

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

IN RE CONNETICS
SECURITIES LITIGATION

File No. C 07-02940 SI

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

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF PENDENCY OF CLASS ACTION: Please be advised that your rights may be affected by a class action lawsuit pending in this Court (the "Litigation") if, during the period from January 27, 2004 through July 9, 2006, you purchased or acquired the publicly traded securities of Connetics Corp. ("Connetics" or the "Company").

NOTICE OF SETTLEMENT: Please also be advised that the Court-appointed Lead Plaintiff, Teachers' Retirement System of Oklahoma ("Lead Plaintiff"), on behalf of the Class (as defined in ¶1 below), has reached a proposed settlement of the Litigation for a total of \$12.75 million that will resolve all claims in the Litigation.

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. Your legal rights will be affected whether or not you act. Please read this Notice carefully and in its entirety!

1. **Description of the Litigation and Class:** This Notice relates to the pendency and proposed settlement of a class action lawsuit against Defendants Connetics, and Thomas G. Wiggans, Gregory Vontz, John L. Higgins, and Lincoln Krochmal (the "Individual Defendants," collectively with Connetics, the "Defendants"). The proposed settlement, if approved by the Court, will settle certain claims of all persons and entities who purchased or acquired Connetics publicly traded securities from January 27, 2004, through July 9, 2006, inclusive (the "Class Period") and suffered damages as a result (the "Class").

2. **Statement of Class's Recovery:** Subject to Court approval, and as described more fully in ¶¶7-32 below, Lead Plaintiff, on behalf of the Class, has agreed to settle all claims related to the purchase or acquisition of Connetics publicly traded securities that were or could have been asserted against Defendants and other Released Parties in the Litigation in exchange for a settlement payment of \$12.75 million to be deposited into an interest-bearing escrow account (the "Settlement Fund"). The Net Settlement Fund (the Settlement Fund less taxes, notice and administration costs, and attorneys' fees and litigation expenses awarded to Lead Counsel) will be distributed in accordance with a plan of allocation (the "Plan of Allocation") that will be approved by the Court and will determine how the Net Settlement Fund shall be allocated to the members of the Class. The proposed Plan of Allocation is included in this Notice, and may be modified by the Court without further notice.

3. **Statement of Average Amount of Damages Per Share:** The Settlement Fund consists of \$12.75 million plus interest earned. Your recovery will depend on the number and type of Connetics securities you purchased or acquired, and the timing of those transactions. It will also depend on the number of valid claim forms that members of the Class submit and the amount of such claims. Assuming that all of the investors who purchased or acquired Connetics publicly traded securities during the Class Period and suffered damages participate in this settlement, Lead Counsel estimates that the estimated average distribution will be approximately: \$0.24 per share of Connetics common stock before the deduction of Court-approved fees and expenses as described in ¶99 below and the cost of notice and claims administration. The amount per share could be further reduced by amounts, pursuant to the Plan of Allocation, claimed by purchasers of other publicly traded securities of Connetics. Historically, less than all eligible investors submit claims, resulting in higher average distributions per share.

4. **Statement of the Parties' Position on Damages:** The parties do not agree on the total amount of recoverable damages or on the average amount of damages per share that would be recoverable if Lead Plaintiff were to prevail. Defendants deny that they are liable in any respect or that Lead Plaintiff or other Class Member suffered any injury. The issues on which the parties disagree include, but are not limited to: (1) whether the statements made or facts allegedly omitted were material, false, misleading, or whether the Defendants are otherwise liable under the securities laws for those statements or omissions; (2) the amount by which the prices of Connetics securities were allegedly inflated (if at all) during the Class Period; and (3) the effect of various market forces influencing the trading prices of Connetics securities at various times during the Class Period.

5. **Statement of Attorneys' Fees and Expenses Sought:** Lead Counsel (as defined in ¶6 below) will apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 25% of the Settlement Fund plus interest earned at the same rate and for the same period as earned by the Settlement Fund. In addition, Lead Counsel also will apply for the reimbursement of litigation expenses paid or incurred in connection with the prosecution and resolution of the Litigation, in an amount not to exceed \$550,000 plus interest earned at the same rate and for the same period as earned by the Settlement Fund. If the Court approves Lead Counsel's fee and expense application, the average cost per affected share of common stock will be approximately \$0.07.

6. **Identification of Attorney Representatives:** Lead Plaintiff and the Class are being represented by David Stickney, Esq. and Niki L. Mendoza, Esq. of Bernstein Litowitz Berger & Grossmann LLP, the Court-appointed Lead Counsel. Any questions regarding the Settlement should be directed to Mr. Stickney or Mrs. Mendoza at Bernstein Litowitz Berger & Grossmann LLP, 12481 High Bluff Drive, Suite 300, San Diego, CA 92130-3582 (888) 924-1888, blbg@blbglaw.com.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

REMAIN A MEMBER OF THE CLASS	This is the only way to get a payment. If you wish to obtain a payment as a Class Member, you will need to file a Proof of Claim Form (which is included with this Notice) postmarked no later than November 30, 2009.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2009.	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against any of the Defendants or other Released Parties concerning the claims that were, or could have been, asserted in this case.
OBJECT TO THE SETTLEMENT BY SUBMITTING WRITTEN OBJECTIONS SO THAT THEY ARE <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2009.	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of expenses. You cannot object to the Settlement unless you are a Class Member and do not validly exclude yourself. Papers in support of the Settlement, the Plan of Allocation, and Lead Counsel's application for attorneys' fees and payment of expenses will be submitted for receipt on or before September 18, 2009. Copies of such papers will be available at www.ConneticsSecuritiesLitigation.com .
GO TO THE HEARING ON OCTOBER 9, 2009, AT 9:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS <i>RECEIVED</i> NO LATER THAN SEPTEMBER 30, 2009.	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of expenses.
DO NOTHING	Get no payment. Remain a Class Member. Give up your rights.

