

Statement of Recovery

Plaintiffs estimate that approximately 17,595,255 shares of POZEN common stock were purchased or otherwise acquired and potentially damaged during the Class Period. Plaintiffs estimate that the average recovery per share of POZEN common stock under the Settlement will be \$0.64 per share before the deduction of attorneys' fees, costs, and expenses, as approved by the Court. The actual recovery per share will depend on: (1) the number of claims filed; (2) when Class Members purchased and/or acquired their shares during the Class Period; (3) whether Class Members either sold their shares during the Class Period, or held their shares past the end of the Class Period; (4) administrative costs, including the costs of notice, for the Action; and (5) the amount awarded by the Court for attorneys' fees and expenses. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. See the Plan of Allocation on pages 4-5.

The Circumstances of the Settlement

The principal reason for Plaintiffs' consent to the Settlement is to provide a benefit to the Class. This benefit must be compared to the risk that no recovery might be achieved after contested motions, a contested trial and likely appeals, possibly years into the future. While Lead Counsel believed that their claims would survive a motion for summary judgment and ultimately result in a verdict for the Class, Defendants believed otherwise and repeatedly asserted the defense that the statements Plaintiffs alleged to be false and misleading were accurate and believed to be accurate by Defendants, and that Defendants engaged in no wrongdoing whatsoever. Lead Plaintiff and Lead Counsel recognized that especially here, where the jury would be required to listen to multiple experts presenting competing views of the FDA approval process, the jury could find in Defendants' favor. In addition, the recovery represents the majority of the insurance proceeds available to fund a settlement or satisfy a verdict, and Lead Plaintiff and Lead Counsel recognized that even if they prevailed, they may not succeed in winning a verdict of this size before a jury. This Settlement therefore enables the Class to recover a substantial settlement without incurring any additional risk or costs.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

- SUBMIT A CLAIM FORM The only way to receive a payment.
EXCLUDE YOURSELF Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants or the Released Parties concerning the legal claims being released in this Action.
OBJECT You may write to the Court if you do not like this Settlement, the Plan of Allocation, or the request for attorneys' fees and expenses.
GO TO A HEARING You may ask to speak in Court about the fairness of the Settlement.
DO NOTHING Receive no payment and be prohibited from asserting any Settled Claim against any Released Party.

- These rights and options – and the deadlines to exercise them – are explained in this Notice.
• The Court in charge of this Action must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after they are resolved. Please be patient.

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QUESTIONS? CALL 1-866-277-8964

BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased or otherwise acquired shares of POZEN common stock between October 8, 2002 and May 28, 2004, inclusive (the "Class Period").

If this description applies to you, you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What Is This Lawsuit About?

On or after June 4, 2004, five class action complaints were filed against POZEN and certain of the Company's officers and executives alleging violations of the federal securities laws. These actions were consolidated by order dated July 28, 2004. On December 20, 2004, Lead Plaintiff, Emanuel Klibaner, filed the Consolidated Class Action Complaint for Violations of Federal Securities Laws (the "Complaint") asserting claims under Sections 10b, Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 and alleging that Defendants disseminated a series of materially false and misleading statements and failed to disclose material facts regarding the objective results of their clinical studies for two of the Company's investigational migraine-therapy drugs and leading product candidates during the Class Period, MT-100™ and MT-300™, to inflate the value of POZEN common stock artificially. The Complaint also asserted that defendant John R. Plachetka, POZEN's Chief Executive Officer, was incentivized to maintain POZEN common stock at artificially inflated levels in order to attain a larger bonus.

On January 28, 2005, Defendants filed a motion to dismiss the Complaint. After the motion was fully briefed, the Court denied the motion, in substantial part, by an order dated August 30, 2005. Following the Court's ruling, Defendants filed an Answer to the Complaint on October 21, 2005, and the parties engaged in merits and class certification discovery.

