

METABASIS THERAPEUTICS INC
Form 424B3
August 18, 2006

Pursuant to Rule 424(b)(3)

File No. 333-129028

SECOND SUPPLEMENT TO PROSPECTUS

DATED OCTOBER 27, 2005

9,450,000 Shares

Common Stock

The prospectus dated October 27, 2005, relating to the offer and sale, from time to time, of up to 9,450,000 shares of Metabasis Therapeutics, Inc. common stock, including common stock issuable upon exercise of warrants, as supplemented by the Supplement to Prospectus dated December 23, 2005, is hereby further supplemented as follows to restate, in its entirety, the Selling Stockholders section on pages 26-31 of the Prospectus.

The date of this prospectus supplement is August 18, 2006.

SELLING STOCKHOLDERS

We are registering for resale shares of our common stock which have been sold to the selling stockholders identified below or that may be issued upon exercise of the warrants which have been issued to the selling stockholders identified below. Pursuant to a securities purchase agreement dated as of September 30, 2005 among us and the selling stockholders, we issued and sold, for an aggregate purchase price of approximately \$41.3 million:

- an aggregate of 7,000,000 shares of our common stock, and
- warrants to purchase an aggregate of 2,450,000 shares of our common stock at an exercise price of \$6.74 per share, which warrants become exercisable 180 days following the date of issuance and expire five years from the date of issuance.

The table below presents information regarding the selling stockholders and the shares that they may offer and sell from time to time under this prospectus. The shares of common stock covered, as to their resale, under this prospectus include shares of common stock sold in the financing and issuable upon exercise of warrants sold in the financing.

This table is prepared based in part on information supplied to us by the selling stockholders identified below as of September 30, 2005. The number of shares in the column **Number of Shares Being Offered** represents all of the shares that a selling stockholder may offer under this prospectus, and assumes the exercise of all the warrants for common stock issued under the September 30, 2005 securities purchase agreement. In addition, the table assumes that the selling stockholders sell all of such shares. However, because the selling stockholders may offer from time to time all or some of their shares under this prospectus, or in another permitted manner, we cannot assure you as to the actual number of shares that will be sold by the selling stockholders or that will be held by the selling stockholders after completion of the sales. Information concerning the selling stockholders may change from time to time and changed information will be presented in a supplement to this prospectus if and when necessary and required.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or the Exchange Act, except that it also includes warrants held by the selling stockholders that become exercisable greater than 60 days following September 30, 2005.

Selling Stockholders	Shares Beneficially Owned Prior to Offering (1)		Number of Shares Being Offered (2)	Shares Beneficially Owned After Offering (1)	
	Number	Percent		Number	Percent
14159, L.P. (3)	18,853	*	14,681	4,172	*
Baker Biotech Fund I, L.P. (4)	214,830	*	60,571	154,259	
Baker Brothers Life Sciences, L.P. (5)	647,170	2.5	% 350,011	297,159	*
Baker Bros. Investments II, L.P. (6)	20,448	*	5,390	15,058	*
Biotechnology Value Fund II (7)(8)	109,269	*	109,269		
Biotechnology Value Fund, L.P. (8)(9)	172,530	*	172,530		
BVF Investments, LLC (8)(10)	264,546	1.0	% 264,546		
Capital Ventures International (11)	229,500	*	229,500		
Deerfield International Limited (12)	649,662	2.5	% 598,806	50,856	*
Deerfield Partners, L.P. (13)	599,688	2.3	% 552,744	46,944	*
DLJ Capital Corporation (14)(15)	26,589	*	5,202	21,387	*
Domain Public Equity Partners, L.P. (16)	344,250	1.4	% 344,250		
Federated Kaufmann Fund, A Portfolio of Federated Equity Funds (17)	3,454,650	13.2	% 3,454,650		
InterWest Investors VII, L.P. (18)(19)	145,612	*	26,321	119,291	*
InterWest Partners VII, L.P. (19)(20)	3,040,686	11.8	% 549,617	2,491,069	9.7 %
Investment 10, LLC (8)(21)	28,755	*	28,755		
Judith S. Sandler (22)	22,950	*	22,950		

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Maverick Fund II, Ltd. (23)	547,305	2.2	% 339,803	207,502	*	
MPM Asset Management Investors 2000 B LLC (24)(25)	83,878	*	14,640	69,238	*	
MPM BioVentures GmbH & Co. Parallel-Beteiligungs KG (25)(26)	1,282,585	5.0	% 223,856	1,058,729	4.2	%
MPM BioVentures II, L.P. (25)(27)	401,991	1.6	% 70,180	331,811	1.3	%
MPM BioVentures II-QP, L.P. (25)(28)	3,643,164	14.1	% 635,864	3,007,300	11.7	%
Red Abbey Venture Partners (QP), L.P. (29)(30)	172,897	*	172,897			
Red Abbey Venture Partners, L.P. (30)(31)	48,102	*	48,102			
Red Abbey CEO's Fund, L.P. (30)(32)	9,376	*	9,376			
Special Situations Cayman Fund L.P. (33)(34)	151,035	*	46,035	105,000	*	
Special Situations Fund III, L.P. (34)(35)	599,740	2.4	% 184,140	415,600	1.6	%
Special Situations Private Equity Fund L.P.(34) (36)	230,175	*	230,175			
Sprout Capital IX, L.P. (15)(37)	2,203,966	8.6	% 434,024	1,769,942	6.9	%
Sprout Entrepreneurs Fund, L.P. (15)(38)	8,684	*	1,710	6,974	*	
Sprout IX Plan Investors, L.P. (15)(39)	116,136	*	19,815	96,321	*	
Tang Capital Partners, L.P. (40)	178,150	*	170,000	8,150	*	
Crestview Capital Master LLC (41)	59,500	*	59,500		*	

