NATURE OF ACTION

1. This is a securities class action on behalf of all purchasers of the publicly traded securities of Encysive Pharmaceuticals Inc. (“Encysive” or the “Company”) between February 19, 2004 and March 24, 2006 (the “Class Period”), against Encysive and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (the “1934 Act”).

2. Encysive is a Houston, Texas-based biopharmaceutical company which engages in the discovery, development and commercialization of novel, synthetic and small molecule compounds. The Company claims its research and development programs are focused on the treatment and prevention of interrelated diseases of the vascular endothelium, the intravascular inflammatory process and vascular diseases. The Company’s shares were valued based upon the apparent success of Thelin (sitaxsentan) a drug being developed to treat Pulmonary Arterial Hypertension (“PAH”). During the Class Period, Encysive claimed it had completed Phase III development of Thelin, causing Encysive’s share price to reach new highs. With the Company’s shares trading at these levels, defendants seized the opportunity to raise new
capital for the cash-starved Company.

3. After the Company completed two successful public offerings and the individual defendants received generous cash/stock awards for the Company’s apparent success with Thelin, investors learned that defendants had been misrepresenting the actual prospects for Thelin. On March 27, 2006, Encysive shares fell 49% after U.S. regulators delayed approving Thelin until they could get more data. The Food and Drug Administration (“FDA”) sent the Company a letter asking for information and possibly more studies to determine if Thelin is safe and effective for use in treating PAH. Prior to the March 27, 2006 revelations, defendants had led shareholders and analysts to believe that FDA approval was imminent and that such approval would make Thelin a competitor to Acetelion Ltd.’s similar drug, Tracleer (Bosentan). Then, approximately four months later, on July 24, 2006 the Company revealed that material issues raised in the March 2006 FDA statements remained unresolved, rendering FDA approval – contrary to defendants’ previous claims – uncertain, at best. In response, the Company’s shares plummeted again, this time by 40%, trading as low as $3.90 per share in after-hours trading.

4. These drastic declines were the result of massive public shareholder sales immediately following the March and July 2006 revelations, which were contrary to defendants’ previous claims regarding Thelin. Defendants’ previous claims regarding Thelin were so positive they led shareholders to believe they would be handsomely rewarded – if the claims were true. Investment bankers competed for the Company’s business, allowing defendants to consummate two offerings of both equity and debt, raising $166 million during the Class Period. The Company’s story soon had Wall Street analysts touting the Company as defendants continued to disseminate false and misleading statements regarding Thelin’s market potential.
5. Based on defendants’ false and misleading claims, analysts estimated worldwide sales of Thelin would reach $359 million by 2008. However, defendants’ disclosures in March and July 2006 shocked the market. In fact, defendants’ claims and projections concerning Thelin’s commercialization and market potential – including the following – were grossly inflated and materially misleading:

— The Company was “well positioned to advance Thelin towards commercialization.”

— The “worldwide market for Thelin in PAH will evolve significantly over the next year.”

— “[B]oth doses of Thelin are similarly effective in improving functional class.”


— “[T]his data builds upon the important clinical progress we have achieved over the course of 2004 in STRIDE-4 and STRIDE-6 with Thelin and we’re well positioned to file a New Drug Application (NDA) with the U.S. Food and Drug Administration (FDA) and other regulatory authorities.”

— “The Phase III trial met the primary endpoint of improved six-minute walk in patients receiving 100 mg of Thelin. The 100 mg group saw a statistically significant increase of 31.4 meters over placebo (p=0.03). Bosentan (Tracleer®), the only approved oral product for pulmonary arterial hypertension, increased the six-minute walk by 29.5 meters.”

— “The PAH market in Europe has undergone rapid expansion, but remains a highly efficient, specialist-driven market to which Encysive is well positioned to effectively market Thelin . . . .”

— “In the third quarter, we accelerated the advancement of our commercial strategy for Thelin™, with the aim of building a global presence for our investigational therapy for pulmonary arterial hypertension . . . . With our clinical data package currently under regulatory review in both the United States and Europe, we have focused on strengthening our management team and progressing with preparations for Thelin’s potential launch in 2006.”
6. Defendants even inflated the theoretical demographics of the Company’s potential market for its self-proclaimed revolutionary drug, providing a grossly inflated estimate of potential PAH patient numbers. Defendants actually led shareholders and analysts to believe that the market for Thelin was as high as 80,000 to 100,000 patients. Actually, the incidence of primary PAH in the United States was 1-2 patients per million (or approximately 600 in the United States). In addition to these 600 patients, the proportions of the other patients in the Stride studies, described below, indicated that there would be another 600 patients with connective tissue disease and heart shunt who would theoretically benefit from Thelin. Defendants knew that the existing data concerning a related and approved drug – Bosentan – would limit Thelin’s market potential and its prescription rate would be materially dwarfed by the number of prescriptions written annually for Bosentan, a drug prescribed for a patient population much larger than Thelin’s. Patients with primary PAH, unlike the potential patient population for Bosentan, are extremely rare. Moreover, the lifespan for an individual with primary PAH is approximately one to three years at best. Defendants knew that Bosentan prescriptions – even including all out-of-indication uses in the U.S. – approximated 30,000, and that Encysive was never going to double or triple the Bosentan market for Thelin, as the number of potential patients defendants claimed was not consistent with statistical incidence of the diseases Thelin was intended to treat.

7. Defendants’ claims concerning the Stride 2 study results, including, among other things, the so-called advantage of Thelin over Bosentan, were materially false and misleading as these statements were devoid of any clinical significance and relevance, any meaningful explanation of the medical data as to prior studies, or context as to the overall medical market in
relation to its so-called advantage because the <1% advantage over Bosentan was never going to achieve market share of 3 to 83 times that of Bosentan.

8. Defendants’ conduct was so egregious that, rather than trying to achieve genuine FDA approval, defendants were intent on consummating their own personal insider trading goals as well as those of the Company. The cash-starved Company required continuous inflow of capital. During the Class Period, Encysive tapped the securities markets multiple times, raising over $166 million in two offerings while two of the individual defendants reaped over $2.4 million in insider trading proceeds.

9. Desperate to report positive news to the market (and the FDA), defendants manipulated their own results for Thelin. In fact, contrary to the published research of the Company’s own consultant, defendants made the conscious decision to perform the Stride 6-minute walk test at multiple sites with the hope of achieving statistically significant, albeit false, results. The Company’s reported data on Thelin, both in terms of purported patient improvement and associated health benefits, was grossly misleading and not statistically significant.

10. Finally, in an effort to bolster their claims of Thelin’s potential widespread usage and likely approval, defendants claimed that they tested the effects of Viagra on those using Thelin in an absurd attempt to inflate the drug’s market potential if approved.

JURISDICTION AND VENUE

11. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5.

12. (a) Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District; and (b) Encysive’s
executive offices are located in Houston, Texas, where the day-to-day operations of the Company are directed and managed.

PARTIES

13. Plaintiff Cami Janzen-Guare purchased Encysive securities as described in the attached certification and was damaged thereby.