On March 27, 2006, Lead Plaintiff and proposed class representative, Richard Blankenhorn, filed a motion for class certification. The motion was fully briefed, and by order dated February 28, 2007, the Court adopted a recommended ruling by Magistrate Judge Wallace W. Dixon to certify the class proposed by Plaintiffs and appoint Lead Counsel as Class Counsel. Following the completion of merits discovery, the parties participated in a full-day mediation on June 15, 2007, presided over by court-appointed mediator, Jonathan R. Harkavy, the parties reached an agreement-in-principle for the resolution of this Action at this mediation.

3. Why Is This Action a Class Action?

In a class action, one or more people called class representatives (in this case the court certified Plaintiffs, Emanuel Klibaner and Richard Blankenhorn, as Class Representatives), sue on behalf of people who have similar claims. All of these people who have similar claims are referred to collectively as a Class, or individually as Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Settlement. The U.S. District Court for the Middle District of North Carolina, the Honorable William L. Osteen, is in charge of this class action.

4. Why Is There a Settlement?

The Court did not decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the cost and risks of further litigation and trial. As explained above, the Plaintiffs and their attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

5. How Do I Know if I Am Part of the Settlement?

The Class includes: ***all persons who purchased or otherwise acquired the common stock of POZEN between October 8, 2002 and May 28, 2004, inclusive, except those persons and entities that are excluded, as described below.***

6. What Are the Exceptions to Being Included?

Excluded from the Class are Defendants; the other officers and directors of POZEN during the Class Period; members of their immediate families and their legal representatives, heirs, successors, or assigns; and any entity in which Defendants have or had a controlling interest.

If you sold POZEN common stock between October 8, 2002 and May 28, 2004, inclusive, that alone does not make you a Class Member. You are a Class Member only if you purchased or otherwise acquired the common stock during the Class Period.

If one of your mutual funds purchased or owns shares of POZEN common stock, that alone does not make you a Class Member.

7. I Am Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, The Garden City Group, at 1-866-277-8964, for more information. Or you can fill out and return the claim form described in Question 10, to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE

8. What Does the Settlement Provide?

Defendants have agreed to create a \$11,205,000 cash Settlement Fund. The balance of this fund, after payment of court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing notice (the "Net Settlement Fund"), will be divided among all Class Members who submit valid claim forms.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

9. How Much Will My Payment Be?

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, how many shares of POZEN common stock you purchased and/or acquired, and when you purchased, acquired and sold your shares. By following the Plan of Allocation described here, you can calculate your "Recognized Claim." The Claims Administrator will distribute the Net Settlement Fund, that is, the Settlement Fund, less taxes owed, all administrative costs, including the costs of notice, and attorneys' fees and expenses, as awarded by the Court, according to the Plan of Allocation after the deadline for submission of Proof of Claim and Release forms has passed.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount a Class Member 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 Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

Recognized Claims will be calculated as follows:

- I. For shares of common stock purchased¹ between October 8, 2002 and October 17, 2003:
 - A. For shares retained at the end of trading on August 27, 2004, the Recognized Loss shall be the lesser of:
 - (1) \$9.57 per share; or
 - (2) the difference between the purchase price per share and \$6.58.²
 - B. For shares sold between October 8, 2002 and October 17, 2003, the Recognized Loss shall be zero
 - C. For shares sold between October 18, 2003 and May 28, 2004, the Recognized Loss shall be the lesser of:
 - (1) \$5.82 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold;
 - D. For shares sold between May 29, 2004 and August 27, 2004, the Recognized Loss shall be the lesser of:
 - (1) \$9.57 per share; or
 - (2) the difference between the purchase price per share and the average closing price per share between June 1, 2004 and the date of sale for each share sold.

¹ The receipt or grant by gift, devise or operation of law of POZEN securities during the Class Period shall not be deemed a purchase or sale of POZEN securities for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase of such securities unless specifically provided in the instrument of gift or assignment. The receipt of POZEN securities during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of POZEN securities.

