

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

GRAHAM ANDERSON, on Behalf of Himself) and All Others Similarly Situated,)	Case No. 2:12-cv-03721-MAM)
Plaintiff,)	<u>CLASS ACTION</u>)
v.)	NOTICE OF PENDENCY OF)
	SETTLEMENT)
POLYMEDIX , INC., NICHOLAS))
LANDEKIC, EDWARD F. SMITH, and R.))
ERIC MCALLISTER,))
Defendants.))
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IF YOU PURCHASED OR OTHERWISE ACQUIRED POLYMEDIX, INC. ("POLYMEDIX") COMMON STOCK BETWEEN MARCH 7, 2011 AND MAY 10, 2012, INCLUSIVE, AND ARE NOT OTHERWISE EXCLUDED FROM THE SETTLEMENT CLASS, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.¹

A federal court authorized this Notice. This is not a solicitation from a lawyer.

BASIC INFORMATION

Why did I get this notice package?

You or someone in your family may have purchased PolyMedix common stock between March 7, 2011 and May 10, 2012, inclusive. The U.S. District Court for the Eastern District of Pennsylvania (the "Court") directed that you be sent this Notice because you have a right to know about a proposed settlement of the above-captioned Action ("Action") 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 (if there are any) 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 get them.

What is this lawsuit about?

This case was brought as a class action alleging that Defendants made materially false and misleading statements regarding the safety, commercial viability, and market potential of one of

¹ This Notice incorporates by reference the definitions in the Stipulation of Settlement dated December 23, 2014 (the "Stipulation") and all capitalized terms used but not defined herein shall have the same meanings as in the Stipulation available on the following websites: www.robbinarroyo.com/notices and www.PolyMedixSecuritiesSettlement.com.

PolyMedix's experimental drug compounds. Lead Plaintiff claimed that as a result of these alleged false statements and omissions, the market price of PolyMedix's common stock was artificially and improperly inflated between March 7, 2011 and May 10, 2012, and that Settlement Class Members overpaid for PolyMedix common stock purchased during this time period.

Defendants deny all of Lead Plaintiff's allegations and further deny that they did anything wrong. Defendants also deny that Lead Plaintiff or the Settlement Class suffered damages or that the price of PolyMedix common stock was artificially inflated by reasons of alleged misrepresentations or non-disclosures.

Why is this a class action?

In a class action, one or more people called class representatives sue on behalf of people who have similar claims. All of these people and/or entities are called a class or class members. One court resolves the issues for all class members, except for those who exclude themselves from the class.

Why is there a settlement?

The Court did not decide in favor of the Lead Plaintiff or Defendants. Instead, the parties and the lawyers for both sides of the lawsuit have negotiated a settlement that they believe is in the best interests of their respective clients. The settlement allows both sides to avoid the risks and cost of lengthy and uncertain litigation and the uncertainty of a trial and appeals, and permits Settlement Class Members to be compensated without further delay. Lead Plaintiff and their attorneys think the settlement is best for all Settlement Class Members.

WHO GETS MONEY FROM THE SETTLEMENT

How do I know if I am part of the Settlement Class?

The Settlement Class includes all purchasers or acquirers of PolyMedix common stock during the Settlement Class Period, which is between March 7, 2011 and May 10, 2012, inclusive, and who were allegedly damaged thereby.

Are there exceptions to being included in the Settlement Class?

Yes. Excluded from the Settlement Class are: (i) Defendants; (ii) any entity in which any Defendant has or had a controlling interest or that is a parent or subsidiary or is controlled by any Defendant; (iii) any person who was an officer or director of PolyMedix during the Settlement Class Period; (iv) Defendants' affiliates, legal representatives, heirs, predecessors, successors, or assigns; and (v) members of the Remaining Defendants' immediate families. Also excluded from the Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class pursuant to this Notice.

THE SETTLEMENT BENEFITS – WHAT YOU GET

What does the settlement provide?

