

BrainCells Inc. Announces \$17.7 Million Series A Financing

SAN DIEGO, July 14 /PRNewswire/ -- BrainCells Inc., a privately-held, neuroscience-focused, drug discovery and development company targeting novel and/or best-in-class therapies for depression, related neuropsychiatric disorders and other central nervous system diseases, announced the close of its Series A private financing. Technology Partners and seed investors Oxford Bioscience Partners, and Bay City Capital led the \$17.7 million round, joined by A. M. Pappas & Associates, Neuro Ventures, Matthias Bowman, Harry Hixson, Chairman and CEO, and scientific founders Fred H. Gage of the Salk Institute and Eric Kandel of Columbia University. The participants in the financing have invested \$8.0 million to date and, pursuant to the terms of the financing, will become obligated to invest an additional \$9.7 million upon the achievement by the Company of certain milestones.

BrainCells (BCI) was founded by Fred H. Gage and Harry Hixson in December 2003 to capitalize on Dr. Gage's pioneering discoveries that humans generate new nerve cells throughout life and that this endogenous process -- neurogenesis -- can be manipulated using known small molecule therapeutics. In December 2004, BCI merged with NeuroGenix, a start-up founded by Drs. Eric Kandel, recipient of the 2000 Nobel Prize in Physiology or Medicine, Paul McGonigle, Luca Santarelli and Rene Hen and focused on elucidating the behavioral impact of modulating neurogenesis and the relationship of neurogenesis to depression. Since then, proprietary screens have been established in BCI's laboratories to profile the neurogenic potential of various CNS active pharmaceuticals, including known antidepressants. These screens are designed to reveal the preferred activities of neurogenesis-modulating compounds to be developed for the treatment of depression and other CNS disorders. BCI believes its neurogenesis platform represents a major improvement in the predictive power of pre-clinical models for CNS disorders and will facilitate a paradigm-shift in CNS drug discovery and development.

Proceeds from the Series A financing are primarily being used to identify one or more late-stage clinical compounds currently under development for a CNS indication. Candidates include compounds being developed for indications other than depression where the compound would be repositioned -- based on its profile in the proprietary neurogenesis platform -- as a novel treatment for depression and/or related neuropsychiatric disorders. BCI will also evaluate and optimize new compounds, selected based on activity against previously characterized CNS molecular targets. Finally, the platform will be utilized to screen and characterize novel drug targets and to initiate drug development around these novel targets. Partnerships with larger pharmaceutical and biotech players are anticipated to play key roles in the latter two activities.

In connection with the financing, Roger Quy of Technology Partners and Arthur Pappas of A. M. Pappas & Associates joined BrainCells' Board of Directors. Other Directors include Ellen Baron and Jonathan Fleming of Oxford Bioscience Partners, Fred Gage, Carl Goldfischer of Bay City Capital, Harry Hixson, and Paul McGonigle of PsychoGenics, Inc.

Company Contacts:
Harry F. Hixson, Jr.
Chairman and Chief Executive Officer
BrainCells, Inc.
858-812-7700

SOURCE BrainCells Inc.

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/CONTACT: Harry F. Hixson, Jr., Chairman and Chief Executive Officer, of
BrainCells, Inc., +1-858-812-7700/

/Web site: <http://www.braincellsinc.com/>