

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

PUBLIC PENSION FUND GROUP, et al.	X	
	:	
v.	:	No.: 4:08-CV-1859 (CEJ)
	:	
KV PHARMACEUTICAL COMPANY, et al.	:	NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT AND MOTION FOR ATTORNEYS' FEES AND EXPENSES
	:	
	:	
	X	

If you purchased or otherwise acquired the publicly traded securities of KV Pharmaceutical Company (“KV,” “K-V,” or the “Company”) during the period between June 15, 2004 and January 23, 2009, inclusive (the “Class Period”), and were allegedly damaged thereby, you may be entitled to a payment from a class action settlement.

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

The purpose of this Notice is to inform you of (a) the pendency of this class action (the “Action”); (b) the proposed settlement of the Action; and (c) the hearing to be held by the Court to consider (i) whether the settlement should be approved; (ii) the application of plaintiffs’ counsel for attorneys’ fees and expenses; and (iii) certain other matters (the “Settlement Hearing”). This Notice describes important rights you may have and what steps you must take if you wish to participate in the settlement or wish to be excluded from the Class (defined below).

- If approved by the Court, the settlement will provide a \$12.8 million settlement fund for the benefit of eligible investors (the “Settlement”).¹
- Investors in four categories of KV’s publicly traded securities may be eligible to receive a payment from the Settlement: (a) Class A common stock (“Class A stock”); (b) Class B common stock (“Class B stock”); (c) 7% Cumulative Convertible Preferred Shares (“Convertible Preferred”); and (d) Contingent Convertible Subordinated Notes due 2033 (“Convertible Notes”).
- The Settlement resolves claims by the Norfolk County Retirement System and the State-Boston Retirement System (“Lead Plaintiffs”) that Defendants (defined below) misled investors about KV’s compliance with manufacturing regulations, avoids the costs and risks of continuing the litigation, pays money to investors like you, and releases Defendants and Former Defendants (defined below) from liability.
- **If you are a Class Member (defined below), your legal rights are affected whether you act or do not act. Read this Notice carefully.**
- The Court will review the Settlement at the Settlement Hearing to be held on Wednesday, April 23, 2014.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM BY JUNE 19, 2014	The only way to get a payment.
EXCLUDE YOURSELF BY APRIL 2, 2014	Get no payment. This is the only option that allows you to ever potentially bring or be part of any <u>other</u> lawsuit about the Released Claims (defined below) against Defendants, Former Defendants, and the other Released Defendant Parties (defined below).
OBJECT BY APRIL 2, 2014	Write to the Court about why you do not like the Settlement, the proposed Plan of Allocation, and/or the request for attorneys’ fees and expenses. You will still be a Member of the Class (defined below).
GO TO A HEARING ON APRIL 23, 2014	Ask to speak in Court about the Settlement at the Settlement Hearing.
DO NOTHING	Get no payment. Give up rights.

- These rights and options—and the deadlines to exercise them—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement and whether to finally certify this as a class action. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

SUMMARY OF THIS NOTICE

(a) Statement of Plaintiffs’ Recovery

Pursuant to this proposed Settlement, a Settlement Fund consisting of \$12.8 million, plus any accrued interest, has been established. Based on Lead Plaintiffs’ estimate of the number of KV securities entitled to participate in the Settlement, and assuming that all such securities entitled to participate do so, Lead Plaintiffs estimate the following average recoveries per allegedly damaged security, before deduction of

¹ All capitalized terms used in this Notice are defined in the Stipulation and Agreement of Settlement (the “Stipulation”), dated as of December 20, 2013.

Court-approved expenses, such as attorneys' fees and expenses and administrative costs:² (i) the average recovery per share of Class A stock would be approximately \$0.27 per allegedly damaged share; (ii) the average recovery per share of Class B stock would be approximately \$0.23 per allegedly damaged share; (iii) the average recovery per share of Convertible Preferred would be approximately \$1.90 per allegedly damaged share; and (iv) the average recovery per Convertible Note would be approximately \$14.47 per allegedly damaged note.

A Class Member's actual recovery will be a portion of the Net Settlement Fund, determined by comparing his, her, or its "Recognized Loss" to the total Recognized Losses of all Class Members who submit acceptable Proofs of Claim. An individual Class Member's actual recovery will depend on, for example: (i) the total number of claims submitted; (ii) when the Class Member purchased or acquired KV securities during the Class Period; (iii) the purchase price paid; (iv) the type of securities purchased or acquired; and (v) whether the KV securities were held at the end of the Class Period or sold (and, if sold, when they were sold and the amount received). See the Plan of Allocation beginning on Page 9 for information on your Recognized Loss.

(b) Statement of Potential Outcome if the Action Continued to Be Litigated

The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages, if any, that would be recoverable if Lead Plaintiffs were to prevail on each claim alleged if the litigation continued. The issues on which the Settling Parties disagree include, but are not limited to: (i) whether Defendants made any material misstatements or omissions; (ii) whether Defendants acted with the required state of mind; (iii) other than for the purposes of the settlement reached, whether this Action is maintainable as a class action; (iv) the amount by which KV securities were allegedly artificially inflated (if at all) during the Class Period, assuming there was any wrongdoing, which KV disputes; (v) whether Class Members relied on the alleged misstatements or omissions in purchasing KV securities, or whether such reliance should be presumed; (vi) the extent to which the various matters that Lead Plaintiffs alleged were false and misleading influenced (if at all) the trading price of KV securities at various times during the Class Period; (vii) whether any purchasers/acquirers of KV securities have suffered damages as a result of the alleged misstatements and omissions in KV's public statements; (viii) the extent of such damages, assuming they exist; (ix) the appropriate economic model for measuring damages; and (x) the extent to which external factors, such as general market and industry conditions, influenced the trading price of KV securities at various times during the Class Period.

Defendants have denied and continue to deny any wrongdoing, deny that they have committed any act or omission giving rise to any liability or violation of law, and deny that Lead Plaintiffs and the Class have suffered any losses attributable to Defendants' actions. While Lead Plaintiffs believe that they have meritorious claims if the litigation were to continue, they recognize that there are significant obstacles in the way to recovery.

(c) Statement of Attorneys' Fees and Litigation Expenses Sought

Labaton Sucharow LLP ("Lead Counsel") intends to make a motion asking the Court to award attorneys' fees not to exceed 30% of the Settlement Fund and approve payment of litigation expenses incurred to date in prosecuting this Action in an amount not to exceed \$750,000, plus any interest on such amounts at the same rate and for the same periods as earned by the Settlement Fund ("Fee and Expense Application"). Lead Counsel's Fee and Expense Application may also include a request for an award to Lead Plaintiffs for reimbursement of their reasonable costs and expenses, including lost wages, directly related to their representation of the Class in an amount not to exceed \$20,000.

If the Court approves the Fee and Expense Application: (i) the average cost per share of Class A stock would be approximately \$0.10 per allegedly damaged share; (ii) the average cost per share of Class B stock would be approximately \$0.08 per allegedly damaged share; (iii) the average cost per share of Convertible Preferred would be approximately \$0.68 per allegedly damaged share; and (iv) the average cost per Convertible Note would be approximately \$5.19 per allegedly damaged note.

The average cost per damaged security will vary depending on the number of acceptable claims submitted. Lead Counsel has expended considerable time and effort in the prosecution of this litigation without receiving any payment, and has advanced the expenses of the litigation, such as the cost of experts, in the expectation that if it were successful in obtaining a recovery for the Class, it would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovered as attorneys' fees.

