NUVELO INC
Form 424B5
October 03, 2003
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PROSPECTUS SUPPLEMENT
(To prospectus dated July 8, 2003)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-106873

Nuvelo, Inc.

10,000,000 Shares

Common Stock

We are offering 10,000,000 shares of our common stock, par value $0.001 per share. Our common stock is listed on the Nasdaq National Market under the symbol NUVO. On October 1, 2003, the last reported sale price for our common stock on the Nasdaq National Market was $2.72 per share.

Investing in our common stock involves risks and uncertainty.

See Risk Factors beginning on page S-3.

	Per Share	Total
Public Offering Price	$ 2.45	$ 24,500,000
Underwriting Discounts and Commissions	$ 0.147	$ 1,470,000
Proceeds, Before Expenses, to Us	$ 2.303	$ 23,030,000

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

We have granted the underwriter a 30-day option to purchase up to an additional 1,500,000 shares of our common stock to cover over-allotments, if any, at the public offering price per share, less the underwriting discounts and commissions.

The underwriter is offering the shares of our common stock as described in Underwriting. The underwriter expects to deliver the shares of our common stock to purchasers on or about October 7, 2003.

JMP Securities

The date of this prospectus supplement is October 2, 2003

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is accurate only as of the date it is presented. Our business, financial condition, results of operations and prospects may have changed since these dates.

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PROSPECTUS SUPPLEMENT

PROSPECTUS DATED JULY 8, 2003

We own or have rights to use trademarks or trade names that we use in conjunction with the operation of our business. Nuvelo is a registered trade and service mark of ours. All other trademarks, service marks and trade names referred to in this prospectus supplement and the accompanying prospectus are the property of their respective owners.

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FORWARD LOOKING INFORMATION

All statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus, other than statements of historical fact, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements. Such statements are typically characterized by terminology such as believe, anticipate, should, intend, plan, expect, estimate, project, positioned, strategy, and similar expressions. These statements are based on assumptions and assessments made by management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors our management believes to be appropriate. These forward looking statements are subject to a number of risks and uncertainties, including those risks described or incorporated by reference in this prospectus supplement under Risk Factors below, as well as other factors that our management has not yet identified. Any such forward looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those contemplated by such forward looking statements. We disclaim any duty to update any forward looking statements.

We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated by reference in this prospectus supplement and the accompanying prospectus, in their entireties. You should carefully consider the facts set forth under Risk Factors beginning on page S-3 in this prospectus supplement and in the other reports incorporated by reference herein before making an investment decision to purchase shares of our common stock. Unless the context otherwise requires, references to we, us, or the company in this prospectus supplement mean Nuvelo, Inc. and its subsidiaries. Unless otherwise indicated, the information in this prospectus supplement does not give effect to the exercise of the underwriter s over-allotment option.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus supplement and accompanying prospectus, including in each case the documents incorporated by reference herein or therein, and with particular attention to the section entitled Risk Factors beginning on page S-3 and the risks incorporated by reference herein and our consolidated financial statements and the notes to the consolidated financial statements incorporated by reference herein.

NUVELO, INC.

We are strategically focused on the discovery and development of novel biotherapeutics. This strategy resulted from a careful review of all assets and programs at both Hyseq, Inc. and Variagenics, Inc. following the close of our merger between the two companies on January 31, 2003.

As part of our strategic focus, we will dedicate our resources to advancing our most promising biopharmaceutical discovery and development programs, including alfimeprase, which entered Phase II trials in the first half of this year.

We will leverage our proprietary gene collection and opportunistic in-licensing and partnering strategy to build upon our pipeline of attractive therapeutic candidates. We also intend to out-license or partner our immunotherapeutics portfolio and monetize non-core assets including our microarray business, pharmacogenomic technology and molecular diagnostic programs, to further support our biopharmaceutical development programs. Our focus is on building a successful biopharmaceutical business. This strategic initiative reflects our commitment to creating a valuable product-focused company that leverages our drug discovery and development expertise. To execute on this strategy, we will align our assets and resources and efficiently manage our finances to provide our key development programs with the greatest chance of success.

