

PATENT ASSIGNMENT

Electronic Version v1.1
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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	RELEASE BY SECURED PARTY
CONVEYING PARTY DATA	
Name	Execution Date
Bank of America, N.A., as Administrative Agent	01/20/2006
RECEIVING PARTY DATA	
Name:	AAIPharma Inc.
Street Address:	2320 Scientific Park Drive
City:	Wilmington
State/Country:	NORTH CAROLINA
Postal Code:	28405
PROPERTY NUMBERS Total: 1	
Property Type	Number
Patent Number:	6780880
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NAME OF SUBMITTER:	Mindy M. Lok
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

)	
In re:)	Chapter 11
AAIPHARMA INC., et al.,)	Case Nos. 05-11341 through 05-11345 and
Debtors.)	05-11347 through 05-11350 (PJW)
)	Jointly Administered
)	Re: Docket No: <u>658</u>, 762, 787,
)	794, 798, 829
)	

**ORDER PURSUANT TO SECTION 1129 OF THE BANKRUPTCY CODE
CONFIRMING THE DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN**

aaiPharma Inc. ("aaiPharma") and the other above-captioned debtors and debtors in possession (collectively, the "Debtors"),¹ having proposed and filed with this Court on November 4, 2005 a joint chapter 11 plan and related disclosure statement in accordance with sections 1121 and 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

And the Debtors having filed their First Amended Joint Chapter 11 Plan dated as of December 1, 2005 (as amended from time to time, the "Plan") and revised disclosure statement;

And the Debtors having filed their First Amended Disclosure Statement (the "Disclosure Statement") dated as of December 5, 2005;

And following a hearing on December 2, and December 5, 2005 (the "Disclosure Statement Hearing"), this Court having entered an Order, dated December 5, 2005, (i) approving the adequacy of the Disclosure Statement pursuant to section 1125 of the Bankruptcy Code,

(ii) fixing the time for voting to accept or reject the Plan, (iii) fixing the record date and procedures for distribution of solicitation packages, (iv) establishing procedures for tabulating votes, (v) establishing the date for confirmation hearing, (vi) establishing objection deadline and procedure for objecting to Plan, and (vii) approving form and manner of notice and solicitation (the "Disclosure Statement Order");

And the Debtors having filed the Plan Supplements on January 8, 2006, January 16, 2006, and January 19, 2006;

And Laura Campbell of Bankruptcy Services LLC ("BSF") having certified on January 13, 2006 (the "BSI Certification") that (i) BSI has complied with the requirements of the Disclosure Statement Order; and (ii) the Debtors received the requisite acceptances both in number and amount for confirmation of the Plan as required under section 1126 of the Bankruptcy Code;

And a hearing on the Motion of Dr. Frederick D. Sancilio for the appointment of an equity committee (the "Equity Committee Motion") having been held on December 19, 20, 27, and 28, 2005 and January 3, and 10, 2006, (the "Equity Committee Motion Hearing") and this Court having entered an order denying that motion on January 12, 2006;

And the Debtors having filed their Memorandum of Law in Support of Confirmation on January 13, 2006 and having offered the Declaration of Ludo J. Reynders Ph.D. in Support of Confirmation of the Debtors' First Amended Joint Chapter 11 Plan filed on January 17, 2006 and the Supplemental Declaration of Ludo J. Reynders, Ph.D. in Support of Confirmation of Debtors' First Amended Joint Chapter 11 Plan filed on January 19, 2006;

¹ The Debtors are the following entities: aaiPharma, Applied Analytical Industries Learning Center, Inc., AAI Properties, Inc., AAI Technologies, Inc., AAI Japan, Inc., aaiPharma LLC, AAI Development Services, Inc.

And a hearing on confirmation of the Plan having been held on January 18, 2006 and January 20, 2006 (the "Confirmation Hearing"), and due notice of the Confirmation Hearing having been given to holders of Claims² against, and Interests in, the Debtors and other parties in interest substantially in compliance with the Disclosure Statement Order, the Bankruptcy Code and the Bankruptcy Rules, as established by the affidavits of service, mailing and/or publication filed with the Court, and such notice being sufficient under the circumstances and no further notice being required;

And objections to confirmation of the Plan having been filed by the United States Trustee, the United States Department of Veterans Affairs, the State of Ohio Department of Taxation, the United States Internal Revenue Service, the United States Department of Labor and by Osprey Systems, Inc., and each such objection having been resolved or overruled as set forth herein or as stated on the record at the Confirmation Hearing;

And based upon the record of the proceedings in connection with the motion to appoint an equity committee filed by Dr. Frederick D. Sancilio;

And based upon all pleadings and papers filed in these Chapter 11 Cases, the record at the Disclosure Statement Hearing, all proceedings heretofore held in these Chapter 11 Cases, including the record at the Equity Committee Motion Hearing, and the record of the Confirmation Hearing;

And after due deliberation and sufficient cause appearing therefor

IT IS HEREBY FOUND THAT:

A. This Court has subject matter jurisdiction over the matter pursuant to 28 U.S.C. §

(Delaware), AAI Development Services, Inc. (Massachusetts) and Kansas City Analytical Services, Inc.

1334.

B. This matter is a core matter which a Bankruptcy Court has the power to hear and determine in its entirety, pursuant to 28 U.S.C. § 157(b)(2)(A), in that it is a matter concerning the administration of the estate; § 157(b)(2)(L), in that it is a matter concerning confirmation of a plan; and § 157(b)(2)(O), in that it is a proceeding affecting the adjustment of the debtor-creditor or the equity security holder relationship. Venue is proper before the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

C. The Debtors have met their burden of proving, by a preponderance of the evidence, the elements of sections 1129(a) and (b) of the Bankruptcy Code, as further set forth herein.

D. On the Petition Date, each of the above-captioned Debtors commenced a case under chapter 11 of the Bankruptcy Code. By previous order of the Bankruptcy Court, the Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Bankruptcy Rule 1015.

E. The Bankruptcy Court takes judicial notice of the docket of the Chapter 11 Cases maintained by the Clerk of the Bankruptcy Court, including, without limitation, all pleadings and other documents filed, all orders entered, and all evidence and arguments made, proffered, or adduced at the various hearings held before the Bankruptcy Court during the pendency of the Chapter 11 Cases, including, without limitation, the evidence presented, the arguments made during and the order entered with regard to the Equity Committee Motion Hearing.

F. The Plan designates Claims and Interests in the following seven classes. Priority

² Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to such terms in the Plan.

Claims (Class 1), Miscellaneous Secured Claims (Class 2), Senior Secured Note Claims (Class 3), General Unsecured Claims (Class 4), Convenience Claims (Class 5), 510(b) Note Claims (Class 6), and Old Equity Interests (Class 7).

G. Under the Plan:

(i) Holders of Priority Claims (Class 1), Miscellaneous Secured Claims (Class 2), and Convenience Claims (Class 5) are Unimpaired and, therefore, are deemed by law to have accepted the Plan;

(ii) Holders of 510(b) Note Claims (Class 6) and Old Equity Interests (Class 7) are Impaired and will receive no distribution under the Plan and, therefore, such Holders are deemed by law to have rejected the Plan;

(iii) Holders of Senior Secured Note Claims (Class 3) and General Unsecured Claims (Class 4) are Impaired and will receive distributions under the Plan; accordingly, such Holders had the right to vote to accept or reject the Plan.

H. Notice of the Confirmation Hearing and the relevant deadlines for filing objections and submitting Ballots has been provided in accordance with the Disclosure Statement Order to all creditors and equity security holders, to all parties entitled to, or that requested, notice in accordance with Bankruptcy Rule 2002, to all parties to unexpired leases and executory contracts with the Debtors and to all taxing authorities where the Debtors maintain their businesses and such notice is adequate and sufficient in accordance with Bankruptcy Rules 2002(b) and 3020(b).

I. The modifications to the Plan set forth on the record at the Confirmation Hearing and made by this Order do not adversely affect or change the treatment of any creditor who has not accepted such modifications. Accordingly, pursuant to Bankruptcy Rule 3019, these modifications

neither require additional disclosure under section 1125 of the Bankruptcy Code nor re-solicitation of acceptances or rejections under section 1126 of the Bankruptcy Code, nor do they require that Holders of Claims be afforded an opportunity to change previously cast acceptances or rejections of the Plan. Disclosure of the modifications on the record of the Confirmation Hearing constitutes due and sufficient notice thereof under the circumstances of the Chapter 11 Cases. Accordingly, pursuant to section 1127 of the Bankruptcy Code, and Bankruptcy Rule 3019, all Holders of Claims that have accepted or are conclusively deemed to have accepted the Plan are deemed to have accepted such modifications to the Plan.