Defendants have agreed to cause PolyMedix's insurer to pay from the primary D&O Policy \$1,150,000 in cash (the "Settlement Amount"). The Settlement Amount, plus interest earned from the date it is established, less costs, fees, and expenses (the "Net Settlement Fund"), will be divided among all eligible Settlement Class Members who send in valid Proofs of Claim ("Authorized Claimants"). Costs, fees, and expenses include Court-approved attorneys' fees and expenses, any Court-approved award to Lead Plaintiff, the costs of notifying the Settlement Class, including the costs of printing and mailing this Notice and publication notice, the costs of claims administration, and taxes on the Settlement Fund.

How much will my payment be?

Your share of the Net Settlement Fund will depend on the number of valid Claims submitted, the number of shares of PolyMedix common stock you purchased during the Settlement Class Period, and the dates on which you bought and sold your shares. Lead Counsel conferred with their damage consultants for the purpose of determining the amount an Authorized Claimant may recover under the Plan of Allocation. The Plan of Allocation reflects an assessment of damages that Lead Counsel believe could have been recovered had Plaintiff prevailed at trial.

In the unlikely event there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants (his, her, or its "*Pro Rata* Share"). In the event an Authorized Claimant's claim or *Pro Rata* Share is less than \$5.00, no payment will be made due to the administrative time and cost associated with the issuance of payments. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A "Claim" will be calculated as follows:

For shares of PolyMedix common stock purchased or acquired on or between March 7, 2011 and May 10, 2012, inclusive, the recovery per share shall be as follows:

- (a) If sold prior to May 11, 2012, the claim per share is \$0.00.
- (b) If sold on May 11, 2012, the claim per share shall be the lesser of (i) \$0.23 (May 11, 2012 price decline), or (ii) the difference between the purchase price and the selling price.
- (c) If retained at the end of May 11, 2012, and sold before August 11, 2012 the claim per share shall be the lesser of (i) \$0.23 (May 11, 2012 price decline); or (ii) the difference between the purchase price and the selling price; or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale.

(d) If retained, or sold, on or after August 11, 2012, the claim per share shall be the lesser of: (i) \$0.23 (May 11, 2012 price decline), or (ii) the difference between the purchase price per share and \$0.33 per share.

For shares of PolyMedix common stock purchased or acquired on or after May 11, 2012, the claim per share shall be \$0.00.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

For Settlement Class Members who made multiple purchases, acquisitions, or sales during the Settlement Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, acquisitions, and sales for purposes of calculating a claim. Under the FIFO method, sales of common stock during the Settlement Class Period will be matched, in chronological order, against common stock purchased or acquired during the Settlement Class Period.

An Authorized Claimant will be eligible to receive a distribution from the Net Settlement Fund only if a Settlement Class Member had a net loss. All gains and losses (as calculated under the above plan) will be combined and thereafter netted against each other.

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

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against Lead Plaintiff, Lead Counsel, any claims administrator, or other Person designated by Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Settlement Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

HOW YOU GET A PAYMENT – SUBMITTING A CLAIM FORM

How will I get a payment?

To qualify for a payment, you must send in a 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 asks for, sign it, and mail it in the enclosed envelope postmarked no later than ninety calendar days after the entry of the Preliminary Approval Order, by April 13, 2015.

When would I get my payment?

The Court will hold a hearing to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved favorably, and resolving them can take time, perhaps more than a year. It also takes time for all the claim forms to be processed. If there are no appeals and depending on the number of claims submitted,

the Claims Administrator could distribute the Net Settlement Fund as early as nine months after the fairness hearing. Please be patient.

What am I giving up to get a payment or stay in the Settlement Class?

Unless you exclude yourself, you are staying in the Settlement Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants about the same issues in this case or about issues that could have been asserted in this case. 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 case against the Released Parties.