We were incorporated as Hyseq, Inc. in Illinois in 1992 and reincorporated in Nevada in 1993. On January 31, 2003, we merged with Variagenics, Inc., a publicly traded Delaware corporation based in Massachusetts, and, in connection with the merger, changed our name to Nuvelo, Inc. Our principal executive offices are located at 675 Almanor Avenue, Sunnyvale, California 94085 and our telephone number is (408) 215-4000. Our World Wide Web address is http://www.nuvelo.com. Information contained on our web site should not be considered to be part of this prospectus supplement.

RECENT DEVELOPMENTS

Alfimeprase, our lead development program, successfully completed a Phase I clinical trial in the first quarter, 2003. This trial was a multi-center, open label, dose-escalation study in twenty patients across seven centers in the United States. The purpose of this trial was to evaluate the safety and pharmacokinetics of alfimeprase. In the Phase I trial, alfimeprase was safe and well-tolerated and there were no drug related adverse events. We have initiated two Phase II programs with alfimeprase in the first half of this year in both acute peripheral arterial occlusion (PAO) and catheter occlusion and anticipate completion of enrollment of at least one of these Phase II proof-of-concept studies by the end of 2003.

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On September 25, 2003, we announced successful completion of a planned interim analysis of the Phase II trial of alfimeprase for the treatment of PAO. The interim analysis was conducted on data from the first 36 patients enrolled in the trial. Following review of the patient data, the Data Safety and Monitoring Board (DSMB) and the Trial Steering Committee have recommended that we continue to move forward with the trial in all three doses of alfimeprase, 0.1 mg/kg, 0.3 mg/kg and 0.6 mg/kg.

On September 17, 2003, we entered into a patent assignment and license agreement in which we assigned to Sequenom, Inc. the entire chemical cleavage patent estate acquired by us through our merger with Variagenics, Inc. This assignment included 25 issued and pending patents, as well as an exclusive worldwide license to nine additional restriction enzyme patents. In accordance with the assignment and license agreement, we will receive a licensing payment and potential royalties for any eventual revenues from sublicensing of the restriction enzyme patents.

We had cash, cash equivalents and short term investments, including restricted cash, of $22.6 million as of August 31, 2003.

THE OFFERING

Common stock offered	10,000,000 shares
Common stock outstanding after this offering	74,170,187 shares
Use of proceeds	We are raising funds in this offering primarily for general corporate purposes, including current and future clinical trials of our lead product candidate, alfimeprase, as well as other research and product development activities.

The information above is based on 64,170,187 shares of common stock outstanding as of September 30, 2003 and excludes an aggregate of 5,355,410 shares of common stock reserved for issuance upon exercise of outstanding stock options outstanding on September 30, 2003 granted under our 2002 Equity Incentive Plan, 1995 Stock Option Plan, Non-Employee Director Stock Option Plan, Scientific Advisory Board/Consultants Stock Option Plan and the Variagenics, Inc. Amended 1997 Employee, Director and Consultant Stock Option Plan, and an aggregate of 4,323,634 shares of common stock reserved for issuance pursuant to future option grants under these plans. The information above also excludes an aggregate of 3,511,726 shares of common stock reserved for issuance upon the exercise of stock options outstanding on September 30, 2003 granted outside of any of our stock option plans and warrants to purchase an aggregate of 6,389,718 shares of our common stock outstanding on September 30, 2003, with exercise prices ranging from $1.35 to $8.51 per share, and a weighted average exercise price of $5.49 per share.

Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriter will not exercise its option to purchase up to 1,500,000 additional shares of our common stock.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. Before purchasing our common stock, you should carefully consider the risks described below in this section, the risks described under the heading Risk Factors beginning on page 1 of the accompanying prospectus and the risks described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment.

There is a large number of shares of our common stock that may be sold in the market following this offering, which may depress the market price of our common stock.

Sales in the public market of substantial amounts of our common stock could depress prevailing market prices of our common stock. As of September 30, 2003, we had 64,170,187 shares of our common stock outstanding. All of these shares are freely transferable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for shares held by our affiliates and unregistered shares held by non-affiliates. As of September 30, 2003, our affiliates held 12,401,669 shares of our common stock, which are transferable pursuant to Rule 144 or in some cases Rule 145, each as promulgated under the Securities Act. Although we do not believe that our affiliates have any present intentions to dispose of any shares of common stock owned by them, there can be no assurance that such intentions will not change in the future.

