

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION

KB PARTNERS I, LP Individually and on  
Behalf of All Other Similarly Situated,

Plaintiff,

v.

PAIN THERAPEUTICS, INC., REMI BARBIER,  
NADAV FRIEDMANN, and PETER RODDY

Defendants.

Case No. A-11-CV-1034-SS

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION  
FOR ATTORNEYS' FEES AND EXPENSES, AND FINAL APPROVAL HEARING**

**TO: ALL PERSONS AND ENTITIES THAT PURCHASED PAIN THERAPEUTICS, INC. ("PAIN THERAPEUTICS") COMMON STOCK DURING THE PERIOD FROM DECEMBER 27, 2010 THROUGH JUNE 26, 2011, BOTH DATES INCLUSIVE (THE "CLASS PERIOD").**

**EXCLUDED FROM THE CLASS ARE DEFENDANTS, THE OFFICERS AND DIRECTORS OF PAIN THERAPEUTICS, MEMBERS OF THEIR FAMILIES, HEIRS, SUCCESSORS OR ASSIGNS, AND ANY ENTITY WHICH DEFENDANTS HAVE OR HAD A CONTROLLING INTEREST IN.**

***PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A MEMBER OF THE CLASS DESCRIBED HEREIN, YOU MAY BE ENTITLED TO RECEIVE A PAYMENT PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED BELOW. TO CLAIM YOUR SHARE OF THE SETTLEMENT FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM POSTMARKED ON OR BEFORE JANUARY 16, 2017.***

**CLASS RECOVERY:** This Notice has been sent to you pursuant to an Order of the United States District Court for the Western District of Texas (the "Court") in the above-captioned action (the "Action"). One of the purposes of this Notice is to inform you of the Settlement of the Action for up to \$8,500,000. This amount consists of a \$7,500,000 cash payment with a potential additional payment of up to \$1,000,000 contingent on the occurrence of certain events as described more fully in the Stipulation of Settlement. Plaintiffs estimate there were approximately 7.5 million shares allegedly damaged of Pain Therapeutics common stock purchased during the period in which the Court sustained the allegations in the Complaint. Pursuant to the Plan of Allocation (see Section III herein), if all affected Pain Therapeutics damaged shares elect to participate in the Settlement, the average recovery per share could be \$1.13 before deduction of any fees, expenses, costs, and awards described herein. The actual amount disbursed to members of the Class who participate in the Settlement may be more or less than this figure.

**POTENTIAL OUTCOME OF THE CASE:** Continuing the case could result in a loss at summary judgment, trial or on appeal. Class Counsel believe that the claims asserted in the Action have merit and that the evidence developed to date in the Action supports the claims asserted therein. Defendants Pain Therapeutics, Remi Barbier, Nadav Friedmann, and Peter Roddy (collectively, the "Defendants") deny all allegations of wrongdoing or liability asserted against them on behalf of the Class and maintain that the claims in this Action are without merit and unsupported at trial. The two sides vigorously disagree on both liability and the amount of money that could be won if Plaintiffs prevailed at trial.

**BENEFITS OF A SETTLEMENT:** Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of, the Class. Plaintiffs and their counsel have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of Plaintiffs' claims against Defendants, including the Defendants' contentions that the Class's claims are without merit, the uncertainties of this complex litigation, including the risk of not being able to obtain any recovery, and the concrete benefits provided by the Settlement to the members of the Class. Without admitting, and expressly denying, any wrongdoing or liability on their part whatsoever, Defendants are nevertheless willing to agree to make the payment provided for by the Stipulation provided that all of the claims of the Class are settled and compromised, in order to avoid the continuing burden, expense, delay, inconvenience and distraction to Defendants in this Action.

