

LYNX THERAPEUTICS INC

Form 424B3

August 29, 2002

Prospectus Supplement No. 1

Filed Pursuant to
Rule 424 (b) (3) and (c)
File No. 333-87394

20,732,000 SHARES

LYNX THERAPEUTICS, INC.

COMMON STOCK

This prospectus supplement supplements the prospectus, dated May 13, 2002, of Lynx Therapeutics, Inc. relating to the offering and sale by selling stockholders of Lynx (or by donees, pledgees, transferees and other successors in interest that receive such shares as a gift, pledge, partnership distribution or other non-sale transfer) of up to 20,732,000 shares of our common stock, which includes 6,132,000 shares of common stock issuable to the selling stockholders upon the exercise of warrants to purchase common stock. This prospectus supplement should be read in conjunction with the prospectus, and this prospectus supplement is qualified by reference to the prospectus, except to the extent that the information provided by this prospectus supplement supersedes the information contained in the prospectus.

**INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK.
SEE RISK FACTORS BEGINNING ON PAGE 2 OF THE PROSPECTUS.**

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED 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 supplement is August 29, 2002.

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The table and related notes appearing in the prospectus, dated May 13, 2002, under the heading "Selling Stockholders" is superseded by the following table and related notes as of August 29, 2002:

Selling Stockholders

Name	Shares Beneficially Owned Prior to the Offering		Number of Shares Being Offered	Shares Beneficially Owned After the Offering (1)	
	Number	Percent		Number	Percent
Horizon Waves & Co.	3,500,000 ⁽²⁾	11.9%	3,500,000	0	0
Perceptive Life Sciences Master Fund Ltd.	2,660,000 ⁽³⁾	9.1%	2,660,000	0	0
Seneca Capital International, Ltd.	1,960,000 ⁽⁴⁾	6.8%	1,960,000	0	0
H&Q Healthcare Investors	1,577,400 ⁽⁵⁾	5.5%	1,352,400	225,000	*
Bear Stearns Securities Corp. Inc.	1,260,000 ⁽⁶⁾	4.4%	900,000 ⁽⁷⁾	0	0
V4 Partners, L.P.	1,120,000 ⁽⁸⁾	3.9%	1,120,000	0	0
H&Q Life Science Investors	1,051,600 ⁽⁹⁾	3.7%	901,600	150,000	*
FBR Private Equity Fund, L.P.	875,000 ⁽¹⁰⁾	3.1%	875,000	0	0
Seneca Capital L.P.	840,000 ⁽¹¹⁾	2.9%	840,000	0	0
Millennium Global Offshore, LTD	816,200 ⁽¹²⁾	2.8%	816,200	0	0
PW Eucalyptus Fund, L.L.C	567,000 ⁽¹³⁾	2.0%	567,000	0	0
Craig C. Taylor	531,439 ⁽¹⁴⁾	1.9%	88,200	443,239	1.6%
Winchester Global Trust Co. Ltd as trustee for Caduceus Capital Trust, Ltd.	518,000 ⁽¹⁵⁾	1.8%	518,000	0	0
The Shaar Fund, Ltd.	455,000 ⁽¹⁶⁾	1.6%	455,000	0	0
FNY Millennium Partners, LP	408,800 ⁽¹⁷⁾	1.6%	408,800	0	0
William K. Bowes, Jr.	362,963 ⁽¹⁸⁾	1.3%	177,800	185,163	*
Piedmont Partners	315,000 ⁽¹⁹⁾	1.1%	315,000	0	0
Stratford Partners, L.P.	315,000 ⁽²⁰⁾	1.1%	315,000	0	0
Friedman, Billings, Ramsey & Co., Inc.	292,000 ⁽²¹⁾	1.0%	652,000 ⁽²²⁾	0	0
Caduceus Capital II, LP	245,000 ⁽²³⁾	*	245,000	0	0
M&M Arbitrage Offshore, Ltd.	239,400 ⁽²⁴⁾	*	239,400	0	0

2.

Selling Stockholders

Name	Shares Beneficially Owned Prior to the Offering		Number of Shares Being Offered	Shares Beneficially Owned After the Offering (1)	
	Number	Percent		Number	Percent
Alan W. Steinberg Limited Partnership	210,000 ⁽²⁵⁾	*	210,000	0	0
J. Steven Emerson, IRA II c/o Bear Stearns Securities Corp. Inc., Custodian	210,000 ⁽²⁶⁾	*	210,000	0	0
M&M Arbitrage Fund II, LLC	208,600 ⁽²⁷⁾	*	208,600	0	0
M&M Arbitrage, LLC	182,000 ⁽²⁸⁾	*	182,000	0	0
Osiris Investment Partners, LP	182,000 ⁽²⁹⁾	*	182,000	0	0
Radyr Investments Limited	182,000 ⁽³⁰⁾	*	182,000	0	0
Apex Limited Partners, L.P.	140,000 ⁽³¹⁾	*	140,000	0	0
Seymour Rubinfeld	140,000 ⁽³²⁾	*	140,000	0	0
Bulldog Investment Partners, LP	88,333 ⁽³³⁾	*	88,333	0	0
PW Eucalyptus Fund, Ltd.	70,000 ⁽³⁴⁾	*	70,000	0	0
Bear Stearns Securities Corp.	56,000 ⁽³⁵⁾	*	56,000	0	0
John McClure	45,150 ⁽³⁶⁾	*	45,150	0	0
Canaccord Capital Corp.	35,000 ⁽³⁷⁾	*	35,000	0	0
Jeffrey Schnipper	35,000 ⁽³⁸⁾	*	35,000	0	0
Bulldog Investment Partners II, LP	23,667 ⁽³⁹⁾	*	23,667	0	0
Alexander Bistricher	17,850 ⁽⁴⁰⁾	*	17,850	0	0
Total Number of Shares Being Offered			20,732,000		
Total Number of Shares Sold as of August 29, 2002			2,540,850		

* Represents less than 1%.