WHAT THIS NOTICE CONTAINS

Why Did I Get This Notice?	Page 2
What Is This Case About? What Has Happened So Far?	Page 3
How Do I Know If I Am Affected By The Settlement?.....	Page 3
What Are The Lead Plaintiff's Reasons For The Settlement?	Page 4
What Might Happen If There Were No Settlement?	Page 4
How Much Will My Payment Be?	Page 4
What Rights Am I Giving Up By Agreeing To The Settlement?.....	Page 7
What Payment Are The Attorneys For The Class Seeking? How Will The Lawyers Be Paid?.....	Page 8
How Do I Participate In The Settlement? What Do I Need To Do?	Page 8
What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?.....	Page 8
When And Where Will The Court Decide Whether To Approve The Settlement? Do I Have To Come To The Hearing? May I Speak At The Hearing If I Don't Like The Settlement?	Page 8
What If I Bought Shares On Someone Else's Behalf?	Page 9
Can I See The Court File? Whom Should I Contact If I Have Questions?	Page 9

WHY DID I GET THIS NOTICE?

7. This Notice is being sent to you pursuant to an Order of the United States District Court for the Northern District of California (the "Court") because you or someone in your family may have purchased or otherwise acquired Connetics securities during the Class Period. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Court approves the Settlement a claims administrator selected by Lead Plaintiff and approved by the Court will make payments pursuant to the Settlement after any objections and appeals are resolved.

8. In a class action lawsuit, the Court selects one or more people, known as class representatives, to sue on behalf of all people with similar claims, commonly known as the class or the class members. In this Litigation, the Court has appointed the Teachers' Retirement System of Oklahoma to serve as "Lead Plaintiff" under a federal law governing lawsuits such as this one, and approved Lead Plaintiff's selection of the law firm of Bernstein Litowitz Berger & Grossmann LLP ("Lead Counsel") to serve as Lead Counsel in the Litigation. The Lead Plaintiff is the Class Representative. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. The Court certified the Class on May 12, 2009. (For more information on excluding yourself from the Class, please read "What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?" located below.)

9. The Court in charge of this case is the United States District Court for the Northern District of California, and the case is known as *In re Connetics Securities Litigation*. The Judge presiding over this case is the Honorable Susan Illston, United States District Judge. The people who are suing are called plaintiffs, and those who are being sued are called defendants. In this case, the plaintiff is referred to as the Lead Plaintiff, on behalf of itself and the Class, and Defendants are Connetics and the Individual Defendants.

10. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Class if you wish to do so. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement, the fairness and reasonableness of the proposed Plan of Allocation, and the application by Lead Counsel for attorneys' fees and reimbursement of expenses (the "Final Approval Hearing").

11. The Final Approval Hearing will be held on October 9, 2009, at 9:00 a.m., before the Honorable Susan Illston, at the United States District Court for the Northern District of California, 450 Golden Gate Avenue, Courtroom 10, San Francisco, California 94102 to determine:

- (i) whether the proposed Settlement is fair, reasonable, and adequate and should be approved by the Court;
- (ii) whether the Settled Claims against Defendants and the other Released Parties should be dismissed with prejudice as set forth in the Stipulation and Agreement of Settlement (the “Stipulation”);
- (iii) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; and
- (iv) whether Lead Counsel’s request for an award of attorneys’ fees and reimbursement of litigation expenses should be approved by the Court.

12. This Notice does not express any opinion by the Court concerning the merits of any claim in the Litigation, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments to Authorized Claimants will be made after any appeals are resolved, and after the completion of all claims processing. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

13. Beginning on or about October 31, 2006, plaintiffs filed class actions against Connetics, Wiggans, Vontz and Alexander J. Yaroshinsky (“Yaroshinsky”) in the Southern District of New York, docket numbers 06-11496 and 06-12875, asserting claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”).

14. By Order dated December 14, 2006, the Southern District of New York consolidated the two actions then before it and all related actions filed thereafter, and appointed Teachers’ Retirement System of Oklahoma as the Lead Plaintiff.

15. On February 14, 2007, Lead Plaintiff filed a consolidated class action complaint against Connetics, Wiggans, Vontz, Higgins and Krochmal, Yaroshinsky, Victor E. Zak (“Zak,” Yaroshinsky and Zak are referred to herein as the “Dismissed Defendants”), certain directors, certain underwriters, and Ernst & Young LLP. The consolidated complaint asserted claims under §§ 10(b), 20(A) and 20A of the Exchange Act, and §§ 11 and 15 of the Securities Act of 1933 (“Securities Act”).

16. On March 5, 2007, the defendants moved to transfer the case to the Northern District of California. The motion was granted by Order dated May 23, 2007, and the consolidated case was therefore transferred to the Northern District of California where it was docketed as case number 07-02940 and later assigned to the Honorable Susan Illston.

17. On June 28, 2007, Lead Plaintiff filed an amended consolidated complaint.

18. On January 29, 2008, the Court granted in part and denied in part defendants’ motions to dismiss and to strike with leave to amend.

19. On March 14, 2008, Lead Plaintiff filed the Second Amended Complaint against Defendants and Dismissed Defendants under §§ 10(b), 20(a), and 20A of the Exchange Act alleging that Defendants knowingly or recklessly made materially false and misleading statements or concealed material adverse information regarding Velac (a development-stage product) and Connetics’ financial statements. The Complaint alleges that the price of Connetics’ securities was inflated as a result of the alleged misstatements or omissions and that when the truth was revealed in a series of disclosures, investors who purchased the securities during the Class Period suffered damages.