J. As described in, and as evidenced by, the BSI Certification, upon the receipt and tabulation of the Ballots:

(i) 99.94% of Class 3 (Senior Secured Note Claims) in dollar amount, and 93.75% in number, of the Holders of Claims in such class that voted on the Plan, accepted the Plan. Class 3 accepted the Plan; and

(ii) 98.26% of Class 4 (General Unsecured Claims) in dollar amount, and 85.51% in number, of the Holders of Claims in such class that voted on the Plan, accepted the Plan. Class 4 accepted the Plan.

The Plan was accepted by the two Impaired Classes entitled to vote. The Debtors therefore obtained the requisite acceptances both in number and amount for confirmation of the Plan.

K. The Court makes the following factual findings with respect to the requirements of section 1129 of the Bankruptcy Code:

(i) With respect to the requirements of section 1129(a)(1) of the Bankruptcy Code, the Plan complies with any and all applicable provisions and requirements of the

Bankruptcy Code, including without limitation, sections 1122 and 1123 of the Bankruptcy Code.

- (a) With respect to the requirements of section 1122 of the Bankruptcy Code, the classification scheme of Claims and Interests is reasonable and Claims or Interests in each class are substantially similar to other Claims or Interests in such class. Valid business, factual, and legal reasons exist for separately classifying the various classes of Claims and Interests created under the Plan, and such classes do not unfairly discriminate between holders of Claims and Interests. In addition, Class 5 (Convenience Claims), is appropriate under Section 1122(b) as it contains every unsecured claim that is less than or reduced to a reasonable amount for administrative convenience.
- (b) With respect to the requirements of section 1123 of the Bankruptcy Code the Plan:
 - i. Designates classes of Claims, other than Claims specified in section 507(a)(1), 507(a)(2) and 507(a)(8) of the Bankruptcy Code, and classes of Interests;
 - ii. Specifies those classes of Claims and Interests that are Unimpaired under the Plan;
 - iii. Specifies those classes of Claims and Interests that are Impaired under the Plan;

- iv. Provides the same treatment for each Claim or Interest of a particular class, unless the Holder of a particular Claim has agreed to a less favorable treatment of such particular Claim or Interest;
- v. Provides adequate means for the Plan's implementation. In particular, and among other things, the Plan and the various documents and agreements set forth in the Plan Supplement, as amended, provide adequate and proper means for the implementation of the Plan, including (i) the authorization and issuance of new equity securities in accordance with the terms of the Plan, (ii) the cancellation of all existing debt or equity securities, (iii) the revesting of assets of the Debtors' estates in the Reorganized Debtors, and (iv) the authorization of entry by the respective Reorganized Debtors into the New Credit Facility Documents, thereby satisfying section 1123(a)(5) of the Bankruptcy Code;
- vi. Provides for the inclusion in the charter of each of the Debtors a provision prohibiting the issuance of non-voting equity securities; and
- vii. Contains only provisions consistent with the interests of the Debtors' creditors and equity security holders and with public policy with respect to the manner and selection of officers and directors under the Plan.
- viii. Provides for the manner of selection of the officers and directors of the Reorganized Debtors, the Litigation Manager and the Plan Administrator, consistent with the interests of creditors and equity security

holders and with public policy, all in accordance with section 1123(a)(7) of the Bankruptcy Code.

(ii) The other provisions of the Plan are appropriate and consistent with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1123(b) of the Bankruptcy Code.

(iii) With respect to the requirements of section 1129(a)(2) of the Bankruptcy Code, the Debtors, as proponents of the Plan, fully complied with any and all requirements of the Bankruptcy Code. Specifically, the Debtors have complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Disclosure Statement Order in transmitting the solicitation materials to holders of Claims against and Interests in the Debtors and in tabulating the votes with respect to the Plan.

(iv) With respect to the requirements of section 1129(a)(3) of the Bankruptcy Code, the Plan (including all documents necessary to effectuate the Plan, including the Plan Supplement) has been proposed in good faith, and not by any means forbidden by law. The Debtors' good faith is evident from the facts and the record of these Chapter 11 Cases, the record of the Confirmation Hearing and other proceedings held in these Chapter 11 Cases, including the hearing to approve the Disclosure Statement and the Equity Committee Motion Hearing. The Plan was proposed with the legitimate and honest purpose of maximizing the value of the Debtors' estates and effectuating a successful reorganization of the Debtors. The Plan (including all documents necessary to effectuate the Plan, including the Plan Supplement) was negotiated at arms' length among representatives of the Debtors, the Creditors' Committee, the Ad Hoc Committee of Secured Noteholders and their respective advisors. Further, the Plan's exculpation,

release, and injunction provisions have been negotiated in good faith and at arms' length with, among other persons, representatives of the Debtors, the Creditors' Committee, the Ad Hoc Committee of Secured Noteholders and their respective advisors, are consistent with sections 105, 1123(b)(6), 1129, and 1142 of the Bankruptcy Code, and are each necessary to the Debtors' successful emergence from chapter 11.

(v) With respect to the requirements of section 1129(a)(4) of the Bankruptcy Code, any payments made or to be made by the Debtors, by the Reorganized Debtors or by any person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, have been approved by, or are subject to the approval of, this Court as reasonable.

(vi) With respect to the requirements of section 1129(a)(5) of the Bankruptcy Code:

- (a) The Debtors have disclosed the identity and affiliations of each of the individuals proposed to serve, after consummation of the Plan, as directors or officers of the Reorganized Debtors (this list is attached hereto as Exhibit A), and the appointment to, or continuance in, such office of each such individual is consistent with the interests of the Holders of Claims and Interests and with public policy;
- (b) As of the Effective Date, the Board of Directors of Reorganized aaiPharma will consist of the individuals set forth on Exhibit A to this Order. Each member of the Board of Reorganized aaiPharma will serve in accordance with the Amended and Restated Certificate of Incorporation of

Reorganized aaiPharma and the Amended and Restated By-Laws of
Reorganized aaiPharma and the laws of the State of Delaware; and

- (c) The Debtors have disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such Insider.

(vii) With respect to the requirements of section 1129(a)(6) of the Bankruptcy Code, the Plan does not provide for any changes in rates over which a governmental regulatory commission has jurisdiction.

(viii) With respect to the requirements of section 1129(a)(7) of the Bankruptcy Code, as evidenced by the liquidation analysis provided in the Disclosure Statement (a copy of which is attached hereto as Exhibit B), which employed commonly accepted methodologies and valid assumptions, as well as other evidence proffered or adduced at the Confirmation Hearing, each Holder of an Allowed Claim or Interest in an Impaired class:

- (a) has duly and timely accepted the Plan; or
- (b) will receive or retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated (on a consolidated basis or on a non-consolidated basis) under chapter 7 of the Bankruptcy Code.

(ix) With respect to the requirements of section 1129(a)(8) of the Bankruptcy Code, each class of Claims and Interests has either accepted the Plan, or is not Impaired under the Plan, other than Classes 6 and 7, which are deemed not to have accepted the

Plan pursuant to section 1126(g) of the Bankruptcy Code. The Plan is nevertheless confirmable because, as found below, the requirements of section 1129(b) of the Bankruptcy Code are satisfied.

(x) With respect to the requirements of section 1129(a)(9) of the Bankruptcy Code, the Plan provides for treatment of Administrative Expenses, Priority Tax Claims and all other Claims entitled to priority pursuant to section 507(a) of the Bankruptcy Code in the manner required pursuant to sections 1129(a)(9)(A), (B) and (C), as applicable.

(xi) With respect to the requirements of section 1129(a)(10) of the Bankruptcy Code, among other things:

- (a) at least one class of Claims is Impaired under the Plan (specifically, four (4) classes are so Impaired); and
- (b) at least one Class of Claims that is Impaired under the Plan has accepted the Plan (specifically, the only two Classes entitled to vote on the Plan, Classes 3 and 4, have voted overwhelmingly to support the Plan), determined without including any acceptance of the Plan by any Insider.

(xii) With respect to the requirements of section 1129(a)(11) of the Bankruptcy Code, the evidence proffered or adduced in the Disclosure Statement, at the Confirmation Hearing and at the Equity Committee Motion Hearing: (a) is persuasive and credible; (b) has not been controverted by other evidence; and (c) establishes that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or Reorganized Debtors.

(xiii) With respect to the requirements of section 1129(a)(12) of the Bankruptcy Code, the Plan provides for the payment of all fees payable under section 1930 of title 28

of the United States Code on the Effective Date of the Plan.

