

**New England Compounding Company Bankruptcy
Overview of the First Amended Joint Chapter 11 Plan and Disclosure Statement**

**THIS OVERVIEW IS NOT A SOLICITATION OF
ACCEPTANCE OR REJECTION OF A PLAN OF REORGANIZATION**

This overview is intended solely to provide general information and does not constitute legal advice. You should not take any action based on any information in this overview without first consulting legal counsel familiar with your particular circumstances.

There is a Chapter 11 bankruptcy case involving the New England Compounding Pharmacy Inc. also known as New England Compounding Company (“NECC”). NECC filed for bankruptcy as a result of claims against the company for production of contaminated products that resulted in death and injuries.

If you were injured as a result of a NECC contaminated product or lost a loved one, and you have filed a timely proof of claim in the NECC bankruptcy case, you have a right to vote on a plan that governs how your claim may be paid. That plan is called the Plan of Reorganization (the “Plan”). Those who have potential personal injury claims against NECC and other potentially liable defendants are referred to as having a “Tort Claim.”

The Plaintiffs’ Steering Committee (“PSC”) is providing this summary to give those who have a Tort Claim a general overview of the enclosed materials about the Plan.

NECC was a compounding pharmacy. Compounding pharmacies are licensed to create medications tailored to the specialized needs of an individual patient. Ingredients are combined, mixed, or altered by a pharmacist at the request of a physician.

NECC made over 1,900 types of specialty drugs administered by medical personnel in 49 states, DC, and Puerto Rico. The drugs were administered in clinics, hospitals, doctor’s offices, or other medical-related facilities. The Centers for Disease Control (“CDC”) found evidence that an outbreak of fungal meningitis and fungal infection was traced to three lots of preservative-free methylprednisolone acetate (“MPA”), a steroid made by NECC, resulting in fungal meningitis, other injuries, and, in some cases, death. The CDC also found contamination in other NECC products, but did not find evidence that contaminated products other than the MPA caused any harm or injury.

What Debtor is involved in this case?

The Debtor in the case is NECC. At the time the bankruptcy was filed, Barry Cadden, Lisa Conigliaro Cadden, Carla Conigliaro, and Gregory Conigliaro owned NECC and served as the board of directors.

What is Chapter 11?

Chapter 11 of the Bankruptcy Code permits a debtor (bankruptcy filer) to reorganize its business or liquidate (sell) its assets for the benefit of its creditors, interest holders, claimants, and other parties involved. The main objectives of Chapter 11 are to: 1) propose a plan of reorganization (to manage debt) or liquidation (selling off assets to pay debt), 2) have eligible claim holders or investors vote to accept or reject the plan, and, if the court approves the plan, 3) carry out the plan.

What is a Disclosure Statement?

You received the Disclosure Statement because you filed a proof of claim in the NECC Chapter 11 case. The Disclosure Statement contains a summary of information about the case, including detailed information about the outbreak and significant events that have occurred and are expected to occur during this Chapter 11 case. It also provides more detail about the Plan, what happens if the Plan is confirmed, and how payments will be made to those with claims against the NECC bankruptcy estate, including those who hold a Tort Claim. In addition, the Disclosure Statement discusses the process to confirm the Plan and the voting procedures that holders of claims and equity interests must follow for their votes to be counted. The Disclosure Statement has been approved by the Court as containing information sufficient for you to decide how to cast your vote on the Plan.

Are there other companies involved in funding the Plan?

Yes. There are other involved businesses that have entered into settlement agreements with the Chapter 11 Trustee, who administers the NECC bankruptcy estate. Some of the businesses have agreed to make payments into the bankruptcy estate in exchange for a release of liability, which means they can't be sued after the bankruptcy is finalized. These are:

- Pharmacists Mutual Insurance Company ("PMIC") and Maxum Indemnity Company ("Maxum"). These companies were NECC's insurers.
- Ameridose, LLC ("Ameridose") and its insurer Pharmacists Mutual Insurance Company ("PMIC"). Ameridose is owned and operated by some of the same individuals who own and operated NECC.
- GDC Properties Management ("GDC") and its insurer Preferred Mutual Insurance Company. GDC is a company related to NECC which is owned and operated by some of the same individuals and was NECC's landlord.
- ARL BioPharma Inc. also known as Analytical Research Laboratories ("ARL") and its insurer. ARL is a company which provided laboratory testing of drugs for NECC.
- Victory Mechanical Services, Inc. and various affiliated entities ("Victory") and its insurers. Victory is the company that designed and serviced the ventilation systems used by NECC in the rooms where drugs were compounded.
- UniFirst Corporation ("UniFirst") and its insurers National Union Fire Insurance Company of Pittsburgh, PA and North American Elite Insurance Company.

