

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF NEW ENGLAND COMPOUNDING PHARMACY, INC.**

March 6, 2015

**TO: THE HOLDERS OF TORT CLAIMS AND OTHER GENERAL UNSECURED CLAIMS
AGAINST NEW ENGLAND COMPOUNDING PHARMACY, INC.**

FOR THE REASONS DESCRIBED BELOW, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS SUPPORTS THE PLAN, BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF TORT CLAIMANTS AND ALL OTHER UNSECURED CREDITORS, AND URGES ALL TORT CLAIMANTS AND OTHER UNSECURED CREDITORS TO VOTE TO ACCEPT THE PLAN.

The Official Committee of Unsecured Creditors (the “Committee”) was appointed in the Chapter 11 Case of New England Compounding Pharmacy, Inc. (“NECC”)¹ to represent the interests of NECC’s unsecured creditors (collectively, the “Unsecured Creditors”), including those who have personal injury or wrongful death claims arising from the administration of tainted products compounded and distributed by NECC.²

We write to advise you of the Committee’s recommendation regarding the *First Amended Joint Chapter 11 Plan of New England Compounding Pharmacy, Inc.* (the “Plan”). The Plan, described in the *Disclosure Statement for First Amended Joint Chapter 11 Plan of New England Compounding Pharmacy, Inc.* (the “Disclosure Statement”), outlines among other things the treatment of “General Unsecured Claims” (Class C), or non-priority, unsecured claims against NECC, and “Tort Claims” (Class D), or claims for or based on personal injury and/or wrongful death relating to NECC products.³ The Plan is being proposed jointly by the Committee and the Chapter 11 Trustee appointed to administer NECC’s bankruptcy estate (the “Trustee”, and together with the Committee, the “Plan Proponents”). Accordingly, the Committee strongly supports acceptance of the Plan and urges all Unsecured Creditors to vote to accept it.

Treatment of Tort Claims (Class D) Under the Plan

The primary objective of the Plan is to compensate, to the greatest extent possible under the circumstances, those persons that have suffered personal injury and/or death due to allegedly contaminated drugs compounded by NECC. To that end, holders of Tort Claims (or “Tort Claimants”) will receive interests in a “Tort Trust” created pursuant to the Plan. The primary function of the Tort Trust is to distribute funds to individuals that hold personal injury and/or wrongful death claims against NECC.

¹ Case No. 12-19882 (HJB).

² Eight of the nine members of the Committee are tort claimants holding personal injury tort and/or wrongful death claims against the Debtor and others, and the ninth member is the holder of a general unsecured claim which is not a personal injury tort or wrongful death claim. The members of the Committee are: (i) Katrina Eldreth; (ii) Meghan A. Handy; (iii) Robert Cole; (iv) Brenda Bansale; (v) Victor Davis; (vi) Kathleen Distler; (vii) Danny Swartzell; (viii) Bertram Walker Bryant, Jr.; and (ix) NStar Electric Company.

³ Capitalized terms used but not otherwise defined in this letter shall have the meanings assigned to them in the Plan or the Disclosure Statement.

A. Funding of the Tort Trust and Segregation of Monies

The Tort Trust will be funded by the proceeds of settlements (the “Settlements”) reached between the Trustee and NECC’s shareholders, affiliated entities, their insurers, and clinics and healthcare providers that administered tainted NECC drugs. The Plan Proponents estimate that in total, the Tort Trust will have between approximately \$168 million and \$190 million available for distribution to Tort Claimants who timely filed proofs of claim and the required supporting documentation, or were deemed to have done so.

Before being distributed to Tort Claimants, the monies in the Tort Trust will be segregated (i) into a “National Fund” holding the net proceeds of the Trustee’s settlements with so-called “National Defendants” (*i.e.*, individuals or entities against whom every Tort Claimant may have a claim, such as NECC’s owners or the company that provided sterility testing services for NECC products) and, potentially, (ii) into one or more “Provider-Specific Funds” holding the net proceeds of the Trustee’s specific settlement with a particular clinic or other healthcare provider that administered tainted NECC drugs.

All Tort Claimants who are deemed to qualify for a distribution from the Tort Trust pursuant to the procedures described below will receive a distribution from the National Fund. The Plan Proponents estimate that the National Fund will have between approximately \$116 and \$138 million available for distribution to Tort Claimants who timely filed proofs of claim and the required supporting documentation, or were deemed to have done so.