"Released Claims" means any and all manner of actions, causes of actions, suits, derivative actions, obligations, claims, debts, demands, agreements, promises, liabilities, damages, losses, controversies, costs, expenses, rights, and attorneys' fees whatsoever, whether in law or in equity and whether based on any federal law, state law, common law or foreign law, local law, statutory law or any other law, rule or regulation, right of action or of any other type or form, foreseen or unforeseen, actual or potential, matured or unmatured, known or unknown, accrued or not accrued, liquidated or unliquidated, fixed or contingent, whether class or individual in nature, which Lead Plaintiff and each Settlement Class Member, or any of them, ever had, now have, or can have, or shall or may hereafter have, either individually, or as a member of a class, against any and all Released Persons for, based on, by reason of, or arising from or relating to the conduct alleged in the Action, including but not limited to: (i) claims that could have been asserted in any forum that directly or indirectly arise out of any of the facts, transactions, events, occurrences, acts, or omissions mentioned or referred to in the Amended Complaint or other matters that are or could have been set forth, alleged, embraced, or otherwise referred to in the Amended Complaint or that could have been brought against Defendants relating to a Settlement Class Member's purchase or other acquisition of PolyMedix's common stock during the Class Period, including all matters encompassed within the releases and covenants not to sue set forth in the Stipulation, and (ii) claims arising out of the prosecution or defense of the Action, or either of them, including, but not limited to, claims for fraud in the inducement, negligent misrepresentation, or fraud; except that nothing in this Stipulation releases any claim arising out of a violation or breach of the terms of this Stipulation.

"Released Persons" means any and all Defendants, and with respect to each Defendant, their past and present directors, officers, employees, partners, principals, agents, underwriters, issuers, insurers, co-insurers, reinsurers, shareholders, attorneys, accountants, auditors, banks or investment bankers, advisors, divisions, segments, consultants, assigns, personal and legal representatives, predecessors, successors, indemnitors, indemnitees, parents, subsidiaries, joint ventures, spouses, heirs, estates, related or affiliated entities, any entity in which any of them has a controlling interest, any members of any Individual Defendant's immediate family, any trust of which any Defendant is the settlor or that is for the benefit of any Individual Defendant and/or member(s) of any Individual Defendant's families, and anyone claiming by, through or under any of the foregoing, whether by statute, rule, contract or otherwise.

"Unknown Claims" means any and all Released Claims that Lead Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, which if known, might have affected their decision(s) with respect to the Settlement. With respect to any and all Released Claims, the parties stipulate and agree that upon the Effective Date, Lead Plaintiff and the Remaining Defendants shall expressly, and each Settlement Class Member shall

be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff and Settlement Class Members may hereafter discover facts in addition to or different from those which he, she, or it knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff shall expressly and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Released Persons and Lead Plaintiff acknowledge, and Settlement Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a material element of the Settlement of which the release is a part.

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 issues in this case, then you must take steps to get out of the Settlement Class. This is called excluding yourself or is sometimes referred to as "opting-out" of the Settlement Class.

How do I get out of the Settlement Class?

To exclude yourself from the Settlement Class, you must send a letter by mail stating that you want to be excluded from the proposed Settlement in *Anderson v. PolyMedix, Inc.*, No. 2:12-cv-03721-MAM. You must include your name, address, telephone number, your signature, all purchases and sales of PolyMedix common stock made during the Settlement Class Period and the dates of such purchases and sales, and the price paid or received for each such purchase or sale. You must mail your exclusion request postmarked no later than fourteen days before the date of the Settlement Fairness Hearing, by April 13, 2015 to *Anderson v. PolyMedix, Inc.*, No. 2:12-cv-03721-MAM, EXCLUSIONS, c/o Angeion Group, 1801 Market St., Suite 660, Philadelphia, PA 19103.

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to get any Settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

THE LAWYERS REPRESENTING YOU

Do I have a lawyer in this case?

The Court appointed the law firm of Robbins Arroyo LLP to represent you and other Settlement Class Members. These lawyers are called Lead Counsel. These lawyers will apply to the Court for payment from the Settlement Fund; you will not otherwise be charged for their work. If you want to be represented by your own lawyer, you may hire one at your own expense.

How will the lawyers be paid?

At the fairness hearing, Lead Counsel will request the Court to award attorneys' fees of 33 1/3% of the Settlement Fund and for expenses in an amount not to exceed \$15,000, which were incurred in connection with the Action. This compensation will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses. To date, Lead Counsel have not received any payment for their services in conducting this Action on behalf of the Lead Plaintiff and the Settlement Class, nor have counsel been paid for their expenses. The fee requested will compensate Lead Counsel for their work in achieving the Settlement and is within the range of fees awarded to class counsel under similar circumstances in other cases of this type.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement, the Plan of Allocation, or Lead Plaintiff's request for an award of attorneys' fees and expenses.