(d) Further Information

Further information regarding this Action and this Notice may be obtained by contacting the Claims Administrator: *KV Pharmaceutical Securities Litigation*, c/o A.B. Data, Ltd., PO Box 170500, Milwaukee, WI 53217-8091, www.KVPharmaSecuritiesLitigation.com; or Lead Counsel: Labaton Sucharow LLP, 888-219-6877, www.labaton.com, settlementquestions@labaton.com.

Do Not Call The Court Or KV With Questions About The Settlement

(e) Reasons for the Settlement

For Lead Plaintiffs, the principal reason for the Settlement is the immediate benefit to the Class. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future, or that a potential recovery could be limited as a result of KV's bankruptcy.

For Defendants, who have denied and continue to deny all allegations of wrongdoing or liability whatsoever, the principal reason for the Settlement is to eliminate the burden, expense, uncertainty, and distraction of further litigation.

A. BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased or acquired the publicly traded securities of KV during the period between June 15, 2004 and January 23, 2009, inclusive.

² An allegedly damaged share or note might have been traded more than once during the Class Period, and the indicated average recovery would be the estimated average for each purchase of a share or note which allegedly incurred damages.

The Court in charge of the case is the United States District Court for the Eastern District of Missouri. The lawsuit is known as *Public Pension Fund Group v. KV Pharmaceutical Company*, No. 4:08-CV-1859 (E.D. Mo.) and is assigned to the Honorable Carol E. Jackson. The people who sued are called “plaintiffs,” and the companies and persons they sued are called “defendants.”

Lead Plaintiffs in the Action, representing the Class, are the Norfolk County Retirement System and the State-Boston Retirement System. Defendants are KV and Marc S. Hermelin (“Hermelin” or the “Individual Defendant” and together with KV, “Defendants”). David Van Vliet and Rita Bleser (the “Former Defendants”) are also parties to the Settlement.

The Court directed that this Notice be sent to Class Members because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. The Court will review the Settlement at a Settlement Hearing on April 23, 2014, at the United States District Court for the Eastern District of Missouri in the Thomas F. Eagleton U.S. Courthouse, 111 South 10th Street, Courtroom 14 North, St. Louis, MO 63102 at 1:30 p.m. If the Court approves the Settlement, and after objections and appeals are resolved, a claims administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the Action, the Settlement, Class Members’ legal rights, what benefits are available, who is eligible for them, and how to get them.

2. What is this lawsuit about and what has happened so far?

This Action was commenced in December of 2008 by the filing of three complaints against KV alleging that Defendants and Former Defendants violated the federal securities laws. The actions were consolidated into this Action by Order dated April 28, 2009. By the same Order, the Court appointed Lead Plaintiffs and approved their selection of Lead Counsel to represent the putative class.

Following a detailed investigation that included, among other things, the interviews of numerous former KV employees, review of KV’s public statements, review of administrative agency documents including documents from the United States Food and Drug Administration (FDA) and the United States Department of Justice (DOJ), Lead Plaintiffs filed the operative Consolidated Amended Complaint for Violations of the Federal Securities Laws on May 22, 2009 (the “Complaint”). The Complaint alleges that Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making alleged misstatements and omissions during the Class Period regarding Defendants’ compliance with the regulatory requirements of the FDA and Current Good Manufacturing Practices (cGMP). The Complaint further alleges that Lead Plaintiffs and other Class Members purchased or acquired KV securities during the Class Period at artificially inflated prices and were damaged thereby.

On July 27, 2009, Defendants and Former Defendants filed motions to dismiss the Complaint, which Lead Plaintiffs opposed on August 24, 2009. On February 22, 2010, the Court granted Defendants’ and Former Defendants’ motions to dismiss in their entirety.

On March 18, 2010, Lead Plaintiffs moved pursuant to Rules 59(e) and 60(b)(2) to vacate the Court’s Order dismissing the Complaint and moved, pursuant to Rule 15, to amend the Complaint. Also on March 18, 2010, Lead Plaintiffs filed a notice of appeal of the Court’s dismissal order with the United States Court of Appeals for the Eighth Circuit (“Court of Appeals”).

On October 20, 2010, the Court denied Lead Plaintiffs’ motion for relief from the Court’s Order dismissing the Complaint and denied Lead Plaintiffs’ motion to amend.

By Order entered June 4, 2012, the Court of Appeals affirmed in part, reversed in part, and remanded to the district court for further proceedings, consistent with its opinion. The Court of Appeals reversed the dismissal of claims against KV and the Individual Defendant, finding that for purposes of a motion to dismiss, Lead Plaintiffs had adequately alleged that KV and the Individual Defendant made false and misleading statements. The Court of Appeals did not rule on the issue of whether the Complaint adequately pled the elements of scienter and loss causation. The Court of Appeals affirmed the dismissal of claims against the Former Defendants.

On August 4, 2012, KV filed for bankruptcy protection pursuant to Chapter 11 of Title 11 of the United States Code (“Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), *In re K-V Discovery Solutions, Inc., et al.*, Case No. 12-13346 (ALG) (the “Bankruptcy Case”). On August 10, 2012, pursuant to the automatic stay provision of 11 U.S.C. §362(a)(1), the Court stayed all proceedings in the Action pending completion of the Bankruptcy Case or further order of the Court.

On December 6, 2012, Lead Plaintiffs moved to vacate or modify the stay with respect to non-debtor, the Individual Defendant. On March 28, 2013, the Court granted Lead Plaintiffs’ motion and vacated the Court’s stay order with respect to the Individual Defendant.

On April 5, 2012, Lead Plaintiffs moved the Court to rule on the Individual Defendant’s pending motion to dismiss. On April 12, 2013, the Individual Defendant filed a response to Lead Plaintiffs’ motion and on April 30, 2013, the Court denied the Individual Defendant’s motion to dismiss regarding Lead Plaintiffs’ claims that he made materially false and misleading statements and omissions concerning KV’s noncompliance with cGMP and FDA regulations.

In November 2011, Lead Plaintiffs and Defendants engaged in a mediation with the assistance of an experienced mediator, Robert Meyer of Loeb & Loeb. This discussion did not result in a resolution of the Action. Following additional arm’s-length discussions, Defendants, Former Defendants, and Lead Plaintiffs reached an agreement in principle to settle the claims in the Action, resulting in the Memorandum of Understanding entered into on September 3, 2013.

On September 16, 2013, the effective date of the KV Sixth Amended Plan occurred. (Bankruptcy Case, ECF No. 1120).

Before agreeing to the Settlement, Lead Counsel conducted an extensive investigation into the events and transactions underlying the claims alleged in the Complaint and also conducted confirmatory discovery. Lead Counsel analyzed the evidence adduced during its investigation, which included reviewing and analyzing publicly available information concerning KV and information concerning investigations conducted by the FDA and the DOJ, and consulting with experts on bankruptcy, damages, and causation issues. Lead Counsel researched the applicable law with respect to the claims of Lead Plaintiffs against Defendants and Former Defendants, and their

potential defenses. Lead Counsel also completed confirmatory discovery which involved the review of approximately 150,000 pages of confidential material produced by KV. Thus, at the time the agreement to settle was reached, Lead Counsel had a thorough understanding of the strengths and weaknesses of the Settling Parties' positions.

On January 28, 2014, the Court entered an Order, which preliminarily approved the Settlement, authorized that this Notice be sent to potential Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case Lead Plaintiffs) sue on behalf of people who have similar claims. They are known as class members. Here, the Court preliminarily certified the Class for purposes of the Settlement only. Bringing a case as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring individually. One court resolves the issues for all class members, except for those who exclude themselves from the class. The Court will decide whether to finally certify the Class at the Settlement Hearing.

