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Contact: Andreas Marathovouniotis or David Schull
Russo Partners
212-845-4235 or 212-845-4271
andreas.marathis@russopartnersllc.com
david.schull@russopartnersllc.com

Dave Happel
Aerovance Inc.
510-549-5525
dave.happel@aerovance.com

Aerovance Secures \$38 Million in Equity Financing

BERKELEY, Calif., April 7, 2009 – Aerovance Inc. today announced that it has secured \$38 million in additional equity financing. In previous transactions since formation in 2004, the company has raised \$92 million in equity financing and \$10 million in debt financing.

This financing round, which consists of two tranches, was led by new investor ProQuest Investments and includes the full pro rata participation of existing investors Apax Partners, Clarus Ventures, Alta Partners, Lehman Brothers, NGN Capital and Burrill & Co., as well as that of new investor BB Biotech Ventures. Aerovance closed on \$20 million and has the right to call the remaining \$18 million after six months.

The financing will support the company's recently initiated Phase IIb clinical trial of inhaled Aerovant™ in patients with uncontrolled asthma and Phase III enabling activities for this program. These activities will include scale-up of the dry powder spray-drying process and preparation for a long-term toxicology study.

In connection with the financing, Alain Schreiber, M.D., a partner with ProQuest Investments, will join Aerovance's board of directors. Ann Hanham, Ph.D., a managing director with Burrill & Company and an original investor in Aerovance, will also join the company's board of directors. Hingge Hsu, M.D., a former partner with Lehman Brothers, will step down from his role as a board member.

“Our investment in Aerovance is in line with ProQuest’s strategy of targeting companies with breakthrough technology and products, proven management, large market potential and achievable business strategies,” said Dr. Schreiber.

Mark Perry, Aerovance’s president and CEO, said: “This significant capital raise at a time of great challenge and uncertainty in the financial markets is an important indication of investor enthusiasm for our lead candidate, Aerovant. We are pleased to advance Aerovant into the Phase IIb study, AeroTrial™, to evaluate the compound’s safety and efficacy in patients living with uncontrolled asthma.”

We welcome both Alain Schreiber and Ann Hanham to our board of directors. They have extensive drug development and commercialization expertise that complement the experience of our existing board members and senior management team. On behalf of our board, I would like to thank Hingge Hsu for his numerous contributions and valuable guidance since Aerovance’s formation.”

Aerovant is a recombinant human IL-4 variant that is a potent inhibitor of both the IL-4 and IL-13 receptors. Aerovance acquired the worldwide rights to the drug candidate when the company was formed as a spin-out of Bayer Pharmaceuticals Corporation in 2004. Aerovant is currently in a Phase IIb clinical trial for the treatment of uncontrolled asthma.

AeroTrial is a late-stage clinical study using a dry powder formulation and follows positive clinical data from two Phase IIa studies in which Aerovant demonstrated significant benefit in asthmatics who were experimentally challenged with inhaled allergen (*The Lancet* 2007, **370**: 1422-31). The dry powder formulation that will be used in AeroTrial was well tolerated in a recently completed Phase I study in asthmatics. By using a medication based on a protein occurring naturally in the body, AeroTrial seeks a non-steroidal solution to getting control of asthma. For more information, visit www.aerotrial.com.

Aerovance Inc. is a Berkeley, Calif.-based biopharmaceutical company focused on the development and commercialization of breakthrough therapies for the treatment of respiratory and inflammatory diseases. For more information, visit www.aerovance.com.

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