14. Defendant Encysive, a biopharmaceutical company, engages in the discovery, development and commercialization of novel, synthetic and small molecule compounds. Its research and development programs are focused on the treatment and prevention of interrelated diseases of the vascular endothelium, the intravascular inflammatory process, and vascular diseases. Encysive has several research and development programs for a range of cardiovascular and inflammatory diseases and collaboration agreements with Mitsubishi Pharma Corporation, GlaxoSmithKline, and Encysive L.P. Defendant Encysive is headquartered at 4848 Loop Center Drive, Suite 700, Houston, Texas.

15. Defendant Bruce D. Given (“Given”) is President and Chief Executive Officer of the Company. During the Class Period, Given assisted in the sale of more than $166 million worth of Encysive securities in two offerings, including directly participating in “roadshows” orchestrated by the lead underwriter for both offerings – Wachovia Securities. In addition, Given has reaped ill-gotten bonuses totaling hundreds of thousands of dollars together with even more ill-gotten consideration in the form of stock grants. The bonus-type components of Given’s compensation were directly tied to the improper conduct complained of herein. For example, in 2005, Given’s raise and bonus, including grants of 105,000 shares, were based on the announcement of the top line data from the final pivotal trial for Thelin, filing a New Drug
Application ("NDA") for Thelin and completing the $130 million debt offering. As detailed herein, the “top line” data study was manipulated and materially flawed, and the Company was not prepared to file the NDA as it was fraught with baseless conclusions. Moreover, absent the false and misleading claims as to Thelin’s commercialization potential, the $130 million debt offering would not have been consummated.

16. Defendant Richard A. F. Dixon ("Dixon") is Chief Scientific Officer of the Company. During the Class Period, Dixon assisted defendant Given in the sale of more than $166 million worth of Encysive securities and was responsible for the testing, NDA submissions and claims as to the true value of Thelin post commercialization. During the Class Period, defendant Dixon sold $1.5 million worth of his Encysive stock.

17. Defendant Stephen L. Mueller ("Mueller") is Vice President of Finance as well as the Company’s Secretary and Treasurer. Previously Mueller had served in other capacities within the Company, including Director of Finance and Secretary. Mueller worked for the Company longer than any other executive officer. With Mueller’s background as a CPA and intimate knowledge of the Company’s finances and projections, especially those attributable to the market for the Company’s drugs, including Thelin, Mueller knew the market would punish the Company’s shares, as he had personally witnessed previous Company failures over the past 15 years. During the Class Period, Mueller sold more than $878,177 worth of his Encysive stock.

18. The individuals named as defendants in ¶¶15-17 are referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Encysive’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional
investors, *i.e.*, the market. Each defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, each of these defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶33-51, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

**FRAUDULENT SCHEME AND COURSE OF BUSINESS**

19. Each defendant is liable for (i) making false statements, or (ii) failing to disclose adverse facts known to him about Encysive. Defendants’ fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Encysive securities was a success, as it (i) deceived the investing public regarding Encysive’s prospects and business; (ii) artificially inflated the prices of Encysive securities; (iii) allowed defendants to reap $2.4 million in insider trading proceeds and obtain larger bonuses which were directly tied to the perceived successful efforts to bring the Company closer to commercialization; (iv) allowed defendants to arrange for the sale and to actually sell in excess of $166 million worth of Encysive securities at artificially inflated prices; and (v) caused plaintiff and other members of the Class to purchase Encysive publicly traded securities at inflated prices.

**CLASS ACTION ALLEGATIONS**

20. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal
Rules of Civil Procedure on behalf of all persons who purchased Encysive publicly traded securities on the open market during the Class Period (the “Class”). Excluded from the Class are defendants.

21. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Encysive had more than 59 million shares of stock outstanding, owned by hundreds if not thousands of persons.

22. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) Whether the 1934 Act was violated by defendants;
(b) Whether defendants omitted and/or misrepresented material facts;
(c) Whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
(d) Whether defendants knew or deliberately disregarded that their statements were false and misleading;
(e) Whether the prices of Encysive publicly traded securities were artificially inflated; and
(f) The extent of damage sustained by Class members and the appropriate measure of damages.

23. Plaintiff’s claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants’ wrongful conduct.
24. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

25. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

SUBSTANTIVE ALLEGATIONS

Background

26. Encysive is a biopharmaceutical company that engages in the discovery, development and commercialization of novel, synthetic and small molecule compounds. Its research and development programs are focused on the treatment and prevention of interrelated diseases of the vascular endothelium, the intravascular inflammatory process, and vascular diseases. In addition, Encysive purports to have completed Phase III development of Thelin for PAH. Encysive has several other research and development programs for a range of cardiovascular and inflammatory diseases and collaboration agreements with Mitsubishi Pharma Corporation, GlaxoSmithKline, and Encysive L.P.

27. Thelin appears to work only in primary PAH and PAH associated with connective tissue disease or heart shunts. These three subgroups of PAH are very rare and comprise a patient population of approximately 1,200 patients in the United States. Thelin, however, was not effective for the more common forms of PAH caused by chronic obstructive pulmonary disease and congestive heart failure. Thus the potential market for Thelin was very small.

28. No drug is known to cure PAH, and the only market justification for current drug therapies is a slight improvement in activity tolerance. PAH usually causes death very
quickly after it first appears, with a typical survival rate of one to three years. Thus, there were very limited prospects for any drug therapy in terms of usefulness and long-term need.

**Thelin’s’ Potential Market**

29. The actual number of primary PAH patients is far less than the 80,000-100,000 the Company claimed. Only 1-2 patients per million in the U.S. population have primary PAH, which would yield approximately 600 patients. Even including two other patient groups – those with connective tissue disease and heart shunts – as included in the Stride studies, the total patient population would yield an estimated relevant patient population of approximately 1,200 patients in the U.S. Projecting this 1,200 patient market in the U.S. to the European population would increase the commercial world market roughly three-fold, yielding an estimated potential world market of 3,600 patients. Therefore, the Company’s market projections of 80,000 potential Thelin patients were grossly misleading.

**The Company’s Thelin Studies Were Grossly Flawed**

30. The Stride 2 study, publicized by the Company on February 14, 2005, was officially published on September 20, 2005, in the *Journal of the American College of Cardiology*. Although the Stride 2 study showed only an incremental survival benefit over Bosentan, defendants claimed these results bolstered both the commercial viability of Thelin and the likelihood of FDA approval. Moreover, these claims relative to the Stride 2 study results are especially disingenuous as, in addition to inflating the study’s conclusions regarding Thelin’s benefits, defendants manipulated the underlying raw data used in the study, as further discussed below.

31. A June 2004 report on end points and clinical trial designs for PAH, published in
the *Journal of the American College of Cardiology,* advised against the use of the FDA’s historical standard as the primary end-point in multi-center trials for PAH because of variable quality at different sites. One of the report’s members, Dr. Robyn Barst (“Barst”), was also a paid researcher for Encysive and worked with and for defendants. Barst received about $533,000 from Encysive for the Stride 2 study alone. Barst was a member of the report and also author of the above-mentioned Stride studies of Thelin. Barst was paid by the defendants to advise them on testing and evaluating Thelin. Defendants were aware of this study, but neglected to inform the public or follow the report’s recommendation. Although the report’s recommendation calls into question the significance and reliability of the certain results from the Stride study when so many different sites contributed to the study’s results, defendants omitted this information from the Company’s public releases.