**ATTORNEYS FEES AND COSTS SOUGHT:** Class Counsel has not received any payment for its services in conducting this litigation on behalf of Plaintiffs and the members of the Class, nor has it been reimbursed for its out-of-pocket expenditures. If the Settlement is approved by the Court, Class Counsel will apply to the Court for attorneys' fees

not to exceed 33% of the Settlement Amount, and reimbursement of expenses not to exceed \$950,000. If the amount requested by counsel is approved by the Court, the average cost, should every damaged share elect to participate, would be \$0.50 per share for the shares with claims that were sustained by the Court. In addition, a Compensatory Award for the time and expenses incurred by Lead Plaintiff will be sought, not to exceed \$25,000.

**IDENTIFICATION OF PLAINTIFFS' COUNSEL:** For further information regarding this Settlement, inquiries may be directed to Class Counsel: Tamar Weinrib, Esq., Pomerantz LLP, 600 Third Avenue, New York, NY 10016, taweinrib@pomlaw.com.

## I. THE CLASS INVOLVED IN THE PROPOSED SETTLEMENT

The proposed Settlement affects the rights of the members of the Class. The Class consists of:

All persons or entities that purchased Pain Therapeutics, Inc. common stock during the period from December 27, 2010 through June 26, 2011, both dates inclusive. Excluded from the Class are Defendants, the officers and directors of Pain Therapeutics, members of their families, heirs, successors or assigns, and any entity which Defendants have or had a controlling interest in.

***The sending of this Notice should not be construed as any indication of the Court's view as to the merits of any claims or defenses asserted by any party to this Action.***

## II. THE LITIGATION

### Summary of the Litigation

The Court handling this Action is the United States District Court for the Western District of Texas, and the case is known as *KB Partners I, LP v. Pain Therapeutics, Inc.*, Case No. 11-CV-1034-SS. On April 9, 2012, the Court appointed KB Partners I, LP as Lead Plaintiff. The Defendants in this Action are Pain Therapeutics, Inc., Remi Barbier, Nadav Friedmann, and Peter Roddy (referenced heretofore collectively as the "Defendants").

This Action alleges violations of the Federal Securities Laws (specifically Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §78j(b) and 78(t)(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5)) against all Defendants.

Pain Therapeutics is a publicly traded Delaware corporation with its principal place of business located in Austin, Texas. Pain Therapeutics is a biopharmaceutical company that developed REMOXY, an abuse-deterrent formulation of oxycodone. Pain Therapeutics common stock trades on NASDAQ Stock Exchange under the ticker symbol "PTIE."

Lead Plaintiff filed an Amended Complaint on June 8, 2012. In response, Defendants moved to dismiss Lead Plaintiff's claims. The Court granted Defendants' motion on September 26, 2012. Lead Plaintiff filed a Second Amended Complaint on October 15, 2012. Defendants once again moved to dismiss on October 29, 2012. The Court denied Defendants' motion on November 20, 2012. See *KB Partners I, L.P. v. Barbier*, 907 F. Supp. 2d 826 (W.D. Tex. 2012). Lead Plaintiff filed a Third Amended Complaint on July 27, 2015. Defendants once again moved to dismiss on August 10, 2015. On December 1, 2015 the Court denied Defendants' motion to dismiss the Third Amended Complaint. See *KB Partners I, L.P. v. Pain Therapeutics, Inc.*, No. A-11-CA-1034-SS, 2015 WL 7760201, at \*1 (W.D. Tex. Dec. 1, 2015).

The Third Amended Complaint ("Complaint") alleges that, during the Class Period, Defendants made false and/or misleading statements and/or failed to disclose material facts about a new drug, REMOXY. Specifically, the Complaint alleges that Defendants continuously misled investors by detailing their efforts to secure FDA approval for REMOXY and stating that the Company's New Drug Application ("NDA"), submitted to the FDA in 2010, responded to the issues that caused the FDA to reject a prior REMOXY NDA, but failed to disclose specific known flaws in the submitted data which threatened approval.

On May 3, 2011, in a conference call with analysts, Pfizer disclosed that it was "working to address a specific issue in the manufacturing section of the application . . ." PTIE stock declined \$0.70, or more than 7%, to close at \$8.86 on May 3, 2011. On June 24, 2011, the Company announced that it had received a Complete Response Letter from the FDA rejecting REMOXY for the second time, but did not reveal the reasons for the rejection. PTIE shares declined \$3.94 per share, or nearly 43%, to close at \$5.30 per share on June 24, 2011.

