may be converted to common stock by the holder of the shares at any time. The Series B shares shall be automatically converted into common shares upon the closing of an underwritten initial public offering with aggregate proceeds to the Company of at least $7 million and a price per share to the public of at least the Series B stated value upon the closing of which the shares of common stock of the Company shall be listed for trading on the New York

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Nine Months Ended September 30, 2013 (Unaudited)

5. Preferred Shares (continued)

Stock Exchange. Until conversion, the holders of Series B Preferred shares shall be entitled to receive dividends of 10% of the Series B stated value per annum.

On June 26, 2013, the Company issued 4,999,999 shares of the Company s newly-created Series B Convertible Preferred Stock and warrants to purchase 12,499,996 shares of common stock at an exercise price of $0.14 per share for an aggregate purchase price of $6,999,998. As part of the same transaction, the Company converted $5,491,001 in outstanding convertible loan notes into 4,357,936 shares of Series B Convertible Preferred Stock and warrants to purchase 10,894,839 shares of common stock at an exercise price of $0.14 per share. On July 15, 2013, the remaining outstanding convertible loan notes, totaling $829,277, were converted into 658,145 shares of Series B Convertible Preferred Stock and warrants to purchase 1,645,361 shares of common stock at an exercise price of $0.14 per share. As a result of this financing, all outstanding convertible notes were converted into shares of Series B Convertible Preferred Stock and warrants to purchase common stock.

6. Convertible Loan Notes

On February 1, 2013, the Company s Board of Directors approved the issuance of new convertible promissory notes in an aggregate principal amount not to exceed $7,500,000, together with warrants to purchase shares of common stock of the Company. Interest on the unpaid principal balance of these notes shall accrue from the investment date at the rate of ten percent (10%) per annum. The warrants have the right to purchase the number of shares of the Company s common stock equal to twenty five percent (25%) of the principal amount of such holder s note divided by $0.14. The company issued $2,000,000 in new convertible loan notes from February through May 2013, converted $1,900,000 of previous convertible loan notes and accrued interest into this new security, and issued warrants for 7,030,387 share of common stock. $229,000 of interest expense was accrued for all convertible loan notes held through September 30, 2013.

As a result of the private placement of Series B Convertible Preferred Stock that consisted of two closings, occurring on June 26, 2013 and July 15, 2013, respectively, all outstanding convertible notes were converted into shares of Series B Convertible Preferred Stock and warrants to purchase shares of common stock at an exercise price of $0.14 per share. On June 26, 2013, as part of the first closing, the Company converted $5,491,001 in outstanding convertible loan notes into 4,357,936 shares of Series B Convertible Preferred Stock and warrants to purchase 10,894,839 shares of common stock at an exercise price of $0.14 per share. On July 15, 2013, the remaining outstanding convertible loan notes, totaling $829,277, were converted into 658,145 shares of Series B Convertible Preferred Stock and warrants to purchase 1,645,361 shares of common stock at an exercise price of $0.14 per share.

7. Stock Options and Warrants

In connection with the private placement of Series B Convertible Preferred Stock, which occurred through two closings on June 26, 2013 and July 15, 2013, respectively, the Company issued an aggregate of warrants to purchase 30,040,194 shares of common stock at an exercise price of $0.14 per share. These warrants expire June 2018.

From February through May 2013, in connection with the issuance of new convertible promissory notes, the Company issued warrants to purchase up to 7,030,387 shares of its common stock. These warrants expire February through May 2018 and are exercisable at a price of $0.14 per share.

On December 22, 2011, in connection with the Biocontrol business combination, the Company issued warrants to purchase up to 1,355,164 shares of its common stock. These warrants expire in December 2016 and are exercisable at a price of $0.46 per share.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Nine Months Ended September 30, 2013 (Unaudited)

7. Stock Options and Warrants (continued)

The Company follows ASC 815-40, *Contracts in an Entity s Own Equity*, as it relates to outstanding warrants. All of the Company s outstanding warrants are considered to be equity under this guidance. No warrants were exercised through September 30, 2013.

Stock-Based Compensation

The Company s Stock Incentive Plan provides for the issuance of long-term incentive awards, or Awards, in the form of non-qualified and incentive stock options, or Options, stock appreciation rights, stock grants and restricted stock units. The Awards may be granted by the Company s Board of Directors to its employees, directors and officers and to consultants, agents, advisors and independent contractors who provide services to the Company. The exercise price for Options must not be less than the fair market value of the underlying shares on the date of grant. Options expire no later than ten years from the date of grant and generally vest and become exercisable over a four-year period following the date of grant. Every non-employee member of the Company s Board of Directors receives an annual non-qualified Option or restricted stock unit grant. Upon the exercise of Options, the Company issues the resulting shares from shares reserved for issuance under the Company s Incentive Plan.

Under ASC 718-10, *Share-Based Payment*, the Company is required to expense the fair value of share-based payments granted over the vesting period. The Company values Awards granted at their grant date fair value in accordance with the provisions of ASC 718-10 and recognizes stock-based compensation expense on a straight-line basis over the service period of each award.

Stock-based compensation expense is reduced by an estimated forfeiture rate derived from historical employee termination behavior. If the actual number of forfeitures differs from the Company s estimates, the Company may record adjustments to increase or decrease compensation expense in future periods. There were no significant adjustments related to changes in the Company s estimates for the nine months ended September 30, 2013 and year ended December 31, 2012.

Following is a summary of the amount included as stock-based compensation expense in the accompanying consolidated statements of operations and comprehensive gain (loss):

	Nine Months Ended September 30, 2013 (Unaudited)	Year Ended December 31, 2012

Stock options:		
Research and development expense	$ 153,000	$
General and administrative expense	1,053,000	2,000
Restricted stock units:		
Research and development expense		
General and administrative expense		7,000
Total stock-based compensation expense	$ 1,206,000	$ 9,000

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Nine Months Ended September 30, 2013 (Unaudited)

7. Stock Options and Warrants (continued)

The following table summarizes Option activity:

	Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at December 31, 2012	13,749,552	$ 0.21		
Granted	11,600,000	0.16		
Exercised				
Forfeited	(284,375)	0.20		
Expired	(2,500)	5.70		
Outstanding at September 30, 2013	25,062,677	$ 0.19	9.36	$ 6,400,060
Exercisable at September 30, 2013	7,149,503	$ 0.19	9.40	$ 2,381,189

The aggregate intrinsic value is determined using the closing price of the Company s common stock of $0.51 on September 30, 2013.