32. Encysive publicized Stride 2 results, inflating the materiality of the improvement shown while concealing the lack of clinical relevance of this result. Thus, the purported benefit of Thelin compared to Bosentan was essentially statistically insignificant, especially in the light of the June 2004 report (performed by the Company’s own highly paid paid researcher) which recommended avoiding the multiple-site methodology. In fact, the resulting benefit is easily explained by variation in the many research sites.

**Defendants’ False and Misleading Statements Issued During the Class Period**

33. On February 19, 2004, the Company issued a press release titled “Encysive Pharmaceuticals Reports Full Year 2003 Results; Thelin™ Introduces Sitaxsentan,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the fourth quarter
and full year ending December 31, 2003. Results were in line with management’s prior guidance. The Company also announced the name Thelin™ as the brand name for its lead product candidate, sitaxsentan.

“2003 was an extraordinary year of accomplishment for our Company,” stated Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “We re-acquired full commercial rights to Thelin, reported positive data from our pivotal Phase IIb/III STRIDE 1 trial, and initiated the final Phase III program under a special protocol assessment (SPA) from the FDA for this product. The Company also strengthened its financial position through the completion of a follow-on equity offering which netted approximately $45.4 million. With these accomplishments behind us, we are well positioned to advance Thelin towards commercialization.”

34. On May 24, 2004, the Company issued a press release titled “New Data on Thelin™ Presented at American Thoracic Society’s International Conference; Three Abstracts Presented From STRIDE-1 and Extension Trials,” which stated in part:

Encysive Pharmaceuticals today announced that investigators presented data from clinical studies of Thelin™ (sitaxsentan) in pulmonary arterial hypertension (PAH), at the American Thoracic Society’s (ATS) 100th International Conference in Orlando, Florida. The data, presented on Sunday, May 23, was collected as part of Encysive’s pivotal Phase IIb/III STRIDE-1 (Sitaxsentan To Relieve Impaired Exercise) clinical trial and extensions.

“These data from STRIDE-1 and its extensions continue to support our strategy to evaluate Thelin in the broadest population ever for this drug class,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “The data presented here support our belief that even earlier stage patients can benefit with Thelin therapy. In addition, Dr. David Langleben’s long-term data and the functional class data from STRIDE-1 and its extensions suggest that patients may continue benefiting from Thelin with chronic therapy.”

The first abstract, “Chronic Sitaxsentan in Pulmonary Arterial Hypertension” (E. Horn, et al.), analyzed STRIDE-1 and extension data to assess the time course to clinical improvement or deterioration with Thelin at doses of 100 mg and 300 mg. Following treatment with a mean duration of 26 weeks and a maximum of 58 weeks, 53% of patients on 100 mg and 44% of patients on 300 mg improved at least one New York Heart Association (NYHA) functional class. A substantial portion of those individuals that improved did so within the initial 12 weeks of therapy-64% and 70% for 100 mg and 300 mg patients, respectively. During the
first 12 weeks, liver function abnormalities greater than three times the upper limit of normal occurred in 0% for 100 mg and 10% for 300 mg, with overall rates of 5% for 100 mg and 21% for 300 mg reported during the entire treatment course. During treatment, only 5% of patients experienced NYHA functional class deterioration on 100 mg and 8% on 300 mg. While both doses of Thelin are similarly effective in improving functional class, both short and long-term, the more favorable safety/efficacy profile of 100 mg lends further support to its selection as the maximum clinical dose in ongoing trials of Thelin™.

The second abstract, entitled “Sustained Clinical and Functional Benefit in Patients with Pulmonary Arterial Hypertension After One Year of Therapy with the Selective, Orally-Active Endothelin-A Receptor Antagonist, Sitaxsentan” (D. Langleben, et al.), reported that Thelin significantly improved NYHA functional class and six-minute walk distance (6MW) in PAH patients after one year of drug therapy. Of the 11 patients studied, nine were categorized as functional class III and two as class II, when assessed prior to therapy. Although one patient’s health deteriorated at seven months, the other 10 continued to either improve to or remain at class II at one year. For those 10 patients, the 6MW improved from 385 meters to 436 meters after one year of treatment (p=0.04).

The final study, “6MW as an Efficacy Endpoint in PAH Clinical Trials: Demonstration of a Ceiling Effect” (A. Frost, et al.), supports the existence of a “ceiling effect” as provided for in traditional PAH trial designs. This explains the frequent exclusion of patients with milder PAH, in order to increase treatment effect sizes and statistical power when using 6MW as the endpoint. STRIDE-1, a 12-week, randomized, double-blind, 178-patient trial employing placebo and Thelin at 100 mg or 300 mg doses, included patients with NYHA functional class II, congenital heart disease and a baseline 6MW > 450m—groups often excluded from previous trials. For patients meeting traditional enrollment criteria (NYHA class III or IV and 6MW less than or equal to 450m at baseline with idiopathic PAH or PAH-related to connective tissue disease), Thelin produced a robust increase in 6MW of 65 meters (p=0.0002) vs. 34 meters (p=0.0005) in the intent to treat patient group.

35. On June 3, 2004, the Company issued a press release titled “Encysive Updates Ex-North American Licensing Strategy for Thelin™; Company Reiterates Guidance to Complete STRIDE-2 Enrollment in the Third Quarter,” which stated in part:

Encysive Pharmaceuticals today announced its intention to retain all marketing rights to Thelin™, its selective endothelin antagonist in late-stage development for
the treatment of pulmonary arterial hypertension (PAH). The Company had previously planned to license rights for marketing the product outside of North America, while preserving for itself U.S. and Canadian rights.

“Coming out of a highly successful American Thoracic Society meeting, it is our belief that the worldwide market for Thelin in PAH will evolve significantly over the next year,” commented Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “With this in mind, it is in the best interests of our shareholders to allow the market to continue growing globally before making a final decision on any marketing plans outside of North America.”

Dr. Given elaborated, “The current ex-North American deal value for Thelin rights, while impressive, could expand significantly in the coming months.”

Encysive is also considering the option of marketing the product on its own worldwide, in addition to its plans to market within the United States and Canada. “Considering the highly-focused PAH market, we believe an efficient sales force could be put in place by Encysive that would enable us to competitively market Thelin globally,” Dr. Given added. “But we will leave our options open and continually re-assess the situation as we move closer to commercialization.”

36. On August 26, 2004, the Company issued a press release titled “Encysive Pharmaceuticals Announces Results from Thelin™ and Viagra™ Drug Interaction Study,” which stated in part:

**Encysive Pharmaceuticals announced today results from a 24-subject drug interaction study of Thelin™ (sitaxsentan) and Viagra™ (sildenafil) which demonstrated a minor pharmacokinetic drug-drug interaction.** In the study, a group of 24 normal healthy volunteers participated in two treatment periods. In one, they received Thelin (100 mg) for seven days and a single dose of Viagra (100 mg) on the seventh day. In the other treatment period they received seven days of placebo and 100 mg of Viagra on the seventh day. Subjects were randomly assigned to which treatment they received first. Blood was drawn to determine plasma levels of sitaxsentan, sildenafil and sildenafil’s active metabolite N-desmethyl sildenafil.