How do I tell the Court that I do not like the settlement?

If you are a Settlement Class Member (and you have not excluded yourself), you can object to the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation if you do not like any part of it. You can give reasons why you think the Court should not approve the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation. The Court will consider your views. To object, you must send a signed letter saying that you object to the proposed Settlement in *Anderson v. PolyMedix, Inc.*, No. 2:12-cv-03721-MAM. Be sure to include your name, address, telephone number, your signature, the number of shares of PolyMedix common stock purchased between March 7, 2011 through and including May 10, 2012, inclusive, and the reason(s) you object to the Settlement, the requested attorneys' fees and expenses, or the Plan of Allocation. Any such objection must be filed with the Clerk of the U.S. District Court for the Eastern District of Pennsylvania, 601 Market Street, Philadelphia, Pennsylvania 19106, and mailed or delivered such that it is received by each of the following no later than twenty-one calendar days before the date of the Settlement Fairness Hearing, by April 6, 2015:

Lead Counsel:
ROBBINS ARROYO LLP
STEPHEN J. ODDO, ESQ.
600 B Street, Suite 1900
San Diego, CA 92101

Counsel for Defendants
PEPPER HAMILTON LLP
ROBERT L. HICKOK, ESQ.
3000 Two Logan Square, Eighteen and Arch Streets
Philadelphia, PA 19103

What is the difference between objecting and excluding myself from the settlement?

Objecting is telling the Court that you do not like something about the proposed settlement. You can object *only* if you stay in the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself, you have no basis to object because the case no longer applies to you.

THE SETTLEMENT FAIRNESS HEARING

When and where will the Court decide whether to approve the settlement?

The Court will hold a fairness hearing at 10:00 a.m., on April 27, 2015, at the U.S. District Court for the Eastern District of Pennsylvania, 601 Market Street, Room 13614, Philadelphia, Pennsylvania 19106. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. The Court may move the date or time of the fairness hearing to a later date or time without further written notice to you. If the date or time of the fairness hearing is changed, the new date or time will be posted at www.PolyMedixSecuritiesSettlement.com. If there are objections, the Court will consider them. Judge Mary A. McLaughlin will listen to people who have asked to speak at the Settlement Hearing.

Do I have to come to the hearing?

No. Lead Counsel will answer questions the Court may have. You are welcome to come at your own expense. You may also pay your own lawyer to attend, but you are not required to do so.

May I speak at the hearing?

You may ask the Court for permission to speak at the hearing. To do so, you must send a letter saying that it is your intention to appear in *Anderson v. PolyMedix, Inc.*, No. 2:12-cv-03721-MAM. Your notice of intention to appear must be received no later than April 6, 2015, by the Clerk of the Court, Lead Counsel, and counsel for Defendants, at the addresses listed above. You cannot speak at the hearing if you exclude yourself from the Settlement Class.

IF YOU DO NOTHING

What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement and you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the same issues in this case.

Special notice to banks, brokers, and other nominees

If you hold or held any PolyMedix common stock during the Settlement Class Period as a nominee for a beneficial owner, then, 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 (2) provide a list of the names and addresses of such Persons to the Claims Administrator via phone at (888) 944-6537 or e-mail at PolyMedixSecuritiesSettlement@AngeionGroup.com. If you choose to mail the Notice and Proof of

Claim yourself, you may obtain from the Claims 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.

GETTING MORE INFORMATION

Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation, which has been filed with the Court. You can get a copy of the Stipulation from the Clerk of the Court's office during regular business hours, or you can call or write to a representative of Lead Counsel, Darnell Donohue, Shareholder Relations, 1-800-350-6003 . Lead Counsel's address is Robbins Arroyo LLP, 600 B St., Suite 1900, San Diego, California 92101. You can also obtain a copy of the Stipulation and other settlement information by going to www.robbinsarroyo.com/notices or www.PolyMedixSecuritiesSettlement.com.

PLEASE DO NOT CALL THE COURT OR THE CLERK OF THE COURT FOR ADDITIONAL INFORMATION ABOUT THE SETTLEMENT.