UniFirst was hired by NECC to clean portions of the NECC clean rooms, where the contaminated products were manufactured.

- High Point Surgery Center and various affiliated entities (“High Point”) and its insurer Ironshore. High Point is a health clinic in North Carolina that administered contaminated MPA to some of its patients.
- Inspira Health Network, Inc., and various affiliated entities (“Inspira”) and its insurers Lexington Insurance, Juno Assurance and Ironshore. Inspira is a health clinic in New Jersey that administered contaminated MPA to some of its patients.
- Insight Health Corp. (“Insight”), its insurers Lexington Insurance Company and Darwin Select Insurance Company, and Image Guided Pain Management P.C., two affiliated doctors and their insurers, Medical Mutual Insurance Company of North Carolina. Insight is a health clinic in Virginia that administered MPA to some of its patients.

The NECC Plan

The primary purpose of the Plan is to compensate victims who have suffered personal injury and/or death due to contaminated drugs compounded by NECC. All affected people and entities are classified by the type of claim they have against the assets of the NECC bankruptcy estate (“Classes”). Some Classes will receive compensation under the Plan while others likely will not, as summarized in the Disclosure Statement.

The Disclosure Statement includes more detailed information about the Classes and the compensation they are expected to receive.

Each Tort Claimant will receive a beneficial interest in the “Tort Trust” created under 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 and other participating individuals and entities.

How is the Tort Trust Funded?

The Tort Trust will be funded by settlements (the “Settlements”) between the Chapter 11 Trustee appointed by the Court and NECC’s shareholders, affiliated entities, other companies who have agreed to make payments into the bankruptcy estate in exchange for a release of liability, their insurers, and some clinics and healthcare providers that administered contaminated NECC drugs to their patients.

The Tort Trust will be funded by Settlements with National Defendants as follows:

National Settling Defendant	Expected Contribution
NECC Owners/Shareholder Settlement	\$47,750,000 – 75,000,000
PMIC/Maxum Settlement	\$25,200,000
Ameridose Settlement	\$10,000,000
GDC Settlement	\$3,750,000
ARL Settlement	\$6,400,000

Victory Settlement	\$5,500,000
UniFirst Settlement	\$30,500,00
Total Amount:	\$128,600,000 - \$155,850,000

In addition to the Settlements with National Defendants, the Chapter 11 Trustee has entered into the following Settlements with certain clinics, hospitals and doctor's offices that administered tainted NECC drugs (the "Provider Defendants"):

Provider Defendant	Contribution
High Point Settlement	\$3,500,000
Inspira Settlement	\$16,000,000
Insight Settlement	\$40,000,000
Total Amount:	\$59,500,000

These Provider-Specific Funds will principally be distributed to the Tort Claimants who were administered contaminated drugs at High Point, Inspira, and Insight. Some portion of the High Point, Inspira, and Insight settlements will be available generally to pay Chapter 11 claims and expenses.

Under the Plan, in exchange for funding these Settlements, claims against the involved parties will be "released," and any future claims barred as further described in the Plan and Disclosure Statement.

Apart from certain payments which will be made to other non-tort creditors of NECC and for administrative costs as required under applicable bankruptcy law, the Settlement Funds will be placed into the Tort Trust for the benefit of Tort Claimants.

What is the difference between the National Fund and Provider-Specific Funds?

- "National Defendants" are the individuals or entities against which every holder of a Tort Claim may have a claim, such as NECC's owners or the company that provided laboratory testing services for NECC products. The National Fund will consist of the money received from the Settlements with National Defendants. All Tort Claimants who qualify for a distribution from the Tort Trust under the Plan will receive a payment from the National Fund.
- A Provider-Specific Fund will consist of the money from a settlement with a particular clinic, hospital or doctor's office that administered contaminated NECC drugs. These funds will be distributed, after deduction of certain expenses, to Tort Claimants who were administered contaminated NECC drugs from the specific settling healthcare provider in question.