By contrast, each Provider-Specific Fund will be dedicated solely to satisfying the claims of qualified individuals who received injections of NECC drugs from the applicable settling healthcare provider; for example, qualifying Tort Claimants who received injections from Provider X will have a right to recover from the proceeds of the Trustee’s settlement with Provider X, while Tort Claimants who did not receive such an injection will not have a right to recover from the proceeds of the settlement payment made by Provider X. The Plan Proponents estimate that the Insight, Inspira and High Point Provider-Specific Funds will each have approximately \$35.7 million, \$13.6 million and \$3 million, respectively, available for distribution to Tort Claimants who were injected at the applicable healthcare provider and who timely filed proofs of claim and the required supporting documentation, or were deemed to have done so. **The amount (if any) a Tort Claimant may be entitled to receive from a Provider-Specific Fund will not reduce the amount (if any) he or she is entitled to receive from the National Fund.**

B. Procedures for Determining Amounts of Distributions

To determine the amount of distributions to be made to each holder of a Tort Claim from the National Fund, the Plan establishes a “Claims Resolution Facility” to be administered by a “Settlement Administrator,” with a “Special Master” appointed to address any appeals from the Settlement Administrator’s determinations. The Settlement Administrator will evaluate the information provided by Tort Claimants (including their proofs of claim, PITWD Addenda, and other supporting documentation) pursuant to the “Claims Resolution Facility Procedures” to determine what distribution, if any, each Tort Claimant is entitled to from the National Fund. In making this determination, the Settlement Administrator will take into account, among other things, the connection of the injury to the NECC product administered and the severity of the injury that each Tort Claimant has suffered as a result of the administration of NECC products. If a Tort Claimant does not agree with the Settlement Administrator’s determination, he or she may appeal the determination to the Special Master appointed pursuant to the Plan documents.

The Plan Proponents contemplate that similar procedures will be established with respect to each Provider-Specific Fund.

If the Plan is confirmed, all claims, including those of Tort Claimants, against NECC and the other settling parties related to NECC's products will be released, and individuals will be forever barred from pressing those claims.

The Committee believes that the Settlements and the establishment of the Tort Trust represent a fair and equitable resolution of Tort Claimants' claims against NECC, and moreover believes that the Plan will result in a larger distribution to the holders of Tort Claims than would otherwise result in liquidation under Chapter 7 of the Bankruptcy Code or if any other result were achieved in all of the litigation that the NECC tragedy has engendered.

Treatment of General Unsecured Claims (Class C) Under the Plan

Holders of General Unsecured Claims will receive a payment in cash of **90%** of their allowed claims, to be paid on the later of (i) the Effective Date of the Plan (presently anticipated to be in or about June, 2015) and (ii) the date such general Unsecured Claim becomes an Allowed General Unsecured Claim, or as soon thereafter as is reasonably practicable.

Given the magnitude of the NECC estate's potential liability to holders of personal injury and/or wrongful death claims against NECC, the Committee believes this percentage recovery is fair and equitable, and is a larger distribution to the holders of General Unsecured Claims than would otherwise result in liquidation under Chapter 7 of the Bankruptcy Code.

The Committee believes that any alternative, other than confirmation of the Plan, could result in extensive delays, in increased administrative expenses, and, most importantly, in the Settlements failing to be consummated (i.e., in the Settlement proceeds not being made available for distribution to Unsecured Creditors). Each of these occurrences would, in turn, result in significantly smaller distributions on account of claims asserted in this Chapter 11 case. In short, the Committee supports approval of the Plan and strongly recommends that you timely vote to accept the Plan in accordance with the procedures that have been established by the Bankruptcy Court.

THE FOREGOING IS NOT INTENDED AS A SUBSTITUTE FOR THE PLAN AND DISCLOSURE STATEMENT. ALL UNSECURED CREDITORS SHOULD READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY, AND SPEAK TO THEIR OWN LAWYER OR OTHER ADVISOR TO THE EXTENT THEY WISH TO DO SO.

The Plan Proponents have provided you with a Ballot to vote to accept or reject the Plan. In order to have your vote counted, you must complete and return the Ballot by the deadline identified on the Ballot in accordance with the procedures set forth therein and in the accompanying Disclosure Statement.

PLEASE READ THE DIRECTIONS ON THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT TO THE DEBTORS' CLAIMS AND NOTICING AGENT SO THAT IT WILL BE RECEIVED BY **MAY 5, 2015 AT 4:00 P.M.**, THE VOTING DEADLINE.

Your timely vote is important, as only those Unsecured Creditors that timely vote on the Plan will have their vote counted for purposes of determining whether the classes of claims in the Plan in which unsecured creditors have been classified have accepted the Plan.

Brown Rudnick LLP serves as counsel to the Committee. If you have any questions as to this recommendation, you may contact Carol Ennis at cennis@brownrudnick.com. If you have any questions as to how to complete the Ballot or how to make delivery of the Ballot or to otherwise vote on the Plan, please contact the Debtor's claims and noticing agent, Donlin, Recano & Company, Inc., at (212) 771-1128 or at balloting@donlinrecano.com.

**THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS
OF NEW ENGLAND COMPOUNDING
PHARMACY, INC.**

By: /s/ Anne Andrews
Anne Andrews, Esq.
John C. Thornton, Esq.
Karren Schaeffer, Esq.

*Counsel for Official Committee of
Unsecured Creditors of New England
Compounding Pharmacy, Inc. Member and
Co-Chair, Katrina Eldreth, obo Ari Gomez*

cc: Committee Counsel:
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