As of September 30, 2003, warrants to purchase 6,389,718 shares of our common stock were outstanding. In addition, under registration statements on Form S-8 under the Securities Act, we have registered approximately 13,190,770 shares of our common stock for sale upon the exercise of outstanding options under our 2002 Equity Incentive Plan, 1995 Stock Option Plan, Non-Employee Director Stock Option Plan, Scientific Advisory Board/ Consultants Stock Option Plan, and stock option agreements entered into outside of any of our stock option plans and under our Employee Stock Purchase Plan and the Variagenics, Inc. Amended 1997 Employee Director and Consultant Stock Option Plan. Shares of our common stock acquired pursuant to these plans and agreements are available for sale in the open market. In addition, we have reserved approximately 3,511,726 shares of our common stock for issuance upon the exercise of outstanding options under stock option agreements entered into outside of any of our stock option plans. As of September 30, 2003, 2,263,584 of the 3,511,726 shares of these options were exercisable. The exercise of those options or warrants, and the prompt resale of shares of our common stock received, may result in downward pressure on the price of our common stock. The existence of the currently outstanding warrants and options to purchase our common stock may negatively affect our ability to complete future equity financings at acceptable prices and on acceptable terms.

As of September 30, 2003, 1,720,741 shares of our common stock were issuable upon repayment of our note held by Affymetrix. Affymetrix has the ability to declare all outstanding principal and interest under the note immediately due and payable in the event that our market capitalization is under $50 million and Affymetrix reasonably determines that the loan evidence by the note is impaired, and we have an obligation to prepay amounts owing under the note to the extent that the amounts outstanding exceed 10% of our market capitalization. Moreover, we have registered for resale a portion of these shares on a registration statement that has been declared effective by the Securities and Exchange Commission. If we decide to repay this note with our common stock, whether pursuant to acceleration of the note or otherwise, the prompt resale of shares or our common stock received by Affymetrix may also result in significant downward pressure on the price of our common stock and the possibility of this occurrence may also affect our ability to complete future equity financings at acceptable prices and on acceptable terms.

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Upon completion of this offering, we will have outstanding an aggregate of 74,170,187 shares of common stock, assuming no exercise of outstanding options or warrants. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act unless these shares are purchased by affiliates.

Our management will have broad discretion with respect to the use of the proceeds of this offering, and may not apply the proceeds to uses that will benefit stockholders.

Our management will have broad discretion as to how to use the proceeds of this offering. You will be relying on the judgment of our management regarding the application of the proceeds of this offering. The results and effectiveness of the use of the proceeds are uncertain.

USE OF PROCEEDS

We will receive approximately $22,760,000 in net proceeds from the sale of the shares of common stock in this offering, or approximately $26,214,500 if the underwriter s over-allotment option is exercised in full, each after payment of our expenses of approximately $270,000 related to this offering and underwriting discounts and commissions.

We intend to use the net proceeds from the sale of securities in this offering for general corporate purposes, including current and future clinical trials of our lead product candidate, alfimeprase, as well as other research and product development activities. We have agreed not to use the net proceeds from this offering to repay any amounts outstanding under the Rathmann line of credit described in Certain Relationships and Related Transactions, other than the scheduled monthly payments, and according to the schedule of monthly payments defined, in the Rathmann line of credit.

Pending such uses, we may invest the net proceeds in interest bearing securities, government and corporate obligations.

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DILUTION

Our net tangible book value as of June 30, 2003 was approximately $13.8 million or $0.22 per share of common stock. Net tangible book value per share is determined by dividing our net tangible book value, which consists of tangible assets less total liabilities, by the number of shares of common stock outstanding at that date. Without taking into account any other changes in the net tangible book value after June 30, 2003, other than to give effect to our receipt of the estimated net proceeds from the sale of the 10,000,000 shares of common stock from this offering at an offering price of $2.45 per share, less estimated offering expenses, our net tangible book value as of June 30, 2003 after giving effect to the items above would have been approximately $36.6 million or $0.50 per share. This represents an immediate increase in the net tangible book value per share of $0.28 per share to existing stockholders and an immediate dilution of $1.95 per share to new investors. The following table illustrates this per share dilution:

Offering price		$ 2.45
Net tangible book value per share before the offering	$ 0.22	
Increase in net tangible book value after the offering	$ 0.28	
Net tangible book value per share after the offering		$ 0.50
Dilution per share to new investors		$ 1.95

This table is based on the number of outstanding shares as of June 30, 2003 and excludes the shares indicated in (*) below.