On June 27, 2011, the Company disclosed that the FDA's Complete Response Letter raised concerns related to, among other things, the chemistry, manufacturing, and controls sections of the REMOXY NDA. PTIE shares declined \$1.37 per share, nearly 26%, to close at \$3.93 per share that day.

The Defendants deny all claims and wrongdoing asserted in the Complaint and any liability arising out of the conduct alleged therein. No trial has yet occurred in this Action and no findings of fault or liability have been made as to any of the parties.

## **Discovery, Investigation, and Research Conducted by Counsel**

Before agreeing to the Settlement, Class Counsel conducted extensive investigation and research into the merits of the Action. This investigation has included consultation with experts concerning the amount of damages suffered by the Class; interviews of Confidential Witnesses who previously worked with the Defendants; detailed reviews of Pain Therapeutics' public filings, SEC filings, press releases, and other public statements; review of analyst reports, financial analysts, and industry analysts relating to Pain Therapeutics; and research of the applicable law with respect to the claims asserted in the complaints filed in the Action, and the potential defenses thereto.

## **Proposed Settlement**

At various times from 2014 through 2016, the Parties participated in day-long mediations presided over by the Honorable Layn R. Phillips (Ret.) a former United States District Judge. During these negotiations, the Parties discussed, among other things, the respective claims and defenses, damage analyses, legal analyses, the evidence to be offered by the Parties at trial, and other important factual and legal issues. Although the arms-length negotiations supervised by Judge Phillips did not immediately result in the Settlement, the Parties laid the groundwork which resulted in an agreement to settle the action subject to final documentation and Court approval. These negotiations resulted in the agreement to settle all claims of the Class against the Defendants, *i.e.*, the Stipulation, entered into on August 30, 2016.

Class Counsel believe that the claims asserted in the Action have merit and that the evidence developed to date in the Action supports the claims asserted therein. They further assert, and believe the Class would present supporting evidence at trial establishing liability against the Defendants under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934.

Defendants vigorously deny all allegations of wrongdoing or liability asserted against them on behalf of the Class and maintain that the claims in this Action are without merit and unsupportable at trial.

Class Counsel is mindful of the inherent problems of proof under, as well as the defenses to, the federal securities laws violations asserted in this Action, including the defenses asserted by Defendants. Class Counsel also recognizes the limited ability of Pain Therapeutics and the Defendants to contribute more to the Settlement proceeds. Moreover, the Parties, recognize and acknowledge the expense and length of continued proceedings, trial, and appeals, and has taken into account the uncertain outcome and the risk of any litigation, especially complex actions such as here.

In light of the foregoing, Class Counsel believes that the Settlement set forth in the Stipulation confers a meaningful benefit upon the Class and has determined that the Settlement is in the best interests of the Class.

## **The Release**

In return for the payment of the Settlement Fund, upon the Effective Date, Class Members who do not file for exclusion from the Class will fully, finally and forever release, discharge and relinquish all Released Plaintiffs' Claims against Defendants' Released Persons, without costs to any party except as provided herein, upon the Effective Date. Lead Plaintiff and all Class Members, whether or not any such Person submits a Proof of Claim and Release or shares in the Net Settlement Fund, on behalf of themselves and each of their predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, assigns, representatives, heirs, executors, trustees and administrators, will be deemed by this Settlement on the Effective date to fully, finally, and forever release, discharge, and relinquish the Defendants' Released Persons from any and all of the Released Plaintiffs' Claims.

On the Effective Date, all Class Members and anyone claiming through or on behalf of any of them, will be forever barred and enjoined from commencing, instituting, prosecuting or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting the Released Plaintiffs' Claims against any of the Defendants' Released Persons.

### **III. PROPOSED PLAN OF ALLOCATION**

The \$8,500,000 settlement amount and any interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund less taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who submit valid Proofs of Claim ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss." The Recognized Loss formula is not intended to be an estimate of the amount of what a Class Member lost or might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is simply the basis upon which the Net Settlement Fund will be proportionately allocated to Authorized Claimants.