Can I receive payments from the National Fund and from a Provider-Specific Fund?

Yes. If you qualify, you can receive payments from both kinds of Funds. For example, if you are a qualifying Tort Claimant who received qualifying injections from Provider XYZ, you will have a right to a payment from the National Fund as well as from the Provider-Specific Fund from the Settlement with Provider XYZ. However, if you did not receive an injection from Provider XYZ, you may qualify for a payment from the National Fund but not from Provider Fund XYZ.

If I receive a payment from a Provider-Specific Fund will it affect any payment from the National Fund?

No. The amount (if any) you may be entitled to receive from a Provider-Specific Fund will not reduce the amount (if any) you are entitled to receive from the National Fund.

Are there other companies that may be held accountable for my claim?

Yes. It is possible that other companies will be held financially responsible for paying the Claims of those injured. These could include NECC's vendors, and other pain clinics, hospitals, and doctor's offices that injected the contaminated drugs who have not settled. There is a mediation program (called the MDL Mediation Program) that will continue to work to resolve these Claims if additional settlements are reached.

What if the clinic or health care provider where I received my NECC product has not settled?

It is important to note that to date only three clinics, hospitals or doctor's offices who may have administered a contaminated NECC product have settled. If you received an injection from a clinic or health care provider who has not settled, you are still eligible for a payment from the National Fund and any claim you have against your health care provider for administration of the drug, if any, is unaffected by confirmation of the Plan.

How will the lawyers, financial advisors, and other parties involved in the bankruptcy be paid for their services?

The Bankruptcy Code sets deadlines for attorneys, financial advisors, and other professionals to file for reimbursement for professional fees and costs associated with their work on the bankruptcy case. It also sets guidelines for allowed services and fees as well as caps on expenses and fees. To date, the following firms have disclosed the current amount of professional fees and expenses as well as their estimated fees and expenses from now until the Plan's effective date.

Firm	Fees and expenses through January 31, 2015	Additional anticipated fees and expenses through Plan Effective Date
-------------	---	---

Chapter 11 Trustee	Not to exceed 3% of monies in excess of \$1,000,000 disbursed or turned over to interested parties	Subject to the 3% cap of monies in excess of \$1,000,000
Duane Morris LLP	\$3,600,000	\$1,500,000
Mesirow Financial Consulting LLC	\$435,000	\$635,000
Brown Rudnick LLP	\$3,400,000	\$1,250,000
Perkins Coie, LLP	\$100,000	\$0.00
Murtha Cullina LLP	\$196,000 ¹	\$0.00
Verdolino & Lowey P.C.	\$131,000	\$0.00

How will funds be distributed?

The Plan establishes a “Claims Resolution Facility” to determine payments for Tort Claimants from the National Fund. A “Settlement Administrator” will administer the Claims Resolution Facility. Using Court-approved procedures, the National Settlement Administrator will evaluate the information provided by Tort Claimants to determine what distribution, if any, each Tort Claimant is entitled to from the National Fund. An “Appeals Administrator” will address any appeals of the National Settlement Administrator’s decisions. The Provider-Specific Funds will be distributed using a similar process specific to each Provider-Specific Fund.

How will the National Settlement Administrator calculate payment amounts from the National Settlement Fund?

The Settlement Administrator will use a “Settlement Matrix” consisting of seven “Base Point Categories” to calculate the value of claims for payment from the National Fund. The chart below summarizes these categories. More detail is available in the Claims Resolution Facility Procedures, which is part of the supplement to the Plan and is available at www.donlinrecano.com/necp.

Category	Description	Base Points
Category 1	Death after MPA Injection <i>and</i> (1) Spinal or Paraspinal Fungal Infection ² and/or (2) Fungal Meningitis	55
Category 2	Non-Death Fungal Meningitis <i>and</i> Spinal or Paraspinal Fungal Infection after MPA Injection	40
Category 3	Non-Death Fungal Meningitis after MPA Injection	30
Category 4	Non-Death Spinal <i>or</i> Paraspinal Fungal	20

¹ Murtha Cullina LLP currently holds a retainer in the amount of \$127,173.88.

² Including vertebral osteomyelitis, discitis, sacroiliitis, phlegmon, abscess and/or arachnoiditis.

