

Nuvelo Inc.
Board of Directors Corporate Governance Principles

These Principles were adopted by the Board of Directors (the “**Board**”) of Nuvelo Inc. (the “**Company**”) on March 19, 2004, and amended September 27, 2005 and May 24, 2006.

The Board is elected by the stockholders of the Company to serve their interests in the conduct of the Company's business. The Board is responsible for selecting management, in particular the Chief Executive Officer, and for ensuring that the long-term interests of stockholders are advanced by the Company's management in the operation of the business.

The Company's system of corporate governance emphasizes the Board of Directors' independence and strengthens its ability to evaluate corporate and management performance. These corporate governance principles have been approved and adopted by the Board and provide the framework for the governance of the Company.

1. To be effective as a working group, and per the Company's bylaws the Board should consist of no more than nine (9) members.
2. The Nominating and Corporate Governance Committee, composed of at least two (2) independent directors, has the responsibility of advising the Board on all Board governance matters, including recommending the composition, role, structure and procedures of the Board; recommending the appointment, composition and responsibilities of the committees of the Board; and identifying and presenting qualified candidates for election and re-election as directors.
3. The Audit Committee and the Compensation Committee consist solely of independent directors.
4. The Compensation Committee annually evaluates the performance of the CEO and executive management.
5. If the Chairman of the Board is not an independent director, the independent members of the Board shall elect a Lead Independent Director, who shall be independent within the meaning of the Nasdaq National Market listing standards, and shall also serve as the Vice Chairman of the Board. The authority of the Lead Independent Director shall, in addition to the authority vested in him or her as the Vice Chairman, as set forth in the bylaws of the Company, include the following:
 - a) Presiding at all meetings of the Board at which the chairman is not present, including executive sessions of the independent directors.
 - b) Serving as a liaison between the Chairman of the Board and the independent directors.
 - c) Approving information sent to the Board by the Company, prior to its dissemination.
 - d) Approving proposed meeting agendas for the Board.

- e) Approving proposed meeting schedules for the Board to assure that there is sufficient time for discussion of all agenda items.
- f) Calling meetings of the independent directors if and when deemed necessary in the Lead Independent Director's discretion.
- g) Mentoring and counseling new members of the Board.
- h) Advising the Chairman of the Board as to the sense of the independent directors as to the quality, quantity and timeliness of the flow of information from the Company that is necessary for the Board to effectively perform its duties.
- i) If not a member of a committee of the Board, attending meetings of such committee as he or she deems appropriate.
- j) Receiving communications from the Company's various constituencies, including without limitation stockholders, employees, customers and regulatory authorities, as members of such constituencies may appropriately choose or be required to direct to the Lead Independent Director.
- k) If requested by major stockholders of the Company, making him or herself available for consultation and direct communication.
- l) Accepting additional responsibilities as may be recommended from time to time by the independent directors.

The name of the Lead Independent Director will be disclosed on the Company's website and in its proxy statement.

- 6. Each Board committee shall adopt and maintain a written charter that shall be reviewed periodically by such Committee under the oversight of the Nominating and Corporate Governance Committee and approved by the Board. The Board will designate the Chair of each Board committee.
- 7. At least annually the Chair of the Compensation Committee will review with the Board the performance of the Company's senior management, management development and succession planning (including policies and principles for CEO selection).
- 8. Compensation for executive officers is linked to share price performance, operating objectives and other factors, including adherence to the company's code of conduct.
- 9. The schedule and length of Board meetings allow sufficient time for in-depth discussions, analysis and strategic planning.
- 10. Independent directors meet privately on a regular basis. The Lead Independent Director presides at such meetings.
- 11. The Board meeting is designed to encourage interaction between directors and the Company's management.

12. The Board and its Committees have ready access to management and the authority to retain independent advisors and counsel as the Board or such Committee deem advisable. The Compensation Committee has the sole authority to hire and terminate compensation advisors for senior management compensation review. The Audit Committee has the sole authority to hire and terminate the outside auditors. The Governance and Nominating Committee has the sole authority to hire and terminate search firms to identify director candidates and compensation advisors on directors' compensation.
13. Board members who are newly appointed shall receive orientation and education about the Company, its business and its financial operations and about the functioning of the Board of Directors. Continuing education shall be supported and encouraged for all members of the Board and shall include such topics as critical issues affecting the Company and its industry overall, and directors' roles and responsibilities.
14. Directors' compensation is reviewed periodically and includes cash and stock-based incentives. Board members who are also employees of the Company or represent a significant investment in the Company shall not be separately compensated for their service on the Board.
15. The Board shall annually evaluate the Company's compliance and reporting systems.
16. The Board reviews its performance on an annual basis.
17. The Board sets the corporate governance principles and reviews them at least annually.