4. What are the reasons for a settlement?

The Court did not finally decide in favor of Lead Plaintiffs or Defendants. Instead, both sides agreed to a settlement.

Lead Plaintiffs and Lead Counsel believe that the claims asserted against Defendants have merit. Lead Plaintiffs 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. Lead Plaintiffs and Lead Counsel have considered the uncertain outcome and the risk of any litigation, especially in complex lawsuits like this one, as well as the difficulties and delays inherent in such litigation. For example, Defendants have raised a number of arguments and defenses (which they would raise at summary judgment and trial), including but not limited to, that the alleged misstatements and omissions were not material, and that Lead Plaintiffs would not be able to establish that Defendants acted with the requisite fraudulent intent. Even assuming Lead Plaintiffs could establish liability, Defendants maintained that any potential investment losses suffered by Lead Plaintiffs and the Class were caused by external, independent factors, and not caused by Defendants' alleged conduct. In the absence of a settlement, the Settling Parties would present factual and expert testimony on each of these issues, and there is considerable risk that the Court or jury would resolve the inevitable "battle of the experts" against Lead Plaintiffs and the Class. Furthermore, KV would maintain that its bankruptcy and reorganization eliminates the prospect of Lead Plaintiffs obtaining any damages from KV, even should they prevail at trial.

In light of the amount of the Settlement and the immediate recovery to the Class, Lead Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Class. The Settlement, which totals \$12.8 million (less the various deductions described in this Notice), provides substantial benefits now as compared to the risk that a similar or smaller recovery would be achieved after trial and appeal, possibly years in the future, or that no recovery would be achieved at all.

Defendants have denied and continue to deny each and every one of the claims alleged by Lead Plaintiffs in the Action. Defendants expressly have denied and continue to deny any wrongdoing or that they have committed any act or omission giving rise to any liability or violation of law arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Defendants also have taken into account the burden, expense, uncertainty, distraction, and risks inherent in any litigation, and have concluded that it is desirable that the Action be fully and finally settled upon the terms and conditions set forth in the Stipulation.

B. WHO IS IN THE SETTLEMENT

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

5. How do I know if I am part of the Settlement?

The Court directed, for the purpose of the proposed Settlement, that everyone who fits this description is a Class Member, unless they are an excluded person or they take steps to exclude themselves (*see* Question 13 below): all Persons who purchased or otherwise acquired the publicly traded securities of KV during the period between June 15, 2004 and January 23, 2009, inclusive, and were allegedly damaged thereby.

6. Are there exceptions to being included in the Class?

Excluded from the Class are: (i) Defendants; (ii) Former Defendants; (iii) the officers and directors of the Company; (iv) any subsidiaries and affiliates of the Company; (v) members of the immediate families of the Individual Defendant and the Former Defendants and their legal representatives, heirs, successors or assigns; (vi) any entity in which Defendants and Former Defendants have or had a controlling interest; and (vii) any benefit plan on behalf of employees of the Company and its subsidiaries or affiliates. Also excluded from the Class are any Class Members who properly exclude themselves by filing a valid and timely request for exclusion in accordance with the requirements explained in Question 13 below.

If one of your mutual funds purchased or owned securities of KV during the Class Period, that alone does not make you a Class Member. You are eligible to be a Class Member if you individually purchased or acquired KV securities during the Class Period. Check your investment records or contact your broker to see if you have eligible purchases/acquisitions.

If you only sold KV securities during the Class Period, your sale alone does not make you a Class Member. You are eligible to be a Class Member only if you **purchased or acquired** these securities during the Class Period.

7. What if 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 866-905-8124 or visit www.KVPharmaSecuritiesLitigation.com for more information. Or you can fill out and return the Proof of Claim and Release form ("Proof of Claim"), described in Question 10, to see if you qualify.

C. THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the Settlement provide?

In exchange for the Settlement and the release of the Released Claims (defined below) against the Released Defendant Parties (defined below), Defendants and Former Defendants have agreed to create a \$12.8 million fund, which will earn interest, to be divided, after deduction of Court-awarded attorneys' fees and expenses, settlement administration costs, and any applicable taxes (the "Net Settlement Fund"), among all Class Members who send in valid and timely Proofs of Claim.

9. How much will my payment be?

Your share of the Net Settlement Fund will depend on several things, including: (i) the total amount of Recognized Losses of other Class Members; (ii) the type of KV security you purchased or acquired; (iii) how many KV securities you purchased or acquired; (iv) how much you paid for them; (v) when you bought them; and (vi) whether or when you sold your securities, and, if so, for how much.

Your Recognized Loss will be calculated according to the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for your entire Recognized Loss, given the number of potential Class Members. After all Class Members have sent in their Proofs of Claim, the payment you get will be a portion of the Net Settlement Fund based on your Recognized Loss divided by the total of everyone's Recognized Losses. See the Plan of Allocation in Question 25 for more information on your Recognized Loss.

D. HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To qualify for a payment, you must send in a completed Proof of Claim. A Proof of Claim is being circulated with this Notice. You may also get a Proof of Claim on the Internet at the websites for the Claims Administrator or Lead Counsel: www.KVPharmaSecuritiesLitigation.com or www.labaton.com. The Claims Administrator can also help you if you have questions about the Proof of Claim. Please read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it **postmarked no later than June 19, 2014**.

11. When would I get my payment?

The Court will hold a Settlement Hearing on **April 23, 2014**, to decide whether to approve the Settlement. Even if the Court approves the Settlement, there may still be appeals, which can take time to resolve, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. All Proofs of Claim need to be **postmarked by June 19, 2014**.

Once all the Proofs of Claim are processed and claims are calculated, Lead Counsel, without further notice to the Class, will apply to the Court for an order distributing the Net Settlement Fund to the Members of the Class. Lead Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with giving notice and administering the Settlement. Please be patient.

12. What am I giving up to get a payment and by staying in the Class?

Unless you exclude yourself, you will stay in the Class, which means that upon the "Effective Date" you will release all "Released Claims" (as defined below) against the "Released Defendant Parties" (as defined below).

"Released Claims" means any and all claims, rights, causes of action, duties, obligations, demands, actions, debts, sums of money, suits, contracts, agreements, promises, damages, and liabilities of every nature and description, including both known claims and Unknown Claims (defined below), whether arising under federal, state, foreign or statutory law, common law or administrative law, or any other law, rule or regulation, whether class or individual in nature, that Lead Plaintiffs or any other Class Member: (i) asserted in the Action; or (ii) could have asserted in the Action or any other action or in any forum, that arise out of, relate to, or are in connection with the claims, allegations, transactions, facts, events, acts, disclosures, statements, representations or omissions or failures to act involved, set forth, or referred to in the complaints filed in the Action, and that relate to the purchase of the publicly traded securities of KV during the Class Period. Released Claims do not include: (i) claims to enforce the Settlement; (ii) any governmental or regulatory agency's claims in any criminal or civil action against any of the Released Defendant Parties; (iii) claims or interests of any Class Member, including Lead Plaintiffs, in the Bankruptcy Case solely in connection with their status as holders of KV securities in the event there is a future distribution in the Bankruptcy Case; or (iv) claims by any benefit plan on behalf of employees of the Company and its subsidiaries or affiliates, including claims in *Harold S. Crocker, Jr. v. KV Pharm. Co., et al.*, 4:09-CV-198 (CEJ) (E.D. Mo.).