* Less than 1%

- (1) Shares beneficially owned include (a) shares of common stock and (b) shares of common stock issuable upon exercise of warrants. Percentages are based on 25,235,013 shares of our common stock that were outstanding on September 30, 2005, as adjusted to give effect to the sale of 7,000,000 shares of our common stock and warrants to purchase 2,450,000 shares of our common stock pursuant to the September 30, 2005 securities purchase agreement. In calculating the percentage for each selling security holder, the shares represented by item (b) above are treated as shares outstanding for that selling security holder but are not treated as outstanding for any other person.
- (2) Number of shares beneficially owned include 2,450,000 shares of common stock issuable upon exercise of warrants received pursuant to the September 30, 2005 securities purchase agreement that are not currently exercisable within 60 days of September 30, 2005 but that will become exercisable 180 days after September 30, 2005.
- (3) Includes 3,806 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement. Julian Baker and Felix Baker are managing members of 14159 Capital, L.P. and 14159 Capital (GP), LLC, the general partners of 14159, L.P., and disclaim beneficial ownership of the shares except to the extent of their pecuniary interest therein.
- (4) Includes 15,703 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement. Julian Baker and Felix Baker are managing members of Baker Biotech Capital, L.P. and Baker Biotech Capital (GP), LLC, the general partners of Baker Biotech Fund I, L.P., and disclaim beneficial ownership of the shares except to the extent of their pecuniary interest therein.
- (5) Includes 90,768 shares of common stock issuable upon exercise of warrants which were originally issued pursuant to the September 30, 2005 securities purchase agreement and were subsequently transferred to Baker Brothers

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Life Sciences, L.P. Julian Baker and Felix Baker are managing members of Baker Brothers Life Sciences, L.P. and disclaim beneficial ownership of the shares except to the extent of their pecuniary interest therein.

- (6) Includes 1,397 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement. Julian Baker and Felix Baker are managing members of Baker Biotech Capital, L.P. and Baker Biotech Capital (GP), LLC, the general partners of Baker Bros. Investments II, L.P., and disclaim beneficial ownership of the shares except to the extent of their pecuniary interest therein.
- (7) Includes 28,329 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement.
- (8) BVF Partners, L.P. is the general partner of Biotechnology Value Fund II, Biotechnology Value Fund, L.P., BVF Investments, LLC and Investment 10, LLC. Mark Lampert is the president of BVF, Inc., the general partner of BVF Partners, L.P., and has voting and investment control over the shares owned by Biotechnology Value Fund II, Biotechnology Value Fund, L.P., BVF Investments, LLC and Investment 10, LLC and disclaims beneficiary ownership of such shares except to the extent of his pecuniary interest therein.
- (9) Includes 44,730 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement.
- (10) Includes 68,586 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement.
- (11) Includes 59,500 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement. Capital Ventures International is affiliated with members of the National Association of Securities Dealers, Inc., or NASD, and has represented to us that the shares and warrants held by it were purchased in the ordinary course of business and that at the time of purchase of the shares and warrants held by it, it was not aware of any agreements or understandings, directly or indirectly, with any person to distribute the shares held by it or the common stock issuable upon exercise of the warrants held by it.
- (12) Includes 155,246 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement.
- (13) Includes 143,304 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement.
- (14) Includes 1,349 shares of common stock issuable upon exercise of warrants received in connection with the September 30, 2005 securities purchase agreement and 2,809 shares of common stock that DLJ Capital Corporation has the right to acquire within 60 days of September 30, 2005 pursuant to the exercise of warrants.
- (15) DLJ Capital Corporation and Credit Suisse First Boston Equity, Inc. are wholly owned subsidiaries of Credit Suisse First Boston (USA), Inc., the sole member of Credit Suisse First Boston LLC, a member of the NASD, and have represented to us that the shares and warrants held by them were purchased in the ordinary course of business and that at the time of purchase of the shares and warrants held by them, they were not aware of any agreements or understandings, directly or indirectly, with any person to distribute the shares held by them or the common stock issuable upon exercise of the warrants held by them. DLJ Capital Corporation is the managing partner of Sprout Capital IX, L.P., DLJ Associates IX, L.P. is a general partner of Sprout Capital IX, L.P., and Credit Suisse First Boston (USA), Inc. is a limited partner of Sprout Capital IX, L.P. DLJ Capital Corporation is the general partner of Sprout