**FOR IMMEDIATE RELEASE**
September 17, 2008

**Sequella Receives $2.3 Million NIH Grant for Development of Tuberculosis Antibiotic Drug SQ641**

*Promising new TB drug receives Phase 2 SBIR*

Rockville, Md. -- Sequella, Inc., a clinical-stage biopharmaceutical company focused on commercializing products to treat infectious diseases of epidemic potential, today announced that it received a $2.3 million, three-year Small Business Innovative Research (SBIR) grant from the National Institutes of Health (NIH), National Institute of Allergy and Infectious Diseases (NIAID) for the development of SQ641, a promising new tuberculosis (TB) drug with potential to provide early and prolonged bacterial clearance during the intensive phase of TB treatment.

The Phase 2 SBIR grant will fund the conduct of several IND-related critical path studies, including delivery optimization *in vivo*.

Dr. Carol Nacy, CEO of Sequella said, "The NIH is a model example of how strong public/private partnerships help advance new infectious disease therapies into the drug pipeline and we thank them for this grant support. SQ641 is a potentially powerful antitubercular compound with a unique target of action. The SBIR grant award is scientific validation of our research and development efforts to identify important new drugs for diseases of concern to the global health community."

Results of the completed Phase 1 SBIR grant demonstrated that SQ641 has superior *in vitro* activity against *Mycobacterium tuberculosis* compared to all other TB drugs. It has a unique mechanism of action and a unique target, the translocase 1 (TL-1) enzyme, which is not the target of any existing antitubercular. In addition, SQ641 possesses exceptional activity against all members of the *Mycobacteria* family of bacteria, including *M. tuberculosis*, *M. avium complex*, and other pathogenic nontubercular *Mycobacteria*.

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**About SQ641**

SQ641 is the lead drug candidate from a 7000-compound library of semi-synthetic TL-1 inhibitors developed as potential treatments for TB or bacterial pneumonia (*Streptococcus pneumoniae*). The compound inhibits TL-1, an enzyme required for cell wall synthesis in all bacteria, including *Mycobacteria*. Sequella licensed the compound library from Daiichi-Sankyo (November 2004). Daiichi-Sankyo identified the compound class and performed extensive research and preliminary preclinical development on several drug leads. Sequella has

exclusive rights to the series of TL-1 inhibitors for the treatment of TB and all other indications for nearly every worldwide market.

**About Sequella**

Sequella is a clinical stage biopharmaceutical company focused on commercializing improved treatments for infectious diseases of epidemic potential. The company leverages its global influence, R&D platforms and infectious disease expertise to proactively address emerging health threats. Through focused execution, clear commercialization pathways, and strategic partnerships, Sequella intends to commercialize a broad product portfolio designed to treat global health threats with significant market opportunity.

**About the NIH and NIAID**

The National Institutes of Health (NIH)—The Nation's Medical Research Agency—includes 27 Institutes and Centers and is a component of the U. S. Department of Health and Human Services. It is the primary federal agency for conducting and supporting basic, clinical and translational medical research, and it investigates the causes, treatments and cures for both common and rare diseases. For more information about NIH and its programs, visit http://www.nih.gov.

National Institute of Allergy and Infectious Diseases (NIAID) conducts and supports research—at NIH, throughout the United States, and worldwide—to study the causes of infectious and immune-mediated diseases, and to develop better means of preventing, diagnosing and treating these illnesses. News releases, fact sheets and other NIAID-related materials are available on the NIAID Web site at http://www.niaid.nih.gov. For comments from the NIAID regarding this grant, please contact 301-402-1663.

**Forward-Looking Statement**

This press release contains forward-looking statements that are subject to risks and uncertainties, and includes statements that are not historical facts. Actual results could differ significantly from results discussed. Sequella disclaims any intent or obligation to update forward-looking statements, except as required by law. Additionally, the project described above is supported by Award Number RA44A1066442 from the National Institute of Allergy and Infectious Diseases. The content of this release does not necessarily represent the official views of the National Institute of Allergy and Infectious Diseases or the National Institutes of Health.