As of September 30, 2013, the Company had unrecognized compensation cost related to unvested Options of approximately $2,032,854 net of estimated forfeitures, which the Company expects to recognize over a weighted average period of approximately three years.

The fair value of each Option is estimated on the date of the grant using the Black-Scholes-Merton option pricing model. The following are the assumptions for the periods in which there were Options granted:

Expected Dividend: The Company does not anticipate any dividends.

Expected Life: The expected life represents the period that the Company expects its stock-based Awards to be outstanding. The Company determines life based on historical experience and vesting schedules of similar awards.

Expected Volatility: The Company s expected volatility represents the weighted average historical volatility of the shares of its common stock for the most recent four-year and five-year periods.

Risk-Free Interest Rate: The Company based the risk-free interest rate used on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term. Where the expected term of its stock-based awards does not correspond with the terms for which interest rates are quoted, the Company performs a straight-line interpolation to determine the rate from the available term maturities.

Forfeiture Rate: The Company applies an estimated forfeiture rate that is derived from historical forfeited shares. If the actual number of forfeitures differs from its estimates, the Company may record additional adjustments to compensation expense in future periods.

Reserved Shares

As of September 30, 2013, the Company had reserved shares of its common stock for future issuance as follows:

	Shares Reserved
Stock options outstanding	25,062,677
Available for future grants under the Stock Incentive Plan	11,242,083
Warrants	38,425,745
Total Shares reserved	**74,730,505**

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors
AmpliPhi Biosciences Corporation and Subsidiaries
Richmond, Virginia

We have audited the accompanying consolidated balance sheets of AmpliPhi Biosciences Corporation and Subsidiaries (Company) (a Washington corporation) as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive loss, stockholders equity, and cash flows for each of the years in the two-year period ended December 31, 2012. AmpliPhi Biosciences Corporation and Subsidiaries management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmpliPhi Biosciences Corporation and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has had recurring losses from operations and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PBMares, LLP

Richmond, Virginia
October 28, 2013

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Balance Sheets

	December 31, 2012	2011
Assets		
Current assets		
Cash and cash equivalents	$862,000	$1,096,000
Accounts receivable	23,000	122,000
Tax refund	618,000	250,000
Prepaid expenses and other current assets	148,000	150,000
Total current assets	1,651,000	1,618,000
Property and equipment, net of accumulated depreciation of $294,000 and $268,000 as of December 31, 2012 and December 31, 2011, respectively	138,000	138,000
Goodwill	17,567,000	9,726,000
Total assets	$19,356,000	$11,482,000
Liabilities and stockholders equity		
Current liabilities		
Convertible loan notes	$3,648,000	$
Accounts payable and accrued expenses	1,937,000	1,506,000
Accrued interest	465,000	
Total current liabilities	6,050,000	1,056,000
Long term liabilities		
Convertible loan notes		2,698,000
Accrued interest		126,000
Total long term liabilities		2,824,000
Total liabilities	6,050,000	4,330,000
Commitments and Contingencies (Note 5)		
Stockholders equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; none issued and outstanding		
Common stock, $0.01 par value, 445,000,000 shares authorized, 66,908,810 shares issued and outstanding at December 31, 2012 and 44,908,810 shares issued and outstanding at December 31, 2011	669,000	449,000
Additional paid-in capital	329,707,000	326,080,000
Paid-in-capital Contingent shares	3,400,000	
Accumulated other comprehensive loss	(106,000)	(92,000)
Accumulated deficit	(320,364,000)	(319,285,000)
Total stockholders equity	13,306,000	7,152,000
Total liabilities and stockholders equity	$19,356,000	$11,482,000

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31,	
	2012	2011
Revenue		
Licensing revenue	$3,814,000	$120,000
Total revenue	3,814,000	120,000
Operating expenses		
Research and development	1,480,000	707,000
General and administrative	3,177,000	3,326,000
Total operating expenses	4,657,000	4,033,000
Loss from operations	(843,000)	(3,913,000)
Other income (expense)		
Interest expense, net	(339,000)	(128,000)
Tax refund and other income	133,000	264,000
Loss on disposal of assets	(30,000)	(10,000)
Other income (expense), net	(236,000)	126,000
Net loss	$(1,079,000)	$(3,787,000)
Net income (loss) per share basic	$(0.02)	$0.08
Net income (loss) per share diluted	$(0.02)	$0.08
Weighted average number of shares of common stock outstanding basic	48,034,493	44,564,027
Weighted average number of shares of common stock outstanding diluted	52,404,599	44,938,310
Other comprehensive loss		
Net unrealized foreign currency translations	(14,000)	(92,000)
Comprehensive loss	$(1,093,000)	$(3,879,000)

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Stockholders Equity (Deficit)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Equity
	Shares	Amount				
Balances, December 31, 2010	22,004,503	$220,000	$317,641,000	$(315,498,000)	$	$2,263,000
Net loss				(3,787,000)		(3,787,000)
Stock-based compensation			85,000			85,000
Shares issued for Biocontrol	22,817,198	228,000	8,355,000			8,583,000
Vested restricted stock units, net of 10,560 shares withheld for taxes	87,109	1,000	(1,000)			
Foreign currency translations					(92,000)	(92,000)
Balances, December 31, 2011	44,908,810	$449,000	$326,080,000	$(319,285,000)	$(92,000)	$7,152,000
Net loss				(1,079,000)		(1,079,000)
Stock-based compensation			9,000			9,000
Shares issued for SPH Holdings	22,000,000	220,000	3,618,000			3,838,000
Shares held in escrow for SPH Holdings			3,400,000			3,400,000
Foreign currency translations					(14,000)	(14,000)
Balances, December 31, 2012	66,908,810	$669,000	$333,107,000	$(320,364,000)	$(106,000)	$13,306,000