(xiv) With respect to the requirements of section 1129(a)(13) of the Bankruptcy Code, payment of "retiree benefits" (as that term is defined in section 1114 of the Bankruptcy Code), if any, will continue after the Effective Date at the level established pursuant to section 1114 of the Bankruptcy Code, at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

(xv) With respect to the requirements of section 1129(b) of the Bankruptcy Code:

- (a) the Debtors, as proponents of the Plan, have requested that the Court confirm the Plan notwithstanding that the requirements of Bankruptcy Code section 1129(a)(8) have not been satisfied;
- (b) the Plan does not discriminate unfairly with respect to Holders of 510(b) Note Claims (Class 6) and Old Equity Interests (Class 7), which are Impaired under the Plan and which are deemed not to have accepted the Plan;
- (c) the Plan is "fair and equitable" (as defined in section 1129(b) of the Bankruptcy Code) with respect to the class of Claims and Interests that are Impaired under the Plan and that have not accepted the Plan in that no holder of any interest that is junior to Class 4 will receive or retain any property under the Plan on account of such junior interest;
- (d) no Holder of Claims is receiving a distribution on account of its Claims in an amount greater than the Allowed Amount of their Claim; and

(e) all requirements of section 1129(b) of the Bankruptcy Code have been satisfied.

L. All conditions to confirmation contained in Section 16.01 of the Plan have been satisfied or have been duly waived.

M. All documents necessary to implement the Plan, including, without limitation, the Amended and Restated Certificate of Incorporation of each of the Reorganized Debtors, the Amended and Restated By-Laws of each of the Reorganized Debtors, the Management Incentive Plan (and/or the term sheets for the Management Incentive Plan), the Senior Executive Employment Agreements (and/or the term sheets for the Senior Executive Employment Agreements), the Litigation LLC Agreement, the commitment letter for the New Credit Facility (hereinafter referred to as the "Commitment Letter"), the Stockholder Agreement and all other relevant and necessary documents have been negotiated in good faith at arms' length and shall, upon completion of documentation and execution (including the New Credit Facility Documents), be valid, binding and enforceable agreements and not be in conflict with any federal or state law.

N. The New Common Stock is exempt from the registration requirements of the Securities Act of 1933 and relevant state securities laws or local laws under section 1145 of the Bankruptcy Code.

O. The execution, delivery or performance by the Debtors or Reorganized Debtors, as the case may be, of any New Credit Facility Documents, the Management Incentive Plan and the Senior Executive Employment Agreements, in each case in accordance with the Commitment Letter, term sheets, or other forms of such documents filed with this Court, and compliance by the Debtors or Reorganized Debtors, as the case may be, with the terms thereof is authorized by, and will not conflict with, the terms of the Plan or this Order. The financial accommodations to be

extended pursuant to the Commitment Letter and the New Credit Facility Documents are being extended in good faith, for legitimate business purposes, are reasonable, and shall not be subject to recharacterization for any purposes whatsoever.

P. Based upon the record before the Bankruptcy Court in these Chapter 11 Cases, the Debtors, and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys, as well as the Creditors' Committee and its members, and the Ad Hoc Committee of Secured Noteholders and its members, and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys, through their participation in the negotiation and preparation of the Plan and the Disclosure Statement and their efforts to confirm the Plan, have solicited acceptances and rejection of the Plan in good faith and participated in these Chapter 11 Cases in compliance with the applicable provisions of the Bankruptcy Code and shall be entitled to the protections afforded by section 1125(e) of the Bankruptcy Code.

Q. The Debtors and all parties in interest (including without limitation the Creditors' Committee and the Ad Hoc Committee of Secured Noteholders) will be acting in good faith if they proceed to (i) consummate the Plan and the agreements, settlements, transactions and transfers contemplated thereby and (ii) take the actions authorized and directed by this Order, notwithstanding an appeal of this Order, so long as no stay is issued and in effect pending appeal, even if the Debtors and such parties in interest act with knowledge of that appeal.

R. The Bankruptcy Court has jurisdiction under sections 1334(a) and (b) of title 28 of the United States Code to approve the injunctions, exculpation provisions, and releases set forth in Section 15 of the Plan. In addition, section 105(a) of the Bankruptcy Code permits issuance of the injunction and approval of the releases and exculpation provisions set forth in Section 15 of the Plan, when, as here, such provisions are essential to the formulation and implementation of the

Plan as provided in section 1123 of the Bankruptcy Code, are integral to the settlement embodied in the Plan, confer material benefits on the Debtors' estates, are fair and reasonable, and are in the best interests of the Debtors, their estates, and holders of Claims and Interests. Based upon the record of the Chapter 11 Cases and the evidence proffered at the Confirmation Hearing, this Court finds that the injunction, exculpation provisions and releases set forth in Section 15 of the Plan are consistent with the Bankruptcy Code and applicable law.

S. To the extent that the Debtors have not already been authorized to assume an executory contract or unexpired lease pursuant to a prior order of this Court, and except as otherwise provided in this Order, the Plan constitutes a motion by the Debtors to assume, as of the Effective Date, all executory contracts, including, without limitation, unexpired leases of the Debtors, other than those executory contracts or unexpired leases that have been rejected by the Debtors or that are subject to a motion to reject or assume such executory contract or unexpired lease pending before this Court on the Confirmation Date or that are specifically designated as a contract or lease to be rejected on Exhibit J of the Plan Supplement. The Debtors' decision regarding the assumption of the executory contracts or leases is based on and is within the sound business judgment of the Debtors and is in the best interests of the Debtors, their estates and creditors. The Plan accordingly complies with sections 365 and 1123(b)(2).

T. Substantive consolidation of the Debtors' Chapter 11 Cases solely for the purposes of the Plan, as well as the distributions and other transactions contemplated thereby, is in the best interests of the Debtors, their estates and their creditors. Moreover, substantive consolidation of the Debtors for Plan purposes will not prejudice the rights of any Holders of Claims or Interests. Pursuant to Bankruptcy Rule 9019 and any applicable state law and as consideration for the distributions and other benefits provided under the Plan, the provisions of

Section 9.02 of the Plan shall constitute a good faith compromise and settlement of any Causes of Action or disputes that could be brought by a Holder of a Claim or Interest asserting that such Claim or Interest would have received more favorable treatment had substantive consolidation not been effected. This compromise and settlement is in the best interests of Holders of Claims and Interests and is fair, equitable and reasonable.

U. Pursuant to the valuation analysis performed by Chanin Capital LLC, as set forth in the Disclosure Statement, and as amended by certain findings made by this Court during the Equity Committee Motion Hearing, the enterprise value of the Debtors is insufficient to support a distribution to General Unsecured Creditors or to Holders of Old Equity Interests under absolute priority principles.

V. Pursuant to the Plan, the Claim of the Senior Secured Noteholders is Allowed in the amount of \$187,811,020.83, without avoidance, setoff, subordination, any defenses, counterclaims, or any other reduction of any kind. In addition, as of the Confirmation Date, the Senior Secured Noteholders hold in the aggregate at least \$202 million in principal and accrued but unpaid interest of the Senior Secured Notes. The Senior Secured Noteholders, in order to facilitate a consensual plan and to settle and compromise any and all issues with the Holders of General Unsecured Claims, shall, pursuant to Section 13.04 of the Plan, allow the Debtors to fund up to \$4.2 million for the General Unsecured Claims Reserve (including the Claims Objection Fund) to be distributed to the Holders of General Unsecured Claims. The provisions of the Plan constitute a reasonable, good faith compromise and settlement of all Claims, Causes of Action or disputes that could have been brought against Holders of Senior Secured Note Claims, and of all potential disputes with Holders of General Unsecured Claims with respect to the value of the Reorganized Debtors. Pursuant to Section 6.03 of the Plan, and in full settlement, release and

discharge of the Allowed Amount of the Senior Secured Note Claims, the Senior Secured Noteholders shall receive 100% of the New Common Stock, subject to dilution by the Management Incentive Plan.

W. The Court may properly retain jurisdiction over these Chapter 11 Cases, including, without limitation (i) the right to enforce and interpret this Order and any of the orders that have been previously entered in these Chapter 11 Cases, (ii) any stipulations that have been authorized and approved, (iii) to issue any order that is necessary or appropriate to implement this Order or the Plan and (iv) in accordance with Section 17.01 of the Plan.

X. All requirements for confirmation of the Plan set forth in section 1129(a), and, to the extent applicable, 1129(b), of the Bankruptcy Code have been satisfied.

Y. The Plan is dated and identifies the proponents, thereby complying with all requirements of Bankruptcy Rule 3016.

THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED that:

1. The findings and conclusions of this Court as set forth herein and in the record of the Confirmation Hearing shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, as made applicable to this matter by Bankruptcy Rule 9014. To the extent any of the findings of fact set forth above constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

2. Unless previously withdrawn with prejudice or otherwise resolved as stated on the record at the confirmation hearing, all objections to confirmation of the Plan are overruled and denied by this Court on the merits with prejudice.