CAPITALIZATION

The following table sets forth our actual capitalization at June 30, 2003 and as adjusted to give effect to the issuance of 10,000,000 shares of our common stock offered hereby and the application of the estimated net proceeds therefrom. See Use of Proceeds. The capitalization information set forth in the table below is qualified by the more detailed consolidated financial statements and notes thereto included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

	As of June 30, 2003	
	Actual (*)	**As Adjusted**
	(in thousands)	
Stockholders Equity:		
Capital stock, $0.001 par value, 100,000,000 shares authorized:		
Common Stock: 63,667,334 (actual) and 73,667,334 (as adjusted) shares issued and outstanding	$ 64	$ 74
Additional paid-in capital	198,449	221,199
Accumulated other comprehensive income	11	11
Deferred stock compensation	(2)	(2)
Accumulated deficit	(183,262)	(183,262)
Total Stockholders Equity	$ 15,260	$ 38,020

(*) Excludes an aggregate of 7,239,379 shares of common stock reserved for issuance upon exercise of outstanding stock options outstanding on June 30, 2003 granted under our 2002 Equity Incentive Plan, 1995 Stock Option Plan, Non-Employee Director Stock Option Plan, Scientific Advisory Board/Consultants Stock Option Plan and the Variagenics, Inc. Amended 1997 Employee, Director and Consultant Stock Option Plan, and an aggregate of 4,298,980 shares of common stock reserved for issuance pursuant to future option grants under these plans. Excludes an aggregate of 2,443,160 shares of common stock reserved for issuance upon the exercise of stock options outstanding on June 30, 2003 granted outside of any of our stock option plans and warrants to purchase an aggregate of 6,389,718 shares of our common stock outstanding on June 30, 2003, with exercise prices ranging from $1.35 to $8.51 per share, and a weighted average exercise price of $5.49 per share. Excludes 2,411,610 shares of common stock issuable upon repayment of our note held by Affymetrix and 5,255,591 shares of common stock issuable upon mutual agreement to convert the promissory note under the Rathmann line of credit.

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COMMON STOCK DIVIDENDS

The holders of our common stock are entitled to dividends in such amounts and at such times, if any, as may be declared by our board of directors out of legally available funds. We have not paid any dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on the Nasdaq National Market under the symbol NUVO. The following table summarizes the high and low intra-day sales prices for the common stock for the periods indicated through September 30, 2003:

	2003		2002		2001	
	High	Low	High	Low	High	Low
First Quarter	$ 1.49	$ 0.64	$ 9.00	$ 5.32	$ 16.44	$ 7.50
Second Quarter	2.72	0.86	5.33	1.70	18.00	7.50
Third Quarter	4.01	1.76	2.84	1.35	11.35	5.20
Fourth Quarter			1.90	0.85	10.22	5.94

On October 1, 2003, the last reported sales price of our common stock on the Nasdaq National Market was $2.72 per share. As of September 30, 2003, we estimate there were approximately 289 holders of record (including holders who are nominees for undetermined number of beneficial owners) of our common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On August 6, 2001, we received a commitment from Dr. George B. Rathmann to provide a line of credit to us of up to $20.0 million in aggregate principal amount, available for draw down through July 24, 2003. The line of credit agreement was amended and restated as of April 3, 2002 and is currently being renegotiated with Dr. Rathmann. This description refers to the agreement as previously amended and restated. The promissory note issuable pursuant to the line of credit was convertible by mutual agreement by us and Dr. Rathmann into either (a) that number of shares of our common stock as shall equal the quotient obtained by dividing the aggregate principal and interest then outstanding under the note (i) by the average closing price of our common stock on the Nasdaq National Market as reported in The Wall Street Journal for the twenty trading days ending on the second trading day immediately prior to the day of such conversion, or (ii) in connection with an offering of our equity securities, by the per share price of the common stock at which such equity securities shall be offered for sale by us or (b) if within one month of the closing of any equity financing by us for aggregate gross proceeds in excess of $10.0 million, the same equity securities issued by us in the financing, at the same purchase price, with the same exercise price, if any, at the same discount, if any, and otherwise on substantially the same terms and conditions. At the expiration of the line of credit on September 5, 2003 (per a one-month extension to the line of credit agreement), the $11.0 million (plus interest) outstanding under the line of credit became repayable in 48 equal monthly installments. As a result, the accrued interest on this amount, at the rate of the prime rate plus 1%, becomes repayable at the end of this 48 month payment period.

On July 8, 2002, pursuant to an employment agreement, we loaned Dr. Love $2.0 million to repay a pre-existing loan from Dr. Rathmann to Dr. Love that had been made on February 1, 2001 in the amount of $2.0 million. The $2.0 million payment was made directly to Dr. Rathmann and is considered a loan from us to Dr. Love under the same terms and conditions as the $2.0 million loan provided for in Dr. Love s employment agreement.

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UNDERWRITING

We and the underwriter named below have entered into an underwriting agreement concerning the shares of common stock being offered. Subject to certain conditions, the underwriter has agreed to purchase from us the number of shares of common stock indicated in the following table. The underwriter is obligated to purchase all of the shares of common stock, other than those covered by the over-allotment option described below, if it purchases any of the shares of common stock, subject to approval of legal matters by counsel and to certain other conditions.

Underwriter	Number of Shares
JMP Securities LLC	10,000,000

Shares of common stock sold by the underwriter to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. If all of the shares of common stock are not sold at the public offering price, the underwriter may change the offering price and the other selling terms.

Over-Allotment Option

If the underwriter sells more shares of common stock than the total number set forth in the table above, the underwriter has a 30-day option to buy up to an additional 1,500,000 shares of common stock from us, at the public offering price less the underwriting discounts and commissions, to cover these sales.

The following table provides information regarding the amount of the discount to be paid to the underwriter. The amounts are shown assuming both no exercise and full exercise of the over-allotment option to purchase 1,500,000 additional shares of our common stock, if any.

		Total	
	Per Share	No Exercise of Option	Full Exercise Of Option
Public offering price	$ 2.45	$ 24,500,000	28,175,000
Underwriting discount and commissions to be paid by us	$ 0.147	$ 1,470,000	1,690,500
Proceeds to us, before expenses	$ 2.303	$ 23,030,000	26,484,500

We estimate that our total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $270,000.

Nuvelo, Inc. and each of our directors other than Jean-Francois Formela, M.D. and Philippe O. Chambon, M.D., Ph.D. have agreed that, for a period of 90 days from the date of this prospectus supplement, they will not, without the prior written consent of JMP Securities LLC, dispose of or hedge any shares of common stock or any securities convertible or exchangeable into common stock. Jean-Francois Formela, M.D. and Philippe O. Chambon, M.D., Ph.D. have agreed that for a period of 90 days from the date of this prospectus supplement, they will not, without the prior written consent of JMP Securities LLC, dispose of or hedge any shares of common stock or any securities convertible or exchangeable into common stock; except that they may so dispose or hedge as described above during the final 30 days of the 90-day period if they effect such a transaction solely through JMP Securities LLC.

Stabilization

In connection with this offering, the underwriter may purchase and sell shares of our common stock in the open market, pursuant to Regulation M under the Securities Act. These transactions may include stabilizing transactions, short sales and purchases to cover positions created by short sales. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Short sales involve the sale by the underwriter of a greater number of

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shares of common stock than they are required to purchase in this offering. Short sales may be either covered short sales or naked short sales. Covered short sales are sales made in any amount not greater than the underwriter s over-allotment option to purchase additional shares in this offering. The underwriter may close out any covered short position by either exercising its over-allotment option or purchasing shares of common stock in the open market. In determining the source of shares of common stock to close out the covered short position, the underwriter will consider, among other things, the price of the shares of common stock available for purchase in the open market compared to the price at which it may purchase shares of common stock through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriter must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriter is concerned there may be downward pressure on the price of shares in the open market after pricing that could adversely affect investors who purchase shares in this offering.