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2012	2011
Cash flows from operating activities		
Net loss	$(1,079,000)	$(3,787,000)
Adjustments required to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	60,000	80,000
Loss on sale/disposal of fixed assets	30,000	10,000
Stock-based compensation	9,000	85,000
Changes in operating assets and liabilities net of acquisitions:		
Accounts receivable	99,000	157,000
Tax refund	(133,000)	(250,000)
Accounts payable and accrued expenses	(458,000)	(1,001,000)
Prepaid expenses and other assets	2,000	(85,000)
Interest on loan notes	339,000	126,000
Net cash used in operating activities	(1,131,000)	(4,665,000)
Cash flows from investing activities		
Purchases of property and equipment	(53,000)	(106,000)
Net cash used in investing activities	(53,000)	(106,000)
Cash flows from financing activities		
Proceeds from issuance of convertible loan notes	950,000	2,492,000
Net cash provided by financing activities	950,000	2,492,000
Net increase (decrease) in cash and cash equivalents	(234,000)	(2,279,000)
Cash and cash equivalents, beginning of year	1,096,000	3,375,000
Cash and cash equivalents, end of year	$862,000	$1,096,000

The accompanying notes are an integral part of these consolidated financial statements.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

1. Nature of Business and Significant Accounting Policies

Nature of Business

AmpliPhi Biosciences Corporation (the Company) was incorporated in the state of Washington in 1989 under the name Targeted Genetics Corporation. In February 2011, Targeted Genetics Corporation changed its name to AmpliPhi Biosciences Corporation. The Company, headquartered in Richmond, Virginia, is dedicated to developing novel antibacterial solutions called bacteriophage (phage). Phages are naturally occurring viruses that preferentially target and kill their bacterial targets.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Ampliphi Australia Pty Ltd, Biocontrol Limited, Genovo, Inc. (inactive), and TGCF Manufacturing Corporation (inactive). All significant intercompany accounts and transactions have been eliminated. All numbers on the financial statements and disclosures have been rounded to the nearest 1,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash equivalents to be short-term investments that have a maturity at the time of purchase of three months or less, are readily convertible into cash and have an insignificant level of valuation risk attributable to potential changes in interest rates. Cash equivalents are recorded at cost, which approximates fair market value, and consist primarily of money market accounts.

Restricted Cash

The Company maintains a cash account for the payment of employee wages through HR Novations.

Accounts Receivable

Accounts receivable amounts are stated at their face amounts less any allowance. Provisions for doubtful accounts are estimated based on assessment of the probable collection from specific customer accounts and other known factors. If an account was determined to be uncollectible (payment has not been made in accordance with contract terms), it would be written off against the allowance. As of December 31, 2012 and 2011, management determined no allowance for doubtful accounts was required.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to seven years.

Prepaid Expenses and Other Current Assets

Prepaid and other current assets as of December 31, 2012 and 2011 consist primarily of prepaid insurance and deposits.

Goodwill

Costs of investments in purchased companies in excess of the underlying fair value of net assets at the date of acquisition are recorded as goodwill and assessed annually for impairment. If considered impaired, goodwill will be written down to fair value and a corresponding impairment loss recognized.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

1. Nature of Business and Significant Accounting Policies (continued)

During the year ended December 31, 2012, the rights to SPH Holdings Pty Ltd s know-how and phage libraries were acquired by the business combination described in Note 9 for $6,800,000. At December 31, 2012, goodwill in the amount of $7,841,000 has been recorded for these patents as SPH Holdings Pty Ltd had a negative stockholders equity balance of approximately $800,000 at the time of the transaction. In management s opinion, no goodwill has been impaired as of December 31, 2012.

During the year ended December 31, 2011, the rights to Biocontrol Limited s patents and phage libraries were acquired by the business combination described in Note 9 for $8,584,000. At December 31, 2011, goodwill in the amount of $9,726,000 has been recorded for these patents as Biocontrol had a negative stockholders equity balance of approximately $3.5 million at the time of the transaction. In management s opinion, no goodwill has been impaired as of December 31, 2012.

Stock-based Compensation

The Company accounts for stock-based payments under the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718-10, *Stock Compensation*, which requires measurement of compensation cost for all share-based payment awards at fair value on the date of grant and recognition of compensation cost over the requisite service period (typically the vesting period) for awards expected to vest.

Revenue Recognition

The Company generates revenue from technology licenses, collaborative research arrangements and agreements to provide research and development services. Revenue under technology licenses typically consists of nonrefundable, up-front license fees, technology access fees and various other payments. The Company recognizes revenue associated with performance milestones as earned, typically based upon the achievement of the specific milestones defined in the applicable agreements.

The Company recognizes revenue under research and development contracts as the related costs are incurred. When contracts include multiple elements, the Company follows ASC 605-25, *Multiple Element Arrangements*, which requires the Company to satisfy the following before revenue can be recognized:

The delivered items have value to the customer on a stand-alone basis;
Any undelivered items have objective and reliable evidence of fair value; and
Delivery or performance is probable and within the Company s control for any delivered items that have a right of return.

The Company classifies advance payments received in excess of amounts earned as deferred revenue.

Based upon the terms specified in its collaboration agreements, the Company receives advance payments from some of its collaboration partners before the project has been performed. These payments are deferred and recognized as revenue when the costs are incurred.

Research and Development Costs

Research and development costs include salaries, costs of outside collaborators and outside services, royalty and license costs and allocated facility, occupancy and utility expenses. The Company expenses research and development costs as incurred.

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update (ASU) no. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment that simplifies how public and nonpublic entities test goodwill for impairment. The amendments permit an entity to first assess

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

1. Nature of Business and Significant Accounting Policies (continued)

qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in FASB Accounting Standards Codification Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The guidance also includes examples of the types of events and circumstances to consider in conducting the qualitative assessment. The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company elected to early adopt this standard and used these new guidelines in assessing goodwill impairment for the consolidated financial statements.

On February 5, 2013, the FASB issued ASU no. 2013-02 which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. For public entities, the new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2013, and interim and annual periods thereafter. The Company elected to early adopt this standard which did not result in any changes to the consolidated financial statements.