The Plan of Allocation has taken into consideration the Limitation on Damages provision of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(e), as well as the principles of economic loss articulated by the Supreme Court in *Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S. 336 (2005). For purposes of this Settlement, the Recognized Loss shall be calculated as follows:

1. **No claim will be recognized for Pain Therapeutics common stock purchased prior to December 27, 2010.**
2. **For Pain Therapeutics common stock purchased between December 27, 2010 and May 2, 2011, inclusive,**
  - a. if sold on or before May 2, 2011, the recognized loss is \$0.00 per share;
  - b. if sold between May 3, 2011 and May 11, 2011, the recognized loss is \$0.62 per share;
  - c. if sold between May 12, 2011 and June 23, 2011, the recognized loss is \$0.16 per share;
  - d. if sold between June 24, 2011 and June 26, 2011, the recognized loss is \$4.04 per share;
  - e. if sold between June 27, 2011 and September 23, 2011, the recognized loss is the lesser of:
    - i. \$5.45, or
    - ii. the purchase price **minus** the “90-Day Lookback Value” on the date of sale as provided in Table 1 below. If this calculation results in a negative number, then the Recognized Loss shall be \$0;
  - f. if held through September 23, 2011, the recognized loss is the lesser of:
    - i. \$5.45, or
    - ii. the purchase price minus the average closing price for Pain Therapeutics Stock during the 90-Day Lookback Period, which is \$4.62. If this calculation results in a negative number, then the Recognized Loss shall be \$0.
3. **For Pain Therapeutics common stock purchased between May 3, 2011 and May 11, 2011, inclusive,**
  - a. if sold on or before June 23, 2011, the recognized loss is \$0.00 per share;
  - b. if sold between June 24, 2011 and June 26, 2011, the recognized loss is \$3.42 per share;
  - c. if sold between June 27, 2011 and September 23, 2011, the recognized loss is the lesser of:
    - i. \$4.83, or
    - ii. the purchase price minus the “90-Day Lookback Value” on the date of sale as provided in Table 1 below. If this calculation results in a negative number, then the Recognized Loss shall be \$0;
  - d. if held through September 23, 2011, the recognized loss is the lesser of:
    - i. \$4.83, or
    - ii. the purchase price minus the average closing price for Pain Therapeutics Stock during the 90-Day Lookback Period, which is \$4.62. If this calculation results in a negative number, then the Recognized Loss shall be \$0.
4. **For Pain Therapeutics common stock purchased between May 12, 2011 and June 23, 2011, inclusive,**
  - a. if sold on or before June 23, 2011, the recognized loss is \$0.00 per share;
  - b. if sold between June 24, 2011 and June 26, 2011, the recognized loss is \$4.88 per share;
  - c. if sold between June 27, 2011 and September 23, 2011, the recognized loss is the lesser of:
    - i. \$5.29, or
    - ii. the purchase price minus the “90-Day Lookback Value” on the date of sale as provided in Table 1 below. If this calculation results in a negative number, then the Recognized Loss shall be \$0;
  - d. if held through September 23, 2011, the recognized loss is the lesser of:
    - i. \$5.29, or
    - ii. the purchase price minus the average closing price for Pain Therapeutics Stock during the 90-Day Lookback Period, which is \$4.62. If this calculation results in a negative number, then the Recognized Loss shall be \$0.
5. **For Pain Therapeutics common stock purchased between June 24, 2011 and June 26, 2011, inclusive,**
  - a. if sold on or before June 26, 2011, the recognized loss is \$0.00 per share;
  - b. if sold between June 27, 2011 and September 23, 2011, the recognized loss is the lesser of:
    - i. \$1.41, or
    - ii. the purchase price minus the “90-Day Lookback Value” on the date of sale as provided in Table 1 below. If this calculation results in a negative number, then the Recognized Loss shall be \$0;
  - c. if held through September 23, 2011, the recognized loss is the lesser of:

- i. \$1.41, or
- ii. the purchase price **minus** the average closing price for Pain Therapeutics Stock during the 90-Day Lookback Period, which is \$4.62. If this calculation results in a negative number, then the Recognized Loss shall be \$0.