These activities by the underwriter may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriter at any time. These transactions may be effected on the Nasdaq National Market or otherwise.

The underwriter is not obligated to conduct market-making activities in our common stock and any such activities may be discontinued at any time without notice, at the sole discretion of the underwriter.

Indemnity

We have agreed to indemnify the underwriter against some liabilities, including liabilities under the Securities Act and to contribute to payments that the underwriter may be required to make in respect thereof.

Other Agreements

The underwriter may, from time to time in the future, provide investment banking and general financing services to us and may, in the future, receive customary fees.

LEGAL MATTERS

Kummer Kaempfer Bonner & Renshaw of Las Vegas, Nevada will issue an opinion about certain legal matters with respect to the common stock being offered in this prospectus supplement. Certain legal matters in connection with the offering will be passed upon for the company by Latham & Watkins LLP, San Francisco, California. Certain legal matters in connection with the offering will be passed upon for the underwriter by Morrison and Foerster LLP, New York, New York.

EXPERTS

The consolidated financial statements of Nuvelo, Inc. as of December 31, 2002 and 2001 and for each of the years in the three year period ended December 31, 2002 incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2002, have been so incorporated in reliance upon the report of KPMG LLP, independent auditors, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Variagenics, Inc. as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002 incorporated in this prospectus supplement by reference to the Current Report on Form 8-K/A, dated July 3, 2003 of Nuvelo, Inc., have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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INCORPORATION BY REFERENCE

We are a reporting company and file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy these reports, proxy statements and other information at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C., 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our SEC filings are also available on the SEC s web site at http://www.sec.gov.

The SEC allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, after the date of the prospectus but before the end of any offering made under this prospectus supplement and accompanying prospectus:

- our annual report on Form 10-K for the fiscal year ended December 31, 2002, filed with the SEC on March 31, 2003, as amended on Form 10-K/A filed with the SEC on April 30, 2003;
- our quarterly report on Form 10-Q for the quarter ended March 31, 2003, filed with the SEC on May 14, 2003;
- our quarterly report on Form 10-Q for the quarter ended June 30, 2003, filed with the SEC on August 14, 2003
- our current report on Form 8-K, filed with the SEC on January 21, 2003:
- our current report on Form 8-K, filed with the SEC on January 28, 2003;
- our current report on Form 8-K, filed with the SEC on February 4, 2003, as amended on Form 8-K/A filed with SEC on February 14, 2003, and as further amended on Form 8-K/A filed with the SEC on July 3, 2003;
- our current report on Form 8-K, filed with the SEC on May 1, 2003;
- our current report on Form 8-K, filed with the SEC on August 12, 2003;
- our current report on Form 8-K, filed with the SEC on October 2, 2003; and
- the description of our common stock set forth in our Registration Statement on Form 8-A, filed with the SEC on July 23, 1997.

We will provide to you at no cost a copy of any and all of the information incorporated by reference into this prospectus supplement and the accompanying prospectus. You may make a request for copies of this information in writing or by telephone. Requests should be directed to:

Nuvelo, Inc.

Attention: Peter S. Garcia

675 Almanor Avenue

Sunnyvale, CA 94085

(408) 215-4000

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PROSPECTUS

$50,000,000

DEBT SECURITIES

PREFERRED STOCK

COMMON STOCK

We may offer from time to time in one or more offerings sell up to $50,000,000 in the aggregate of:

- our secured or unsecured debt securities, in one or more series, which may be either senior, senior subordinated or subordinated debt securities;
- shares of our preferred stock in one or more series;
- shares of our common stock;
- any combination of the foregoing.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

Investing in our securities involves risks. See Risk Factors beginning on page 1.

Our common stock is quoted on the Nasdaq National Market under the symbol NUVO. On July 7, 2003, the last reported sale price for our common stock on the Nasdaq National Market was $2.15 per share.

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

The date of this prospectus is July 8, 2003

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. You should rely only on the information we have provided or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus or any prospectus supplement is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference.

We own or have rights to use trademarks or trade names that we use in conjunction with the operation of our business. Nuvelo is a registered trade and service mark of ours. All other trademarks, service marks and trade names referred to in this prospectus are the property of their respective owners.