On February 5, 2013, the FASB issued ASU no. 2013-02 which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. For public entities, the new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2013, and interim and annual periods thereafter. The Company elected to early adopt this standard which did not result in any changes to the consolidated financial statements.

2. Liquidity

The Company has prepared the accompanying consolidated financial statements on a going concern basis, which assumes that the Company will realize its assets and satisfy its liabilities in the normal course of business. However, the Company has incurred net losses since its inception, has negative operating cash flows and has an accumulated deficit of $320.4 million as of December 31, 2012. These circumstances raise substantial doubt about the Company s ability to continue as a going concern. The Company s cash balance as of December 31, 2012 was $862,000, the accounts receivable balance was $641,000 and the current liabilities were $6,050,000. $4,113,000 of the current

liabilities are the convertible loan notes and accrued interest that may be converted to another security and extend the maturity date. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of the uncertainty concerning the Company s ability to continue as a going concern.

The Company believes that its current resources, in addition to the revenue received in February and March 2013 detailed in the Subsequent Events disclosure (Note 12), will only be sufficient to fund operations into the second quarter of 2013. This estimate is based on the Company s ability to manage its staffing expenses and its working capital and actual results could differ from its estimates. The Company is seeking additional financing in order to fund operations through 2013; however, the Company cannot provide assurances that it will be successful in obtaining additional financing for these periods or as needed in the future. If the Company does not raise additional funds by the second quarter of 2013, it plans to implement cost reduction measures, such as a reduction in workforce, reducing its intellectual property prosecution,

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

2. Liquidity (continued)

reducing other operating activities, and/or the pursuit of alternative financing transactions that would likely be on terms disadvantageous to the Company and dilutive to its shareholders. The Company could also be required to relinquish rights to its technology or product candidates or in-licensed technology on unfavorable terms, either of which would reduce the ultimate value of the technology or product candidates, or to sell assets likely at values significantly below their potential worth. If the Company is unable to secure additional capital, it may be required to cease operations, declare bankruptcy or otherwise wind up its business.

3. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2012	2011
Furniture and equipment	$ 529,000	$ 406,000
Less: accumulated depreciation	(391,000)	(268,000)
Total furniture and equipment, net	$ 138,000	$ 138,000

Depreciation expense totaled $60,000 and $80,000 for the years ended December 31, 2012 and 2011, respectively.

During the periods ending December 31, 2012 and 2011, the Company sold or disposed of certain property and equipment no longer used as a result of the reprioritization of its business priorities. The Company recognized net losses of $30,000 and $10,000 on the disposal of property and equipment in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2012 and 2011, respectively.

4. Income Taxes

At December 31, 2012, the Company had US and UK net operating loss carry-forwards, or NOLs, of approximately $170.4 million and research tax credit carry-forwards of approximately $4.3 million. The carry-forwards began to expire in 2012, and may be further subject to the application of Section 382 of the Code, as discussed further below. The Company has provided a valuation allowance to offset the deferred tax assets due to the uncertainty of realizing the benefits of the net deferred tax asset.

Significant components of our US deferred tax assets and liabilities were as follows:

December 31,

	2012	2011
Deferred tax assets		
Net operating loss carry-forwards	$ 57,774,000	$ 62,391,000
Capital loss carry-forwards		109,000
Research and orphan drug credit carry-forwards	4,297,000	4,847,000
Depreciation and amortization	2,000	53,000
Restructure and other	467,000	666,000
Gross deferred tax assets	62,540,000	68,066,000
Valuation allowance for deferred tax assets	(62,540,000)	(68,066,000)
Net deferred tax asset	$	$

The change in the valuation allowance was a $5.5 million decrease in 2012 and a $3.9 million decrease in 2011. All of the capital losses generated by the sale of CellExSys and Chromos have expired as of 2012.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

4. Income Taxes (continued)

The past sales and issuances of stock have likely resulted in ownership changes as defined by Section 382 of the Code. A study has not been done at this time because the full valuation allowance eliminating potential profit and loss adjustments due to changes in the gross amount of the NOLs and credits would be offset by a change in the valuation allowance. It is possible that a future analysis may result in the conclusion that a substantial portion, or perhaps substantially all, of the NOLs and credits will expire due to the limitations of Sections 382 and 383 of the Code. As a result, the utilization of our net operating losses and tax credits may be limited and a portion of the carry-forwards may expire unused.

The Company adopted the provisions of ASC 740, *Income Taxes*, the successor of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes, or FIN 48, on January 1, 2007. Previously, the Company had accounted for tax contingencies in accordance with ASC 450, *Contingencies*, the successor of SFAS 5*, Accounting for Contingencies*. As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. The Company does not have any material unrecognized tax benefits as of December 31, 2012.

The Company is subject to income taxes in the U.S. federal jurisdiction as well as in the United Kingdom for any activity of Biocontrol Ltd and in Australia for any activity of Special Phage Holdings Pty Ltd. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal tax examinations by tax authorities for the years before 2009. However, tax years from 1998 to 2008 may be subject to examination in the event that the Company utilizes the NOLs from those years in our current or future year tax returns.

The Company has a policy of recognizing interest and penalties accrued related to unrecognized tax benefits as additional tax expense for all periods presented. During the years ended December 31, 2012, 2011 and 2010 the Company did not recognize any interest and penalties. The Company has not accrued any interest and penalties at December 31, 2012 and December 31, 2011.

For the year ending December 31, 2012, the Company had a UK research and development tax refund of $135,000 (£85,000) for the losses in the UK subsidiary and an Australian research and development tax refund of $221,000 (USD) for the losses in the Australian subsidiary. The Company also has a 2011 UK research and development tax refund as of December 31, 2012 of $262,000 which was received in January 2013.

5. Commitments and Contingencies

As part of the acquisition of SPH Holdings Pty Ltd (Note 9), the Company paid $100,000 and issued an additional 2,000,000 shares of common stock to Cellabs Pty Ltd (Cellabs) as part of a repayment agreement for its outstanding loans to SPH Holdings Pty Ltd. In July 2013, the Company will pay an additional $50,000 to Cellabs. The remaining loan balance of $200,000 will be repaid either by 10% of any proceeds received by the Company until Cellabs has received $200,000, or, starting in May 2014; the Company shall pay the remaining balance in monthly installments equal to the lesser of $10,000 or the amount remaining unpaid at the time of payment.