<b>Table 1</b>				
<b>Sale Date</b>	<b>90-Day Lookback Value</b>		<b>Sale Date</b>	<b>90-Day Lookback Value</b>
6/27/2011	\$3.93		8/11/2011	\$4.53
6/28/2011	\$3.97		8/12/2011	\$4.54
6/29/2011	\$3.90		8/15/2011	\$4.55
6/30/2011	\$3.89		8/16/2011	\$4.56
7/1/2011	\$3.92		8/17/2011	\$4.57
7/5/2011	\$3.97		8/18/2011	\$4.57
7/6/2011	\$4.06		8/19/2011	\$4.57
7/7/2011	\$4.13		8/22/2011	\$4.56
7/8/2011	\$4.19		8/23/2011	\$4.56
7/11/2011	\$4.21		8/24/2011	\$4.56
7/12/2011	\$4.23		8/25/2011	\$4.56
7/13/2011	\$4.27		8/26/2011	\$4.57
7/14/2011	\$4.29		8/29/2011	\$4.57
7/15/2011	\$4.32		8/30/2011	\$4.57
7/18/2011	\$4.33		8/31/2011	\$4.57
7/19/2011	\$4.36		9/1/2011	\$4.57
7/20/2011	\$4.38		9/2/2011	\$4.57
7/21/2011	\$4.41		9/6/2011	\$4.57
7/22/2011	\$4.44		9/7/2011	\$4.58
7/25/2011	\$4.46		9/8/2011	\$4.58
7/26/2011	\$4.48		9/9/2011	\$4.58
7/27/2011	\$4.49		9/12/2011	\$4.59
7/28/2011	\$4.50		9/13/2011	\$4.59
7/29/2011	\$4.52		9/14/2011	\$4.60
8/1/2011	\$4.53		9/15/2011	\$4.60
8/2/2011	\$4.53		9/16/2011	\$4.61
8/3/2011	\$4.54		9/19/2011	\$4.62
8/4/2011	\$4.54		9/20/2011	\$4.62
8/5/2011	\$4.53		9/21/2011	\$4.62
8/8/2011	\$4.52		9/22/2011	\$4.62
8/9/2011	\$4.53		9/23/2011	\$4.62
8/10/2011	\$4.53			

**General Provisions:**

1. There shall be no Recognized Loss attributed to any Pain Therapeutics securities other than common stock.
2. The date of a purchase or sale of Pain Therapeutics common stock is the “trade” date, and not the “settlement” date.
3. The first-in, first-out basis (“FIFO”) will be applied to both purchases and sales.
4. The date of covering a “short sale” is deemed to be the date of purchase of Pain Therapeutics common stock; and the date of a “short sale” is deemed to be the date of sale of Pain Therapeutics common stock. Shares originally sold short will have a Recognized Loss of zero.
5. No cash payment will be made on a claim where the potential distribution amount is less than \$10.00. Please be advised that if you did not incur a Recognized Loss as defined in the Plan of Allocation you will not receive a cash distribution from the Net Settlement Fund, but you will be bound by all determinations and judgments of the Court in connection with the Settlement, including being barred from asserting any of the Released Claims against the Released Parties.

6. The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

7. No person shall have any claim against Plaintiffs' Counsel, the Claims Administrator or other agent designated by Plaintiffs' Counsel, or any Defendant or any Defendant's counsel based on the distribution made substantially in accordance with the Stipulation and this Plan of Allocation, or further orders of the Court.

8. Class members who do not submit valid Proofs of Claim will not share in the settlement proceeds. Class members who do not either submit a request for exclusion or submit a valid Proof of Claim will nevertheless be bound by the settlement and the Order and Final Judgment of the Court dismissing this Action.