² Pursuant to Sections 21(D)(e)(1) and 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, the award of damages to the plaintiff shall not exceed the difference between the purchase price paid by the plaintiff for the subject security and: (1) for plaintiffs who still held shares at the end of the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated, the mean trading price of that security during the 90-day period; or (2) for plaintiffs who sold shares during the 90-day period, the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sold the security. The mean (average) closing price of POZEN, Inc. common stock during the 90-day period beginning on June 1, 2004 and ending on August 27, 2004 was \$6.58 per share.

- II. For shares of common stock purchased between October 18, 2003 and May 28, 2004:
- A. For shares retained at the end of trading on August 27, 2004, the Recognized Loss shall be the lesser of:
- (1) \$3.75 per share; or
 - (2) the difference between the purchase price per share and \$6.58.
- B. For shares sold between October 18, 2003 and May 28, 2004, the Recognized Loss shall be zero.
- C. For shares sold between May 29, 2004 and August 27, 2004, the Recognized Loss shall be the lesser of:
- (1) \$3.75 per share; or
 - (2) the difference between the purchase price per share and the average closing price per share between June 1, 2004 and the date of sale for each share sold.

Each Authorized Claimant shall be paid the percentage that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Class Member and the validity and amount of that claimant's claim. No discovery shall be allowed on the merits of the Action.

The date of purchase, acquisition or sale is the "contract" or "trade" date and not the "settlement" date. All profits will be subtracted from all losses to determine the net recognized loss of each Class Member. Therefore, you need to list all purchases, acquisitions and sales of POZEN common stock during the relevant time period. In processing claims, sales will be matched in chronological order, by trade date, first against the common stock held as of the close of trading on October 7, 2002 (the last day before the Class Period begins) and then against the purchases and/or acquisitions during the Class Period. A claimant that sold short during the Class Period shall have no Recognized Claim with respect to such transactions.

Payments will be final and conclusive against all Class Members. No distribution will be made on a claim where the potential distribution amount is less than \$10.00 in cash. Under no circumstances will a Recognized Claim exceed the out-of-pocket loss, not including commissions, taxes or other fees. All Class Members whose claims are not approved by the Court will be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and will be barred from bringing any Settled Claim against any Released Parties (as those terms are defined in the Proof of Claim and Release form enclosed with this Notice and in the Stipulation of Settlement, which is available on the Internet at www.gardencitygroup.com, or through the mail upon request).

HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM

10. How Will I Receive a Payment?

To qualify for payment, you must be an eligible Class Member and you must submit a Proof of Claim and Release form ("Proof of Claim"). A Proof of Claim is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope postmarked no later than February 9, 2008. Retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

11. When Will I Receive My Payment?

The court will hold a hearing on December 10, 2007, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Proofs of Claim. The processing is complicated and will take many months. Please be patient.

12. What Am I Giving Up By Staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants or the Released Parties about the claims being released in this Settlement. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this Action against the Defendants. The terms of the release are included in the claim form that is enclosed.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue the Defendants on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is referred to as opting out of the Class.

13. How Do I Exclude Myself from the Settlement?

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from *In re POZEN Securities Litigation*, Master File No. 04-00505. You must include your name, address, telephone number, your signature, and the number of shares of POZEN common stock you purchased and/or acquired between October 8, 2002 and May 28, 2004, inclusive, the number sold during this time period, if any, and the dates of such purchases, acquisitions and sales. You must mail your exclusion request so that it is received no later than November 26, 2007 to:

**In re POZEN Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
PO Box 9173
Dublin, OH 43017-4173**

*Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit and you will be unable to pursue the claims that are being released in this Settlement.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Parties for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this Action against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is November 26, 2007.

15. If I Exclude Myself, Can I Receive a Payment from This Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against Defendants or the Released Parties.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court has certified Cohen, Milstein, Hausfeld & Toll, P.L.L.C. as Class Counsel in this Action, and this firm represents you and the other Class Members. These lawyers are called Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How Will the Lawyers Be Paid?