3. The Plan is hereby (a) incorporated herein by reference as if fully set forth at length and (b) approved and confirmed in all respects, except as set forth in paragraph 8 herein.

4. All documents necessary to implement the Plan, including, without limitation, the Amended and Restated Certificate of Incorporation of each of the Reorganized Debtors, the Amended and Restated By-Laws of each of the Reorganized Debtors, the Management Incentive Plan, the Senior Executive Employment Agreements, the Litigation LLC Agreement, the New Credit Facility Documents, the Stockholder Agreement and all other relevant and necessary documents shall, upon execution, be valid, binding and enforceable agreements and not be in conflict with any federal or state law.

5. The Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys) have, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

6. The Debtors, the Creditors' Committee and its members, and the Ad Hoc Committee of Secured Noteholders and its members (and each of their respective Affiliates, agents, directors, officers, employees, advisors, and attorneys) have, and upon confirmation of the Plan (including all documents necessary to effectuate the Plan or otherwise contemplated by the Plan, including the Plan Supplement) shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regards to the distribution of the New Common Stock under the Plan, and therefore are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule, or

regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

7. As provided for under the Plan and without in any way limiting the provisions of the Plan:

(i) The Chapter 11 Cases of the Debtors shall be substantively consolidated into a single Chapter 11 Case solely for the purposes of all actions associated with confirmation and consummation of the Plan. Subject to the occurrence of the Effective Date: (i) solely for the purposes of the Plan and the distributions and transactions contemplated by the Plan, all assets and liabilities of the Debtors shall be treated as though they were merged; (ii) any obligation of any Debtor and all guarantees thereof executed by one or more of the Debtors shall be deemed to be one obligation of the consolidated Debtors; (iii) any Claims filed or to be filed in connection with any such obligation and such guarantees shall be deemed one Claim against the consolidated Debtors; (iv) each and every Claim filed in the individual Chapter 11 Case of any of the Debtors shall be deemed filed against the consolidated Debtors in the consolidated Chapter 11 Case of the Debtors and shall be deemed a single obligation of all of the Debtors under the Plan on and after the Confirmation Date; (v) all duplicative Claims (identical in both amount and subject matter) filed against more than one of the Debtors shall be automatically expunged so that only one Claim survives against the consolidated Debtors but in no way shall such Claim be deemed Allowed by reason of Section 9.02 of the Plan; and (vi) the consolidated Debtors shall be deemed, for purposes of determining the availability of the right of set-off under sections 553 and 558 of the Bankruptcy Code, to be one entity, so that, subject to other provisions of sections 553 and 558 of the Bankruptcy Code, the debts due to a particular Debtor may be offset against Claims against such Debtor or another Debtor. Notwithstanding the provisions of Section 9.02 of the Plan, but subject to Section 9.10 of the Plan, each of the Debtors shall, as Reorganized Debtors, continue to exist after the Effective Date as separate legal entities. The substantive consolidation provided for in Section 9.02 of the Plan shall not affect the obligations of each and every Debtor to pay Bankruptcy Fees to the Office of the United States Trustee that may have come due prior to the Effective Date. Notwithstanding anything to the contrary in Section 9.02 of the Plan, all Intercompany Claims shall remain Unimpaired; provided, however, no distribution of Cash under the Plan shall be made on account of such Intercompany Claims.

(ii) In accordance with sections 1123(a)(5) and 1141 of the Bankruptcy Code, on the Effective Date, title to all property of the Debtors' estates shall pass to and vest in the applicable Reorganized Debtor, free and clear of all Claims, interests, Liens, security interests, charges and other encumbrances (except as otherwise provided in the Plan); provided, however, that the General Unsecured Claim Reserve and the Claims Objection Fund shall pass to the Plan Administrator and the Designated Litigation shall pass to the Litigation LLC, each free and clear of all Claims, interests, Liens, security

interests, charges and other encumbrances, subject only to Litigation LLC Interests, the Claims held by Holders of General Unsecured Claims, and the reversion interest of the Reorganized Debtors in accordance with Section 10.02(b) of the Plan. Pursuant to section 1141 of the Bankruptcy Code and Section 17.02 of the Plan, the Plan shall be binding upon and inure to the benefit of the Debtors, the Reorganized Debtors, any Holder of a Claim or Old Equity Interest, their respective predecessors, successors, assigns, agents, officers and directors and any other Entity affected by the Plan.

(iii) On the Effective Date, and as provided in the Plan, the adoption of the Amended and Restated Certificates of Incorporation and the Amended and Restated By-Laws, the selection of directors and officers of the Reorganized Debtors, and all actions of the Debtors and the Reorganized Debtors contemplated by the Plan shall be deemed, without further action of any kind or nature, to be authorized and approved in all respects (subject to the provisions of the Plan and this Order), and the current members of the Board of Directors of each of the Debtors shall be deemed to have automatically resigned as of the Effective Date without further action.

(iv) On the Effective Date, the DIP Financing Agreement, the Pre-Petition Indenture, the Senior Secured Notes, the Intercreditor Agreement, and Old Equity Interests, as well as any and all securities or agreements relating to the DIP Financing Agreement and/or the Pre-Petition Indenture shall be deemed automatically canceled, terminated and of no further force or effect without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors and the Indenture Trustee, as applicable, under the agreements, indentures, and certificates of designations governing such Claims shall be discharged; provided, however, that the Pre-Petition Indenture shall continue in effect for the limited purpose of allowing the Indenture Trustee to make any distributions on account of Senior Secured Notes pursuant to the Plan, to perform any other necessary administrative functions with respect thereto, and to enforce the Indenture Trustee Charging Lien to the extent applicable.

(v) On the Effective Date all Committees, except for the Ad Hoc Committee of Secured Notcholders, shall cease to exist and its members and employees or agents (including attorneys, investment bankers, financial advisors, accountants and other professionals) will be released from all further authority, duties, responsibilities and obligations relating to and arising from and in connection with the Chapter 11 Cases and no subsequent fees shall accrue to any Committee, including the Ad Hoc Committee of Secured Notcholders, other than in connection with any application for final allowance of compensation and reimbursement of expenses in accordance with Section 2.01 of the Plan.

(vi) Except with respect to Causes of Action of any nature released pursuant to the Plan or this Order, the Plan Administrator, the Litigation Manager or the Reorganized Debtors, as applicable, may, pursuant to section 558 of the Bankruptcy Code or applicable non-bankruptcy law, exercise (A) the setoff rights of the Debtors or the

Reorganized Debtors, as the case may be, against any Allowed Claims and the distributions to be made pursuant to the Plan on account of such Allowed Claims, and (B) Claims of any nature whatsoever that the Debtors or the Reorganized Debtors or their successors may hold (and could have asserted) against the Holder of such Claim; provided, however, that neither the failure to effect a setoff (or to utilize any other rights pursuant to section 558 of the Bankruptcy Code) nor the allowance of any Claim hereunder will constitute a waiver or release of any such Claims or rights against such Holder.

(vii) In addition to the waivers of Causes of Action set forth in Section 15.01(d) of the Plan, the Reorganized Debtors shall waive all Causes of Action that may exist under sections 542, 544 through 550 and 558 of the Bankruptcy Code or under similar state laws, including any fraudulent conveyance claims, other than avoidance action claims that may exist against any of the Debtors' former officers or directors who in connection with any act or omission by such person in connection with or relating to the Debtors or their businesses, has been or is hereafter (i) indicted or charged with any criminal action, (ii) a person against whom civil charges are brought by the Securities and Exchange Commission, or (iii) found by any court or tribunal to have acted with gross negligence or willful misconduct. Notwithstanding the release of Causes of Action set forth in Section 9.03 of the Plan, the Plan Administrator shall have the right and shall be deemed the Debtors' agent to pursue such rights of action, including the Debtors' rights under section 502(d) of the Bankruptcy Code, as a defensive measure, including, without limitation, for purposes of setoff against distributions, if any, due to a Holder of a General Unsecured Claim pursuant to the Plan; provided, however, that nothing in the Plan shall give the Plan Administrator or any other party the right to bring any Claims now barred under paragraph 14 of the Final DIP Financing Order. The Reorganized Debtors, as representatives of the chapter 11 estates of the Debtors, shall retain the exclusive right to enforce, in their sole discretion, any and all Causes of Action of the Debtors not released pursuant to the terms of the Plan or that are not transferred to the Litigation LLC or the Plan Administrator.

(viii) Notwithstanding Section 8.01 of the Plan, and subject to paragraph 9 of this Order, any executory contract or unexpired lease that (i) has not been expressly assumed or rejected with approval by order of the Court on or prior to the Confirmation Date, (ii) is not the subject of a motion to reject pending as of the Confirmation Date, or (iii) that is not specifically designated as a contract or lease to be rejected on Exhibit J of the Plan Supplement, shall, as of the Effective Date, be deemed to have been assumed by the Debtors.