In February 2011, the Company entered into an agreement with Virginia Biotechnology Research Partnership Authority for Richmond, Virginia laboratory space. This agreement has a contractual expiration date of February 29, 2012 at which time it converted to a rolling three-month lease. At December 31, 2012, the Company s minimum payment commitment for the Company s Richmond, Virginia laboratory space was $4,800.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

5. Commitments and Contingencies (continued)

In December 2011, the Company entered into an agreement with Nevis Limited and Charter Limited for laboratory space in Bedfordshire, United Kingdom. This agreement has a minimum period of 3 years and a contractual expiration date of December 8, 2016. At December 31, 2012, the Company s minimum payment commitment for the Company s Bedfordshire laboratory space was $266,000.

The Company recognized rent expense under operating leases of $146,000 in 2012 and $148,000 in 2011.

The Company is subject to legal claims and actions related to the operations of its business. The Company does not expect the ultimate outcome of any such actions to have a material impact on its consolidated financial position or results of operations.

6. Stock Options and Warrants

On December 22, 2011, in connection with the Biocontrol business combination in Note 9, the Company issued warrants to purchase up to 1,355,164 shares of its common stock. These warrants expire in December 2016 and are exercisable at a price of $0.46 per share.

On June 27, 2007, in connection with a private placement, the Company issued additional warrants to purchase up to 7.6 million shares of its common stock. These warrants were to originally expire in June 2012 and were originally exercisable at a price of $3.25 per share. The Company also issued a warrant to purchase 334,989 shares of its common stock, with the same terms as those issued pursuant to this private placement, as compensation to the placement agent in this transaction. In connection with the acquisition of Biocontrol Limited (see Note 9), and in return for suspension or waiver of certain provisions within the June 27, 2007 warrant agreements, the Company modified these warrant agreements in November 2010. The exercise price of the warrants was reset to $1.50 per share and the warrants now expire in June 2013.

On January 11, 2007, in connection with a private placement, the Company issued warrants to purchase up to 763,000 shares of its common stock. These warrants expired in January 2012.

The Company follows ASC 815-40, *Contracts in an Entity s Own Equity*, as it relates to outstanding warrants. All of the Company s outstanding warrants are considered to be equity under this guidance. No warrants were exercised in 2012 or 2011.

Stock-Based Compensation

The Company s Stock Incentive Plan provides for the issuance of long-term incentive awards, or Awards, in the form of non-qualified and incentive stock options, or Options, stock appreciation rights, stock grants and restricted stock units. The Awards may be granted by the Company s Board of Directors to its employees, directors and officers and to consultants, agents, advisors and independent contractors who provide services to the Company. The exercise price for Options must not be less than the fair market value of the underlying shares on the date of grant. Options expire no later than ten years from the date of grant and generally vest and become exercisable over a four-year period following the date of grant. Restricted stock units generally vest over a three-year period following the date of grant. Every non-employee member of the Company s Board of Directors receives an annual non-qualified Option or restricted stock unit grant. Upon the exercise of Options and the vesting of restricted stock units, the Company issues the resulting shares from shares reserved for issuance under the Company s Incentive Plan.

Under ASC 718-10, *Share-Based Payment*, the Company is required to expense the fair value of share-based payments granted over the vesting period. The Company values Awards granted at their grant date fair value in accordance with the provisions of ASC 718-10 and recognizes stock-based compensation expense on a straight-line basis over the service period of each award.

Stock-based compensation expense is reduced by an estimated forfeiture rate derived from historical employee termination behavior. If the actual number of forfeitures differs from the Company s estimates, the

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

6. Stock Options and Warrants (continued)

Company may record adjustments to increase or decrease compensation expense in future periods. There were no significant adjustments related to changes in the Company s estimates for the years ending December 31, 2012 or 2011.

Following is a summary of the amount included as stock-based compensation expense in the accompanying consolidated statements of operations:

Year ended December 31,	2012	2011
Stock options:		
Research and development expense	$	$
General and administrative expense	2,000	
Restricted stock units:		
Research and development expense		
General and administrative expense	7,000	85,000
Total stock-based compensation expense	$ 9,000	$ 85,000

The following table summarizes Option activity:

	Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at December 31, 2010	1,116,096	1.64		
Granted				
Exercised				
Forfeited	(82,032)	0.27		
Expired	(743,196)	2.21		
Outstanding at December 31, 2011	340,868	0.74		
Granted	13,581,052	0.20		
Exercised				
Forfeited				
Expired	(172,368)	0.52		
Outstanding at December 31, 2012	13,749,552	$ 0.21	6.49	$
Exercisable at December 31, 2012	194,552	$ 0.87	6.49	$

The aggregate intrinsic value is determined using the closing price of the Company s common stock of $0.18 on December 31, 2012.

As of December 31, 2012, the Company had unrecognized compensation cost related to unvested Options of approximately $1,679,000 net of estimated forfeitures, which the Company expects to recognize over a weighted average period of approximately four years.

The fair value of each Option is estimated on the date of the grant using the Black-Scholes-Merton option pricing model. There were 13,581,052 options granted in the year ended December 31, 2012 and no options granted in 2011. The following are the assumptions for the periods in which there were Options granted:

Expected Dividend: The Company does not anticipate any dividends.

Expected Life: The expected life represents the period that the Company expects its stock-based Awards to be outstanding. The Company determines life based on historical experience and vesting schedules of similar awards.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

6. Stock Options and Warrants (continued)

Expected Volatility: The Company s expected volatility represents the weighted average historical volatility of the shares of its common stock for the most recent four-year and five-year periods.

Risk-Free Interest Rate: The Company based the risk-free interest rate used on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term. Where the expected term of its stock-based awards does not correspond with the terms for which interest rates are quoted, the Company performs a straight-line interpolation to determine the rate from the available term maturities.

Forfeiture Rate: The Company applies an estimated forfeiture rate that is derived from historical forfeited shares. If the actual number of forfeitures differs from its estimates, the Company may record additional adjustments to compensation expense in future periods.