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ABOUT THIS PROSPECTUS

This prospectus is part of a Registration Statement on Form S-3 that we filed with the Securities and Exchange Commission utilizing a shelf registration process. Under this shelf process, we may, over the next two years, offer any combination of securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described below under the heading Where You Can Find More Information.

RISK FACTORS

An investment in our debt securities, preferred stock or common stock involves a high degree of risk. You should consider carefully the risk factors contained in our most recent filing on Form 10-K or Form 10-Q, and all other information contained in and incorporated by reference in this prospectus before making an investment decision. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment.

ABOUT NUVELO

We are strategically focused on the discovery and development of novel biotherapeutics. This strategy resulted from a careful review of all assets and programs at both Hyseq and Variagenics following the close of our merger between the two companies on January 31, 2003.

As part of this plan, we will dedicate our resources to advancing our most promising biopharmaceutical discovery and development programs, including alfimeprase, which entered Phase II trials in the first half of this year.

We will leverage our proprietary gene collection and opportunistic in-licensing and partnering strategy to build upon our pipeline of attractive therapeutic candidates. We also intend to out-license or partner our immunotherapeutics portfolio and monetize non-core assets including our microarray business, pharmacogenomic technology and molecular diagnostic programs, to further support our biopharmaceutical development programs. Our focus is on building a successful biopharmaceutical business. This strategic initiative reflects our commitment to creating a valuable product-focused company that leverages our drug discovery and development expertise. To execute on this strategy, we will align the Company s assets and resources and efficiently manage our finances to provide our key development programs with the greatest chance of success.

Alfimeprase, our lead development program, successfully completed its Phase I trial in the first quarter, 2003. This trial was a multi-center, open label, dose-escalation study to evaluate the safety and pharmacokinetics of alfimeprase, and was completed in twenty patients across seven centers in the United States. The results show that alfimeprase was safe and well-tolerated. There were no drug related adverse events. In addition we recently filed an investigational new drug (IND) application for a second indication in catheter occlusion. We have initiated two Phase II programs with alfimeprase in the first half of this year in both PAO and catheter occlusion and anticipate completion of at least one of these Phase II proof-of-concept studies by the end of 2003.

We were incorporated as "Hyseq, Inc." in Illinois in 1992 and reincorporated in Nevada in 1993. On January 31, 2003, we merged with Variagenics, Inc., a publicly traded Delaware corporation based in Massachusetts, and, in connection with the merger, changed our name to "Nuvelo, Inc." Our principal executive offices are located at 675 Almanor Avenue, Sunnyvale, California 94085 and our telephone number is (408) 215-4000. Our World Wide Web address is http://www.nuvelo.com. Information contained on our web site should not be considered to be part of this prospectus.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

All statements included or incorporated by reference in this prospectus, other than statements of historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements. Such statements are typically characterized by terminology such as believe, anticipate, should, intend, plan, will, expect, estimate, proje strategy, and similar expressions. These statements are based on assumptions and assessments made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors our management believes to be appropriate. These forward looking statements are subject to a number of risks and uncertainties, including those risks described or incorporated by reference in this prospectus under Risk Factors above, as well as other factors that our management has not yet identified. Any such forward looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those contemplated by such forward looking statements. We disclaim any duty to update any forward looking statements.

USE OF PROCEEDS

Unless otherwise indicated in the prospectus supplement, the net proceeds from the sale of securities offered by this prospectus will be used for general corporate purposes, including capital expenditures and to meet working capital needs. We expect from time to time to evaluate the acquisition of businesses, products and technologies for which a portion of the net proceeds may be used, although we currently are not planning or negotiating any such transactions.

Pending such uses, we may invest the net proceeds in interest bearing securities.

RATIO OF EARNINGS TO FIXED CHARGES

Our earnings are inadequate to cover fixed charges. The following table sets forth the dollar amount of the coverage deficiency:

	Fiscal Year Ended December 31,					Three Months Ended March 31,
	1998	1999	2000	2001	2002	2003
	(in thousands)					
Ratio of earnings to fixed charges (1)						
Coverage deficiency	$					