(ix) On the Effective Date, the Litigation LLC shall be established as a separate entity, without any further action of the directors or shareholders of the Debtors or the Reorganized Debtors, shall become effective pursuant to the Litigation LLC Agreement, and shall be owned by the Holders of Allowed General Unsecured Claims who hold Litigation LLC Interests. Subject to the terms of the Plan and any contrary provision required in connection with the Plan, the Litigation LLC Agreement shall

contain provisions customary to LLC agreements utilized in comparable circumstances and shall be in form and substance acceptable to the Creditors' Committee.

(x) On the Effective Date, the Debtors shall transfer, and shall be deemed to have transferred to the Litigation LLC, for and on behalf of Litigation LLC Interest Holders, all of the right, title, and interest in the Designated Litigation. Any outstanding fees and costs incurred by the Debtors in connection with the Designated Litigation transferred to the Litigation LLC prior to the date of the transfer to the Litigation LLC shall be paid by the Debtors. Upon such transfer, the Debtors and the Reorganized Debtors shall have no other further rights or obligations with respect to the Designated Litigation or the Litigation LLC; provided, however, the Reorganized Debtors and each of their directors, officers, and employees shall provide reasonable and necessary support and cooperation to the Litigation LLC and to the professionals prosecuting or defending any action transferred to the Litigation LLC, at the Litigation LLC's cost and expense in connection with the Designated Litigation, and shall receive reasonable reimbursement from the Litigation LLC for any out-of-pocket fees and expenses incurred in connection therewith.

(xi) Pursuant to Bankruptcy Rule 9019 and any applicable state law, the provisions of the Plan shall constitute a good faith compromise and settlement of all Causes of Action or disputes among the Debtors, Holders of General Unsecured Claims, and Holders of Senior Secured Note Claims. The Plan shall be deemed a settlement of all Causes of Action and disputes between the Debtors, Holders of General Unsecured Claims, and Holders of Senior Secured Note Claims.

(xii) On and after the Effective Date, the Plan Administrator will be authorized to (i) make distributions required under the Plan to Holders of Allowed General Unsecured Claims, (ii) transfer to the Litigation LLC the amount of the General Unsecured Cash Amount determined by the Plan Administration Committee, and (iii) prosecute objections to and settle General Unsecured Claims in accordance with section 13.01 of the Plan. The Plan Administrator will report to and consult with the Plan Administration Committee in connection with the performance of its duties under the Plan. Notwithstanding anything to the contrary in the Plan, neither the Debtors or the Reorganized Debtors shall have any liability for any act or omission by the Plan Administrator.

(xiii) On the Effective Date, the Debtors will transfer the Claims Objection Fund to the Plan Administrator. The Claims Objection Fund will be the sole source of funding for the Plan Administrator to prosecute objections to General Unsecured Claims pursuant to section 13.01 of the Plan and neither the Debtors nor the Reorganized Debtors shall have any obligation to fund the Claims Objection Fund or the Plan Administrator in any other way. In the event that any funds remain in the Claims Objection Fund after no Disputed General Unsecured Claims remain, such remaining funds shall be deposited in the General Unsecured Claim Reserve for distribution to Holders of Allowed General Unsecured Claims.

(xiv) Except as otherwise expressly provided by this Order or the Plan, confirmation of the Plan (subject to the occurrence of the Effective Date) shall discharge the Debtors and the Reorganized Debtors from any Debt that arose before the Confirmation Date, and any Debt of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not a Proof of Claim is filed or is deemed filed, whether or not such Claim is Allowed and whether or not the Holder of such Claim has voted on the Plan. Confirmation of the Plan shall not discharge any DIP Lender Claims or other Obligations (as that term is defined in the DIP Financing Agreement) under the DIP Financing Agreement unless and until all such DIP Lender Claims and Obligations (as that term is defined in the DIP Financing Agreement) are paid in full, in cash and all Letters of Credit issued in accordance with the DIP Financing Agreement have been terminated or cash collateralized.

(xv) Except as otherwise expressly provided by this Order or the Plan, the distributions and rights that are provided in the Plan shall be in complete satisfaction, discharge and release, effective as of the Confirmation Date (but subject to the occurrence of the Effective Date), of all Claims and Causes of Action against, liabilities of, liens on, obligations of and Old Equity Interests in the Debtors or the Reorganized Debtors or the direct or indirect assets and properties of the Debtors or the Reorganized Debtors, whether known or unknown, regardless of whether a Proof of Claim or Interest was filed, whether or not Allowed and whether or not the Holder of the Claim or Old Equity Interest has voted on the Plan, or based on any act or omission, transaction or other activity or security, instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date that was or could have been the subject of any Claim or Old Equity Interest, in each case regardless of whether a Proof of Claim or Interest was filed, whether or not Allowed and whether or not the Holder of the Claim or Old Equity Interest has voted on the Plan; provided, however, that notwithstanding the foregoing, nothing in the Plan is intended to release any insurer from having to provide coverage under any policy to which the Debtors, the Reorganized Debtors, and/or their current or former officers, directors, employees, representatives, or agents are parties or beneficiaries.

(xvi) Except as otherwise expressly provided by this Order or the Plan, any Holder of a Senior Secured Note Claim or General Unsecured Claim that has voted to accept the Plan shall be deemed to have agreed to the release provisions of the Plan and will be presumed conclusively to have released the Debtors, the Reorganized Debtors, the Subsidiaries, the Ad Hoc Committee of Secured Noteholders, the Creditors' Committee, the DIP Lenders, the DIP Financing Agent, the Indenture Trustee, and the present and former members of any of the foregoing (together with the advisory affiliates and advised affiliates of such members), their respective successors, assigns, and each of their respective agents, attorneys, advisors, accountants, financial advisors, and investment bankers, as well as the Debtors' officers, directors, and employees who hold such positions on the Confirmation Date, and any Entity claimed to be liable derivatively through any of

the foregoing, from any Cause of Action based on the same subject matter as the Claim on which the distribution is received; provided, however, that the foregoing releases shall not apply to any person or Entity who, in connection with any act or omission by such person or Entity in connection with or relating to the Debtors or their businesses, has been or is hereafter (i) indicted or charged with any criminal action, (ii) a person against whom civil charges are brought by the Securities and Exchange Commission, or (iii) found by any court or tribunal to have acted with gross negligence or willful misconduct; provided, further, however, that the foregoing releases shall not apply to any Holder of a General Unsecured Claim that chose to "opt-out" of the releases provided in Section 15.01(c) of the Plan by a written election pursuant to such Holder's Ballot.

(xvii) Except as otherwise expressly provided by this Order or the Plan, the confirmation of the Plan (subject to the occurrence of the Effective Date) shall act as a discharge and release of all Causes of Action (including Causes of Action of a trustee and debtor in possession under the Bankruptcy Code) of the Debtors and Reorganized Debtors, whether known or unknown, against (in each case, only in the specified capacity): (i) their present and former directors, shareholders, officers and employees, agents, attorneys, advisors, accountants, financial advisors, investment bankers; (ii) the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee, each in such capacity, and their respective present and former members and the present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns of each of the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee and their respective present and former members; (iii) the present and former Holders of the Senior Secured Notes, each in such capacity, and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (iv) the Indenture Trustee and its present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (v) the DIP Agent and DIP Lenders and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; and (vi) any Entity claimed to be liable derivatively through any of the foregoing (including Claims asserted derivatively on behalf of the Debtors in litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned Vincent v. Sancilio, et al., Civil Action No. 7:04-CV-166-D). Notwithstanding the generality of the foregoing, nothing in the Plan shall release any claims of any Debtors or Reorganized Debtors, as the case may be, against any Subsidiaries that are not Debtors or Reorganized Debtors, as the case may be; provided, however, that the foregoing releases shall not apply to any person or Entity who, in connection with any act or omission by such person or Entity in connection with or relating to the Debtors or their businesses, has been or

is hereafter (i) indicted or charged with any criminal action, (ii) a person against whom civil charges are brought by the Securities and Exchange Commission, or (iii) found by any court or tribunal to have acted with gross negligence or willful misconduct.

(xviii) The Debtors, the Committees and their present and former members, the DIP Lenders, the DIP Agent, the Indenture Trustee and each of the respective officers, directors, members, employees, and agents, attorneys, advisors, accountants, financial advisors, and investment bankers of the foregoing (including any professionals retained by such Persons or entities) shall have no liability for any act or omission in connection with, or arising out of, the pursuit of approval of the Disclosure Statement, the Plan, the solicitation of votes for or confirmation of the Plan, the consummation of the Plan, the transactions contemplated and effectuated by the Plan, the administration of the Plan, the property to be distributed under the Plan, or any other act or omission in connection with the administration of the Debtors' estates or in contemplation of the Chapter 11 Cases except for gross negligence or willful misconduct as determined by a Final Order of the Court, and in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided, however, that the foregoing releases shall not apply to any person or Entity who, in connection with any act or omission by such person or Entity in connection with or relating to the Debtors or their businesses, has been or is hereafter (i) indicted or charged with any criminal action, (ii) a person against whom civil charges are brought by the Securities and Exchange Commission, or (iii) found by any court or tribunal to have acted with gross negligence or willful misconduct.

