NexPoint Event Driven Fund
300 Crescent Court, Suite 700
Dallas, Texas 75201

July 11, 2023

BY EMAIL AND OVERNIGHT MAIL

Paratek Pharmaceuticals, Inc.
75 Park Plaza
Boston, Massachusetts 02116
Attn: William M. Haskel
Corporate Secretary

Dear Mr. Haskel:

NexPoint Event Driven Fund, a Delaware statutory trust (the "Stockholder"), is the beneficial owner of 225,000 shares of common stock, par value $0.001 per share (the "Common Stock"), of Paratek Pharmaceuticals, Inc. (the "Company"), as of the date hereof. This letter is the Stockholder's demand to inspect certain books and records of the Company pursuant to Section 220 of the Delaware General Corporation Law ("DGCL"). The Stockholder, together with other stockholders (collectively, "NexPoint"), are members of a group as defined under Section 13(d) of the Securities Exchange Act of 1934 that is the beneficial owner of 6,692,447 shares of Common Stock, representing approximately 11.7% of the Company's issued and outstanding Common Stock. Attached to this letter as Exhibit A is a copy of NexPoint's Schedule 13D/A filed with the Securities and Exchange Commission on June 27, 2023 (the "Schedule 13D/A"), reflecting proof of the Stockholder's beneficial ownership of the Company's Common Stock; the verification of said ownership is Exhibit B. A notarized and sworn power of attorney appointing Olshan Frome Wolosky to act on behalf of the Stockholder is attached hereto as Exhibit C.

As the Company's largest independent stockholder and a stockholder since 2016, NexPoint has repeatedly tried to engage with the Company regarding its concerns over management's inability to execute a sales plan and the board of director's (the "Board") failure to hold management accountable, which includes a troubling history of not aligning compensation with performance. Now, the Company has announced that it will be acquired by Gurnet Point Capital, LLC and Novo Nordisk Foundation (such transaction, the "Proposed Acquisition"), and on June 30, 2023, filed a preliminary proxy statement (the "Prem14A").

The only true winners in the Proposed Acquisition are the buyers and management. The Company's stockholders will receive (i) $2.15, payable to the holder thereof in cash, without interest (the "Cash Consideration") but subject to reduction for any applicable withholding taxes payable in respect thereof and (ii) one contractual contingent value right (a "CVR") that shall represent the right to receive $0.85 upon the satisfaction of certain conditions. In all likelihood, the CVR will never be paid. By contrast, management will receive a windfall of approximately $40.6 million, because the closing of the Proposed Acquisition will trigger an accelerated payout under the Company's Revenue Performance Incentive Plan (the "RPIP").

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Through this demand, NexPoint seeks to investigate and assess whether the Board and senior management breached their fiduciary duty in connection with the Proposed Acquisition and whether the definitive proxy, at such time as it is filed, contains adequate disclosure.

Factual Background

I. *Overview of the Company's Business and Corporate Structure*

As you are aware, NexPoint has long been concerned about the quality of corporate governance at the Company. It is our view that Company leadership has not performed adequately and has spent far too much energy manipulating the corporate machinery to their own advantage, including attempts to entrench their position in office, rather than focusing their efforts on maximizing value for stockholders.

Between the closing of its business combination with Transcept Pharmaceuticals on October 30, 2014, and the date that the Proposed Acquisition was announced on June 6, 2023, the Company has been under the constant stewardship of Mr. Michael Bigham, the Executive Chairman of the Board since June 2019, and Chief Executive Officer and Chairman of the Board from 2014 to June 2019, and Dr. Evan Loh, Chief Executive Officer since June 2019, and previously President, Chief Operating Officer and Chief Medical Officer from 2014 to June 2019, as well as a director since 2014. During this period of time, the Company's stock price has declined approximately 83.9% and underperformed the S&P Biotechnology Select Industry Total Return Index by 127.2%. Despite this track record of mismanagement, the Board and the Compensation Committee of the Board (the "Compensation Committee") have consistently rewarded management with lavish compensation packages instead of holding them accountable for the Company's poor performance. Since the beginning of 2015, management has been unjustly compensated to the tune of approximately $66.3 million while the Company's stock price has declined 94.32%. In October 2018, the Compensation Committee adopted the RPIP to grant performance-based cash incentive awards to key employees and consultants of the Company, who, in the opinion of an administrator selected by the Compensation Committee, "are in a position to make a significant contribution to the success of the Company and its subsidiaries."[1] The Compensation Committee subsequently allocated 80% of the $50 million total available under the RPIP to the Company's Executive Officers (as defined in the Prem14A)—(i) 25% to Mr. Bigham, (ii) 25% to Dr. Loh, (iii) 14% to Adam Woodrow, the Company's current Chief Commercial Officer and President and former Vice President, (iv) 8% to Randall Brenner, the Company's current Chief Development and Regulatory Officer and former member Senior Vice President, and (v) 8% to William M. Haskel, the Company's current Chief Legal Officer, General Counsel and Corporate Secretary and former Senior Vice President.