20. By Order dated August 14, 2008, the Court granted in part and denied in part defendants’ motions to dismiss the Second Amended Complaint and denied defendants’ motions to strike. The Court sustained the §§ 10(b) and 20(a) claims as a matter of pleading. The Court dismissed the claims against Dismissed Defendants, and granted leave to amend.

21. Lead Plaintiff thereafter provided notice that it would not amend its complaint and would proceed under the Second Amended Complaint (“Complaint”) in accordance with the Court’s August 14, 2008 Order. Defendants filed an Answer to the Complaint on October 6, 2008.

22. During the course of the litigation, Lead Plaintiff and Defendants conducted discovery, including but not limited to Lead Plaintiff’s review and analysis of a substantial volume of documents produced by Defendants and third-parties, and the deposition of two representatives of Lead Plaintiff.

23. On March 2, 2009, Lead Plaintiff and Defendants voluntarily participated in a mediation session with the Honorable Daniel Weinstein (Ret.) in San Francisco, California. At the mediation, the parties reached an impasse and no settlement was reached. Following the mediation, Judge Weinstein remained in communication with the parties about the case and prospects for a potential settlement.

24. By Order dated May 12, 2009, the Court granted Lead Plaintiff’s motion for class certification and approved certain notice procedures in accordance with the May 11, 2009 Case Management Conference.

25. By Order dated May 14, 2009, the Court set certain discovery and other deadlines and set a June 29, 2010 trial date.

26. On May 29, 2009, the Settling Parties reached an agreement in principle regarding a proposed settlement of the Litigation.

27. On July 17, 2009, the Court preliminarily approved the Settlement, authorized this Notice to be sent to potential Class Members, and scheduled the Final Approval Hearing to consider whether to grant final approval to the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

28. If you are a member of the Class, you are subject to the Settlement unless you timely request to be excluded. The Class consists of all persons and entities who purchased or acquired publicly traded Connetics securities during the period from January 27, 2004, through July 9, 2006, inclusive and suffered damages as a result. Excluded from the Class are: (i) the Defendants and Dismissed Defendants; (ii) members of the family of each Individual Defendant or Dismissed Defendant; (iii) any person who was an officer or director of Connetics during the Class Period; (iv) any person who is or was named as a defendant in any U.S. Government or state criminal or civil proceeding relating to Connetics; (v) any firm, trust, corporation, officer, or other entity in which any Defendant or Dismissed Defendant has a controlling interest; and (vi) the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party. The Class also does not include those persons and entities who timely request exclusion from the Class pursuant to this Notice (see “What If I Do Not Want To Participate In The Class And The Settlement? How Do I Exclude Myself?” below).

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM POSTMARKED NO LATER THAN NOVEMBER 30, 2009.

WHAT ARE THE LEAD PLAINTIFF'S REASONS FOR THE SETTLEMENT?

29. Lead Plaintiff and Lead Counsel believe that the claims asserted against Defendants have merit. Lead Plaintiff and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against Defendants through trial and appeals, as well as the difficulties in establishing liability for allegations of fraud. Lead Plaintiff and Lead Counsel have taken into account the Court's decision dismissing plaintiffs' claims in part and the possibility that the remaining claims asserted in the Complaint might have been dismissed in response to Defendants' anticipated motions for summary judgment, and have considered issues that would have been decided by a jury in the event of a trial of the Litigation, including whether Defendants acted with an intent to mislead investors, whether the alleged misrepresentations or omissions were material to investors, whether all of Class Members' losses were caused by the alleged misrepresentations or omissions, and the amount of damages. Lead Plaintiff and Lead Counsel have considered the uncertain outcome and trial and appellate risk in complex lawsuits like this one.

30. In light of the amount of the Settlement and the immediacy of recovery to the Class, Lead Plaintiff and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiff and Lead Counsel believe that the Settlement provides a substantial benefit now, namely \$12.75 million (less the various deductions described in this Notice), as compared to the risk that the claims in the Complaint would produce a similar, smaller, or no recovery after summary judgment, trial and appeals, possibly years in the future.

31. Each of the Defendants has denied and continues to deny each and all of the claims alleged by the Lead Plaintiff in this Litigation. The Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. The Defendants also have denied and continue to deny, among other things, the allegations that the Lead Plaintiff or the Class have suffered damage, that the price of Connetics securities was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiff or the Class were harmed by the conduct alleged in the Complaint and Defendants believe that the evidence developed to date supports their positions. The Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in a complex case such as this. Nonetheless, the Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settlement shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any of the Defendants with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that the Defendants have, or could have asserted. Defendants expressly deny that Lead Plaintiff has asserted a valid claim and deny any and all allegations of fault, liability, wrongdoing or damages whatsoever.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

32. If there were no Settlement and Lead Plaintiff failed to establish any essential legal or factual element of its claims, neither Lead Plaintiff nor the Class would recover anything from Defendants. Also, if Defendants were successful in proving any of their defenses, the Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

HOW MUCH WILL MY PAYMENT BE?

THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

33. Connetics has agreed to cause its insurers to pay \$12.75 million.

34. Your share of the fund will depend on the number of Connetics securities represented by valid claim forms that members of the Class send in and the amount of those claims, how many Connetics securities you held, what type of Connetics securities you bought, and when you bought and sold them. A claim will be calculated as follows:

35. The Net Settlement Fund will be distributed to Claimants under the Plan of Allocation (the "Plan") described below. The Plan provides that Claimants will be eligible to participate in the distribution of the Net Settlement Fund only if, among other requirements described herein, Claimants have a net market loss on all transactions in Connetics securities during the Class Period.