(xix) Except as otherwise expressly provided by this Order or the Plan, the satisfaction, release and discharge pursuant to Sections 15.01, 15.02 and 15.04 of the Plan and paragraphs 7(xiv), 7(xv), 7(xvi), 7(xvii) and 7(xviii) of this Order shall act as an injunction against any Entity commencing or continuing any action, employment of process, or act to collect, offset or recover any Claim, Interest or Cause of Action satisfied, released or discharged under the Plan.

(xx) Notwithstanding anything to the contrary contained in this Plan, the Reorganized Debtors shall honor the Debtors' obligations to indemnify their directors, officers, agents, employees and representatives serving in such capacity on the Confirmation Date pursuant to their respective certificates of incorporation, by-laws, contractual obligations or any applicable laws in respect of all past, present and future actions, suits and proceedings against any of such directors, officers, agents, employees and representatives based upon any act or omission related to service with, for, or on behalf of the Debtors in an aggregate amount not to exceed \$3 million, which shall be the total amount available to satisfy any and all indemnification obligations provided, however, that (i) up to \$1.3 million (including related fees) of that amount shall be used solely to fund any indemnification payments made in connection with litigation pending in the United

States District Court for the Eastern District of North Carolina, Western Division, captioned Martin v. aaiPharma Inc., et al. (In re aaiPharma Inc. Securities Litigation), Case No. 7:04-CV-27-D, Master File Case No. 7:04-CV-78-D and (ii) the remaining amount shall be used to fund any indemnification obligations of the Debtors that the Reorganized Debtors shall honor, with no individual entitled to receive indemnification payments pursuant to Section 15.05 of the Plan in excess of \$300,000, absent the prior approval of the New Board of Directors of Reorganized aaiPharma, which approval shall be granted or denied solely based upon the fairness of any such increase in the indemnity to the other individuals entitled to indemnification under this provision; provided, further, however, that no amounts provided for in the forgoing clause (ii) shall be used to fund any indemnification payments in connection with the litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned In re aaiPharma Inc. Securities Litigation, Consolidated Civil Action No. 7:04-CV-27-D unless all insurance coverage potentially available in connection with such action is successfully denied. In consideration of the foregoing, any directors, officers, agents, employees, and representatives of the Debtors that receive indemnification from the Reorganized Debtors under section 15.05 shall be deemed to release any and all claims (including additional indemnification claims, other than as set forth above), other than Senior Secured Note Claims or claims for salary, employee benefits, vacation, and expense reimbursement, they may have against (i) the Debtors and the Reorganized Debtors, and their present and former directors, shareholders, officers and employees, agents, attorneys, advisors, accountants, financial advisors, investment bankers, successors, and assigns; (ii) the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee, each in such capacity, and their respective present and former members and the present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns of each of the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee and their respective present and former members; (iii) the present and former Holders of the Senior Secured Notes, each in such capacity, and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (iv) the Plan Administrator, the Litigation Manager, and the members of the Plan Administration Committee and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (v) the Indenture Trustee and its present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (vi) the DIP Agent and DIP Lenders and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; and (vii) any Entity claimed to be liable derivatively through any of the foregoing (including Claims asserted derivatively on behalf of the Debtors in

litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned Vincent v. Sancilio, et al., Civil Action No. 7:04-CV-166-D). No officer, director, employee, agent, or representative who, in connection with any act or omission by such person in connection with or relating to the Debtors or their businesses, has been or hereafter (i) is indicted or charged with any criminal action, (ii) is a person against whom civil charges are brought by the Securities and Exchange Commission, (iii) is found by any court or tribunal to have acted with gross negligence or willful misconduct, or (iv) otherwise breaches any condition to receiving indemnification pursuant to section 15.05 of the Plan shall be entitled to receive such indemnification. Furthermore, any person who receives indemnification pursuant to section 15.05 of the Plan and subsequently (i) is indicted or charged with any criminal action, (ii) is a person against whom civil charges are brought by the Securities and Exchange Commission, (iii) is found by any court or tribunal to have acted with gross negligence or willful misconduct, or (iv) otherwise breaches any condition to receiving any indemnification pursuant to section 15.05 of the Plan shall be required to disgorge to the Reorganized Debtors any amounts received pursuant to section 15.05 of the Plan. Neither the Debtors nor the Reorganized Debtors shall have a General Unsecured Claim by way of subrogation or otherwise for payments made pursuant to section 15.05 of the Plan. Notwithstanding anything to the contrary in this Plan, the Reorganized Debtors shall honor the indemnification obligations set forth in section 12.15 of the DIP Financing Agreement.

(xxi) The classification and the manner of satisfying all Claims under the Plan takes into consideration (i) the possible existence of any alleged guarantees by the Debtors of obligations of any Entity or Entities, and (ii) that the Debtors may be joint obligors with another Entity or Entities with respect to the same obligation. The Holders of Claims shall be entitled to only one distribution with respect to any given obligation of the Debtors.

(xxii) Except as otherwise specifically provided in the Plan with respect to the subordination of 510(b) Note Claims and Old Equity Interests, to the fullest extent permitted by applicable law, all Claims and Old Equity Interests in the Debtors, and all rights and claims between or among Holders of Claims or Old Equity Interests relating in any manner whatsoever to Claims or Old Equity Interests, based on any contractual or legal rights, shall be terminated on the Effective Date in the manner provided in the Plan, and all such Claims, Old Equity Interests and rights so based and all such contractual and legal rights to which any Entity may be entitled shall be irrevocably waived upon the Effective Date. Except as otherwise specifically provided in the Plan and to the fullest extent permitted by applicable law, the rights afforded and the distributions that are made in respect of any Claims or Old Equity Interests hereunder shall not be subject to levy, garnishment, attachment or like legal process by any Holder of a Claim or Old Equity Interest by reason of any contractual or legal rights, so that, notwithstanding any such contractual or legal rights, each Holder of a Claim or Old Equity Interest shall have and receive the benefit of the rights and distributions set forth in the Plan.

(xxiii) Pursuant to Bankruptcy Rule 9019, and any applicable state law, and as consideration for the distributions and other benefits provided under the Plan, the provisions of section 15.04(b) of the Plan and paragraph 7(xxii) of this Order shall constitute a good faith compromise and settlement of any Causes of Action relating to the matters described in Section 15.04(b) of the Plan which could be brought by any Holder of a Claim or Old Equity Interest against or involving another Holder of a Claim or Old Equity Interest, which compromise and settlement is in the best interests of Creditors and Holders of Old Equity Interests and is fair, equitable and reasonable.

8. Since filing the Plan, the Debtors have made the following changes to the Plan that do not adversely affect any of the Debtors' Creditors under Bankruptcy Rule 3019:

(i) The definition of DIP Financing Agent shall be deleted and shall be replaced by the following:

Any or all of, Silver Point, in its capacity as collateral agent under the DIP Financing Agreement or Bank of America, in its capacity as the administrative agent under the DIP Financing Agreement, as applicable.

(ii) The definition of New Common Stock shall be deleted and shall be replaced by the following:

The 2,000,000 shares of common stock of Reorganized aaiPharma to be issued by Reorganized aaiPharma on and after the Effective Date pursuant to this Plan or otherwise, and having the rights set forth in the Amended and Restated Certificate of Incorporation of Reorganized aaiPharma.

(iii) The definition of New Credit Agreement shall be deleted and shall be replaced by the following:

The \$45 million secured credit agreement to be executed on the Effective Date. A term sheet setting forth the material terms of the New Credit Agreement will be filed with the Court as part of the Plan Supplement.

(iv) The definition of Registration Rights Agreement shall be deleted.

(v) Section 9.08 shall be deleted and shall be replaced by the following:

Stockholder Agreement. On the Effective Date, Reorganized aaiPharma and each Holder of Senior Secured Note Claims shall be deemed to have entered into the Stockholder Agreement on account of the New Common Stock issued to such Holders of Senior Secured Note Claims pursuant to this Plan.