The following table summarizes activity related to the Company s restricted stock units:

	Shares	Weighted-Average Grant Date Fair Value per Share
December 31, 2010	157,669	$ 0.44
Granted		
Vested	(97,669)	0.50
Forfeited		
December 31, 2011	60,000	$ 0.34
Granted		
Vested	(60,000)	$ 0.34
Forfeited		
December 31, 2012		$

The fair value of each Award is estimated on the date of the grant using the closing market price of the Company s common stock. As of December 31, 2012, there is no unrecognized compensation cost related to unvested restricted stock units.

Reserved Shares

As of December 31, 2012, the Company had reserved shares of its common stock for future issuance as follows:

	Shares Reserved

Stock options and restricted stock units outstanding	13,749,552
Available for future grants under the Stock Incentive Plan	22,741,689
Warrants	8,389,946
Total Shares reserved	**44,881,187**

7. Agreements

In June 2012, the Company sold all of its assets used in its gene therapy business including process development, quality control, quality assurance, manufacturing and bioanalytical functions for $3.0 million. In addition to this cash consideration, the Company may receive a long term royalty of 1.75% on certain product sales. This royalty may be completely canceled at any time by a one-time payment of $1.75 million.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

8. Employee Retirement Plan

The Company sponsors an employee retirement plan under Section 401(k) of the Internal Revenue Code of 1986, as amended. All of the Company s employees who meet minimum eligibility requirements are eligible to participate in the plan. Matching contributions to the 401(k) plan are made at the discretion of the Company s Board of Directors. The Company suspended matching contributions effective January 1, 2009.

9. Business Combinations

On November 9, 2012, the Company acquired Australia-based Special Phage Services (SPS). The combination of the two companies results in the creation of a leading anti-infective company focused on developing phage-based therapies to combat the growing threat of antibiotic-resistant infection. In a share exchange transaction, AmpliPhi Australia Pty Limited, a wholly owned subsidiary of US-based AmpliPhi, acquired Sydney-based Special Phage Holdings Pty Ltd (SPH), the holding company of SPS. Under the terms of the acquisition, the Company offered 40 million shares of its common stock in exchange for 100% of the fully diluted share capital of SPH. 20 million shares were held in escrow, 8 million to satisfy potential warranty claims under the transaction documents and the remaining 12 million shares are held pending completion of certain milestones. As part of this transaction, the Company acquired $260,000 in assets to include a $221,000 receivable for an Australian research and development tax refund (Note 4), $37,000 in equipment, and $2,000 in cash. The Company also assumed liabilities of $613,000.

On January 6, 2011, the Company acquired Biocontrol Limited (Biocontrol), a clinical development stage biotechnology company in the United Kingdom (the Acquisition). Biocontrol was formed in 1997 to develop bacteriophage-based therapeutics. The acquisition of Biocontrol allows the Company to extend its product reach into bacteriophage-based products. The Company acquired 100% of the voting stock of Biocontrol and issued 22,817,198 shares of its common stock to the Biocontrol shareholders with a total fair value of approximately $8.6 million as of January 6, 2011. The Acquisition was made through an acquisition subsidiary, which has continued post-Acquisition as Biocontrol Limited.

10. Convertible Loan Notes

During 2012 and 2011, the Company issued $950,000 and $2,492,000 in convertible loan notes respectively. The Company is required to pay the holders of the notes the outstanding principal amount and all accrued interest by June 18, 2013. Interest on the unpaid principal balance of these notes accrues at the rate of ten percent (10%) per annum. As of December 31, 2012, $465,000 of interested expense was accrued. $126,000 of interest expense was accrued through December 31, 2011.

In the event the Company shall raise a minimum of $3,000,000 in gross proceeds, in connection with an offering of debt or equity securities of the Company at any time following the issuance of these notes and prior to the maturity

date of June 18, 2013 or the payment in full of the principal balance and all accrued interest due under these notes, the Company may, at its option, elect to convert the principal balance and unpaid accrued interest into securities of the Company. If the Company completed the subsequent funding event and determined to exercise the conversion option, the Company shall notify the note holders that it has determined to exercise the conversion option and the holders shall elect to convert the unpaid principal balance and unpaid accrued interest into either of the following: (1) the number and type of securities issued in the subsequent funding event at a conversion rate that shall be equal to a ten percent (10%) discount on the effective price per share or per unit, as applicable, of the subsequent funding event securities; or (2) the number of shares of common stock of the Company equal to the conversion amount divided by $0.20.

TABLE OF CONTENTS

AmpliPhi Biosciences Corporation

Notes to Consolidated Financial Statements Year Ended December 31, 2011 and 2012

11. Related Parties

During 2012, $30,000 was recognized in General and Administrative expenses for management and accounting consultancy fees provided by two shareholders. The Company shares resources in the new Australian operations such as facility space, electricity, insurance, equipment and staffing with Cellabs, owned by a shareholder, and receives a quarterly invoice for these services. The total expense for these services for the period November 8 through December 31, 2012 was $6,000. As part of the acquisition of SPH (Note 9), the Company also entered into a loan repayment agreement with Cellabs (Note 5). As of December 31, 2012, $562,000 of current liabilities are due to related parties.

12. Subsequent Events

On February 1, 2013, the Company s Board of Directors approved the issuance of new convertible promissory notes in an aggregate principal amount not to exceed $7,500,000, together with warrants to purchase shares of common stock of the Company. Interest on the unpaid principal balance of these notes shall accrue from the investment date at the rate of ten percent (10%) per annum. The warrants have the right to purchase the number of shares of the Company s common stock equal to twenty-five percent (25%) of the principal amount of such holder s note divided by $0.14 (subject to adjustment to reflect forward or reverse stock splits, stock dividends, recapitalizations and the like).

In the event the Company shall raise a minimum of $3,000,000 in gross proceeds, in connection with an offering of debt or equity securities of the Company at any time following the issuance of these new notes and prior to the maturity date of one year from issuance or the payment in full of the principal balance and all accrued interest due under these notes, the Company may, at its option, elect to convert the principal balance and unpaid accrued interest into securities of the Company. If the Company completed the subsequent funding event and determined to exercise the conversion option, the Company shall notify the note holders that it has determined to exercise the conversion option and the holders shall elect to convert the unpaid principal balance and unpaid accrued interest into either of the following: (1) the number and type of securities issued in the subsequent funding event at a conversion rate that shall be equal to a ten percent (10%) discount on the effective price per share or per unit, as applicable, of the subsequent funding event securities; or (2) the number of shares of common stock of the Company equal to the conversion amount divided by $0.14.