36. To the extent there are sufficient funds in the Net Settlement Fund, each Claimant will receive an amount equal to the Claimant's "Recognized Loss," as defined below. If, however, (and as is more likely) the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Claimant, then each Claimant shall be paid the percentage of the Net Settlement Fund that each Claimant's claim bears to the total of the Recognized Losses of all Claimants (i.e., the Claimant's *pro rata* share). Payment in this manner shall be deemed conclusive against all Claimants.

37. For purposes of determining the amount a Claimant may recover under the Plan, Lead Counsel conferred with its damages consultant and the Plan reflects an assessment of the damages that they believe could have been recovered had Lead Plaintiff prevailed at trial.

38. The Defendants have denied and continue to deny, among other things, the characterization that the Lead Plaintiff or the Class have suffered damage

39. The Plan, subject to Court approval or modification without further notice, is as follows:

I. GENERAL PROVISIONS

A. Definitions:

40. The defined terms used herein (e.g., "Connetics"), have the meanings given to them in this Notice and/or in the Stipulation.

41. The term "market loss" means the amount by which the actual purchase or acquisition price of that security is greater than the actual sale price of that security.

42. The term "market profit" means the amount by which the actual purchase or acquisition price of that security is less than the actual sale price of that security.

43. The term "net market loss" means any market loss that occurs from the trading of Connetics securities during the Class Period after deducting any profits made from the trading of other Connetics securities during the Class Period.

44. The term "Recognized Loss," as used herein, is not market loss. Rather, it is a calculation to arrive at a loss figure for purposes of calculating an Authorized Claimant's *pro rata* participation in the Net Settlement Fund as described below.

45. The term “Recognized Gain,” as used herein, is not market gain. Rather, it is a calculation to arrive at a gain figure for purposes of calculating an Authorized Claimant’s *pro rata* participation in the Net Settlement Fund as described below.
46. The term “disclosure days” means those days during the Class Period when Connetics first issued allegedly false statements concerning certain of the factual allegations in the Complaint. These dates include: January 27, May 5, July 29, and October 26 in 2004, January 25, January 26, April 27, August 3, and November 2 in 2005 and February 1 in 2006.
47. The term “corrective disclosure days” means those days during the Class Period on which Lead Plaintiff claims the abnormal change in price of Connetics securities was attributable to corrections regarding the allegedly fraudulent misstatements being disseminated into the market. These dates include: April 27, June 13 and June 14 in 2005 and May 3, May 31, and July 10 in 2006.
48. The term “bonds,” unless otherwise indicated herein, means Connetics 2.25% Convertible Senior Notes Due 5/30/2008 and/or Connetics 2.00% Convertible Senior Notes Due 3/30/2015.

B. To Receive a Distribution from the Net Settlement Fund, a Class Member MUST:

49. Establish membership in the Class;
50. Have purchased or otherwise acquired one of the Connetics securities listed in ¶C, below;
51. Complete and sign a Proof of Claim form and supply all required documentation;
52. Submit the completed claim form and documentation to the Claims Administrator on or before November 30, 2009; and
53. Have incurred a Recognized Loss and otherwise be deemed an Authorized Claimant.

C. Persons Who Purchased or Otherwise Acquired Any of the Following Connetics Securities During the Class Period May be Eligible for Participation in the Distribution:

54. Connetics common stock (“stock”) and/or
55. Connetics 2.25% Convertible Senior Notes Due 5/30/2008.

D. Each Proof of Claim Form Must Separately Set Forth:

56. The Claimant’s opening securities position in Connetics common stock and/or bonds as of the close of trading on January 26, 2004, the day before the first day of the Class Period;
57. Each transaction, i.e., purchase, acquisition, or sale, made during the Class Period (and continuing through October 6, 2006) in any Connetics security; and
58. Each Claimant’s ending securities position in Connetics common stock and/or all bonds as of the close of trading on October 6, 2006, 90 days after the last day of the Class Period.

II. FACTORS CONSIDERED IN DEVELOPING THE PLAN OF ALLOCATION

A. The Recognized Loss for a Claimant’s transactions will be calculated by the Claims Administrator in consultation with Lead Counsel in accordance with the provisions of this Plan of Allocation. Factors considered in developing the Plan of Allocation include, among others:

59. The quantity of publicly traded Connetics securities initially held, purchased, acquired or sold during the Class Period;
60. The time period in which the Connetics security was purchased or acquired;
61. Whether the security was held until after the end of the Class Period (July 9, 2006) or whether it was sold during the Class Period and, if so, when it was sold;
62. The alleged artificial inflation in the price of Connetics securities at different times during the Class Period attributable to defendants’ false statements as alleged in this case (alleged “artificial inflation”) as calculated by Lead Plaintiff’s consultant. Based on the opinions of its damages consultant, Lead Counsel assumed, for purposes of determining the Recognized Loss, that there were varied amounts of alleged artificial inflation in prices of Connetics securities for the entire Class Period;
63. The type of security involved (common stock or bonds).

III. CALCULATION OF RECOGNIZED LOSS OR GAIN FOR CLAIMS GENERALLY

64. A “Recognized Loss” or “Gain” will be calculated for each purchase or acquisition of Connetics securities that occurred during the Class Period, listed in the claim form, and for which adequate documentation is provided.

A. Computation of Artificial Inflation for Connetics Securities

65. For purposes of developing the Plan of Allocation, Lead Plaintiff’s consultant calculated the amount of alleged artificial inflation in the daily closing market prices for Connetics securities for each day of the Class Period. In computing alleged artificial inflation, Lead Plaintiff’s consultant considered price changes of Connetics securities in reaction to certain public announcements regarding Connetics, and adjusted the price changes in Connetics securities for changes that were attributable to market forces unrelated to the alleged fraud.

66. The alleged artificial inflation for Connetics common stock and bonds is set forth in Table A attached to this Notice.

B. Use of “FIFO” Methodology for Computation of Recognized Losses for Class Members Who Made Multiple Transactions In Connetics Securities During the Class Period

67. For Class Members who made multiple purchases, acquisitions or sales of Connetics securities during the Class Period, the earliest subsequent sale of the same type of security shall be matched first against those securities in the Claimant’s opening position on the first day of the Class Period, and then matched chronologically thereafter against each purchase or acquisition of that same type of security made during the Class Period. Purchases, acquisitions and sales of Connetics securities shall be deemed to have occurred on the “trade” date as opposed to the “settlement” date.

C. No Recognized Losses For Certain Purchases and Sales

68. Purchases or acquisitions of Connetics securities that are matched to sales prior to the first corrective disclosure day (i.e., April 27, 2005) will have a Recognized Loss of zero. This is because any losses prior to the first corrective disclosure were not allegedly caused by a corrective disclosure, but rather allegedly by other market forces. Similarly, individuals who purchased and sold Connetics securities solely during a subsequent period in which the amount of alleged artificial inflation remained constant (i.e., individuals who purchased and sold the same amount of Connetics securities during the period May 5, 2004, through July 28, 2004), will also have a Recognized Loss of zero.

69. Lead Plaintiff's damages consultant has determined that the price of the 2.00% Convertible Notes Due 2015 did not decline on any corrective disclosure after it became publicly traded. As a result, individuals who purchased these bonds will have a Recognized Loss of zero as to those purchases.

70. As reflected in the attached Table A, Lead Plaintiff's damages consultant has determined that the price of the 2.25% Convertible Notes Due 2008 declined on corrective disclosures on April 27, June 13, and June 14 of 2005, but did not decline on corrective disclosures on May 3, May 31, or July 10 of 2006. Therefore, individuals who purchased these bonds after June 14, 2005, will have a Recognized Loss of zero as to those purchases.

71. There is no Recognized Loss attributable to short sales.

D. Acquisition by Gift, Inheritance or Operation of Law

72. If a Class Member acquired Connetics securities during the Class Period by way of gift, inheritance or operation of law ("gift acquisition"), such a claim will be computed by using the date and price of the original purchase and not the date and price of transfer. In such instances, if possible, the recipient must provide documentation of the original purchase in addition to the transfer. To the extent those Connetics securities were originally purchased prior to commencement of the Class Period, the Recognized Loss for that acquisition shall be zero.

E. Employee Stock Options

73. For Class Members who acquired publicly traded Connetics securities by exercising employee stock options granted to him or her by Connetics, the purchase price shall be the exercise price or strike price that the Class Member actually paid.

F. Payments Less Than \$10.00

74. A payment to any Class Member that would amount to less than \$10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment to these Class Members will be distributed.

IV. CALCULATION OF RECOGNIZED LOSS AND GAIN

A. Recognized Loss

75. For each Connetics share or bond held as of the close of trading on January 26, 2004, the day before the beginning of the Class Period, the Recognized Loss is zero.

76. For each Connetics share or 2.25% Convertible Senior Note Due 5/30/2008 purchased or acquired (including share exchange acquisitions) from January 27, 2004, through July 9, 2006:

- (a) and that was still held at the close of trading on July 9, 2006: the Recognized Loss per share or bond (which is limited to be non-negative) is the lesser of: (a) the alleged artificial inflation amount indicated in Table A, for the date such share or bond was purchased or acquired; or (b) the purchase price or acquisition price per share or bond (including commissions and other charges) less the post-Class Period rolling average closing price as indicated in Table B for the date such share or bond was sold, or October 6, 2006, if still held on October 6, 2006.
- (b) and that was sold during the Class Period: the Recognized Loss per share (which is limited to be non-negative) is the lesser of: (a) the amount by which the alleged artificial inflation per share or bond on the date of purchase or acquisition exceeds the alleged artificial inflation per share on the date of sale, as set forth in Table A; or (b) the purchase price less the sales price.

77. Any Recognized Loss on bonds shall be multiplied by 0.2.

B. Recognized Gain

78. Connetics shares or bonds held as of the close of trading on January 26, 2004, the day before the beginning of the Class Period:

- (a) and that were still held at the close of trading on July 9, 2006: the Recognized Gain per share is zero.
- (b) and that were sold during the Class Period: the Recognized Gain per share is the alleged artificial inflation per share on the date of sale, as set forth in Table A.

79. Connetics shares or bonds purchased or acquired (including share exchange acquisitions) from January 27, 2004 through July 9, 2006:

- (a) and that were still held at the close of trading on July 9, 2006: the Recognized Gain per share is zero.
- (b) and that were sold during the Class Period: the Recognized Gain per share (which is limited to be non-negative) is the amount by which the alleged artificial inflation per share on the date of sale exceeds the alleged artificial inflation per share on the date of purchase or acquisition, as set forth in Table A.

80. Any Recognized Gain on bonds shall be multiplied by 0.2.

V. COMPUTATION OF NET RECOGNIZED LOSS FOR EACH CLASS MEMBER

81. Recognized Loss or Gain with respect to a purchase or acquisition of a Connetics security (e.g., common stock or bonds), is calculated by multiplying the number of shares or bonds of each such security by the appropriate Recognized Loss or Gain for a single share or \$100 par value of bonds of that security, as described in Section IV.

82. The Net Recognized Loss for each Class Member is calculated by (1) adding the Recognized Losses for each Connetics security purchased or acquired by the Class Member during the Class Period (i.e., adding all Recognized Losses for common stock and/or bonds); and (2) subtracting any Recognized Gains for each Connetics security held or sold by the Class Member during the Class Period (i.e., subtracting all Recognized Gains for common stock and/or bonds).

83. All market profits shall be subtracted from all market losses on all transactions in Connetics publicly-traded securities during the Class Period to determine the net market loss of each Class Member.