The Board has inexplicably failed to replace any Executive Officer despite its abysmal performance and, in fact, has further enriched and entrenched their management team every step of the way. NexPoint's concerns are heightened because a truly independent Board could have achieved the same purported benefits of the Proposed Acquisition by simply removing management—thereby avoiding the transfer of any stockholder value to management and/or the Buyers.

[1] *See* https://www.sec.gov/Archives/edgar/data/1178711/000156459018023972/prtk-ex101_6.htm.

II. ***The Proposed Acquisition***

Under the terms of the Merger Agreement, an entity controlled by affiliates of Gurnet Point Capital, LLC ("Gurnet Point") and Novo Holdings A/S ("Novo Holdings" and with Gurnet Point, the "Buyers"; the acquiring entity is the "Parent") will acquire the Company in a transaction with an enterprise value of approximately $462,000,000, assuming full payment of contingent value rights, in each case, as contemplated by the Merger Agreement. For each share of common stock, par value $0.001 per share, of the Company (the "Company Common Stock"), stockholders will receive (i) Cash Consideration of $2.15, payable to the holder thereof in cash, without interest but subject to reduction for any applicable withholding taxes payable in respect thereof and (ii) one CVR that shall represent the right to receive $0.85 upon the satisfaction of certain conditions pursuant to a Contingent Value Rights Agreement (the "CVR Agreement") to be entered into between Parent and a rights agent selected by Parent and reasonably acceptable to the Company (the "Rights Agent") (the Cash Consideration and one CVR, collectively, the "Merger Consideration").

Following the Merger, Dr. Loh will continue to be a substantial stockholder in the Company, serve on the Company Board and serve as the Company's Chief Executive Officer. Management also supports this transaction as evidenced by certain members of the Company's management team (the "Management Stockholders"), including Dr. Loh, holding an aggregate of 4.73% of the outstanding Company Common Stock, concurrently with the execution and delivery of the Merger Agreement, entering into a voting and support agreement with Parent (the "Voting Agreement").

III. ***The Inadequate Shop Process Results in Terms that Only Benefit Management***

Based on the Prem14A, it appears that following years of destroying the Company's share price and market reputation, the Executive Officers were looking for an easy, yet profitable, escape route. In April 2018, the Company issued $165.0 million aggregate principal amount of 4.75% Convertible Senior Subordinated Notes, which mature on May 1, 2024 (the "Convertible Notes"). With this in mind, the Executive Officers and Moelis, which had served as the Company's banker for approximately the past five years, began shopping the Company to only 7 potential strategic partners or bidders in mid 2021. Moelis was initially engaged "to discuss a potential strategic investment in, or other strategic transaction with, the Company, including a potential sale of the Company." The Prem14A contains almost no information regarding any advice that Moelis gave about alternative business strategies or transactions that might be available to the Company.

Concerningly, the Board did not in 2021 appoint a special committee of independent directors to oversee the sales process, although it entered into non-disclosure agreements with Party A (as defined in the Prem14A) in October 2021and Party B (as defined in the Prem14A) in December 2021. Nor did it appoint a special committee after Gurnet Point contacted Dr. Loh in January 2022, instead letting Dr. Loh control the process. Concerningly, the Prem14A is entirely silent as to whether the Board exercised any oversight regarding Dr. Loh's communications with Gurnet Point.