Through March 29, the Company issued $1,000,000 in new convertible loan notes and converted $1,900,000 of previous convertible loan notes and accrued interest into the new security. As part of these transactions, warrants for 5,244,673 shares were also issued.

On March 29, 2013, the Company entered into an Exclusive Channel Collaboration Agreement with Intrexon Corporation. This agreement allows the Company to utilize Intrexon s synthetic biology platform for the identification, development, and production of bacteriophage-containing human therapeutics. The Company paid a one-time technology access fee to Intrexon of $3,000,000 in common stock. The Company shall pay Intrexon, in cash or stock,

milestone fees for the initiation of a Phase 2 trial of $2,500,000 upon commencement of the first Phase 2 trial and $5,000,000 upon the first regulatory approval of any product in any major market country. With regard to each product sold by the Company, the Company will pay, in cash, royalties of 6 10% based on net sales to Intrexon.

TABLE OF CONTENTS

73,362,164 Shares

Common Stock

PROSPECTUS

TABLE OF CONTENTS

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Set forth below is an estimate of the approximate amount of the fees and expenses payable by us in connection with the issuance and distribution of the securities being offered.

EXPENSE	AMOUNT
SEC registration fee	$ 5,338.71
FINRA filing fee	*
Printing and engraving expenses	*
Legal fees	*
Accounting fees and expenses	*
Blue Sky fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous fees and expenses	*
Total	$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

We have entered, and intend to continue to enter, into separate indemnification agreements with each of our directors and executive officers, as described in Executive and Director Compensation Liability and Indemnification of Directors and Officers.

Item 15. Recent Sales of Unregistered Securities.

On December 16, 2013, we entered into subscription agreements to issue an aggregate amount of 72,007,000 shares of common stock for an aggregate purchase price of approximately $18 million as part of a private placement. The offers were, and, when completed, the sales and issuances are expected to be, deemed to be exempt from registration under the Securities Act. The purchasers of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of such purchasers was an accredited investor under Rule 506 of Regulation D or not a U.S. person under Regulation S.

On June 26, 2013, we completed a private placement of convertible preferred stock and warrants to purchase common stock with gross proceeds of $7.0 million through the sale of shares of our newly-created Series B Convertible Preferred Stock. As part of the same transaction, approximately $5.5 million in outstanding convertible notes were converted into shares of Series B Convertible Preferred Stock and warrants to purchase common stock. On July 15, 2013, we completed a second closing in which we converted approximately $0.8 million of outstanding convertible notes into Series B Convertible Preferred Stock and warrants to purchase common stock. The financing was led by

life-sciences investors RA Capital Management and Third Security, LLC, with participation from BioScience Managers Pty Ltd.

Under the terms of the financing, we issued an aggregate amount of approximately 10 million shares of the Series B Convertible Preferred Stock for an aggregate purchase price of approximately $13.3 million (including the conversion of approximately $6.3 million of outstanding convertible notes). Each share of Series B Convertible Preferred Stock is convertible into 10 shares of common stock. Additionally, we issued warrants to purchase an aggregate of up to approximately 25.0 million shares of common stock at an exercise price of $0.14 per share. The offers, sales and issuances of Series B Convertible Preferred Stock and warrants to purchase common stock were deemed to be exempt from registration under the Securities Act. The purchasers of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of such purchasers was an accredited investor under Rule 506 of Regulation D or not a U.S. person under Regulation S.

TABLE OF CONTENTS

On March 29, 2013, pursuant to a Stock Issuance Agreement, which we refer to as the Issuance Agreement, we issued 24,000,000 shares of our common stock, or 26.4% of our total outstanding capital stock after such issuance, to Intrexon, a privately-held Virginia corporation that develops technology intended to provide synthetic control over cellular functions, in consideration of Intrexon s concurrent entry into the ECC with us to develop new bacteriophage-based therapies to target specific antibiotic-resistant infections. The Issuance Agreement also provides for the potential future issuance by us to Intrexon of shares of our common stock having a fair market value of up to $7,500,000, depending upon the reaching of certain milestones under the ECC. The issuance of shares of common stock under the Issuance Agreement was deemed to be exempt from registration under the Securities Act as Intrexon was an accredited investor under Rule 506 of Regulation D.

Between April 13, 2012 and May 13, 2013, we sold convertible notes to Pendinas Limited in varying principal amounts for an aggregate total of $2,750,000. Additionally, we issued warrants to purchase an aggregate of up to approximately 7.0 million shares of common stock at an exercise price of $0.14 per share. All such convertible notes have been converted as a result of the completion of our private placement of convertible preferred stock, as of July 15, 2013. The offers, sales and issuances of convertible notes and warrants to purchase common stock were deemed to be exempt from registration under the Securities Act. Pendinas Limited was both an accredited investor under Rule 506 of Regulation D and not a U.S. person under Regulation S.

Between November 23, 2010 and February 1, 2012, we sold convertible notes to a total of twenty-two different parties in varying principal amounts for an aggregate total of $1,872,462. All such convertible notes have been converted as a result of the completion of our private placement of convertible preferred stock, as of July 15, 2013. The offer, sales and issuances of convertible notes were deemed to be exempt from registration under the Securities Act. Each of the purchasers was either an accredited investors under Regulation D or not a U.S. person under Regulation S.

In November 2012, under the terms of our acquisition of SPH, we issued 40,000,000 shares of our common stock with 20,000,000 of those shares issued directly to the selling stockholders of SPH upon the closing of the acquisition, and the remaining 20,000,000 shares issued and held in escrow. The issuance of common stock was deemed to be exempt from registration under the Securities Act. Each of SPH s selling stockholders and each of the recipients of such shares was not a U.S. person under Regulation S.