Results showed that sildenafil administration did not appear to alter sitaxsentan levels. In the presence of sitaxsentan, the Cmax (maximum concentration) of sildenafil increased by 18% and the AUC (area under the plasma concentration/time curve) increased by 28%. No effects on levels of the N-desmethyl sildenafil were observed. “Based on these data, Viagra doesn’t appear
to impact Thelin pharmacokinetics. Thelin showed a minor effect on overall Viagra pharmacokinetics, presumably based on the expected, weak, cytochrome P450 3A4 inhibition seen in cultured hepatocytes,” said Terrance C. Coyne, M.D., Vice President of Clinical Development and Chief Medical Officer of Encysive Pharmaceuticals.

“In consideration of discussions of other drug interactions in the Viagra package insert, our findings suggest that administration of a combination of Thelin and Viagra should not require adjustment of either the Viagra or Thelin dosages,” added Dr. Coyne.

“Neither Thelin nor Viagra are approved for use in pulmonary arterial hypertension (PAH). However, both are under active investigation for PAH and we are aware that interest is high. As such, we felt it was important to evaluate the potential for a drug interaction and to report the results promptly,” stated Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals.

About Thelin™ and PAH

Thelin™ is a small molecule that blocks the action of endothelin, a potent mediator of blood vessel constriction and growth of smooth muscle in vascular walls. Endothelin receptor antagonists may prove to be effective in the treatment of a variety of diseases where the regulation of vascular constriction is important. Thelin is 6,500 fold selective in the targeting of the endothelin A receptor.

Pulmonary arterial hypertension (PAH) is a condition that involves high blood pressure and structural changes in the walls of the pulmonary arteries, which are the blood vessels that connect the right side of the heart to the lungs. PAH causes shortness of breath, limits activity, and is eventually fatal unless treated successfully with heart and lung transplant. Primary and secondary PAH are estimated to afflict approximately 80,000 to 100,000 people worldwide, many of whom are children and young women.

37. On August 31, 2004, the Company issued a press release titled “Data on Thelin™ Presented at European Society of Cardiology; Abstract Presented on Extension Data from STRIDE-1 Trial in Pulmonary Arterial Hypertension,” which stated in part:

Encysive Pharmaceuticals today announced the presentation of data from a clinical study of Thelin™ (sitaxsentan) in pulmonary arterial hypertension (PAH), at the European Society of Cardiology Annual Congress in Munich. Data from the extension of Encysive’s multi-center, pivotal Phase IIb/III STRIDE-1 (Sitaxsentan
To Relieve Impaired Exercise) clinical trial was presented by clinical investigator Adaani Frost, M.D., Baylor College of Medicine, Houston, on Tuesday, August 31. “The long-term evaluation results presented by Dr. Frost suggest that patients may continue to benefit from Thelin with chronic therapy, which we believe provides valuable information to the physician and patient communities in PAH,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “In order to explore the full therapeutic potential of Thelin, our strategy has been to evaluate Thelin in the broadest population ever for this drug class, and to follow its long-term impact closely.”

Study Details
In the abstract entitled, “Long-term Sitaxsentan Therapy in Pulmonary Arterial Hypertension (PAH)” (E. Horn, et al.), data from the STRIDE-1 trial extension was analyzed to assess the time course to clinical improvement or deterioration with Thelin at doses of 100 mg and 300 mg.

Following treatment with a mean duration of 26 weeks and a maximum of 58 weeks, 53% of the 79 patients on 100 mg and 44% of the 91 patients on 300 mg improved at least one New York Heart Association (NYHA) functional class. A substantial portion of those individuals that improved did so within the initial 12 weeks of therapy – 64% for 100 mg and 70% for 300 mg. During the first 12 weeks, liver-function abnormalities greater than three times the upper limit of normal occurred in 0% for 100 mg and 10% for 300 mg. Overall rates of 5% for 100 mg and 21% for 300 mg were reported for the entire treatment course. During treatment, only 5% of patients on 100 mg and 8% on 300 mg experienced NYHA functional class deterioration. While both doses of Thelin™ are similarly effective in improving functional class, both short- and long-term, the more favorable safety/efficacy profile of 100 mg lends further support to its selection as the maximum clinical dose in ongoing trials of Thelin.

38. On September 8, 2004, the Company issued a press release titled “Thelin™ May Offer Alternative for PAH Patients Who Have Failed on Bosentan, According to Data Presented at European Respiratory Society Congress; Study Shows Liver Toxicities Experienced by Patients on Bosentan Were Not Experienced on Thelin,” which stated in part:

Encysive Pharmaceuticals today announced the presentation of new clinical data on Thelin™ (sitaxsentan) in pulmonary arterial hypertension (PAH), at the European Respiratory Society (ERS) 14th Annual Congress (September 4-8, 2004) in Scotland. Data from this single center experience suggests that Thelin may offer an alternative for PAH patients whose conditions are worsening on
bosentan. Two other abstracts were presented at the ERS meeting on Thelin.

Data from this first study was presented by clinical investigator Adaani Frost, M.D., Baylor College of Medicine, Houston, Texas. Entitled, “Sitaxsentan Sodium for the Treatment of Pulmonary Arterial Hypertension in Patients Failing Bosentan: Preliminary Single Center Data,” the trial showed that 10 out of 11 PAH patients who had failed on bosentan due to clinical deterioration or liver toxicities improved or stabilized when given Thelin oral therapy. All 10 patients are continuing on Thelin today, some as long as 10 months.

Eight (8) patients in the study who had deteriorated on bosentan were given Thelin 100 mg and followed for up to 12 weeks. Seven patients stabilized or experienced improvement in the six-minute walk test (6MW), a standard measurement of function in patients with PAH. One patient in the study discontinued Thelin treatment due to continued disease progression and had no evaluable 6MW measurements. Three other patients were enrolled after failing bosentan therapy due to liver toxicity. All three improved clinically on Thelin without recurrence of their liver abnormalities. One patient who had clinically deteriorated on bosentan experienced a single occurrence of an abnormal liver function test. This patient has continued on Thelin without a recurrence.

“As the first generation, nonselective endothelin receptor antagonist, bosentan has provided an important treatment option for patients with PAH. We do, however, see up to one-third of patients come off this therapy due to lack of efficacy or liver toxicities,” said Dr. Frost. “While trials are ongoing, sitaxsentan, an oral ETA selective endothelin receptor antagonist, may provide value to newly diagnosed PAH patients. The exciting potential from this study, however, is the opportunity for sitaxsentan to salvage some of the one-third of patients who are currently failing bosentan therapy.”

“The clinical strategy for Thelin is to expose a broad and multi-faceted patient group to our selective endothelin antagonist,” said Terrance Coyne, M.D., Vice President and Chief Medical Officer of Encysive Pharmaceuticals. “In addition to alternatives for de novo patients, one of the greatest and most immediate needs in PAH today is the development of effective alternative treatments for those failing on current options. We believe Thelin, with its selective mode of action, has the potential to be an important new option for these difficult-to-treat patients.”