In fact, the Board did not appoint a Transaction Committee (as defined in the Prem14A) until May 2022, consisting of consisting of purportedly independent directors Dr. Jeffrey Stein, the Chair of the Compensation Committee who has served on the Board since October 2014, Dr. Thomas Dietz, a member of the Compensation Committee who has served on the Board since October 2014, and Ms. Kristine Peterson, who has served on the Board since 2016. However, the Prem14A includes precious little information regarding what discussions Moelis may have had with the Transaction Committee and management regarding their thoughts on whether the Company should pursue the Potential Transaction or an alternative transaction (including remaining a standalone public company).

Because of the limited outreach, this initial process ultimately failed, with no bids progressing beyond the initial indication of interest stage. It wasn't until May 4, 2022, that the Company received a non-binding offer from Party C (as defined in the Prem14A) in the range of $2.75 to $3.75 per share, payable in Party C stock. Although the Transaction Committee had by then been appointed, Dr. Loh continued to communicate directly with Party C. In June 2022, Party C went as high as $3.75 per share, payable in Party C stock, plus a CVR entitling the holder to a potential maximum payment of $0.75 per share. The Company rejected this offer, noting it would need a total value of at least $5.50 per share, including any CVR. In July 2022, Party A sent the Company a non-binding indication of interest to acquire the Company for $3.70 to $4.45 per share, payable in cash, but then informed the Company it would not move forward in August 2022.

It is important to highlight that each offer was significantly higher than the Merger Consideration ultimately agreed upon in the Merger Agreement. The Prem14A fails to mention if any discussion relating to the RPIP payments to management played a factor in these negotiations and the decision making-process by the Transaction Committee (and how much the Transaction Committee may have been influenced by management). The RPIP provides for payments to management based on achieving certain revenue milestones, which have been historically behind schedule. According to Note 12 of the Financial Statements in the Company's Form 10-Q filed on May 9, 2023, the "Company recognizes the compensation cost over the requisite service period, to the extent achievement of the performance condition is deemed probable relative to targeted performance. The performance condition under Tranche 1 of the [RPIP] was deemed probable during 2021. The performance condition under Tranche 2 was deemed probable during 2022." Management likely knew that if they waited long enough, they could extract more money from a potential transaction at the cost of Company stockholders. As mentioned in the Prem14A, "[t]he RPIP payments accelerate, in whole or in part, upon a change of control of the Company. The Company does not have the unilateral authority to amend the terms of the RPIP or the individual agreements between each participant and the Company made pursuant to the terms of the RPIP." The Executive Officers were incentivized to wait, and the Board failed to take the necessary corrective action to preserve and maximize stockholder value. Troublingly, the Board appointed a Transaction Committee that was unable to negotiate the conflicts presented by the Executive Officers' incentives surrounding the RPIP, since Dr. Stein and Dr. Dietz serve on the same Compensation Committee that has historically rewarded the management team's poor performance with unjustified compensation and approved the RPIP originally.

After the Company's weak third quarter results released in November 2022, Party C reached out to the Company to express renewed interest in a business combination. In November 2022, Party C provided a non-binding indication of interest to the Company for $2.75 per share, plus a CVR entitling the holder to a potential maximum payment of $1.00 per share, payable in cash or stock of Party C, but the offer was conditioned on management's agreement to accept a reduction of the amount they would otherwise be owed pursuant to the RPIP in connection with a change-in-control transaction. The Transaction Committee noted that this offer "undervalued the Company". This offer was resubmitted in January 2023 with more clarity on the CVR milestones, but the Company rejected this offer too (even though management likely knew or should have known that it would need to disclose in its upcoming annual report its substantial doubt it could continue as a going concern) with Dr. Stein delivering the message to Party C that further discussions "were unlikely to be fruitful unless Party C meaningfully improved its offer." Notably, in February 2023, management informed the Board that it would not be willing to amend their individual RPIP awards to reduce RPIP payments that had been proposed by Party C. In other words, it appears that the Executive Officers—with the Transaction Committee likely doing its bidding—ultimately recognized that bidders saw little value in the management team (and likely viewed them as a negative asset). The real value in the business was in the Company's underlying assets, but, under the current structure, the Executive Officers could not appropriate for themselves enough of the value of the Company's underlying assets.