(vi) Section 15.02 shall be deleted and shall be replaced by the following:

Exculpation: The Debtors, the Committees and their present and former members, the DIP Lenders, the DIP Agent, the Indenture Trustee and each of the respective officers, directors, members, employees, and agents, attorneys, advisors, accountants, financial advisors, and investment bankers of the foregoing (including any professionals retained by such Persons or entities) shall have no liability for any act or omission in connection with, or arising out of, the pursuit of approval of the Disclosure Statement, the Plan, the solicitation of votes for or confirmation of the Plan, the consummation of the Plan, the transactions contemplated and effectuated by the Plan, the administration of the Plan, the property to be distributed under the Plan, or any other act or omission in connection with the administration of the Debtors' estates or in contemplation of the Chapter 11 Cases except for gross negligence or willful misconduct as determined by a Final Order of the Court, and in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided, however, that the foregoing releases shall not apply to any person or Entity who, in connection with any act or omission by such person or Entity in connection with or relating to the Debtors or their businesses, has been or is hereafter (i) indicted or charged with any criminal action, (ii) a person against whom civil charges are brought by the Securities and Exchange Commission, or (iii) found by any court or tribunal to have acted with gross negligence or willful misconduct.

(vii) Section 15.03 shall be deleted and shall be replaced by the following:

Injunction. Sections 15.01, 15.02 and 15.04 of this Plan will also act as an injunction against any Entity commencing or continuing any action, employment of process, or act to collect, or recover any Claim, Interest or Cause of Action satisfied, released or discharged under this Plan. Notwithstanding any other provision of this Plan or the Confirmation Order, confirmation of this Plan shall not enjoin or extinguish any Creditor's rights of setoff or recoupment, if any, to the extent that such Creditor has a valid Claim and a valid right of recoupment or setoff under applicable state or federal law. Without limiting the applicability of the foregoing, (a) mutuality shall be required for any setoff and (b) no creditor may setoff (i) any prepetition Claim against any post-petition obligation owed to any of the Debtors or (ii) any post-petition claim against any prepetition obligation owed to any of the Debtors. Nothing herein shall constitute any admission by any of the Debtors that any Creditor has a valid right of setoff or right of recoupment under applicable state or federal law; and, provided, further, that any and all defenses of the Debtors and/or Reorganized Debtors (other than the effect of confirmation and the discharge injunctions) with respect to any such asserted right of setoff or

right of recoupment and to challenge the assertion of any such right of setoff or recoupment are hereby preserved in their entirety.

(viii) Section 15.05 shall be deleted and shall be replaced by the following:

Survival of Indemnification Obligations. Notwithstanding anything to the contrary contained in this Plan, the Reorganized Debtors shall honor the Debtors' obligations to indemnify their directors, officers, agents, employees and representatives serving in such capacity on the Confirmation Date pursuant to their respective certificates of incorporation, by-laws, contractual obligations or any applicable laws in respect of all past, present and future actions, suits and proceedings against any of such directors, officers, agents, employees and representatives based upon any act or omission related to service with, for, or on behalf of the Debtors in an aggregate amount not to exceed \$3 million, which shall be the total amount available to satisfy any and all indemnification obligations provided, however, that (i) up to \$1.3 million of that amount (including related fees) shall be used solely to fund any indemnification payments made in connection with litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned Martin v. aaiPharma Inc., et al. (In re aaiPharma Inc. Securities Litigation), Case No. 7:04-CV-27-D, Master File Case No. 7:04-CV-78-D and (ii) the remaining amount shall be used to fund any indemnification obligations of the Debtors that the Reorganized Debtors shall honor, with no individual entitled to receive indemnification payments pursuant to this Section 15.05 in excess of \$300,000 absent the prior approval of the New Board of Directors of Reorganized aaiPharma, which approval shall be granted or denied solely based upon the fairness of any such increase in the indemnity to the other individuals entitled to indemnification under this provision; provided, further, however, that no amounts provided for in the forgoing clause (ii) shall be used to fund any indemnification payments in connection with the litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned In re aaiPharma Inc. Securities Litigation, Consolidated Civil Action No. 7:04-CV-27-D unless all insurance coverage potentially available in connection with such action is successfully denied. In consideration of the foregoing, any directors, officers, agents, employees, and representatives of the Debtors that receive indemnification from the Reorganized Debtors under this section 15.05 shall be deemed to release any and all claims (including additional indemnification claims, other than as set forth above), other than Senior Secured Note Claims or claims for salary, employee benefits, vacation, and expense reimbursement, they may have against (i) the Debtors and the Reorganized Debtors, and their present and former directors, shareholders, officers and employees, agents, attorneys, advisors, accountants, financial

advisors, investment bankers, successors, and assigns; (ii) the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee, each in such capacity, and their respective present and former members and the present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns of each of the Ad Hoc Committee of Secured Noteholders and the Creditors' Committee and their respective present and former members; (iii) the present and former Holders of the Senior Secured Notes, each in such capacity, and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (iv) the Plan Administrator, the Litigation Manager, and the members of the Plan Administration Committee and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (v) the Indenture Trustee and its present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; (vi) the DIP Agent and DIP Lenders and their respective present and former affiliates, officers, directors, shareholders, attorneys, accountants, financial advisors, investment bankers, advisory affiliates, employees, agents, successors and assigns; and (vii) any Entity claimed to be liable derivatively through any of the foregoing (including Claims asserted derivatively on behalf of the Debtors in litigation pending in the United States District Court for the Eastern District of North Carolina, Western Division, captioned Vincent v. Sancelio, et al., Civil Action No. 7:04-CV-166-D). No officer, director, employee, agent, or representative who, in connection with any act or omission by such person in connection with or relating to the Debtors or their businesses, has been or hereafter (i) is indicted or charged with any criminal action, (ii) is a person against whom civil charges are brought by the Securities and Exchange Commission, (iii) is found by any court or tribunal to have acted with gross negligence or willful misconduct, or (iv) otherwise breaches any condition to receiving indemnification pursuant to this section 15.05 of the Plan shall be entitled to receive such indemnification. Furthermore, any person who receives indemnification pursuant to this section 15.05 of the Plan and subsequently (i) is indicted or charged with any criminal action, (ii) is a person against whom civil charges are brought by the Securities and Exchange Commission, (iii) is found by any court or tribunal to have acted with gross negligence or willful misconduct, or (iv) otherwise breaches any condition to receiving any indemnification pursuant to this section 15.05 of the Plan shall be required to disgorge to the Reorganized Debtors any amounts received pursuant to this section 15.05 of the Plan. Neither the Debtors nor the

Reorganized Debtors shall have a General Unsecured Claim by way of subrogation or otherwise for payments made pursuant to this section 15.05 of the Plan. Notwithstanding anything to the contrary in this Plan, the Reorganized Debtors shall honor the indemnification obligations set forth in section 12.15 of the DIP Financing Agreement.

9. Except to the extent that different treatment has been agreed to by the non-Debtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 8.01 of the Plan or as otherwise provided in this Order or in any prior order of the Court authorizing the assumption or rejection of any such contract or lease, the Debtors shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, within 30 days after entry of this Order, (i) file one or more pleadings with the Court listing the cure amounts of all executory contracts and unexpired leases to be assumed and (ii) serve upon the parties to such executory contracts and unexpired leases a copy of the pleadings and this Order. The parties to such executory contracts and unexpired leases to be assumed by the Debtors that are not subject to a pending motion to assume shall have 30 days to object to the cure amounts listed by the Debtors; and the parties to executory contracts and unexpired leases as to which there is pending a motion to assume shall have such period to object as the Court may allow. If there are any objections filed, the Court shall hold a hearing. In the event this Court determines that the cure amount is greater than the cure amount listed by the Debtors, the Reorganized Debtors may elect to reject the executory contract or unexpired lease and not pay such greater cure amount.

10. The Bankruptcy Court shall retain jurisdiction to resolve any disputes with respect to the assumption and rejection of executory contracts and leases and the amounts, if any, that must be cured in connection with the assumption of executory contracts and leases.

11. The Reorganized Debtors are hereby authorized, empowered and directed to issue the New Common Stock without the need for any corporate action or action by the Reorganized Debtors' shareholders or Boards of Directors. Section 1145 of the Bankruptcy Code applies with respect to the issuance of the New Common Stock under the Plan, and therefore, the New Common Stock issued pursuant to the Plan shall be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder, as well as any and all applicable state and local laws, rules and regulations.