	Injection after MPA Injection	
Category 5	Peripheral Joint Fungal Infection ³ after MPA Injection	10
Category 6	Symptoms of Headache, Word-Finding Difficulty, Nausea/Vomiting, Fever, Neck Stiffness or Pain, Back Pain, Photophobia, Lack of Appetite, Urine Retention, Slurred Speech, Limb Weakness, Numbness and/or Pain at Injection Site <i>and</i> a Lumbar Puncture, MRI or CT Guided Biopsy after MPA Injection	1
Category 7	No Symptoms or No Lumbar Puncture, MRI, or CT Guided Biopsy after MPA Injection	½

Each Tort Claimant's injury is assigned a minimum point score from the chart above. There are also a number of adjustments that can increase the compensation of the first six categories based on an individual Tort Claimant's circumstances (such as length of hospitalization, length of antifungal treatment, etc.). All of the upward adjustments available in these categories are efforts at providing more compensation for the more serious cases in a particular category.

The payment amount will be based on that Tort Claim's point total. To calculate the amount of each Tort Claimant's payment, a dollar value will be assigned to each point. The exact dollar value of each point cannot be determined until all costs of administering the Tort Trust are known and all Tort Claims have been reviewed and decided by the Settlement Administrator and all appeals of the Settlement Administrator's determination have been decided. Recognizing the need to make payments to Tort Claimants as quickly as possible, the claims procedures provide for both an initial and a final payment to Tort Claimants.

The Settlement Matrix was created with assistance and advice from doctors. Because funds are limited, the Tort Trust must balance the need to compensate Tort Claimants with distinctly different claims, while minimizing the administrative expenses of reviewing and approving claims.

The first five categories of the Settlement Matrix are based on the five categories of conditions/illnesses defined by the CDC. Two additional categories were added to those defined by the CDC to compensate those who received a contaminated drug but were not officially diagnosed with a resulting illness. The final two categories are expected to have the largest number of Claims. A Tort Claimant may apply only for one of the seven Base Point Categories.

What is the process for applying for payment?

³ E.g., hip, knee, shoulder, elbow and/or ankle.

To receive compensation from the Trust, Tort Claimants must submit a completed and signed Compensation Claim Form applying for one of the Seven Base Point Categories (and any applicable upward adjustments) with all necessary supporting documentation.

The Settlement Administrator will review the claims to determine if they are valid or not. Then the Settlement Administrator will calculate the total points claimed for all valid claims and assign a tentative dollar value of each point, based on the universe of claims and an agreed upon formula. This formula is described in detail in the Claims Resolution Facility Procedures available at www.donlinrecano.com/necp.

If your claim is approved, (and if other conditions are satisfied), you or your attorney if you have retained one, will receive an Initial Payment based on the tentative point value. If your claim is denied in full or in part you will have an opportunity to have the Settlement Administrator reevaluate your claim.

Can I appeal if my Claim is denied or I disagree with the number of points assigned?

Yes. First, you may request that the Claims Administrator reevaluate your Claim. If after such reevaluation your Claim is finally denied in full or in part by the Settlement Administrator, you will have the right to appeal the denial in writing to a neutral Appeals Administrator within 30 days. The Appeals Administrator will review your Claim and make a final decision on its validity and/or the number of approved points. The Appeals Administrator must follow the Settlement Matrix when awarding points and will inform you and the Settlement Administrator of the final decision about your Claim. This decision will be final and binding. The appeal process is described in detail in the Claims Resolution Facility Procedures.

How and when will the final payment amounts be calculated?

The Settlement Administrator will calculate the final dollar amount of each point after all Tort Claimant appeals are resolved and after any appeals of the order confirming the Plan, if any, are finally resolved. The Settlement Administrator will then determine the final compensation amount for each approved claim by multiplying the approved points by the final point value. If your final point value is greater than your initial payment the Settlement Administrator will send you an additional check for the difference.

How will the voting process to approve the Plan work?

Some Classes may not receive compensation or may receive less than the full value of their Claim. Tort Claimants and Classes who may receive a payment of less than their full Claim value will receive a ballot to vote (Classes C, D, and E). Classes that will receive payment in full for their Claims (Classes A and B) are assumed to accept the Plan and will not receive a ballot. Those who own stock in NECC (Class F) are deemed to have accepted the Plan and will not receive a ballot. The Disclosure Statement provides more information on voting rights.