Lead Counsel will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund and for reimbursement of their out-of-pocket expenses up to \$350,000.00 (collectively, an average of \$0.21 per share of POZEN common stock), which were advanced in connection with the Action, plus interest on such fees and expenses at the same rate as earned by the Settlement Fund. *Such sums as may be approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Lead Counsel for its efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Lead Counsel has not been paid for its services for conducting this litigation on behalf of the Plaintiffs and the Class nor for its substantial out-of-pocket expenses. The fee requested will compensate Lead Counsel for its work in achieving the Settlement Fund. The Court may, however, award less than this amount.

Lead Plaintiff and the Class Representative may also move the Court to award a payment of up to \$7,500 for their reasonable costs and expenses (including lost wages) directly relating to their representation of the Class.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How Do I Tell the Court that I Do Not Like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in *In re POZEN Securities Litigation*, Master File No. 04-00505. Be sure to include your name, address, telephone number, your signature, the number of shares of POZEN common stock purchased, acquired and sold between October 8, 2002 and May 28, 2004, inclusive, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is received by *each of the following* no later than November 26, 2007:

Court:

Clerk of the Court
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA
L. Richardson Preyer Federal Courthouse
324 West Market Street
Greensboro, NC 27401

Lead Counsel for Plaintiffs and the Class:

Daniel S. Sommers
Matthew K. Handley
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Cohen, Milstein, Hausfeld & Toll, P.L.L.C.
1100 New York Avenue, N.W.
West Tower, Suite 500
Washington, D.C. 20005-3964

Counsel for Defendants

William P. Quinn, Jr.
David W. Marston, Jr.
Karen Pieslak Pohlmann
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19130-2921

19. What's the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, the application for attorneys' fees and expenses or the application for reimbursement of reasonable time and expenses (including lost wages) to the Lead Plaintiff and the Class Representative. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT FAIRNESS HEARING

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at 9:30 a.m., on December 10, 2007, at the L. Richardson Preyer Federal Courthouse, 324 West Market Street, Greensboro, NC 27401. At this hearing the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by November 26, 2007 to speak at the hearing. The Court may also consider Lead Counsel's application for attorneys' fees and reimbursement of expenses.

21. Do I Have to Come to the Hearing?

No. Lead Counsel will answer any questions Judge Osteen may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

22. May I Speak at the Hearing?

You may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must send a letter stating your intention to appear in *In re POZEN Securities Litigation*, Master File No.04-00505. Be sure to include your name, address, telephone number, your signature, and the number of shares of POZEN common stock purchased and/or acquired between October 8, 2002 and May 28, 2004, inclusive. Your notice of intention to appear must be received no later than November 26, 2007, and be sent to the Clerk of the Court, Lead Counsel, and Defendants' Counsel, at the addresses listed in Question 18. You cannot speak at the hearing if you exclude yourself from the Settlement.

IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you will receive no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Parties about the same claims being released in this Settlement.

QUESTIONS? CALL 1-866-277-8964

OBTAINING MORE INFORMATION

24. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated July 30, 2007. You can obtain a copy of the Stipulation of Settlement or more information about the Settlement by visiting www.gardencitygroup.com, calling 1-866-277-8964 or by writing to Cohen, Milstein, Hausfeld & Toll, P.L.L.C., 1100 New York Avenue, N.W., West Tower, Suite 500, Washington, D.C. 20005-3964. You can also obtain a copy of the Stipulation of Settlement from the Clerk's office at the United States District Court for the Middle District of North Carolina, L. Richardson Preyer Federal Courthouse, 324 West Market Street, Greensboro, NC 27401, during regular business hours.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you hold shares of any POZEN common stock purchased between October 8, 2002 and May 28, 2004, inclusive, as nominee for a beneficial owner, then, the Court has Ordered that within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such persons or entities; or (2) provide a list of the name and addresses of such persons or entities to the Claim Administrator:

**In re POZEN Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
PO Box 9173
Dublin, OH 43017-4173**

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claim Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: October 2, 2007

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA