

NEWS RELEASE

August 23, 2006

SEQUELLA RECEIVES PHASE 1 SBIR GRANT FOR TRANSLOCASE I INHIBITORS

Treatment of Tuberculosis and Bacterial Pneumonia

ROCKVILLE, MD -- Sequella, Inc., a clinical-stage biopharmaceutical company focused on commercializing products to treat diseases of epidemic potential, announced today the award of a Phase 1 Small Business Innovation Research (SBIR) grant to develop a class of Translocase I inhibitors. The research could lead to the potential treatment of bacterial Pneumonia (*Streptococcus Pneumoniae*) and Tuberculosis (TB). The one-year, \$228,000 grant was awarded by the NIH National Institute of Allergy and Infectious Diseases.

The SBIR grant funds additional R&D activity of three specific Translocase I inhibitors. Sankyo, Ltd. identified the initial compound class and performed extensive preclinical development on the inhibitor candidates. In 2004, Sequella licensed the Translocase I inhibitors program from Sankyo. Sequella retains exclusive worldwide rights to the series of Translocase I inhibitors for the treatment of TB and all other indications.

“The goal is to identify the best inhibitor compounds for clinical development and complete the pharmacological characterization required to advance into IND-directed preclinical toxicology studies,” said Dr. Carol Nacy, CEO of Sequella. “The lead compounds from this series have activity against *Mycobacterium tuberculosis* and certain bacteria including *Streptococcus pneumoniae*. Sequella will continue to evaluate *in vivo* efficacy of these inhibitors in animal models. We believe one or more of these compounds will be developed for clinical testing.”

Venkata Reddy, a senior scientist at Sequella, will be the principal investigator for the studies. “We will explore pharmacophore diversity of the natural compound by chemical modification,” said Dr. Reddy. “Top hits will then be further evaluated for bacteria killing potential, activity in a chronic TB model, synergy with other TB drugs, and drug-protein interaction profiles.”

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About Tuberculosis (TB)

TB is a contagious infectious disease caused by *Mycobacterium tuberculosis*. TB bacteria can be inhaled into lungs and are able to avoid destruction by certain white blood cells. Without containment by immune cells, the bacteria can spread throughout the body, multiply, survive and remain dormant for years. TB is the leading cause of global deaths that result from a single-agent infectious disease. More than 8 million new cases of active TB disease are reported every year. The World Health Organization (WHO) estimates that one-third of the world's population is infected with TB.

About Sequella, Inc.

Sequella is a clinical-stage biopharmaceutical company focused on commercializing improved treatment paradigms for diseases of epidemic potential. The company leverages its global influence, infectious disease expertise, and diverse product portfolio to proactively address emerging health



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threats with significant market opportunity. Its lead diagnostic product candidate, the TB Patch, is completing an international Phase III clinical trial. For more information, please visit www.sequella.com

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.

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