39. Also on September 8, 2004, the Company issued a press release titled “Encysive Reaches Enrollment Target for STRIDE-2, the Company’s Pivotal Phase III Trial for
Encysive Pharmaceuticals today announced it has completed enrolling 240 patients in the Company’s multi-center, pivotal, Phase III STRIDE-2 (Sitaxsentan To Relieve Impaired Exercise) trial to evaluate the safety and efficacy of Thelin™ (sitaxsentan) in patients with pulmonary arterial hypertension (PAH). Enrollment will continue through September 10, 2004 in order to accept patients still in screening.

“The closing of STRIDE-2 signifies that we are one important step closer to our goal of commercializing Thelin,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “We look forward to analyzing and then reporting the results of this key study.”

STRIDE-2 is a Phase III, randomized, double-blind, placebo-controlled safety and efficacy study of Thelin treatment with a third party blinded bosentan arm in patients with pulmonary arterial hypertension. Patients are randomized to receive one of four treatments: Thelin 50 mg once daily, Thelin 100 mg once daily, placebo once daily, or bosentan twice daily according to the package insert. The duration of the trial is 18 weeks.

The Company expects top line data will be available from STRIDE-2 in February 2005. Moreover, the Company anticipates submission of a New Drug Application for Thelin to the U.S. Food and Drug Administration on or around the end of the first quarter in 2005.

40. On September 13, 2004, the Company issued a press release titled “Encysive Pharmaceuticals Announces Closing of $36.5 Million Stock Offering,” which stated in part:

Encysive Pharmaceuticals announced today the closing of its previously announced offering of 4,000,000 shares of its common stock in an underwritten offering by Wachovia Capital Markets, LLC. At the closing, Wachovia also purchased an additional 600,000 shares of common stock pursuant to its previously exercised over allotment option. The shares of common stock were sold to the public for $7.94 per share. With the exercise of the over allotment option, the gross proceeds from the offering realized by Encysive is approximately $36.5 million.

41. On October 5, 2004, the Company issued a press release titled “Thelin™ Shows Promise in Patients Failing Bosentan Therapy,” which stated in part:

Encysive Pharmaceuticals today announced top-line results from STRIDE-6, a
clinical study of Thelin™ (sitaxsentan) in patients with pulmonary arterial hypertension (PAH) who discontinued treatment with bosentan due to lack of efficacy or for safety reasons. The data suggests Thelin may provide important benefits to this challenging patient group.

**Study Overview**

STRIDE-6 enrolled 48 patients, 35 of which had discontinued bosentan therapy for lack of efficacy and 13 for reasons related to safety. The mean duration of prior bosentan treatment was 13.4 months (0.1 months – 39 months). Of the 48 patients, 24 were randomized to blinded treatment with 50 mg Thelin once daily and 24 to 100 mg Thelin once a day. Five subjects discontinued the trial early due to disease progression. Of the 48 patients, 45 continued Thelin therapy in a long-term extension trial (STRIDE-3).

Patients were categorized as improved if their distance walked in six minutes increased by 15% or more after 12 weeks of therapy and as deteriorated if their distance walked declined by 15% or more. Patients with lesser increases or declines were considered unchanged.

**Study Results**

Of the 35 patients discontinuing bosentan therapy for lack of efficacy, 33% in the Thelin 100 mg group and 10% in the Thelin 50 mg group improved. Continued deterioration was noted in 20% of the 100 mg group and 15% of the 50 mg group. The remaining patients were considered unchanged.

Of the 13 patients who discontinued bosentan treatment due to safety, 12 were for liver function abnormalities and one for rash. One patient who had developed liver function abnormalities after 1 month of bosentan treatment increased to >3 times the upper limit of normal after 12 weeks of treatment with 100 mg of Thelin. This patient has been discontinued from therapy. The other 12 patients remain active in STRIDE-3.

Adverse events (AE) occurred with similar frequency with both Thelin doses. The most frequent AEs, occurring in 4 or more patients included nausea, fatigue, edema, headache, and upper respiratory tract infection. One patient in the 50 mg group admitted to the study for clinical deterioration died. This patient had received Thelin for 17 days then bosentan for a further 12 days prior to dying from progressive pulmonary hypertension.

“Patients failing bosentan, either for efficacy or safety, represent a common and important challenge for treating physicians,” reported Dr. Robyn Barst, Professor of Pediatrics at Columbia University College of Physicians and Surgeons, and
Director, New York Presbyterian Hospital Pulmonary Hypertension Center. “It appears that the 100 mg dose of sitaxsentan may be able to improve up to 1/3 of efficacy failures with bosentan. It further appears that patients developing liver function abnormalities on bosentan may be treatable with sitaxsentan without significantly increased risk of having these abnormalities recur. If substantiated in broader clinical practice, this would be an important finding.”

“STRIDE-6 was designed to give clinicians important information about potential alternatives for those patients who fail on bosentan,” commented Bruce D. Given, M.D., President and CEO of Encysive Pharmaceuticals. “This information, when added to the forthcoming results of our Phase III pivotal trial and other ongoing trials, should provide for a comprehensive review of the utility of Thelin in the broadest patient population studied to date in a pre-approval setting.”

42. On February 17, 2005, the Company issued a press release titled “Encysive Pharmaceuticals Reports Fourth Quarter and Year End 2004 Results,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the fourth quarter and year ending December 31, 2004.

-- “Our success with Thelin™ in STRIDE-2 for the treatment of pulmonary arterial hypertension marks the culmination of an extremely productive year for Encysive,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “This data builds upon the important clinical progress we have achieved over the course of 2004 in STRIDE-4 and STRIDE-6 with Thelin and we’re well positioned to file a New Drug Application (NDA) with the U.S. Food and Drug Administration (FDA) and other regulatory authorities.”

* * *

Recent Events

-- The Company reported on February 14, 2005 that STRIDE-2, its pivotal Phase III safety and efficacy trial, conducted under a special protocol assessment with the FDA, met the primary endpoint of improved six minute walk (6MW) in patients receiving 100 mg of Thelin. The 100 mg group saw a statistically significant increase of 31.4 meters over placebo (p=0.03).
Bosentan (Tracleer®), the only approved oral product for pulmonary arterial hypertension, increased the 6MW by 29.5 meters, while patients on placebo saw their conditions deteriorate.

2004 Company Highlights

-- The Company announced topline results from STRIDE-4 showing 100 mg Thelin as statistically more active than 50 mg, with a favorable safety profile. Due to an unexpected placebo response and the small size of the trial, 100 mg of Thelin® did not achieve significance versus placebo in this non-pivotal trial.

-- Thelin received Orphan Drug Designation in the United States and Europe.

-- Encysive reported positive results from the STRIDE-6 study of Thelin in PAH patients who discontinued treatment with bosentan due to lack of efficacy or for safety reasons.

-- Results from a drug interaction study of Thelin and sildenafil (Viagra®) demonstrated a pharmacokinetic drug-drug interaction, which the Company believes is unlikely to necessitate dosage adjustments of either compound.

-- Thelin data was presented at leading medical meetings in the United States and Europe, including the American College of Rheumatology Annual Scientific Meeting, European Respiratory Society 14th Annual Congress, European Society of Cardiology Annual Congress, annual meetings of the American College of Cardiology and American Heart Association (AHA) and the 100th International Conference of the American Thoracic Society.