With the Executive Officers not wanting to part with their RPIP payments, the Transaction Committee decided to turn its attention to a more lucrative option than any business combination by a third party could be—rolling up the Company in the surviving private entity in the Proposed Acquisition. Through this structure, the Executive Officers could apparently "triple dip," cashing out their interests in the Company and the RPIP, keeping their fee streams alive in the form of newly negotiated employment agreements, and then receiving disproportionate consideration for its increased equity in a subsequent sale of the private company.

In this regard, we note that while the Prem14A makes clear that bidders were not offering sufficient value to the Company and its stockholders, it remains conspicuously silent regarding the implied valuation that bidders were assigning to the Executive Officers and other members of the management team (and the RPIP payments to them), and whether any of those bidders stood prepared to provide sufficient and reasonable value for the Company and its stockholders.

Although Moelis was initially engaged "to discuss a potential strategic investment in, or other strategic transaction with, the Company, including a potential sale of the Company[,]" the financial advisor's fairness opinion was "limited solely to the fairness from a financial point of view of the Merger Consideration" and "does not address Paratek's underlying business decision to effect the Merger or the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available to Paratek." More distressing, the Board and the Transaction Committee, in approving the Proposed Acquisition, appear to have relied on a fairness opinion that utilized just four comparable companies, none of which "were deemed directly comparable" to the Company by Moelis' own account. Moelis also noted that none of the comparable companies "have a primary commercial focus on anti-infectives, as public companies focused on anti-infectives have faced substantial commercial and financial headwinds and have

market capitalizations below the minimum threshold used in Moelis's analysis or were deemed to be distressed."

The Demand for Books and Records

Given the obviously deficient strategic process, the self-evident insufficiency of the consideration, the staggering destruction of value and windfall to be reaped by participants in the RPIP management, NexPoint is concerned that the Board and senior management breached their fiduciary duty in negotiating the Proposed Acquisition and that the definitive proxy, at such time as it is filed, will contain inadequate disclosure.

Accordingly, the Stockholder makes this demand to investigate: (i) whether the members of the Board breached their fiduciary duties in connection with the Proposed Acquisition; (ii) whether any person or entity, including the Buyers, aided and abetted any fiduciary's breach of fiduciary duty in connection with the Proposed Acquisition; (iii) whether the members of the Board and the Transaction Committee of the Board (the "Transaction Committee") were independent with respect to the Proposed Acquisition and any related matters; (iv) the involvement of management in negotiations surrounding the Proposed Acquisition; (v) the valuation of NexPoint's shares; (vi) whether to solicit stockholders to vote against the Proposed Acquisition (vii) whether to otherwise communicate with other stockholders in advance of the vote on the Proposed Acquisition; (viii) whether to press the Board to terminate any or all of the Executive Officers and (ix) whether to pursue a pre-closing injunction or post-closing money damages claim in relation to the Proposed Acquisition.

The investigation of breaches of fiduciary duty and/or corporate wrongdoing is a proper purpose under DCGL Section 220. *See Amalgamated Bank v. UICI*, 2005 WL 1377432, at *4 (Del. Ch. June 2, 2005) (finding that inspection of a corporation's books and records related to stockholder's investigation of potential breaches of fiduciary duty was allowed as that was a "proper purpose"); *Melzer v. CNET Networks, Inc.*, 934 A.2d 912, 917 (Del. Ch. 2007) ("There is no shortage of proper purposes under Delaware law, but perhaps the most common proper purpose is the desire to investigate potential corporate mismanagement, wrongdoing or waste.") (internal quotation marks and citations omitted); *Thomas & Betts Corp. v. Leviton Mfg. Co., Inc.*, 681 A.2d 1026, 1031 (Del. 1996) (Delaware law only requires a showing of a "credible basis" of the possibility of wrongdoing when seeking books and records).

Moreover, as the Court of Chancery has explained, a stockholder may properly seek books and records pertaining to a proposed merger transaction pursuant to Section 220 for the purpose of evaluating the fairness of the proposed transaction. *See Lavin v. West Corp.*, 2017 WL 6728702, *12-13 (Del. Ch. Dec. 29, 2017) (stockholder "stated a proper purpose to inspect certain documents related to the Merger process" where stockholder presented "some evidence" that merger price "may have been unfair to the other stockholders."); *Mudrick Capital Mgmt., L.P. v. Globalstar, Inc.*, 2018 WL 3625680, *9-10 (Del. Ch. July 30, 3030) (finding that the stockholder was entitled to documents in connection with a merger, including the process leading thereto, as such documents went to the "crux" of the stockholder's stated purposes of, among other things, investigating possible breaches of fiduciary duty, evaluating the fairness of the merger agreement, and the special committee's independence). Investigating self-interestedness of management and