"Unknown Claims" means any and all Released Claims that Lead Plaintiffs or any other Class Member do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants' Claims that Defendants and Former Defendants do not know or suspect to exist in his, her, or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her, or it might have affected his, her, or its decision(s) with respect to the Settlement, including the decision to exclude himself, herself, or itself from the Class. With respect to any and all Released Claims and Released Defendants' Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs, Defendants, and Former Defendants shall expressly, and each other Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, to the fullest extent permitted by law, expressly waived and relinquished 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 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.

Lead Plaintiffs, other Class Members, Defendants, or Former Defendants may hereafter discover facts, legal theories, or authorities 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 Released Claims and the Released Defendants' Claims, but Lead Plaintiffs, Defendants, and Former Defendants shall expressly, fully, finally, and forever settle and release, and each Class Member shall be deemed to have settled and released, and upon the Effective Date and by

operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts, legal theories, or authorities. Lead Plaintiffs, Defendants, and Former Defendants acknowledge, and other Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a material element of the Settlement.

"Released Defendant Parties" means Defendants, Former Defendants, Defendants' Counsel, Former Defendants' Counsel, their past or present or future subsidiaries, parents, affiliates, principals, successors and predecessors, assigns, officers, directors, shareholders, trustees, partners, agents, fiduciaries, contractors, employees, attorneys, auditors, insurers; the spouses, members of the immediate families, representatives, and heirs of the Individual and Former Defendants, as well as any trust of which any Individual Defendant or Former Defendant is the settlor or which is for the benefit of any of their immediate family members; any firm, trust, corporation, or entity in which any Defendant or Former Defendant has a controlling interest; and any of the legal representatives, heirs, successors in interest or assigns of the Defendants or Former Defendants.

The "Effective Date" will occur when an Order by the Court approving the Settlement becomes Final and is not subject to appeal as set out more fully in the Stipulation on file with the Court and available at www.KVPharmaSecuritiesLitigation.com or www.labaton.com.

If you remain a Member of the Class, all of the Court's orders about the Settlement will apply to you and legally bind you.

E. EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep any right you may have to sue or continue to sue Defendants, Former Defendants, and other Released Defendant Parties, on your own, about the Released Claims, then you must take steps to get out. This is called excluding yourself from—or "opting out" of—the Class. Defendants or Former Defendants may withdraw from and terminate the Settlement if Class Members who have in excess of a certain amount of Recognized Losses exclude themselves from the Class.

13. How do I get out of the proposed Settlement?

To exclude yourself from the Class, you must send a signed letter by mail stating that you request to be "excluded from the Class in *Public Pension Fund Group v. KV Pharmaceutical Company*, No. 4:08-CV-1859 (E.D. Mo.)." Your letter must state the date(s), price(s), and number(s) of shares of all your purchases, acquisitions, and sales of KV securities during the Class Period. In addition, you must include your name, address, telephone number and your signature. You must mail your exclusion request so that it is **received no later than April 2, 2014**, to:

KV PHARMACEUTICAL SECURITIES LITIGATION
EXCLUSIONS
c/o A.B. DATA, LTD.
3410 West Hopkins Street
Milwaukee, WI 53216

You cannot exclude yourself by telephone or by email. Your exclusion request must comply with these requirements in order to be valid. If you write to request to be excluded, you will not get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in connection with this Settlement, and, if you have a claim, you may be able to sue (or continue to sue) Defendants, Former Defendants, and the other Released Defendant Parties in the future. **Please note:** if you decide to exclude yourself from the Class, you may be time-barred from asserting some of the claims alleged in the Action by a statute of repose.

14. If I do not exclude myself, can I sue Defendants, Former Defendants, or the other Released Defendant Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue Defendants, Former Defendants, and the other Released Defendant Parties for any and all Released Claims. If you have a pending lawsuit speak to your lawyer in that case **immediately**. **You must exclude yourself from this Class to continue your own lawsuit.** Remember, your exclusion request must be **received by April 2, 2014**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit against Defendants, Former Defendants, and the other Released Defendant Parties.

F. THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court appointed the law firm of Labaton Sucharow LLP to represent all Class Members. These lawyers are called Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Lead Counsel's fees and expenses, which will be paid from the Settlement Fund. 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 has not received any payment for its services in pursuing the claims against Defendants on behalf of the Class, nor has it been paid for its litigation expenses. At the Settlement Hearing, or at such other time as the Court may order, Lead Counsel will ask the Court to award it, from the Settlement Fund, attorneys' fees of no more than 30% of the Settlement Fund, plus any interest on such amount at the same rate and for the same periods as earned by the Settlement Fund, and litigation expenses (such as the cost of experts) that have been incurred in pursuing the Action. The request for litigation expenses will not exceed \$750,000, plus interest on the expenses at the same rate as may be earned by the Settlement Fund.

G. 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 proposed Settlement?

If you are a Class Member you can object to the Settlement or any of its terms, the certification of the Class, the proposed Plan of Allocation, and/or the application by Lead Counsel for an award of attorneys' fees and expenses. You may write to the Court setting out your objection. You may give reasons why you think the Court should not approve any part or all of the Settlement terms or arrangements. The Court will only consider your views if you file a proper written objection within the deadline and according to the following procedures. To object, you must send a signed letter stating that you object to the proposed Settlement in "*Public Pension Fund Group v. KV Pharmaceutical Company*, No. 4:08-CV-1859 (E.D. Mo.)." Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s) and number(s) of shares of all purchases, acquisitions, and sales of KV securities you made during the Class Period, and state the reasons why you object to the Settlement. If you object to the Settlement and you wish to ask the Court for permission to speak at the Settlement Hearing, you must include with your objection the information discussed in Question 22, below. **Unless otherwise ordered by the Court, any Class Member who does not object in the manner described herein will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement and the application for attorneys' fees and expenses.**

Your objection must be filed with the Court and mailed or delivered to **all** of the following so that it is **received on or before April 2, 2014**:

COURT:	LEAD COUNSEL:	DEFENDANTS' COUNSEL:
Clerk of the Court UNITED STATES DISTRICT COURT OF THE EASTERN DISTRICT OF MISSOURI Thomas F. Eagleton U.S. Courthouse 111 South 10th Street St. Louis, MO 63102	Jonathan M. Plasse Javier Bleichmar LABATON SUCHAROW LLP 140 Broadway New York, NY 10005	F. Joseph Warin Jason E. Morrow GIBSON DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 Jeffrey E. McFadden Patrick F. Linehan STEPTOE & JOHNSON LLP 1330 Connecticut Avenue, N.W. Washington, D.C. 20036

19. What is the difference between objecting and seeking exclusion?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. 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 Class. If you exclude yourself, you have no basis to object because the Settlement no longer affects you.

H. THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, and you may ask to speak, but you do not have to do so.

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing on **April 23, 2014**, at the Thomas F. Eagleton U.S. Courthouse, 111 South 10th Street, Courtroom 14 North, St. Louis, MO 63102 at **1:30 p.m.**

At this hearing, the Honorable Carol E. Jackson will consider whether the Settlement is fair, reasonable, and adequate. The Court also will consider the proposed Plan of Allocation for the Net Settlement Fund and the application of Lead Counsel for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions set out in Question 18 above. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the Settlement Hearing, but decisions regarding the conduct of the Settlement Hearing will be made by the Court. See Question 22 for more information about speaking at the Settlement Hearing. After the Settlement Hearing, the Court will decide whether to approve the Settlement, and, if the Settlement is approved, the amount of attorneys' fees and expenses to be awarded. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent. If you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the Settlement Hearing?

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval. If you submit an objection, you do not have to come to Court to talk about it. As long as all of the recipients identified in Question 18 received 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 Settlement Hearing?