-- Encysive’s first scientific symposia were held at the American College of Chest Physicians (CHEST) and AHA meetings.

-- The Company successfully completed a common stock offering raising $36.5 million.

43. On March 16, 2005, the Company issued a press release titled “Encysive Announces Closing of $130 Million Convertible Senior Note Offering,” which stated in part:
Encysive Pharmaceuticals today announced the closing of its previously announced offering of $115 million principal amount of its Convertible Senior Notes due 2012 through a private placement to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. The closing included the exercise in full by the initial purchasers of the notes of their option to purchase an additional $15 million principal amount of the notes.

The notes will bear interest at a rate of 2.50% per annum and be convertible into Encysive common stock at an initial conversion rate of 71.7077 shares of common stock per $1,000 principal amount of notes, subject to adjustment (equivalent to a conversion price of approximately $13.95 per share). Encysive may redeem the notes on or after March 20, 2010 if Encysive’s common stock trades above 140% of the conversion price for a specified period. Upon the occurrence of certain designated events prior to the maturity of the notes, subject to specified exceptions, investors will have the right to require Encysive to redeem the notes.

As previously announced, Encysive intends to use the proceeds of the offering to fund further clinical development, marketing and pre-launch activities related to Thelin™, to fund further its research and development of its product candidates, and for general corporate purposes, including capital expenditures and other working capital requirements.

The notes and common stock issuable upon conversion of the notes have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act of 1933, as amended, and applicable states securities laws.

44. On April 28, 2005, the Company issued a press release titled “Encysive Pharmaceuticals Reports First Quarter 2005 Financial Results,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the first quarter ending March 31, 2005.

“\textit{In the first quarter, we saw the successful culmination of the corporate strategy put in place three years ago},” commented Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “\textit{Our lead product, Thelin, achieved its clinical endpoint in STRIDE-2, with solid safety and efficacy data; we were able to better capitalize the Company through the issuance of $130 million of convertible notes; and we continued to attract the high quality talent necessary for bringing a new pharmaceutical product to the}
market. Moving forward, we expect to achieve a major company milestone this May with the submission of a New Drug Application for Thelin with the U.S. Food and Drug Administration, followed by a European submission later this year.”

* * *

First Quarter Highlights

-- **Encysive Pharmaceuticals announced topline data from STRIDE-2 pivotal trial in PAH. The Phase III trial met the primary endpoint of improved six-minute walk in patients receiving 100 mg of Thelin. The 100 mg group saw a statistically significant increase of 31.4 meters over placebo (p=0.03). Bosentan (Tracleer®), the only approved oral product for pulmonary arterial hypertension, increased the six-minute walk by 29.5 meters.**

Importantly, Thelin demonstrated a favorable safety profile. The 100 mg dose of Thelin was associated with a 3% rate of liver function abnormality in the 18-week study, compared to 11% for bosentan and 6% for placebo. Additional data will be presented at the annual meeting of the American Thoracic Society on May 23, 2005 in San Diego.

-- **Encysive completed a $130 million convertible senior note offering which will support the clinical development and prelaunch activities for Thelin, as well as the research and development of the Company's product candidates.**

-- **Encysive announced two key management appointments -- Toby W. Juvenal as Vice President of Sales and Morris E. Cheeks, M.D. as Senior Director of Medical Affairs. The appointments strengthen the Company’s commercial operations as it prepares for the possible launch of Thelin in 2006.**

45. On June 16, 2005, the Company issued a press release titled “Encysive to Retain European Rights to Thelin™,” which stated in part:

Encysive Pharmaceuticals today announced plans to market Thelin™ (sitaxsentan sodium) directly in Europe. Thelin, an oral, once daily, highly selective endothelin receptor antagonist, is currently being evaluated by the U.S. Food and Drug Administration (FDA) as a new treatment for pulmonary arterial hypertension (PAH).
“Following the positive results of our second pivotal Phase III study, STRIDE-2, and after comprehensive evaluation by management, the board of directors has concluded that the Company will market directly in Europe,” commented John M. Pietruski, Chairman of the Board of Encysive Pharmaceuticals.

“The PAH market in Europe has undergone rapid expansion, but remains a highly efficient, specialist-driven market to which Encysive is well positioned to effectively market Thelin,” added Bruce D. Given, President and CEO of Encysive Pharmaceuticals.

Encysive submitted a New Drug Application with the FDA for Thelin in May. The Company anticipates filing for European approval in the third quarter of 2005.

On July 28, 2005, the Company issued a press release titled “Encysive Files for European Marketing Approval of Thelin™,” which stated in part:

Encysive Pharmaceuticals today announced that it has completed the submission of a Marketing Authorization Application (MAA) with the European Agency for the Evaluation of Medicinal Products (EMEA) for Thelin™ (sitaxsentan) 100 mg as a once daily oral treatment for patients with pulmonary arterial hypertension (PAH). The MAA will be reviewed under the EMEA’s centralized licensing procedure which, if approved, would grant Encysive marketing authorization for Thelin in all 25 member states of the European Union. Earlier this month, Encysive’s New Drug Application (NDA) for Thelin was filed with the U.S. Food and Drug Administration (FDA).

“The MAA submission is another key milestone in the advancement of our commercialization strategy for Thelin,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “We plan to work cooperatively with the EMEA in an effort to facilitate the review process and bring about, in a timely manner, our anticipated introduction of Thelin as a new treatment option for European PAH patients.”

Encysive’s MAA and NDA filings both contain the largest database ever assembled in regulatory filings for PAH, with approximately 900 PAH patients receiving Thelin in clinical evaluations. The Company conducted two randomized, placebo-controlled pivotal Phase III studies in support of worldwide product registrations. The second pivotal Phase III trial, STRIDE-2, was conducted under a Special Protocol Assessment with the FDA and met its primary objective of improved six-minute walk (6MW), with a statistically significant increase of 31.4 meters over placebo (p=0.03). Also in STRIDE-2, Thelin demonstrated a potential advantage in safety. The 100 mg dose of Thelin...
was associated with a 3% rate of liver function abnormality (elevation in liver enzymes to levels >3 times the upper limit of normal) in the 18-week study, compared to 6% for placebo and 11% for bosentan (Tracleer®), the only currently approved oral therapy for PAH in Europe.

47. On August 3, 2005, the Company issued a press release titled “Encysive Pharmaceuticals Reports Second Quarter 2005 Financial Results,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the second quarter ending June 30, 2005.

“The second quarter marked a significant milestone for Encysive and our commercial strategy for Thelin™,” commented Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “The FDA has now accepted our New Drug Application for Thelin, and more recently we submitted an application to the EMEA for European approval. We have made significant progress in building out our commercial organization for the potential launch of Thelin in North America and Europe. During the quarter, we also finalized plans to evaluate Thelin in additional indications and have completed a prioritization of our product pipeline.”

* * *

Second Quarter Highlights

-- Encysive Pharmaceuticals announced that it completed the submission of a New Drug Application (NDA) with the U.S. Food and Drug Administration (FDA) for Thelin 100 mg as a once daily oral treatment for patients with pulmonary arterial hypertension (PAH). The NDA, containing the largest database of PAH patients ever assembled in a regulatory filing, was filed by the Cardio-Renal Division of the FDA under a standard review classification in July. The FDA has simultaneously requested a plan for the study of Thelin in pediatric PAH patients. The FDA Prescription Drug User Fee Act (PDUFA) target action date for Thelin is March 24, 2006.