directors is also a proper purpose. *See Donnelly v. Keryx Biopharmaceuticals, Inc.*, 2019 WL 5446015, at *6 (Del. Ch. Oct. 24, 2019) (finding it was "enough to give the Plaintiff the right to investigate whether the interests of [the CEO], along with other management and directors, were fully aligned with the stockholders"); *Inter-Local Pension Fund GCC/IBT v. Calgon Carbon Corp.*, 2019 WL 479082, at *11 (Del. Ch. Jan. 25, 2019) (allowing stockholder to investigate after demonstrate "some evidence to cost an inference of doubt" regarding independence include the company "repeatedly rebuffing [a bidder] until [the company's] management and Board were enticed with promises of retention, compensation, or other rewards"); *see also* 8 *Del. C.* 102(b)(7) (director exculpation extends only to personal liability for damages, and not to pre-closing injunctive relief).

Delaware law also recognizes a stockholder's interest in valuing its shares, particularly when the company does not file the mandated, periodic disclosures required of public companies, as a proper purpose under Section 220. *See, e.g.*, *See Avery L. Woods, Trustee of the Avery L. Woods Trust, v. Sahara Ent.*, 2020 WL 4200131, at *6 (Del. Ch. July 22, 2020) (citing *Thomas & Betts Corp. v. Leviton Mfg. Co*., 685 A.2d 702, 713 (Del. Ch. 1995), aff'd, 681 A.2d 1026 (Del. 1996); *CM&M Grp., Inc. v. Carroll*, 453 A.2d 788, 792-93 (Del. 1982) (observing that "the valuation of one's shares is a proper purpose for the inspection of corporate books and records.") (citing *State ex rel. Rogers v. Sherman Oil Co.*, 117 A. 122, 125 (Del. Super. 1922)).

The Stockholder makes this demand for books and records directed to the Company under oath and affirms such demand to be true under penalty of perjury under the laws of the United States or any state. For each demand, unless another relevant period is stated, the Stockholder demands the production of documents that have been created or distributed since January 1, 2022. Specifically, the Stockholder demands, to the extent they exist, the following books and records of the Company, and to make copies or extracts therefrom:

1. All Board Materials[2] and Senior Management Materials[3] relating to:

   (i) the Proposed Acquisition;

[2] The term "Board Material" used herein means all minutes, resolutions, or other records of any Board and/or regular or special committee (including the Special Committee) meeting, and all documents provided, considered, discussed, prepared, or disseminated, including materials on board portals, in draft or final form, at, in connection with, in anticipation of, or as a result, of any meeting of the Board or any regular or specially created committee (including the Special Committee) thereof, including, without limitation, all presentations, Board packages, recordings, agendas, summaries, memoranda, charts, transcripts, notes, minutes of meetings, drafts of minutes of meetings, exhibits distributed at meetings, or resolutions. "Board Material" also includes "Informal Board Material," which includes electronic communications between directors and the corporation's officers and senior employees. *See KT4 P'rs LLC v. Palantir Techs., Inc.*, 203 A.3d 738, 742, 753 (Del. 2019).

[3] The term "Senior Management Materials" means all documents and communications, regardless of whether they were ever provided to the Board or any committee thereof, discussed by, created by, provided to, and/or sent by any "C"-suite executive officer of the Company.

(ii) any Alternative Transaction;[4]

(iii) any strategic alternative for the Company to operate as a standalone entity;

(iv) any financial analysis of the Company by a third-party advisor, including Moelis;

(v) any contemplated agreements involving Dr. Loh in connection with the Proposed Acquisition or any Alternative Transaction;

(vi) the RPIP

(vii) the value of the Company's shares; and

(viii) any projections regarding the Company's future performance.

2. Presentations, in whatever form, made to other individuals or entities, including any credit or other rating agencies, concerning the Proposed Acquisition, any Alternative Transaction, and any strategic alternative for the Company to operate as a standalone entity.