#### **IV. REQUESTING EXCLUSION FROM THE CLASS**

##### **IF YOU ARE A MEMBER OF THE CLASS, YOU MAY BE ELIGIBLE TO SHARE IN THE BENEFITS OF THIS SETTLEMENT AND WILL BE BOUND BY ITS TERMS UNLESS YOU EXCLUDE YOURSELF FROM THE CLASS.**

Each member of the Class shall be bound by all determinations and judgments of the Court in connection with the Settlement, whether favorable or unfavorable, unless such Class member shall mail, by first class mail, sufficient postage prepaid, a written request for exclusion from the Class, **postmarked no later than November 25, 2016**, addressed to the Claims Administrator at:

*Pain Therapeutics, Inc. Securities Litigation*  
EXCLUSIONS  
c/o KCC Class Action Services  
3301 Kerner Boulevard  
San Rafael, CA 94901

Such request for exclusion shall be in a form that sufficiently identifies (1) the name and address of the person(s) or entity seeking exclusion, and (2) a list of all transaction(s) involving Pain Therapeutics common stock during the period December 27, 2010 through June 26, 2011, including the number of shares, net amount and trade date of each purchase and sale. A request for exclusion shall not be effective unless submitted within the time and in the form and manner provided for herein. **You cannot exclude yourself by telephone, email or fax.**

**If a person or entity who is a member of the Class duly requests to be excluded from the Class, such person or entity will not be bound by any orders or judgments entered in respect of the Settlement and shall not be entitled to receive any benefits provided by the Settlement in the event it is finally approved by the Court.**

If a judgment approving the Settlement provided for in the Stipulation is finally entered, all members of the Class who have not requested exclusion shall conclusively be deemed to have released and shall thereafter be barred from asserting any of the Released Claims against the Released Parties.

#### **V. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT**

If the proposed Settlement is approved, Class Counsel intends to apply to the Court for an award of attorneys' fees and reimbursement of expenses from the Settlement Fund. Class Counsel will seek no more than 33 percent of the Settlement Fund as fees, plus an additional amount not to exceed \$950,000 as reimbursement for the expenses and costs actually incurred, in prosecuting the action. Class Counsel believes its intended fee request to be fair and reasonable. Class Counsel has litigated this case on a wholly contingent basis and has received no compensation during the period the case has been pending. Class Counsel expended considerable time and expense during the Action. Had the case not been successful, Class Counsel would have sustained a considerable financial loss.

In addition, Class Counsel intends to apply to the Court on behalf of the Court appointed Lead Plaintiff for reimbursement of their reasonable time, costs and expenses, directly relating to his representation of the Class. Class Counsel will seek no more than \$25,000 for the Lead Plaintiff/Class Representative.

#### **VI. THE RIGHT TO BE HEARD AT THE FINAL SETTLEMENT HEARING**

The Final Settlement Hearing shall be held before the Honorable Sam Sparks on December 16, 2016, at 11:00 a.m., in Courtroom 2 of the United States District Court for the Western District of Texas, Austin Division, 501 West Fifth Street, Austin, TX 78701, to determine, among other things, whether: (1) the settlement of the Class's claims against Pain Therapeutics for \$8,500,000, should be approved as fair, reasonable and adequate; (2) the proposed Plan of Allocation is fair and reasonable, and adequate, and should be approved; (3) the application of Class Counsel for an award of attorneys' fees and expenses should be approved; (4) the Lead Plaintiff/Class Representative should be granted a compensatory award; and (5) the Action should be dismissed with prejudice as set forth in the Stipulation filed with the Court.

***The Final Settlement Hearing may be adjourned or continued from time to time by the Court without further notice to the Class other than an announcement at such Final Settlement Hearing or at any adjournment or continuance thereof.***

Any member of the Class who does not timely and validly request exclusion from the Class and who objects to the Settlement, the adequacy of the representation provided by Lead Plaintiff and Class Counsel, the proposed Plan of Allocation of the Net Settlement Fund, the Final Order and Judgment contemplated by the Stipulation, the application for attorneys' fees and reimbursement of expenses, and/or the application for the reimbursement of the reasonable costs and expenses of the Lead Plaintiff, or who otherwise wishes to be heard with respect to any of the foregoing, may appear in person or by attorney at the Final Settlement Hearing, at their own expense, and present any evidence or argument that may be proper and relevant.