84. For purposes of determining whether a Claimant had a market profit or suffered a market loss from his, her or its overall transactions in any Connetics security during the Class Period, the Claims Administrator shall: (i) total the amount paid (excluding commissions and other charges) for all Connetics securities purchased during the Class Period by the Claimant (the “Total Purchase Amount”); (ii) match any sales of each respective Connetics security during the Class Period first against the Claimant’s opening position in each respective Connetics security (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received (excluding commissions and other charges, etc.) for sales of the remaining Connetics securities sold during the Class Period (the “Sales Proceeds”); and (iv) assign the holding price indicated in Table B for each security (the closing price of each Connetics security on July 10, 2007) for the number of Connetics securities purchased during the Class Period and still held at the end of the Class Period (“Holding Value”). The Total Purchase Amount (i) less the Sales Proceeds (ii) and less the Holding Value (iii) will be deemed a Claimant’s market profit or market loss (a profit occurs if a negative number is calculated) on his, her or its overall transactions in each Connetics security during the Class Period.

85. If, during the Class Period, a Class Member made a net market profit in his, her or its transactions in publicly-traded Connetics securities, the amount of the Class Member’s Recognized Loss shall be zero.

86. If, during the Class Period, a Class Member has a net market loss in his, her or its trading in publicly-traded Connetics securities that is less than his, her or its Recognized Loss, the Class Member’s claim shall be limited to the Class Member’s net market loss.

VI. DISTRIBUTION OF THE NET SETTLEMENT FUND

87. “Net Recognized Loss” will be used for calculating the relative amount of participation by Authorized Claimants in the Net Settlement Fund and does not reflect the actual amount an Authorized Claimant can expect to recover from the Net Settlement Fund. The Net Recognized Losses of all Authorized Claimants may be greater than the Net Settlement Fund. In such event, subject to the \$10.00 minimum payment requirement discussed above, each Authorized Claimant shall receive his, her, or its *pro rata* share of the Net Settlement Fund, which shall be his, her, or its Net Recognized Loss divided by the total of all Net Recognized Losses to be paid, multiplied by the total amount in the Net Settlement Fund.

88. Although short sales will have no Recognized Loss under the Plan of Allocation, any Recognized Gain attributable to such short sales will be used to offset Recognized Losses from other transactions. Furthermore, market gains or losses attributable to short sales will be calculated as part of the market gain or loss calculation.

89. Payment pursuant to the Plan shall be conclusive against all Claimants. No Person shall have any claim against Lead Counsel, Lead Plaintiff, the Claims Administrator, Defendants and their Related Parties, or any 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 order(s) of the Court. All Class Members who fail to timely submit a Proof of Claim within such period, or such other period as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the settlement, but will in all other respects be subject to and bound by the terms of the settlement, including the releases.

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

91. The Plan of Allocation set forth herein is the plan that is being proposed by Lead Plaintiff and Lead Counsel to the Court for approval. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Class.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

92. If the Settlement is approved, the Court will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims against the Defendants and will provide that Lead Plaintiff and all other Class Members shall be deemed to have – and by operation of the Judgment shall have – fully and finally released, waived, discharged, and dismissed each and every Settled Claim (as defined in paragraph 94 below), including Unknown Claims (as defined in the Stipulation) against the Released Parties (as defined in paragraph 95 below), and shall forever be enjoined from prosecuting any or all Settled Claims, against any Released Party.

93. “Unknown Claims” means any and all Settled Claims that any Lead Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Defendants’ Claims that any Defendant or Related Party does not know or suspect to exist in his, her or its favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Defendants’ Claims, the parties stipulation and agree that, upon the Effective Date, the Lead Plaintiff and the Defendants shall expressly waive, and each Class Member and Related Party shall be deemed to have waived, 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, that is similar, comparable, or equivalent to Cal. Civ. 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.

The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Settled Claims, but which Lead Plaintiff shall expressly and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Settled 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. Lead Plaintiff and the Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Settled claims and Defendants’ Claims was separately bargained for and was a key element of the Settlement.

94. “Settled Claims” means any and all claims and causes of action of every nature and description, whether known or Unknown, fixed or contingent, whether arising under federal, state, common or foreign law, that Lead Plaintiff or any other member of the Class (a) asserted in the Litigation or (b) could have asserted in any forum, that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, statements, representations or omissions involved, set forth, or referred to in the Complaint that relate to the purchase or acquisition of the Company’s publicly traded securities during the Class Period or to the adequacy of any disclosures during the Class Period or that could have been asserted in the Litigation.

95. “Released Parties” means: (i) Defendants; (ii) Dismissed Defendants; and (iii) each of the Related Parties.

96. "Related Parties" means each of Defendants' respective present or former officers, directors, agents, employees, attorneys, any auditor of the Company named as a defendant in any complaint filed in this Litigation, controlling shareholders, insurers, co-insurers, re-insurers, representatives, trustees, spouses, heirs, executors, administrators, predecessors, subsidiaries, divisions, joint ventures, parents and officers, directors and employees thereof; affiliates and officers, directors and employees thereof; subsidiaries and officers, directors and employees thereof; general and limited partners, principals, and successors and assigns.

97. The Judgment also will provide that Defendants and each of their Related Parties shall be deemed by operation of law to have fully, finally, and forever released, waived, discharged and dismissed each and every of the Defendants' Claims (as defined in paragraph 98 below), and shall forever be enjoined from prosecuting any or all of the Defendants' Claims, against Lead Plaintiff, the Class Members and their counsel.

98. "Defendants' Claims" means any and all claims and causes of action of every nature and description, whether known or Unknown, fixed or contingent, whether arising under federal, state, common or foreign law, that have been or could have been asserted in the Litigation or any forum by the Defendants and/or their Related Parties or any of them or the successors and assigns of any of them against the Lead Plaintiff, Class Members or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Litigation (except for claims to enforce the Settlement).

WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

99. Lead Counsel has not received any payment for its services in pursuing claims against Defendants on behalf of the Class, nor has Lead Counsel been reimbursed for its out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel intends to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 25% of the Settlement Fund plus interest at the same rate and for the same time period as earned by the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of Litigation Expenses not to exceed \$550,000 plus interest at the same rate and for the same time period as earned by the Settlement Fund.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

100. If you purchased or otherwise acquired publicly traded Connetics securities during the period between January 27, 2004 through July 9, 2006, inclusive, and you are not excluded by the definition of the Class and you do not elect to exclude yourself from the Class, then you are a Class Member, and you will be bound by the proposed Settlement if the Court approves it, and by any judgment or determination of the Court affecting the Class. If you are a Class Member, you must submit a Claim Form and supporting documentation to establish your entitlement to share in the Settlement. A Claim Form is included with this Notice, or you may go to the website maintained by the Claims Administrator for the Settlement to request that a Claim Form be mailed to you. The website is www.ConneticsSecuritiesLitigation.com. You may also request a Claim Form by calling toll-free (800) 494-9209. Copies of the Claim Form can also be downloaded from Lead Counsel's website at www.blbglaw.com. Those who exclude themselves from the Class, and those who do not submit timely and valid Claim Forms with adequate supporting documentation will not be entitled to share in the Settlement. Please retain all records of your ownership of, or transactions in Connetics securities, as they may be needed to document your Claim.

101. As a Class Member, you are represented by Lead Plaintiff and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?" below.

102. If you do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section entitled "What If I Do Not Want To Be A Part Of The Class And The Settlement? How Do I Exclude Myself?" below.

103. If you wish to object to the Settlement or any of its terms, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of Litigation Expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?" below.

WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

104. Each Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlement, whether favorable or unfavorable, unless such person or entity mails, by first-class mail (or its equivalent outside the U.S.), or otherwise delivers a written Request for Exclusion from the Class, addressed to In re Connetics Securities Litigation - Exclusions - c/o A.B. Data, Ltd., PO Box 170500, Milwaukee, WI 53217-8042. The exclusion request must be **received** no later than September 30, 2009. You will not be able to exclude yourself from the Class after that date. Each Request for Exclusion must (i) state the name and address of the person or entity requesting exclusion; (ii) state that such person or entity requests exclusion from the Class in *In re Connetics Securities Litigation*, C 07-02940 SI; (iii) be signed by the person or entity requesting exclusion; (iv) provide a telephone number for that person or entity; and (v) provide the date(s), price(s), and number(s) of shares of all purchases, acquisitions, and sales of Connetics securities during the Class Period. Requests for exclusion will not be valid if they are not received within the time stated above, unless the Court otherwise determines.

105. If you do not want to be part of the Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Settled Claims.

106. If a person or entity requests to be excluded from the Class, that person or entity will not receive any benefit provided for in the settlement.

107. If Class Members who purchased or acquired more than a certain number of shares of Connetics common stock during the Class Period choose to exclude themselves from the Class, as set forth in a separate supplemental agreement between Lead Plaintiff and Defendants (the "Supplemental Agreement"), Defendants shall have, in their sole and absolute discretion (which must be unanimously exercised), the option to terminate this Stipulation in accordance with the procedures set forth in the Supplemental Agreement.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

108. If you do not wish to object in person to the proposed Settlement, proposed Plan of Allocation, and/or the application for attorneys' fees and reimbursement of litigation expenses, you do not need to attend the Final Approval Hearing. You can object to or participate in the Settlement without attending the Final Approval Hearing.

109. The Final Approval Hearing will be held on October 9, 2009, at 9:00 a.m. before the Honorable Susan Illston, at the United States District Court for the Northern District of California, 450 Golden Gate Avenue, Courtroom 10, San Francisco, California 94102. The Court reserves the right to approve the Settlement, the Plan of Allocation or the request for attorneys' fees and reimbursement of expenses at or after the Final Approval Hearing without further notice to the members of the Class.

110. Any Class Member who does not request exclusion **received** no later than September 30, 2009 may object to the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses. Objections or oppositions must be in writing. You must file any written objection or opposition, together with copies of all other papers (including proof of all purchases or acquisitions of Connetics securities during the Class Period) and briefs, with the Clerk's Office at the United States District Court for the Northern District of California at the address set forth below on or before September 30, 2009. You must also serve the papers on Lead Counsel for the Class and counsel for Defendants at the addresses set forth below so that the papers are **received** on or before September 30, 2009.

Clerk's Office

United States District Court
for the Northern District of California
Clerk of the Court
450 Golden Gate Avenue
San Francisco, California 94102

Lead Counsel for the Class

BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
David Stickney, Esq.
Niki L. Mendoza, Esq.
12481 High Bluff Drive, Suite 300
San Diego, California 92130-3582

Counsel for Defendants

FENWICK & WEST LLP
Susan S. Muck, Esq.
Catherine D. Kevane, Esq.
555 California Street, 12th Floor
San Francisco, CA 94104

111. The filing must demonstrate your membership in the Class, including the number of shares of Connetics securities purchased or otherwise acquired or sold during the Class Period and the price(s) paid and received. You may not object to the Settlement or any aspect of it, if you are not a Class Member or if you excluded yourself from the Class.

112. You may file a written objection without having to appear at the Final Approval Hearing. You may not appear at the Final Approval Hearing to present your objection, however, unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

113. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses, and if you have filed and served a timely written objection as described above, you also must notify the above counsel on or before September 30, 2009, concerning your intention to appear. Persons who intend to object and desire to present evidence at the Final Approval Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

114. You are not required to hire an attorney to represent you in making written objections or in appearing at the Final Approval Hearing. If you decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel so that the notice is received on or before September 30, 2009.