(1) Assumes the sale of all shares offered

hereby.(2) Includes

1,000,000

shares of

common

stock

issuable

upon

exercise of

a warrant

that was

purchased

in the

private

placement.(3) Includes

760,000

shares of

common

stock

issuable

upon

exercise of

a warrant
that was
purchased
in the
private
placement.(4) Includes
560,000
shares of
common
stock
issuable
upon
exercise of
a warrant
that was
purchased
in the
private
placement.

3.

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(5) Includes 966,000 shares of common stock and 386,400 shares of common stock issuable upon exercise of a warrant that was purchased in the private placement.

(6) Includes
360,000
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(7) Reflects

the private
sale of a
warrant to
purchase
360,000
shares of
common
stock.(8) Includes

320,000
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(9) Includes

644,000
shares of
common
stock and
257,600
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(10) Includes

250,000
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.
FBR Private
Equity Fund,
L.P. (PEF) is
an equity fund
limited

partnership.
Friedman,
Billings,
Ramsey
Investment
Management,
Inc., a wholly
owned
subsidiary of
Friedman,
Billings,
Ramsey
Group, Inc.
(FBRG),
serves as
PEF 's General
Partner and in
such capacity
directs its
investment
activities.
Friedman,
Billings,
Ramsey &
Co., Inc., the
sole manager
for the private
placement, is
a wholly
owned
subsidiary of
FBRG.(11) Includes
240,000
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(12) Includes
233,200
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(13) Includes
162,000
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(14) Includes

116,243
shares of
common
stock, 10,000
shares of
common
stock issuable
upon exercise
of stock
options and
41,092 shares
of common
stock issuable
upon exercise
of warrants
held by
Mr. Taylor.
Also includes
364,104
shares of
common
stock held by
Asset
Management
Associates
1989 L.P.
Mr. Taylor,
the Chairman
of the Board
of Lynx, is a
general
partner of
AMC Partners
89, which is
the general
partner of
Asset
Management
Associates
1989 L.P.
Mr. Taylor
shares the
power to vote
and control
the
disposition of
shares held by
Asset
Management
Associates
1989 L.P.
and, therefore,
may be
deemed to be
the beneficial
owner of such
shares. Mr.
Taylor
disclaims
beneficial
ownership of
such shares,

except to the extent of his pro-rata interest therein.

Mr. Taylor was elected Chairman of the Board of Directors of Lynx in December 2000 and has

served as a director of

Lynx since March

1994.(15) Includes 148,000

shares of common stock issuable upon exercise

of a warrant that was

purchased in the private

placement.(16) Includes 130,000

shares of common stock issuable upon exercise

of a warrant that was

purchased in the private

placement.(17) Includes 116,800

shares of common stock issuable upon exercise

of a warrant that was

purchased in the private

placement.(18) Includes 162,401

shares of common stock held by

Mr. Bowes, 17,606 shares

of common stock held by

the William K. Bowes

Charitable Remainder

Trust, of which

Mr. Bowes is
Trustee,
10,000 shares
of common
stock issuable
upon exercise
of stock
options held
by Mr. Bowes
and 50,800
shares of
common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.
Also includes
122,156
shares of
common
stock held by
entities
affiliated with
U.S. Venture
Partners IV,
L.P., or
U.S.V.P. IV.
Mr. Bowes, a
director of
Lynx, is a
general
partner of
Presidio
Management
Group IV, the
general
partner of
U.S.V.P. IV.
Mr. Bowes
shares the
power to vote
and control
the
disposition of
shares held by
U.S.V.P. IV
and, therefore,
may be
deemed to be
the beneficial
owner of such
shares. Mr.
Bowes
disclaims
beneficial
ownership of
such shares,
except to the
extent of his

pro-rata
interest
therein.

Mr. Bowes
has served as
a director of
Lynx since
March

1994.(19) Includes
90,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.

4.

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(20) Includes 90,000 shares of common stock issuable upon exercise of a warrant that was purchased in the private placement.

(21) Includes 292,000 shares of common stock issuable upon exercise of a warrant that was issued as partial consideration, in addition to customary fees, for services rendered by Friedman, Billings, Ramsey & Co., Inc. as placement agent for the Company in connection with the private placement (the Placement Agent Warrant Shares).(22) Includes 360,000 shares of common stock issuable upon exercise of a warrant purchased in a private sale, in addition to the Placement Agent Warrant Shares.(23) Includes 70,000 shares of common stock issuable upon exercise of a warrant that was purchased in the private placement.(24) Includes 68,400 shares of common stock issuable upon exercise of a warrant that was purchased in the private placement.(25) Includes 60,000 shares

of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(26) Includes

60,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(27) Includes

59,600 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(28) Includes

52,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(29) Includes

52,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(30) Includes

52,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(31) Includes

40,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(32) Includes

40,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(33) Includes

25,238 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(34) Includes

20,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(35) Includes

16,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(36) Includes

12,900 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(37) Includes

10,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.(38) Includes

10,000 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private

placement.(39) Includes
6,762 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private

placement.(40) Includes
5,100 shares
of common
stock issuable
upon exercise
of a warrant
that was
purchased in
the private
placement.

We may from time to time supplement or amend the prospectus to reflect the required information concerning a transferee, pledgee, donee or successor to the selling stockholders named in the prospectus.

5.