When must my ballot be received?

To be counted, the ballot indicating your acceptance or rejection of the Plan must be received by Donlin, Recano & Company, Inc., the appointed voting agent, no later than **4:00 p.m. eastern time, on May 5, 2015**. If you are eligible to vote, a ballot to vote to accept or reject the Plan is included in your packet. If you did not receive a ballot but believe you should have or have any questions about how to submit your vote, call (212) 771-1128 or email balloting@donlinrencano.com.

What happens if I am a Tort Claimant and I don't file a ballot on time?

If your ballot is not submitted and received by **May 5, 2015**, and you filed a timely Claim Form with the Settlement Administrator, you will still be entitled to receive the compensation you are entitled to under the Plan. You will also be bound by the terms of any Plan of Reorganization approved by the Court. In addition, your claims against NECC and the other settling parties will be released.

What if I don't like the Plan? / Can I object to the Plan?

Yes. If you object to the Plan, you must file your objection by mail or courier on or before **May 5, 2015**. Your objection must be filed on time and must follow the guidelines set in the Bankruptcy Court order approving the Disclosure Statement or it may not be considered by the Bankruptcy Court.

The Confirmation Hearing

The Bankruptcy Court will hold a confirmation hearing at **May 19, 2015 at 10:00 a.m.** at the United States Courthouse, 300 State Street, Berkshire Courtroom, Third Floor, Springfield, MA. Judge Henry J. Boroff will oversee the hearing. The Court may adjourn the hearing from time to time without notice except for an announcement of the adjourned date at the hearing or any adjournment of the hearing.

What happens if the Plan is confirmed?

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 pursuing those claims in Court. If the clinic, hospital or doctor's office that administered your injection has reached a settlement and a Provider-Specific Fund has been created, then confirmation of the Plan will also release your claim against that clinic or health care provider.

Tort Claimants who received an injection from a clinic, hospital or doctor's office who has not settled are eligible to receive funds from the National Fund and claims they may have against their clinic, hospital or doctor's office for administration of the drug, if any,

will NOT be released as a result of confirmation of the Plan and therefore those claims may be pursued.

Have the owners of NECC faced criminal charges?

Yes. On December 16, 2014, after the Bankruptcy Court approved the NECC Owners/Shareholders Settlement, a federal grand jury in the District of Massachusetts indicted 14 individuals connected with NECC on 131 counts. Barry J. Cadden, Gregory A. Conigliaro and Carla R. Conigliaro, each a former NECC employee, director or shareholder, were among the individuals indicted. The primary counts in the indictment charged certain of the indicted individuals with racketeering and conspiracy to defraud the United States.

The indictment also alleges that Carla Conigliaro and Douglas Conigliaro violated court orders which dictated that they could not transfer any assets without the permission of the court. On December 19, 2014, the U.S. Justice Department seized assets held by Carla and Douglas Conigliaro and Barry J. Cadden and his wife Lisa Cadden. The U.S. Justice Department alleges these funds were subject to forfeiture and allege that Carla and Douglas Conigliaro transferred assets out of certain accounts in violation of a court order. The Chapter 11 Trustee investigated these claims in order to ensure that none of the funds identified in the indictment and seizure proceedings were undisclosed to the Trustee and others at the time of the negotiation of the NECC Owners/Shareholders Settlement Agreement. After thorough review it was determined that these accounts and the funds in them were disclosed to the Trustee at the time that settlement agreement was negotiated and before the assets were seized. Additionally, the seizure of these assets was made after the NECC shareholders paid the full amount of their initial cash contributions under the NECC Owners/Shareholders Settlement Agreement. The seizure of these accounts will therefore not impact or interfere with the funding of the Settlement.

How do I get more information?

This information is only a summary. It is not intended as a substitute for the Plan, Disclosure Statement, Tort Trust Agreement Claims Resolution Facility Procedures and the other supporting documents that accompany the Plan. All Tort Claimants should read the Plan, the Disclosure Statement, the Tort Trust Agreement, the Claims Resolution Facility Procedures and other accompanying documents in their entirety. You should speak to your own lawyer or other advisor to the extent that you wish to do so.