If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (see Question 18 above) a statement that it is your "Notice of Intention to Appear in *Public Pension Fund Group v. KV Pharmaceutical Company*, No. 4:08-CV-1859 (E.D. Mo.)." Persons who intend to object to the Settlement, the Plan of Allocation, and/or Lead Counsel's Fee and Expense Application and desire to present evidence at the Settlement Hearing must also include in their written

objections the identity of any witness they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing. You cannot speak at the Settlement Hearing if you excluded yourself from the Class or if you have not provided written notice of your objection and intention to speak at the Settlement Hearing in accordance with the procedures described in Questions 18 and 22.

I. IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing and you are a Member of the Class, you will get no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants, Former Defendants, and the other Released Defendant Parties about the Released Claims, ever again. To share in the Net Settlement Fund, you must submit a Proof of Claim (see Question 10). To start, continue, or be a part of any *other* lawsuit against Defendants, Former Defendants, and the other Released Defendant Parties about the Released Claims in this case you *must* exclude yourself from this Class (see Question 13).

J. GETTING MORE INFORMATION

24. Are there more details about the proposed Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation, dated as of December 20, 2013. You may review the Stipulation filed with the Court or documents filed in the case during business hours at the Office of the Clerk of the United States District Court for the Eastern District of Missouri, Thomas F. Eagleton U.S. Courthouse, 111 South 10th Street, Courtroom 14 North, St. Louis, MO 63102.

You also can call the Claims Administrator toll free at 866-905-8124; write to **KV Pharmaceutical Securities Litigation, c/o A.B. Data, Ltd., PO Box 170500, Milwaukee, WI, 53217-8091**; or visit the websites of the Claims Administrator or Lead Counsel at www.KVPharmaSecuritiesLitigation.com and www.labaton.com, where you can find answers to common questions about the Settlement, download copies of the Stipulation or Proof of Claim, and locate other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

Please Do Not Call The Court Or KV With Questions About The Settlement

K. PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

25. How will my claim be calculated?

The purpose of the Plan of Allocation is to distribute settlement proceeds equitably to those Class Members who suffered economic losses resulting from the alleged misrepresentations and omissions by Defendants during the Class Period.

The \$12.8 million Settlement Amount and any interest it earns is called the Settlement Fund. The Settlement Fund, minus all taxes, costs, fees and expenses (the Net Settlement Fund), will be distributed according to the Plan of Allocation described below to Members of the Class who timely submit valid Proofs of Claim that show a Recognized Loss ("Authorized Claimants"), and who have an out-of-pocket market net loss on all Class Period transactions in KV securities. Class Members who do not timely submit valid Proofs of Claim will not share in the Settlement proceeds, but will otherwise be bound by the terms of the Settlement. The Court may approve the Plan of Allocation, or modify it without additional notice to the Class. Any order modifying the Plan of Allocation will be posted on the settlement website at www.KVPharmaSecuritiesLitigation.com and at www.labaton.com.³

The Claims Administrator will determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss," as described below. The Plan of Allocation is not intended to estimate the amount a Class Member might have been able to recover after a trial, nor is it intended to estimate the amount that will be paid to Authorized Claimants. The Plan of Allocation is the basis upon which the Net Settlement Fund will be proportionately divided among all the Authorized Claimants. The Court will be asked to approve the Claims Administrator's determinations before the Net Settlement Fund is distributed to Authorized Claimants. No distributions to Authorized Claimants who would receive less than \$10.00 will be made, given the administrative expenses of processing and mailing such checks.

Defendants, Former Defendants, Defendants' and Former Defendants' Counsel, and all Released Defendant Parties will have no responsibility for or liability whatsoever for the investment of the Settlement Fund, the distribution of the Net Settlement Fund, the Plan of Allocation, or the payment of any claim. Lead Plaintiffs and Lead Counsel likewise will have no liability for their reasonable efforts to execute, administer, and distribute the Settlement.

The following Plan of Allocation reflects the allegations that the prices of KV publicly traded securities during the Class Period were inflated artificially by reason of allegedly false and misleading statements made by Defendants about KV's compliance with manufacturing regulations. Defendants deny any allegations of wrongdoing or liability.

The Plan of Allocation described below was created with the assistance of a consulting damages expert who analyzed the movement of KV's securities after the alleged disclosures. It takes into account, among other things, the portion of the stock drops attributable to the alleged fraud.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND

General Provisions

Investors in four categories of publicly traded securities of KV Pharmaceutical may be eligible for a recovery from the Settlement:

- (a) Class A common stock ("Class A stock") (CUSIP: 482740206);
- (b) Class B common stock; ("Class B stock") (CUSIP: 482740107);

³ Defendants and Former Defendants had no involvement in the proposed Plan of Allocation.

(c) 7% Cumulative Convertible Preferred (“Convertible Preferred”) (CUSIP: 482740305);⁴ and

(d) Contingent Convertible Subordinated Notes due 2033 (“Convertible Notes”) (CUSIP: 482740AC1).⁵

Class Members must have purchased KV Class A stock, or Class B stock, or the Convertible Preferred, or one or more Convertible Notes, during the Class Period of June 15, 2004 through January 23, 2009, inclusive, to be eligible for a recovery from the Settlement. Recognized Loss is zero on purchases of any of the four KV securities listed above, if the securities were not publicly traded or were restricted from trading.

Federal securities laws allow investors to recover for losses caused by disclosures that corrected a defendant’s previous misleading statement or omission, but not for losses caused by broad market conditions or by other events unrelated to a securities fraud. Therefore, a second requirement for eligibility to recover is that a claimant must have held the KV security at the time its price declined due to a disclosure of information that allegedly corrected an allegedly misleading statement or omission.

Lead Plaintiffs and Lead Counsel have identified the following dates of such price declines: May 30, 2008; November 13, 2008; December 23 and 24, 2008; and January 26 and 27, 2009 (the latter date only for Class A stock and the Convertible Notes).⁶ For each of the four categories of security, the Class A stock, Class B stock,⁷ the Convertible Preferred, and Convertible Notes, Class Members must have bought the security on or after June 15, 2004 (and on or before January 23, 2009), and then held the security until at least May 30, 2008, or November 13, 2008, or December 23 or 24, 2008, or January 26, 2009. If the security was purchased and then sold before May 30, 2008, or purchased on one of these dates and then sold before the next consecutive date in this series of dates of price declines, those transactions are excluded from consideration in distribution of settlement proceeds.

Following is a brief description of the announcements that allegedly revealed the truth and dissipated the alleged fraud, as determined by Lead Plaintiffs and Lead Counsel:⁸

- (a) **May 30, 2008:** KV announced preliminary results of the fourth quarter of its fiscal year, ended March 31, 2008. KV announced, among other information, that profit was adversely impacted by a write-off in the fourth quarter of \$5.5 million of inventories of certain unapproved products subject to a previously reported FDA hold. On May 30, 2008, prices of the KV securities declined allegedly in reaction to this announcement.
- (b) **November 12, 2008:** After market close, KV announced results of the second quarter of fiscal 2009 in a Form 12b-25 filed with the SEC. KV announced that an investigation by the Audit Committee into management misconduct had expanded, and included involvement of the FDA in investigating compliance matters. KV announced disappointing financial results for the quarter, which it attributed in part to inventory write-offs due to manufacturing interruptions and inefficiencies, payments to customers related to delayed supply, and expenses associated with voluntary recalls of certain products. On November 13, 2008, prices of the KV securities declined allegedly in reaction to this announcement.
- (c) **December 23, 2008:** During the trading day, KV announced suspension of all shipments of its approved tablet-form drugs and a nationwide recall of one drug product due to discovery of an oversized tablet. KV stated that operating results likely would be materially adversely affected. Prices of the KV securities declined allegedly in reaction to this announcement on both December 23 and 24, 2008.
- (d) **January 26, 2009:** Before market open, KV announced it had suspended manufacturing and shipping of all products it distributed and manufactured, and stated that suspension of manufacturing would have a material adverse effect on its financial condition. Prices of the four KV securities allegedly declined in reaction to this announcement on January 26, 2009. Prices of Class A stock and Convertible Notes also declined on January 27, 2009. The price of Class B stock did not decline on January 27, 2009 due to this announcement. The price of the Convertible Preferred on January 27, 2009 is not currently available, and Lead Plaintiffs and Lead Counsel have not specified a fraud-related decline in price of this security on January 27, 2009.