115. The Final Approval Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Final Approval Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

116. If you purchased or otherwise acquired Connetics securities during the Class Period for the beneficial interest of a person or organization other than yourself, you must either (i) send a copy of this Notice to the beneficial owner of such Connetics securities, postmarked no later than fourteen (14) days after you receive this Notice, or (ii) provide the names and addresses of such persons no later than fourteen (14) days after you receive this Notice to In re Connetics Securities Litigation, Claims Administrator, Attention: Fulfillment Department, Claims Administrator, c/o A.B. Data, Ltd., 3410 West Hopkins Street, PO Box 170500, Milwaukee, WI 53217-8042. If you choose the second option, the Claims Administrator will send a copy of the Notice to the beneficial owner. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice may also be obtained from the Claims Administrator's website www.abdataclassaction.com, or by calling toll-free (800) 494-9209, or may be downloaded from the settlement website, www.ConneticsSecuritiesLitigation.com, or from Lead Counsel's website, www.blbglaw.com.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

117. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the matters involved in the Litigation is available at www.ConneticsSecuritiesLitigation.com, including, among other documents, copies of the Stipulation, Claim Form, the Complaint, and certain Court Orders. Papers in support of the Settlement, the Plan of Allocation, and Lead Counsel's application for attorneys' fees and payment of expenses will be submitted for receipt on or before September 18, 2009. Copies of such papers will be available at www.ConneticsSecuritiesLitigation.com.

118. All inquiries concerning this Notice or the Claim Form should be directed to:

In re Connetics Securities Litigation
Claims Administrator
c/o A.B. Data, Ltd.
PO Box 170500
Milwaukee, WI 53217-8042
(800) 494-9209
Claims Administrator

OR

David Stickney, Esq.
Niki L. Mendoza, Esq.
BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
12481 High Bluff Drive, Suite 300
San Diego, California 92130-3582
(888) 924-1888
blbg@blbglaw.com
Lead Counsel

DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT REGARDING THIS NOTICE.

Dated: July 31, 2009

By Order of the Clerk of Court
United States District Court
for the Northern District of California

Table B
Post-Settlement Rolling Average Price for Connetics Corp.

Note: There are a number of days for which pricing data are not available for Connetics 2.25% Convertible Notes Due 2008 and 2.00% Convertible Notes Due 2015. For the purposes of this table only, the price on each day is assumed to be the most recent available price.

Date	Common Stock (per Share)	2.25% Convertible Notes Due 2008 (per \$100 of Par Value)	2.00% Convertible Notes Due 2015 (per \$100 of Par Value)
7/10/2006	7.76	95.71	91.97
7/11/2006	7.88	95.71	92.08
7/12/2006	7.89	95.71	91.81
7/13/2006	7.92	95.71	91.67
7/14/2006	7.91	95.71	91.63
7/17/2006	7.92	95.71	91.72
7/18/2006	7.91	95.71	91.77
7/19/2006	7.95	95.71	91.82
7/20/2006	8.00	95.71	91.85
7/21/2006	8.04	95.71	91.88
7/24/2006	8.11	95.71	91.90
7/25/2006	8.22	95.46	91.14
7/26/2006	8.28	95.25	90.49
7/27/2006	8.36	95.08	89.98
7/28/2006	8.45	94.93	89.53
7/31/2006	8.52	94.80	89.14
8/1/2006	8.59	94.68	88.79
8/2/2006	8.69	94.58	88.50
8/3/2006	8.78	94.49	88.24

8/4/2006	8.87	94.40	88.01
8/7/2006	8.93	94.33	87.80
8/8/2006	8.98	94.26	87.60
8/9/2006	9.02	94.20	87.43
8/10/2006	9.06	94.14	87.27
8/11/2006	9.07	94.09	87.16
8/14/2006	9.07	94.04	87.05
8/15/2006	9.11	93.99	86.96
8/16/2006	9.14	93.96	86.84
8/17/2006	9.17	93.94	86.72
8/18/2006	9.20	93.91	86.61
8/21/2006	9.23	93.88	86.50
8/22/2006	9.25	93.86	86.40
8/23/2006	9.28	93.84	86.31
8/24/2006	9.30	93.81	86.22
8/25/2006	9.34	93.79	86.14
8/28/2006	9.39	93.77	86.06
8/29/2006	9.43	93.75	86.00
8/30/2006	9.48	93.73	85.93
8/31/2006	9.51	93.72	85.88
9/1/2006	9.54	93.70	85.82
9/5/2006	9.57	93.69	85.77
9/6/2006	9.59	93.68	85.72
9/7/2006	9.61	93.66	85.67

9/8/2006	9.63	93.63	85.63
9/11/2006	9.64	93.61	85.59
9/12/2006	9.66	93.60	85.56
9/13/2006	9.68	93.58	85.54
9/14/2006	9.69	93.56	85.51
9/15/2006	9.71	93.55	85.49
9/18/2006	9.72	93.53	85.47
9/19/2006	9.73	93.51	85.45
9/20/2006	9.75	93.50	85.42
9/21/2006	9.76	93.49	85.41
9/22/2006	9.77	93.47	85.39
9/25/2006	9.80	93.48	85.37
9/26/2006	9.81	93.47	85.36
9/27/2006	9.82	93.46	85.34
9/28/2006	9.83	93.47	85.33
9/29/2006	9.85	93.47	85.31
10/2/2006	9.86	93.48	85.31
10/3/2006	9.87	93.48	85.30
10/4/2006	9.88	93.49	85.29
10/5/2006	9.89	93.50	85.28
10/6/2006	9.90	93.50	85.27