-- Additional STRIDE-2 data was presented in an oral session at the annual meeting of the American Thoracic Society (ATS) in San Diego in May 2005. In addition, six Thelin abstracts were presented at ATS, including results from a study of Thelin and sildenafil demonstrating a minor pharmacokinetic drug-drug interaction, which the Company believes will not necessitate dosage
adjustments.

---

Encysive announced plans to market Thelin directly in Europe. In July, the Company completed the submission of a Marketing Authorization Application (MAA) with the European Agency for the Evaluation of Medicinal Products (EMEA) for Thelin 100 mg as a once daily oral treatment for patients with PAH. The MAA will be reviewed under the EMEA’s centralized licensing procedure which, if approved, would grant Encysive marketing authorization for Thelin in all 25 member states of the European Union.

---

The Company announced the signing of licensing and capital-restructuring agreements with Revotar Biopharmaceuticals AG, which was the Company’s majority-owned German subsidiary. Under the terms, Revotar’s shareholders contributed additional capital to Revotar and purchased Encysive’s equity interest in total. In addition, Encysive and Revotar entered into a new licensing agreement regarding bimosiamose, where Encysive will receive royalties on future revenues from commercialization or licensing.

48. On August 17, 2005, the Company issued a press release titled “Encysive Pharmaceuticals’ Application for Thelin™ Accepted for Review By EMEA,” which stated in part:

Encysive Pharmaceuticals today announced that the European Agency for the Evaluation of Medicinal Products (EMEA) has accepted for review the Company’s Marketing Authorization Application (MAA) for Thelin™ (sitaxsentan) 100 mg as a once daily oral treatment for patients with pulmonary arterial hypertension (PAH).

The MAA, submitted on July 28, 2005, has passed validation and is now under active review by the EMEA’s Committee for Medicinal Products for Human Use. If approved, Encysive would receive marketing authorization for Thelin in all 25 member states of the European Union under the Agency’s centralized licensing procedure. A New Drug Application for Thelin is currently under review by the U.S. Food and Drug Administration, with a PDUFA date of March 24, 2006.

49. On September 6, 2005, the Company issued a press release titled “Encysive Pharmaceuticals Presents Thelin™ Data at European Society of Cardiology,” which stated in
Encysive Pharmaceuticals today announced data presentations of Thelin™ (sitaxsentan) from the Company’s STRIDE clinical trials in pulmonary arterial hypertension (PAH) at the European Society of Cardiology (ESC) 2005 Congress, September 3-7 in Stockholm, Sweden.

“ESC provides us with the opportunity to continue educating physicians throughout Europe on studies regarding Thelin as a potential new treatment for patients suffering from PAH,” commented Bruce D. Given, M.D., President and CEO of Encysive Pharmaceuticals. “Our clinical data package is now under review by both European and U.S. regulatory authorities. We are focused on building a stronger worldwide presence for Thelin as we anticipate commercialization in Europe in 2006.”

On November 7, 2005, the Company issued a press release titled “Encysive Pharmaceuticals Reports Third Quarter 2005 Financial Results,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the third quarter ended September 30, 2005.

“In the third quarter, we accelerated the advancement of our commercial strategy for Thelin™, with the aim of building a global presence for our investigational therapy for pulmonary arterial hypertension,” commented Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “With our clinical data package currently under regulatory review in both the United States and Europe, we have focused on strengthening our management team and progressing with preparations for Thelin’s potential launch in 2006.”

* * *

Third Quarter Highlights

--  In September, Encysive Pharmaceuticals announced positive interim safety and efficacy results from its ongoing STRIDE-2X study evaluating Thelin and bosentan in patients with pulmonary arterial hypertension (PAH). This analysis was submitted to the U.S. Food and Drug Administration (FDA) as an update to Encysive’s new drug application (NDA) for Thelin 100 mg, which is currently under review with a Prescription Drug User Fee Act (PDUFA) target action date of March 24, 2006.
Encysive announced two key management appointments:
Gordon H. Busenbark as Chief Financial Officer and Paul S. Manierre, Esq. as Vice President and General Counsel. Both positions are new within the Company, and strengthen Encysive’s operations management in preparation for the possible launch of Thelin in 2006.

On February 13, 2006, the Company issued a press release titled “Encysive Pharmaceuticals Reports Fourth Quarter and Year End 2005 Financial Results,” which stated in part:

Encysive Pharmaceuticals today announced financial results for the fourth quarter and year ended December 31, 2005.

“In 2005, Encysive consistently demonstrated the ability to execute, accomplishing every major goal we set for the year,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “We completed the filing of marketing applications in both the United States and Europe for Thelin™ (sitaxsentan sodium), strengthened our management team with key new hires, and established a highly experienced commercial organization, including a 52-person sales force, all in preparation for the anticipated commercial launch of Thelin™ in 2006. We also made progress with our pipeline, including advancing TBC3711 into a Phase 2 dose ranging trial, and moved forward with studies evaluating Thelin™ in additional indications and formulations. In late 2005, we released interim top line data from our STRIDE-2X trial, bolstering the Company’s long-term experience with Thelin™.”

The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Defendants’ claims concerning the Stride 2 study results with respect to, among other things, the purported advantage of Thelin over Bosentan, were materially false and misleading as these statements were devoid of any:

(i) clinical significance and relevance;
(ii) meaningful explanation of the medical data in relation to prior studies;

(iii) context as to the overall medical market in relation to its so-called advantage because the <1% advantage over Bosentan was never going to achieve market share of 3 to 83 times that of Bosentan; and

(iv) truth as to the Company’s estimate of PAH patient numbers.

(b) Rather than achieving genuine FDA approval, defendants were intent on consummating their own personal insider trading goals as well as the Company’s. The Company collected $166 million in two offerings while the Individual Defendants reaped a total of $2.4 million in insider trading proceeds.

(c) Contrary to published research by the Company’s own consultants, the defendants made the conscious decision to perform the Stride test at multiple sites with the hope of achieving a statistically significant, albeit false, result.

(d) The Company’s reported data purportedly demonstrating statistically significant health benefit for Thelin were grossly misleading and not statistically significant.

(e) Defendants’ attempt to bolster their claims of Thelin’s likely FDA approval, and potential widespread usage, by, among other things, testing the effects of Viagra on those using Thelin was an absurd attempt to falsely inflate the actual demand and commercial potential for the drug when approved. However, given defendants’ manipulated tests and misleading interpretations of test results, defendants’ claims as to imminent FDA approval were false and misleading.

(f) As a result of (a) through (e) above, the Company’s claims, among others, that the Company was “well positioned to advance Thelin towards commercialization,” that the
“worldwide market for Thelin in PAH will evolve significantly over the next year,” and that “both doses of Thelin are similarly effective in improving functional class” were materially false and misleading.

53. As a result of the defendants’ false statements, Encysive stock traded at artificially inflated levels during the Class Period, whereby the Company sold more than $166 million worth of Encysive securities and the defendants sold over $2.4 million worth of their Encysive stock.