3. Any communications involving the Board or the Company's senior executives, concerning: (i) the Proposed Acquisition; (ii) any Alternative Transaction; (iii) any strategic alternative for the Company to operate as a standalone entity; (iv) any financial analysis of the Company by the Company's senior executives or by a third-party advisor, including Moelis; (v) any contemplated agreements with Dr. Loh in connection with the Proposed Acquisition or any Alternative Transaction; (vi) the RPIP; (vii) the value of the Company; and (viii) any forecasting and projections regarding the Company's future performance.

4. All indications of interest, non-disclosure agreements, standstill agreements, requests to waive standstill agreements, offer letters, bid process letters, and/or term sheets relating to the Proposed Acquisition or any Alternative Transaction, including but not limited to those described in the PREM14A at 23-40.

5. All engagement letters, together with any amendments thereto, with third-party advisors retained to advise the Board, or any committee thereof, regarding the Proposed Acquisition or any Alternative Transaction. If the engagement letter with Moelis predates January 1, 2022, it should be produced.

[4] The term "Alternative Transaction" means any actual, potential, hypothetical, proposed, or considered transaction, other than the Proposed Acquisition, that, if consummated, would have resulted in an investment in or an acquisition of the Company, including any wind-up, significant asset sale, or program of asset sales.

6. Any materials provided to, or presentations made to, investors in connection with or otherwise relating to the Company's efforts to obtain stockholder approval of the Proposed Acquisition.

7. All documents concerning conflicts of interest of the members of the Board and/or the Company's Senior Management, including, but not limited to documents reflecting, any joint investments, co-investments, shared business ventures, jointly-owned assets, profit sharing agreements, and any other financial, business or long-standing social relationships by and between or among the members of the Board and/or the Company's senior management.

8. All director questionnaires for current Company directors from the last three years, and all documents regarding their nomination and/or renomination to the Board.

9. Any other demand by any other Company stockholder pursuant to Section 220 that relates to the Proposed Acquisition or any Alternative Transaction.

10. All documents produced to any other stockholder in response to a demand pursuant to Section 220 that relates to the Proposed Acquisition or any Alternative Transaction.

For purposes of the foregoing demand, the Stockholder requests that the Company provide or otherwise make available all such information up to the most recent practicable date. Stockholder further requests that the Company provide or otherwise make available all additions, changes, and corrections to any of the requested information from the time of this demand to the time of any inspection.

Upon the presentment of appropriate documentation therefor, the Stockholder will bear the reasonable costs incurred by the Company, in connection with the production of the information demanded. With respect to documents provided, the Stockholder agrees to be bound to the terms of the confidentiality agreement between the Stockholder and Company dated June 23, 2023.

It is requested that the available information identified above be made available to the designated parties no later than July 18, 2023.

The Stockholder hereby designates and authorizes Elizabeth Gonzalez-Sussman and Adrienne Ward of Olshan Frome Wolosky LLP., and any other persons designated by any of the foregoing or by the Stockholder, acting singly or in any combination, to conduct the inspection and copying herein requested. Pursuant to Section 220 of the DGCL, you are required to respond to this demand and produce the materials identified above within five business days after the demand has been made. Accordingly, please advise Ms. Gonzalez-Sussman (telephone (212) 451-2206, email: egonzalez@olshanlaw.com) and Ms. Ward (telephone (212) 451-2368, email award@olshanlaw.com) as promptly as practicable within the requisite timeframe, when and where the items requested above will be made available to the Stockholder. If the Company contends that this demand is incomplete or is otherwise deficient in any respect, please notify the Stockholder immediately in writing, with a copy to Ms. Gonzalez-Sussman and Ms. Ward, setting forth the facts that the Company contends support its position and specifying any additional

information believed to be required. In the absence of such prompt notice, the Stockholder will assume that the Company agrees that this demand complies in all respects with the requirements of the DGCL. The Stockholder reserves the right to withdraw, modify or supplement this demand at any time.

NEXTPOINT EVENT DRIVEN FUND

By: _____

Name: Frank Waterhouse
Title: Principal Executive Officer,
Principal Financial Officer,
Principal Accounting Officer
and Treasurer

Enclosures.

cc: Elizabeth Gonzalez-Sussman, Esq., Olshan Frome Wolosky LLP
Adrienne Ward, Olshan Frome Wolosky LLP