Lead Plaintiffs and Lead Counsel maintain that the relative strength of claims arising from purchases of the eligible KV securities increased over the Class Period as the FDA issued successive Forms 483 to KV and cited KV for noncompliance with manufacturing regulations, and as KV issued additional allegedly false and misleading statements and omissions. Based on the assessment of Lead Plaintiffs and Lead Counsel, the following weights have been applied to maximum potential inflation:

- (a) 25% of maximum potential inflation beginning on the first day of the Class Period (June 15, 2004), before which two FDA Form 483s had been issued in April 2003 and January 2004.
- (b) 37.5% of maximum potential inflation beginning on June 15, 2005, the first trading day after KV filed its Form 10-K for Fiscal 2005 with the SEC, containing allegedly false and/or misleading statements or omissions despite FDA issuance of a third Form 483 in January 2005.

⁴ Price and volume data for the entire Class Period are not currently available for the Convertible Preferred, of which 40,000 shares were outstanding during the Class Period and were eligible to trade on the OTC Bulletin Board. According to FINRA Operations, the Convertible Preferred was removed from the OTC Bulletin Board on August 3, 2009, for lack of activity. This security was convertible into Class A stock, at a ratio of 8.4375 Class A shares per share of Convertible Preferred. The inflation per share of Convertible Preferred has been calculated using the difference between closing prices for this security reported in the Complaint, on the trading day before and on the trading day of fraud-related price declines: May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26, 2009.

⁵ Price and volume data for the entire Class Period are not currently available for the Convertible Notes. Fraud-related price declines on the dates identified herein were estimated based on the relationship between reported returns (percentage changes in price) of the Convertible Notes and reported returns of the Class A stock, which were highly correlated. Using this regression model, the daily fraud-related residual returns on Class A stock were used to predict the daily fraud-related residual returns on the Convertible Notes, for the alleged disclosure dates.

⁶ On May 30, 2008 and November 13, 2008, material information unrelated to the alleged fraud also was released; the measure of inflation allegedly purged on these dates is based on the estimated value of the inflation released related to the alleged fraud.

⁷ There was no allegedly fraud-related decline in Class B stock on January 27, 2009.

⁸ Defendants and Former Defendants deny that there were any false or misleading misrepresentations or omissions and any corrective disclosures.

- (c) 50% of maximum potential inflation beginning on June 14, 2006, the date on which KV filed its Form 10-K for Fiscal 2006 with the SEC, containing allegedly false and/or misleading statements or omissions despite FDA issuance of a fourth Form 483 in March 2006.
- (d) 70% of maximum potential inflation beginning on April 20, 2007, the date on which the FDA issued a fifth Form 483.
- (e) 100% of maximum potential inflation beginning on May 30, 2008, the next date of allegedly false and/or misleading statements or omissions, following the FDA issuance of a sixth Form 483 on March 26, 2008.⁹

Beginning on May 30, 2008, alleged inflation in prices of the four KV securities was reduced sequentially, as corrective disclosures were allegedly made on May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26, 2009. Inflation in prices of Class A stock and Convertible Notes was reduced to zero on January 27, 2009, as prices continued to react to the final allegedly corrective disclosure made on January 26, 2009. Inflation in prices of Class B stock and Convertible Preferred was reduced to zero on January 26, 2009.

Federal law constrains price inflation under the 90-day-lookback provision of the Private Securities Litigation Reform Act of 1995 (“PSLRA”). In calculating Recognized Loss for the purchase of a KV security, Recognized Loss may not exceed the purchase price minus the 90-day-lookback period mean closing price. The 90-day-lookback period began January 26, 2009 and ended April 26, 2009.

- (a) The 90-day-lookback period mean closing price of Class A stock is \$1.14.
- (b) The 90-day-lookback period mean closing price of Class B stock is \$1.78.
- (c) Because daily closing prices are unavailable in the 90-day-lookback period for the Convertible Preferred for days other than January 26, 2009, the 90-day-lookback period mean closing price is assumed to be \$23.50, the closing price for this security on January 26, 2009.
- (d) The 90-day-lookback period mean closing price of a Convertible Note is \$31.79 as reported, or \$317.90 converted to a basis comparable to par value.¹⁰

If a claimant had a market gain from his/her/its total transactions in the four categories of KV securities during the Class Period, the value of his/her/its claim will be zero. If a claimant suffered a market loss on total transactions in the four KV securities purchased in the Class Period, but that market loss was less than the sum of his/her/its total Recognized Losses on transactions in the four securities calculated according to this Plan of Allocation, that claimant’s total Recognized Loss will be limited to the amount of the actual total market loss.

To match purchases and sales within the Class Period, the Claims Administrator will apply a first-in, first-out (“FIFO”) rule to holdings of a particular security on June 14, 2004 (the day before the beginning of the Class Period) and to purchases and sales of that security in the Class Period. For example, FIFO will match the first units of a particular security sold against any units of that security held as of June 14, 2004, and then against purchases of that security in the Class Period in chronological order, beginning with the earliest purchases in the Class Period. Sales matched to a particular KV security held as of June 14, 2004, will be excluded from calculation of Recognized Loss and market gain or loss.

No Recognized Loss will be calculated for any purchase of a particular security to cover a short sale.

Recognized Loss on Class A Stock

If a share was purchased on or after June 15, 2004, and held at least until January 26, 2009 (the day of the final allegedly corrective disclosure), market gain or loss on that purchase will be the difference between purchase price and the PSLRA 90-day-lookback period mean price of \$1.14. If a share was purchased on or after June 15, 2004, and sold on or before January 23, 2009, market gain or loss on that share purchase will be the difference between purchase price and sale price.

Recognized Loss for shares purchased on or after June 15, 2004, and sold on or before January 23, 2009, shall be limited to the purchase price minus sale price where the Recognized Loss calculated below is greater than market loss. If purchase price minus sale price is less than zero, the Recognized Loss is zero.

Lead Plaintiffs’ consulting damages expert has estimated the price decline in Class A stock on each of the dates (May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26 and 27, 2009) attributable in full or in part to the release of allegedly corrective information related to the alleged fraud. These net price declines are used to measure alleged inflation in stock price at each purchase and sale date, as described below.

The formulas for calculating Recognized Loss for purchases of Class A stock during the Class Period are:

1. For a share purchased on or after June 15, 2004, and held until at least January 26, 2009, Recognized Loss will be the lesser of the following, but not less than zero:
 - (a) the appropriate value from Table A below for that purchase date (and sale date, if sold on January 26, 2009); or
 - (b) purchase price minus \$1.14. If purchase price minus \$1.14 is less than zero, the Recognized Loss is zero.
2. For a share purchased on or after June 15, 2004, and sold on or before January 23, 2009, Recognized Loss will be the appropriate value from Table A below for that purchase date and sale date, but not less than zero.