Please note, that with regards to the Settlement, you can ask the Court to deny approval of the Settlement by filing an objection. You can't ask the Court to order a larger settlement; the Court can only approve or deny the Settlement. If the Court denies approval, no settlement payments will be sent out and the lawsuit will continue. If that is what you want to happen, you must object.

You may object to the proposed settlement or the other matters referred to above in writing. You may also appear at the Final Settlement Hearing, either in person or through your own attorney. If you appear through your own attorney, you are responsible for paying that attorney. All written objections and supporting papers must (a) clearly identify the case name and number (*KB Partners I, L.P. v. Pain Therapeutics, Inc.*, Case No. 11-CV-1034-SS,) (b) be submitted to the Court either by mailing them to the Clerk of Court, United States District Court for the Western District of Texas, Austin Division, 501 West Fifth Street, Austin, TX 78701, or by filing them in person at any location of the United States District Court for the Western District of Texas, (c) be filed or postmarked on or before November 25, 2016; (d) provide: (i) a notice of the person's intention to appear, including the name and address of the person or entity seeking to appear, (ii) a statement of such person's objections to any matter before the Court, (iii) the grounds for such objections or the reason for such person's request to appear and to be heard, and (iv) a list of all transaction(s) involving Pain Therapeutics common stock during the period December 27, 2010 through June 26, 2011, including the number of shares, principal amount and trade date of each purchase and sale, as well as all other documents and writings which such person desires the Court to consider. Such objection shall also be delivered by hand, overnight mail or by certified mail, return-receipt requested, sufficient postage prepaid, upon each of the following counsel of record:

Tamar Weinrib  
POMERANTZ LLP  
600 Third Avenue  
New York, New York 10016  
*Class Counsel*

Joshua I. Schiller  
BOIES, SCHILLER & FLEXNER LLP  
575 Lexington Ave  
New York, New York 10022  
*Defendants' Counsel*

Any person or entity who fails to object in the manner prescribed in the paragraph immediately above shall be deemed to have waived any objections that person may have and shall be barred from raising such objections in this or any other action or proceeding.

Objections directed solely to the proposed Plan of Allocation, attorneys' fees and expenses, or awards to the Lead Plaintiff will not affect the finality of either the Settlement or the Judgment to be entered thereto, if the Settlement is approved by the Court.

All members of the Class who do not request exclusion therefrom, in the manner provided herein, will be represented by Class Counsel in connection with the Settlement, but may, if they so desire, also enter an appearance through counsel of their own choice and at their own expense.

## **VII. PROOF OF CLAIM AND RELEASE FORM**

***To be eligible to receive a cash distribution from the Settlement Fund, you must timely complete, sign and file a Proof of Claim and Release Form ("Proof of Claim").*** A Proof of Claim is annexed to this Notice. You may receive more than one copy of this Notice and the Proof of Claim, but you should **submit only one Proof of Claim per legal entity for which you purchased Pain Therapeutics common stock during the Class Period.**

The Proof of Claim (1) **must** be completed in accordance with the Instructions on the Proof of Claim, (2) **must** enclose all documentation required by the Instructions, and (3) **must** be filed with the Claims Administrator **postmarked on or before January 16, 2017** at the following address:

*Pain Therapeutics, Inc. Securities Litigation*  
c/o KCC Class Action Services  
PO Box 43372  
Providence, RI 02940-3372

Members of the Class who do not exclude themselves from the Class and who fail to submit a valid and timely Proof of Claim will nevertheless be bound by the Settlement if finally approved, and all orders and judgments entered by the Court in connection therewith.

By Order of the Court, the Proof of Claim provides for and requires a Release of all Released Claims as defined in Section 7, Subsection 7.1, of the Stipulation of Settlement, by all members of the Class who file Proofs of Claim. The Release will become effective on the Effective Date of the Settlement.