Disclosures at the End of the Class Period

54. On March 24, 2006, the Company issued a press release titled “Encysive Pharmaceuticals Receives Approvable Letter from FDA for Thelin™,” which stated in part:

Encysive Pharmaceuticals today announced that the Company has received an approvable letter from the U.S. Food and Drug Administration (FDA) for Thelin™ (sitaxsentan sodium), which is under review for the treatment of pulmonary arterial hypertension (PAH). The action letter contains concerns and observations that must be satisfied prior to achieving approval, including a request for additional clinical trial work.

“We will work in close collaboration with the FDA to clarify the path forward. We are hopeful that this can be accomplished without the need for additional clinical work, but that will require discussion with the Agency before we can be sure,” said Bruce D. Given, M.D., President and Chief Executive Officer of Encysive Pharmaceuticals. “We remain confident in Thelin’s value, and look forward to the opportunity to provide PAH patients with a new treatment option.”

55. On this news, Encysive stock fell 49% from a close of $9.08 on March 24, 2006 to a close of $4.60 on March 27, 2006.

Post-Class Period Disclosures

56. Approximately four months later, on July 24, 2006, Encysive plummeted more
than 40% as a Company press release revealed that:

“[o]f the substantive items raised in the March 24, 2006 approvable letter, one remains unresolved. In today’s approvable letter, the FDA acknowledged that the unresolved item is a matter of judgment and expressed an openness to consider new arguments to address this remaining item. The FDA again offered the alternative of conducting additional clinical work. ...”

57. On August 7, 2006, defendants revealed that the FDA concerns had not changed. Thelin still was not approved, pushing back all commercialization prospects (and projections) into the distant future. Again, the FDA offered to let the Company perform new clinical studies to satisfy the agency’s concerns. Defendants, knowing the risks associated with performing new additional studies, declined the FDA’s offer, announcing instead that they were hoping to persuade the FDA thru “face-to-face” meetings. As a result, Encysive shares declined an additional four percent.

SCIENTER ALLEGATIONS

58. In addition to their above-described involvement, each Individual Defendant had knowledge of Encysive’s problems and was motivated to conceal such problems. Mueller, as Vice President of Finance, was responsible for financial reporting and communications with the market. Many of the internal reports showing Encysive’s forecasted and actual growth were prepared by or at the direction of Mueller. Defendants Given as CEO and President, Mueller as Vice President of Finance, and Dixon as Chief Scientific Officer, were responsible for the reports and claims relating to Thelin as well as the press releases issued by the Company. Each Individual Defendant sought to demonstrate that he could lead the Company successfully and generate the successful commercialization of Thelin, including obtaining FDA approval.

59. Defendants were motivated to engage in the fraudulent practices alleged herein in
order to obtain ill-gotten cash and stock bonuses as well as insider trading proceeds, collectively worth millions of dollars, together with consummating a convertible securities offering and an equity (secondary) offering totaling $166 million.

**LOSS CAUSATION**

60. Defendants’ wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

61. During the Class Period, Plaintiff and the Class purchased or otherwise acquired Encysive securities at artificially inflated prices and were damaged thereby. The price of Encysive common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors’ losses.

**Applicability Of Presumption Of Reliance: Fraud-On-The-Market Doctrine**

62. At all relevant times, the market for Encysive’s securities was an efficient market for the following reasons, among others:

(a) Encysive stock met the requirements for listing, and was listed and actively traded on the Nasdaq, a highly efficient and automated market;

(b) As a regulated issuer, Encysive filed periodic public reports with the SEC and the Nasdaq;

(c) Encysive regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public
disclosures, such as communications with the financial press and other similar reporting services; and

(d) Encysive was followed by several securities analysts employed by major brokerage firms who wrote reports, which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

63. As a result of the foregoing, the market for Encysive securities promptly digested current information regarding Encysive from all publicly available sources and reflected such information in Encysive’s stock price. Under these circumstances, all purchasers of Encysive securities during the Class Period suffered similar injury through their purchase of Encysive securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

64. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized
and/or approved by an executive officer of Encysive who knew that those statements were false
when made.

**COUNT I**
**For Violation of §10(b) of the 1934 Act and Rule 10b-5**
**Against All Defendants**

65. Plaintiff incorporates ¶¶1-64 by reference.

66. During the Class Period, defendants disseminated or approved the false statements
specified above, which they knew or deliberately disregarded were misleading in that they
contained misrepresentations and failed to disclose material facts necessary in order to make the
statements made, in light of the circumstances under which they were made, not misleading.

67. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:
(a) Employed devices, schemes, and artifices to defraud; (b) Made untrue statements of material
facts or omitted to state material facts necessary in order to make the statements made, in light of
the circumstances under which they were made, not misleading; or (c) Engaged in acts, practices,
and a course of business that operated as a fraud or deceit upon plaintiff and others similarly
situated in connection with their purchases of Encysive publicly traded securities during the Class
Period.

68. Plaintiff and the Class have suffered damages in that, in reliance on the integrity
of the market, they paid artificially inflated prices for Encysive publicly traded securities. Plaintiff
and the Class would not have purchased Encysive publicly traded securities at the prices they
paid, or at all, if they had been aware that the market prices had been artificially and falsely
inflated by defendants’ misleading statements.

69. As a direct and proximate result of these defendants’ wrongful conduct, plaintiff
and the other members of the Class suffered damages in connection with their purchases of
Encysive publicly traded securities during the Class Period.

**COUNT II**
For Violation of §20(a) of the 1934 Act
Against All Defendants

70. Plaintiff incorporates ¶¶1-69 by reference.

71. The Individual Defendants acted as controlling persons of Encysive within the
meaning of §20(a) of the 1934 Act. By reason of their positions as officers and/or directors of
Encysive, and their ownership of Encysive stock, the Individual Defendants had the power and
authority to cause Encysive to engage in the wrongful conduct complained of herein. Encysive
controlled each of the Individual Defendants and all of its employees. By reason of such conduct,
the Individual Defendants and Encysive are liable pursuant to §20(a) of the 1934 Act.

**PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to FRCP 23;

B. Awarding plaintiff and the members of the Class damages, including
interest;

C. Awarding plaintiff reasonable costs and attorneys’ fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem
just and proper.

**JURY DEMAND**

Plaintiff hereby demands a trial by jury.

Dated: October 30, 2006

FEAZELL & TIGHE LLP
By _____________________________

Austin Tighe

6300 Bridgepoint Parkway; Bridgepoint 2,
Suite 220
Austin, Texas 78730
Telephone:   (512) 372.8100
Facsimile:   (512) 372.8140

GLANCY BINKOW & GOLDBERG LLP
Lionel Z. Glancy
Michael Goldberg
1801 Avenue of the Stars, Suite 311
Los Angeles, California  90067
Telephone:   (310) 201-9150
Facsimile:   (310) 201-9160

LAW OFFICES OF HOWARD G. SMITH
Howard G. Smith
3070 Bristol Pike, Suite 112
Bensalem, Pennsylvania 19020
Telephone:   (215) 638-4847
Facsimile:   (215) 638-4867

Attorneys For Plaintiff