Recognized Loss on Class B Stock

If a share was purchased on or after June 15, 2004, and held at least until January 26, 2009 (the day of the final allegedly corrective disclosure), market gain or loss on that purchase will be the difference between purchase price and the PSLRA 90-day-lookback period

⁹ May 30, 2008 was a date on which both potential inflation allegedly reached its maximum, and the first date of a price decline allegedly attributable to release of information that partially dissipated the alleged fraud. Thus, peak inflation on May 30, 2008 is equal to: maximum potential inflation (measured by the sum of the dollar values of all allegedly fraud-related price declines), minus the dollar value of the allegedly fraud-related price decline on May 30, 2008.

¹⁰ In calculating the 90-day-lookback period mean closing price of a Convertible Note, where no transaction was reported on a particular trading date in the 90-day-lookback period, the last available transaction price for a Convertible Note was assumed to be the closing price.

mean price of \$1.78. If a share was purchased on or after June 15, 2004, and sold on or before January 23, 2009, market gain or loss on that share purchase will be the difference between purchase price and sale price.

Recognized Loss for shares purchased on or after June 15, 2004, and sold on or before January 23, 2009, shall be limited to the purchase price minus sale price where the Recognized Loss calculated below is greater than market loss. If purchase price minus sale price is less than zero, the Recognized Loss is zero.

Lead Plaintiffs' consulting damages expert has estimated the price decline in Class B stock on each of the dates (May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26, 2009) attributable in full or in part to the release of allegedly corrective information related to the alleged fraud. These net price declines are used to measure alleged inflation in stock price at each purchase and sale date, as described below.

The formulas for calculating Recognized Loss for purchases of Class B stock during the Class Period are:

1. For a share purchased on or after June 15, 2004, and held until at least January 26, 2009, Recognized Loss will be the lesser of the following, but not less than zero:
 - (a) the appropriate value from Table B below for that purchase date (and sale date, if sold on January 26, 2009); or
 - (b) purchase price minus \$1.78. If purchase price minus \$1.78 is less than zero, the Recognized Loss is zero.
2. For a share purchased on or after June 15, 2004, and sold on or before January 23, 2009, Recognized Loss will be the appropriate value from Table B for that purchase date and sale date, but not less than zero.

Recognized Loss on Convertible Preferred

If a share was purchased on or after June 15, 2004, and held at least until January 26, 2009 (the day of the final allegedly corrective disclosure), market gain or loss on that purchase will be the difference between purchase price and the PSLRA 90-day-lookback period mean price of \$23.50. If a share was purchased on or after June 15, 2004, and sold on or before January 23, 2009, market gain or loss on that share purchase will be the difference between purchase price and sale price.

Recognized Loss for shares purchased on or after June 15, 2004, and sold on or before January 23, 2009, shall be limited to the purchase price minus sale price where the Recognized Loss calculated below is greater than market loss. If purchase price minus sale price is less than zero, the Recognized Loss is zero.

Lead Plaintiffs' consulting damages expert has estimated the price decline in a share of the Convertible Preferred on each of the dates (May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26, 2009) attributable in full or in part to the release of allegedly corrective information related to the alleged fraud. These net price declines are used to measure alleged inflation in stock price at each purchase and sale date, as described below.

The formulas for calculating Recognized Loss for purchases of the Convertible Preferred during the Class Period are:

1. For a share purchased on or after June 15, 2004, and held until at least January 26, 2009, Recognized Loss will be the lesser of the following, but not less than zero:
 - (a) the appropriate value from Table C below for that purchase date (and sale date, if sold on January 26, 2009); or
 - (b) purchase price minus \$23.50. If purchase price minus \$23.50 is less than zero, the Recognized Loss is zero.
2. For a share purchased on or after June 15, 2004, and sold on or before January 23, 2009, Recognized Loss will be the following, but not less than zero: the appropriate value from Table C below for that purchase date and sale date.

Recognized Loss on a Convertible Note

If a Convertible Note was purchased on or after June 15, 2004, and held at least until January 26, 2009 (the date of the last allegedly corrective disclosure), market gain or loss on that purchase will be the difference between purchase price and the PSLRA 90-day-lookback period mean price of \$31.79 (in terms as reported) or \$317.90 (on a par-equivalent basis). If a Convertible Note was purchased on or after June 15, 2004, and sold on or before January 23, 2009, market gain or loss on that purchase will be the difference between purchase price and sale price.

Recognized Loss for shares purchased on or after June 15, 2004, and sold on or before January 23, 2009, shall be limited to the purchase price minus sale price where the Recognized Loss calculated below is greater than market loss. If purchase price minus sale price is less than zero, the Recognized Loss is zero.

Lead Plaintiffs' consulting damages expert has estimated the price decline of a Convertible Note on each of the dates (May 30, 2008, November 13, 2008, December 23 and 24, 2008, and January 26 and 27, 2009) attributable in full or in part to the release of allegedly corrective information related to the alleged fraud. These net price declines are used to measure alleged inflation in price at each purchase and sale date, as described below.

The formulas for calculating Recognized Loss for purchases of a Convertible Note during the Class Period are:

1. For a Convertible Note purchased on or after June 15, 2004, and held until at least January 26, 2009, Recognized Loss will be the lesser of:
 - (a) the appropriate value from Table D below for that purchase date (and sale date, if sold on January 26, 2009); or
 - (b) purchase price minus \$31.79 (in terms of price as reported), or \$317.90 (in par-equivalent terms). If purchase price minus \$31.79 (in terms of price as reported), or \$317.90 (in par-equivalent terms) is less than zero, the Recognized Loss is zero.
2. For a Convertible Note purchased on or after June 15, 2004, and sold on or before January 23, 2009, Recognized Loss will be the following, but not less than zero: the appropriate value from Table D below for that purchase date and sale date.

Other Provisions of the Plan of Allocation

Purchases and sales of any of the four KV securities listed above will be considered to have occurred on the “contract” or “trade” date, as opposed to the “settlement” or “payment” date. The amount paid or received for such securities will exclude commissions, taxes, and fees. Recognized Loss will be calculated only on purchases of any of the four KV securities listed above. No Recognized Loss will be calculated on KV securities “transferred into,” “delivered into” or “received into” by gift, grant, inheritance, or operation of law unless the claimant submits documents supporting that the original purchase of the KV securities listed above occurred during the Class Period. KV securities purchased and subsequently “transferred out” or “delivered out” of a claimant’s account will NOT be considered part of a claimant’s claim, as the right to file for those KV securities belongs to the person or party receiving the KV securities.

Payment under the Plan of Allocation approved by the Court will be conclusive for all Authorized Claimants. Claimants whose claims are determined to have a value of zero will nevertheless be bound by the Settlement. No person shall have any claim against Lead Plaintiffs, Lead Counsel, the Claims Administrator, or any other agent designated by Lead Counsel, arising from distributions made substantially in accordance with the Plan of Allocation or further orders of the Court. Lead Plaintiffs, Defendants, their respective counsel, Lead Plaintiffs’ consulting damages expert, the Claims Administrator, and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund consistent with the Plan of Allocation, or the determination, administration, calculation, or payment of any Proof of Claim, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

Each Authorized Claimant will recover from the Net Settlement Fund based on his/her/its total Recognized Losses on all four KV securities listed above. However, it is unlikely that Authorized Claimants will get a payment for their entire Recognized Loss, given the number of potential Authorized Claimants. If the amount in the Net Settlement Fund is not sufficient to permit payment of the total of all Recognized Losses, then each Authorized Claimant will be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s recognized claim bears to the total of the claims of all Authorized Claimants (“*pro rata* share”). If the Authorized Claimant’s *pro rata* share is less than \$10.00, it will be removed from the calculation and will not be paid given the administrative expenses of processing payments.