Each person or entity submitting a Proof of Claim thereby submits to the jurisdiction of the Court for purposes of the Litigation, the Settlement and any proceedings relating to such Proof of Claim, and agrees that such a filed Proof of Claim will be subject to review and further inquiry as to such person's or entity's status as a member of the Class and the allowable amount of the claim.

The Claims Administrator will acknowledge the receipt of your Proof of Claim by postcard within 60 days of receipt. If you do not receive such acknowledgment within 60 days, please contact the Claims Administrator. **Your claim is not deemed filed unless a postcard is received.**

#### **VIII. SPECIAL NOTICE TO BROKERS AND OTHER NOMINEES**

Brokerage firms, banks, financial institutions and other nominees ("Nominees") who, during the Class Period, purchased or sold Pain Therapeutics common stock, CUSIP # 69562K100, in the name of the Nominees on behalf of beneficial owners of such securities who may be members of the Class, are requested to provide the Claims Administrator with the name and last known address of each such person or entity for whom the Nominee executed such transactions, **preferably in an MS Excel data table setting forth: (1) title/registration, (2) street address, (3) city/state/zip.** The Claims Administrator will then cause the Notice and the Proof of Claim to be mailed promptly to said beneficial owners. Alternatively, Nominees may request additional copies of this Notice and the Proof of Claim from the Claims Administrator, in which case the Nominees are required to promptly mail the Notice and the Proof of Claim directly to the persons for whom the transactions were made and provide the Claims Administrator with written confirmation of having done so. For either alternative, contact the Claims Administrator by phone at 866-348-7651 or by email: [nominees@paintherapeuticslitigation.com](mailto:nominees@paintherapeuticslitigation.com).

After receipt of a timely request for reimbursement and supporting documentation, the Claims Administrator will reimburse the Nominee for all costs reasonably incurred in gathering and forwarding the names and addresses of beneficial owners to the Claims Administrator, or forwarding the Notice and the Proof of Claim to beneficial owners, as the case may be.

#### **IX. FURTHER INFORMATION**

This Notice merely provides a brief summary of the litigation and the proposed Settlement and is qualified by and subject in all respects to the full terms and conditions in the Stipulation. For a more detailed statement of the matters involved in the litigation, you should refer to the pleadings, the Stipulation, and the orders entered by the Court and to the other papers filed in the litigation. For the precise terms and conditions of the Settlement, please see the Stipulation of Settlement available at [www.paintherapeuticslitigation.com](http://www.paintherapeuticslitigation.com), by contacting class counsel at Pomerantz LLP, 600 Third Avenue, New York, New York 10016, by accessing the Court docket in this case through the Court's Public Access to Court Electronic Records (PACER) system at <https://ecf.cand.uscourts.gov>, or by visiting the office of the Clerk of the Court for the United States District Court for the Western District of Texas, Austin Division, 501 West Fifth Street, Austin, TX 78701, between 9:00 a.m. and 4:00 p.m., Monday through Friday, excluding Court holidays.

If you have any questions regarding the information contained in this Notice, you may contact Plaintiffs' Counsel **in writing** at the addresses specified on page 2 of this Notice.

You may also visit the settlement website at [www.paintherapeuticslitigation.com](http://www.paintherapeuticslitigation.com) to find the Stipulation and/or download copies of the Notice and Proof of Claim. In addition, you may request additional copies of the Notice and Proof of Claim by contacting the Claims Administrator at:

*Pain Therapeutics, Inc. Securities Litigation*  
c/o KCC Class Action Services  
PO Box 43372,  
Providence, RI 02940-3372  
[info@paintherapeuticslitigation.com](mailto:info@paintherapeuticslitigation.com)  
1 866-348-7651  
[www.paintherapeuticslitigation.com](http://www.paintherapeuticslitigation.com)

**PLEASE DO NOT TELEPHONE THE COURT THE COURT CLERK'S OFFICE, DEFENDANTS OR DEFENDANTS' COUNSEL TO INQUIRE ABOUT THIS SETTLEMENT OR THE CLAIM PROCESS**

Dated: September 1, 2016

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TEXAS