In January 2011, under the terms of our acquisition of Biocontrol, we issued 22,586,073 shares of our common stock to the shareholders of Biocontrol with a total fair value of approximately $8.6 million as of January 6, 2011, resulting in Biocontrol s former shareholders owning approximately 50% of our outstanding equity securities at the time. The issuance of common stock was deemed to be exempt from registration under the Securities Act. Each of Biocontrol s former shareholders was not a U.S. person under Regulation S.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

The exhibits to the registration statement are listed in the Exhibit Index to this registration statement and are incorporated herein by reference.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any

TABLE OF CONTENTS

action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(a) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (Section 230.424(b) of Regulation S-K) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(c) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

TABLE OF CONTENTS

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Glen Allen, Commonwealth of Virginia, on January 21, 2014.

AMPLIPHI BIOSCIENCES CORPORATION
By

/s/ Philip J. Young

Name: Philip J. Young
Title: President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Philip J. Young and Kelley A. Wendt, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or his or her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Philip J. Young Philip J. Young	Chief Executive Officer *(Principal Executive Officer)*	January 21, 2014
/s/ Kelley A. Wendt Kelley A. Wendt	Chief Financial Officer *(Principal Financial Officer)*	January 21, 2014
/s/ Jeremy Curnock Cook Jeremy Curnock Cook	Chairman of the Board	January 21, 2014
/s/ Louis Drapeau Louis Drapeau	Director	January 21, 2014
/s/ Michael S. Perry, Ph.D.	Director	January 21, 2014

Michael S. Perry, Ph.D.
/s/ Julian P. Kirk

Director January 21, 2014

Julian P. Kirk

TABLE OF CONTENTS

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Amended and Restated Articles of Incorporation, effective May 21, 2009 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 10 filed December 16, 2013).
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation, effective June 26, 2013 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 10 filed December 16, 2013).
3.3	Articles of Correction to Amended and Restated Articles of Incorporation, effective June 26, 2013 (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 10 filed December 16, 2013).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.4 to the Registration Statement on Form 10 filed December 16, 2013).
4.1	Specimen stock certificate evidencing shares of common stock (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 10 filed December 16, 2013).
4.2	Form of Warrant to Purchase Shares of Common Stock (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form 10 filed December 16, 2013).
4.3	Subscription Agreement to Purchase Series B Preferred Stock and Warrants, dated June 26, 2013 (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 10 filed December 16, 2013).
4.4	Registration Rights Agreement, dated December 16, 2013 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form 10 filed December 16, 2013).
4.5	Subscription Agreement, dated December 16, 2013 (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form 10 filed December 16, 2013).
5.1	Opinion of Morrison & Foerster LLP.
10.1	Loan Repayment Deed, dated September 28, 2012, by and among the Company, Cellabs Pty Ltd and Special Phage Holdings Pty Ltd. (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form 10 filed December 16, 2013).
10.2*	Exclusive Channel Collaboration Agreement, dated as of March 29, 2013, by and between the Company and Intrexon Corporation (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form 10 filed December 16, 2013).
10.3	Stock Issuance Agreement, dated as of March 28, 2013, by and between the Company and Intrexon Corporation (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form 10 filed December 16, 2013).
10.4*	Collaboration Agreement, dated as of April 24, 2013, by and between the Company and the University of Leicester (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form 10 filed December 16, 2013).
10.5*	Collaboration Agreement, dated as of August 1, 2013, by and among the Company, the University of Leicester and the University of Glasgow (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form 10 filed December 16, 2013).
10.6*	License, dated as of September 5, 2013, by and between the Company and the University of Leicester (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form 10 filed December 16, 2013).
10.7	Cooperative Research and Development Agreement, dated as of June 13, 2013, by and between the Company and United States Army Medical Research and Materiel Command

(incorporated by reference to Exhibit 10.7 to the Registration Statement on Form 10 filed December 16, 2013).

TABLE OF CONTENTS

Exhibit Number	Description of Document
10.8	License Agreement, dated as of February 18, 2013, by and between the Company and Office Suites Plus Properties, Inc. (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form 10 filed December 16, 2013).
10.9	Agreement of Lease, dated as of February 23, 2011, by and between the Company and Virginia Biotechnology Research Partnership Authority (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form 10 filed December 16, 2013).
10.10	Client Services Agreement, dated as of September 1, 2011, by and between the Company and PBC Carlsbad LLC (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form 10 filed December 16, 2013).
10.11	Lease, dated as of December 8, 2011, by and between Biocontrol Limited, Nevis Limited and Charter Limited (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form 10 filed December 16, 2013).
10.12+	2009 Targeted Genetics Stock Incentive Plan (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form 10 filed December 16, 2013).
10.13+	2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form 10 filed December 16, 2013).
10.14+	Form of Stock Option Agreement under 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form 10 filed December 16, 2013).
10.15+	Employment Agreement, dated as of October 19, 2011, by and between the Company and Philip J. Young (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form 10 filed December 16, 2013).
10.16+	Amendment No. 1 to Employment Agreement, dated as of June 25, 2013, by and between the Company and Philip J. Young (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form 10 filed December 16, 2013).
10.17+	Offer of Employment, dated October 7, 2013, by and between the Company and Baxter Phillips, III (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form 10 filed December 16, 2013).
10.18*	License Agreement, dated July 3, 2007, by and between the Company and United Kingdom Health Protection Agency, Centre for Emergency Preparedness and Response.
10.19	Shareholder Sale Agreement, dated as of September 8, 2012, by and between the Company, Anthony Smithyman and Margaret Smithyman, AmpliPhi Australia Pty Ltd, Special Phage Holdings Pty Ltd, and the other parties listed therein.
10.20	Agreement and Plan of Merger, dated November 12, 2010, by and between the Company, Sheffield Acquisition 1, Inc., and Sheffield Acquisition 2, Inc.
21.1	Subsidiaries of the registrant.
23.1	Consent of PBMares LLP, independent registered public accounting firm.
23.2	Consent of Morrison & Foerster LLP (contained in Exhibit 5.1).
24.1	Power of Attorney (contained on the signature page).

\+ Indicates management contract or compensatory plan or arrangement.
To be filed by amendment.
* Indicates confidential treatment has been requested.