Payment in this manner will be deemed conclusive against all Authorized Claimants. A Recognized Loss will be calculated as defined herein and cannot be less than zero.

Distributions to Authorized Claimants will be made after all claims have been processed and after the Court has approved the Claims Administrator’s determinations. After an initial distribution of the Net Settlement Fund, if there is any balance remaining in the Net Settlement Fund after at least six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise), Lead Counsel shall, if feasible and economical, reallocate such balance among Authorized Claimants who have cashed their checks in an equitable and economic fashion. Any balance that still remains in the Net Settlement Fund, after payment of Notice and Administration Expenses, Taxes, and attorneys’ fees and expenses, if any, shall be contributed to non-sectarian not-for-profit charitable organizations serving the public interest, designated by Lead Plaintiffs and approved by the Court.

Each claimant is deemed to have submitted to the jurisdiction of the United States District Court for the Eastern District of Missouri with respect to his, her, or its Proof of Claim.

L. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased Class A stock, Class B stock, the Convertible Preferred, or the Convertible Note (CUSIPs: 482740206; 482740107; 482740305; 482740AC1) during the period from June 15, 2004 to and through January 23, 2009, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last-known address of each person or organization for whom or which you purchased KV securities during such time period or; (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) calendar days of receipt of such copies, mail the Notice and Proof of Claim form directly to the beneficial owners of those KV securities.

If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you shall send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

KV PHARMACEUTICAL SECURITIES LITIGATION

ATTN: FULFILLMENT DEPARTMENT

c/o A.B. DATA, LTD.

3410 WEST HOPKINS STREET

PO BOX 170500

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DATED: FEBRUARY 13, 2014

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI

TABLE A
CLASS A STOCK INFLATIONARY LOSS PER SHARE

PURCHASE DATE	SALE DATE						
	6/15/2004 - 5/29/2008	5/30/2008 - 11/12/2008	11/13/2008 - 12/22/2008	12/23/2008 - 12/23/2008	12/24/2008 - 1/25/2009	1/26/2009 - 1/26/2009	Held at least to 1/27/09
6/15/2004 - 6/14/2005	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$2.04	\$2.10
6/15/2005 - 6/13/2006	\$0.00	\$0.00	Greater of \$0.00 or (\$3.14 - sale price)	\$0.66	\$1.38	\$3.08	\$3.14
6/14/2006 - 4/19/2007	\$0.00	\$0.00	Greater of \$0.00 or (\$4.19 - sale price)	\$1.71	\$2.43	\$4.13	\$4.19
4/20/2007 - 5/29/2008	\$0.00	\$0.00	Greater of \$0.73 or (\$5.87 - sale price)	\$3.39	\$4.11	\$5.81	\$5.87
5/30/2008 - 11/12/2008		\$0.00	Greater of \$3.17 or (\$8.31 - sale price)	\$5.83	\$6.55	\$8.25	\$8.31
11/13/2008 - 12/22/2008			\$0.00	Lesser of \$2.66 or (purchase price - \$2.48)	Lesser of \$3.38 or (purchase price - \$1.76)	Lesser of \$5.08 or (purchase price - \$0.06)	Lesser of \$5.14 or purchase price
12/23/2008 - 12/23/2008				\$0.00	\$0.72	\$2.42	\$2.48
12/24/2008 - 1/23/2009					\$0.00	\$1.70	\$1.76

In the period November 13, 2008 through December 22, 2008, inclusive, many reported prices are less than the price inflation of \$5.14 per share calculated for this period. Thus, if price paid or received per share in this period is less than \$5.14 per share inflation, inflation at purchase or sale is considered equal to price.

TABLE B
CLASS B STOCK INFLATIONARY LOSS PER SHARE

PURCHASE DATE	SALE DATE					
	6/15/2004 - 5/29/2008	5/30/2008 - 11/12/2008	11/13/2008 - 12/22/2008	12/23/2008 - 12/23/2008	12/24/2008 - 1/25/2009	Held at least to 1/26/09
6/15/2004 - 6/14/2005	\$0.00	\$0.00	\$0.00	\$0.00	\$0.33	\$1.99
6/15/2005 - 6/13/2006	\$0.00	\$0.00	\$0.00	\$0.69	\$1.33	\$2.99
6/14/2006 - 4/19/2007	\$0.00	\$0.00	Greater of \$0.00 or (\$3.99 - sale price)	\$1.69	\$2.33	\$3.99
4/20/2007 - 5/29/2008	\$0.00	\$0.00	Greater of \$0.79 or (\$5.59 - sale price)	\$3.29	\$3.93	\$5.59
5/30/2008 - 11/12/2008		\$0.00	Greater of \$3.11 or (\$7.91 - sale price)	\$5.61	\$6.25	\$7.91
11/13/2008 - 12/22/2008			\$0.00	Lesser of \$2.50 or (purchase price - \$2.30)	Lesser of \$3.14 or (purchase price - \$1.66)	Lesser of \$4.80 or purchase price
12/23/2008 - 12/23/2008				\$0.00	\$0.00	\$2.30
12/24/2008 - 1/23/2009					\$0.00	\$1.66

TABLE C
7% PREFERRED INFLATIONARY LOSS PER SHARE

PURCHASE DATE	SALE DATE					
	6/15/2004 - 5/29/2008	5/30/2008 - 11/12/2008	11/13/2008 - 12/22/2008	12/23/2008 - 12/23/2008	12/24/2008 - 1/25/2009	Held at least to 1/26/09
6/15/2004 - 6/14/2005	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.02
6/15/2005 - 6/13/2006	\$0.00	\$0.00	\$0.00	\$0.00	\$2.16	\$13.54
6/14/2006 - 4/19/2007	\$0.00	\$0.00	\$0.00	\$0.55	\$6.67	\$18.05
4/20/2007 - 5/29/2008	\$0.00	\$0.00	\$0.00	\$7.77	\$13.89	\$25.27
5/30/2008 - 11/12/2008		\$0.00	\$10.31	\$18.31	\$24.44	\$35.81
11/13/2008 - 12/22/2008			\$0.00	\$8.00	\$14.13	\$25.50
12/23/2008 - 12/23/2008				\$0.00	\$6.13	\$17.50
12/24/2008 - 1/23/2009					\$0.00	\$11.38

TABLE D
CONVERTIBLE NOTES INFLATIONARY LOSS PER SHARE

PURCHASE DATE	SALE DATE						
	6/15/2004 - 5/29/2008	5/30/2008 - 11/12/2008	11/13/2008 - 12/22/2008	12/23/2008 - 12/23/2008	12/24/2008 - 1/25/2009	1/26/2009 - 1/26/2009	Held at least to 1/27/09
6/15/2004 - 6/14/2005	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$87.24	\$99.52
6/15/2005 - 6/13/2006	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$137.00	\$149.28
6/14/2006 - 4/19/2007	\$0.00	\$0.00	\$0.00	\$3.82	\$47.51	\$186.76	\$199.04
4/20/2007 - 5/29/2008	\$0.00	\$0.00	\$0.00	\$83.44	\$127.13	\$266.38	\$278.66
5/30/2008 - 11/12/2008		\$0.00	\$90.32	\$200.40	\$244.09	\$383.34	\$395.62
11/13/2008 - 12/22/2008			\$0.00	\$110.08	\$153.77	\$293.02	\$305.30
12/23/2008 - 12/23/2008				\$0.00	\$43.69	\$182.94	\$195.22
12/24/2008 - 1/23/2009					\$0.00	\$139.25	\$151.53