12. The Debtors are hereby authorized and empowered to execute the Commitment Letter and to satisfy and perform all of their obligations contained therein, including, without limitation, the payment of all fees and expenses, and to take all actions contemplated by the Commitment Letter. The Commitment Letter is a valid and binding obligation of the Debtors and the Reorganized Debtors, approved by this Court and effective pursuant to applicable law. The Debtors, the Reorganized Debtors and all parties in interest are hereby authorized, empowered and directed forthwith to take any and all actions, including to finalize the negotiation and documentation of, and to execute any and all documents, necessary to implement the provisions of the Plan, including, without limitation, the Amended and Restated By-Laws, Amended and Restated Certificates of Incorporation, the Management Incentive Plan, the Senior Executive Employment Agreements, the Litigation LLC Agreement, the New Credit Facility Documents and the Stockholder Agreement and to execute, deliver and file (as appropriate) all documents and take all actions provided in or contemplated by any of the same to accomplish the intent of same, including any modifications consistent with the terms of the Plan. All such actions taken or caused to be taken, including, without limitation, the completion of negotiation and documentation of the Management Incentive Plan, the Senior Executive

Employment Agreements and the New Credit Facility Documents (in accordance with the Commitment Letter), shall be deemed to have been authorized and approved by this Court and shall be deemed effective pursuant to applicable law and without the need for any required approvals, authorizations or consents. Each of the documents and agreements described above will, upon execution, be valid, binding and enforceable against the Debtors, the Reorganized Debtors and any other person who is a party thereto, and is entered into for good and valuable consideration, including the benefits of the Plan and any or all of such documents and agreements shall be accepted by each of the respective state filing offices and recorded in accordance with applicable state law and shall become effective in accordance with their terms and the provisions of state law. Notwithstanding anything to the contrary herein, nothing in this Order shall abrogate or otherwise limit the requirement that the New Credit Facility and the New Credit Facility Documents, the Management Incentive Plan, the Senior Executive Employment Agreements, the Stockholder Agreement, the Amended and Restated By-Laws, and the Amended and Restated Certificates of Incorporation, among others, must be in a form and substance satisfactory to the Ad Hoc Committee of Secured Noteholders.

13. In accordance with Section 11.16 of the Plan, the Plan is approved as a settlement under Bankruptcy Rule 9019 of all Causes of Action or disputes among the Debtors, Holders of General Unsecured Claims, and Holders of Senior Secured Note Claims.

14. Pursuant to Section 9.11 of the Plan, on the Effective Date, Reorganized aaiPharma shall file an Amended and Restated Certificate of Incorporation for itself and for each of the Reorganized Debtors that are corporations in the state of incorporation for such Reorganized Debtor. The Amended and Restated Certificates of Incorporation for each of the Reorganized Debtors shall prohibit the issuance of nonvoting equity securities, subject to further

amendment of such Amended and Restated Certificates of Incorporation as permitted by applicable law. The Amended and Restated Bylaws shall be deemed adopted by the Boards of Directors of each of the Reorganized Debtors as of the Effective Date.

15. Notwithstanding anything in the Plan or this Order to the contrary, the Amended and Restated Certificate of Incorporation of aaiPharma shall authorize the issuance of 2,000,000 shares of New Common Stock and 1,000,000 shares of New Common Stock shall constitute the Senior Secured Note Distribution.

16. This Order shall constitute all approvals and consents required, if any, by the laws, rules, or regulations of any state or other governmental authority with respect to the implementation or consummation of the Plan and Disclosure Statement, any documents, instruments, or agreements, and any amendments or modifications thereto, and any other acts referred to in, or contemplated by, the Plan, the Disclosure Statement, and the Plan Supplements, including the filing of any documents with any governmental authority.

17. As of the close of business on the date that is five days after the Confirmation Date, the various transfer registers for each of the classes of Claims and Interests as maintained by the Debtors or their respective agents shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Interests for purposes of receiving distributions under the Plan. The Debtors, the Reorganized Debtors, the Plan Administrator, or their designees shall have no obligation to recognize any transfer of the Claims or Equity Interests occurring on or after such date.

18. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer from a Debtor to a Reorganized Debtor or any other person or entity pursuant to the Plan, including, without

limitation, the granting or recording of any Lien or mortgage on any property under the New Credit Facility Documents will not be subject to any stamp tax or similar tax. The Reorganized Debtors or any agent or representative of the Reorganized Debtors are authorized to serve upon all filing and recording officers a notice, in connection with the filing and recording of any instruments of transfer in accordance with the Plan, to evidence and implement this paragraph. All filing and recording officers are hereby directed to accept for filing or recording all instruments to be filed and recorded in accordance with the Plan and the exhibits thereto, without payment of any such taxes. This Court retains jurisdiction to enforce the foregoing direction, by contempt proceedings or otherwise.

19. Without the need for a further Order or authorization of this Court, but subject to the express provisions of this Order, the Debtors are authorized and empowered to make modifications to the documents filed with the Court or admitted in the evidentiary record at the Confirmation Hearing in their reasonable business judgment as may be necessary.

20. The terms and conditions of the New Credit Facility Documents as set forth in (or as contemplated by) the Commitment Letter are hereby approved in all respects. The Debtors and the Reorganized Debtors are authorized, without further approval by this Court, their boards of directors, or their shareholders, including, without limitation, pursuant to Bankruptcy Code Section 1142(b) to negotiate, execute, deliver and consummate all documentation relating to the New Credit Facility Documents (including, without limitation, UCC financing statements, pledge and security agreements, and mortgages or deeds of trust) and to pay all fees and expenses required to be paid in connection therewith (including as contemplated by the Commitment Letter), and upon the execution and delivery thereof by the Reorganized Debtors, the New Credit Facility Documents shall constitute legal, valid and binding obligations of each Reorganized

Debtor, enforceable against each Reorganized Debtor in accordance with their respective terms, entered into for good and valuable consideration, including the benefits of the Plan. All property, assets, or interests in property or assets of the Reorganized Debtors, of any kind or nature whatsoever, real or personal, now existing or hereafter acquired or created (hereinafter collectively referred to as the "Assets") that are to be encumbered in accordance with any of the New Credit Facility Documents (or any documents executed in connection therewith) shall be secured by fully perfected valid and enforceable first priority liens and security interests senior to any and all liens and security interests on any of the Assets of the Reorganized Debtors except for such liens specifically provided in the Plan. The financial accommodations to be extended pursuant to the New Credit Facility Documents are being extended for legitimate business purposes and shall not be subject to recharacterization for any purpose whatsoever. The Debtors and the Reorganized Debtors are authorized to perform all of their obligations under the New Credit Facility Documents. The validity, enforceability, perfection and priority of the liens and security interests to be granted under the New Credit Facility Documents are authorized and approved without any further act required by the agent or lenders thereunder; provided that the agent and the lenders under the New Credit Facility Documents may file financing statements, deeds of trust, mortgages or other documents and take any and all actions as they deem appropriate, in their discretion, to confirm the perfection of such security interests and liens. The New Credit Facility Documents and all matters relating thereto have been and/or are deemed to have been negotiated in good faith and at arms' length, and any credit extended and any loans made to the Reorganized Debtors and/or any affiliated entities or any successors pursuant to the New Credit Facility Documents and related documents to be executed pursuant thereto or in connection therewith are deemed to have been extended in good faith.

21. On the Effective Date, the DIP Financing Agreement, the Pre-Petition Indenture, the Senior Secured Notes, the Intercreditor Agreement, and Old Equity Interests, as well as any and all securities or agreements relating to the DIP Financing Agreement and/or the Pre-Petition Indenture shall be canceled, terminated and of no further force or effect.

22. The Plan Administrator shall serve as the Litigation LLC's disbursing agent for the purposes of making any distributions to Litigation LLC Interest Holders on behalf of the Litigation LLC.

23. The Plan Administrator, the Plan Administration Committee, and the Litigation Manager shall incur no liability for any action taken in accordance with the Plan Administration Committee By-Laws, the Litigation LLC Agreement and the Plan, provided that, the Plan Administrator, the Plan Administration Committee and the Litigation Manager shall not be released in connection with any act or omission found by any court or tribunal to be the result of such party's gross negligence or willful misconduct.

24. Subject to the occurrence of the Effective Date and notwithstanding Section 3.01(a)(i) of the Plan, Allowed Priority Tax Claims of the Internal Revenue Service shall be entitled to receive on account of such Allowed Priority Tax Claims, if any, Cash payments made in equal annual installments beginning on or before the first anniversary following the Effective Date with the final installment being payable no later than the sixth anniversary of the date of the assessment of such Allowed Priority Tax Claim, together with interest on the unpaid balance of such Allowed Priority Tax Claim from the Effective Date calculated in accordance with 28 U.S.C. § 1961, except as otherwise noted on the record at the Confirmation Hearing

25. In accordance with Section 6.02 of the Plan, Allowed Miscellaneous Secured Claims (Class 2) shall remain Unimpaired. However, the Debtors or Reorganized

Debtors, as applicable, retain the right to dispute the validity, amount and extent of any Miscellaneous Secured Claims.

26. In accordance with Sections 6.04 and 8.04 of the Plan, and subject to Section 9.13 of the Plan, any and all Allowed General Unsecured Claims (Class 4) arising from claims of employees of the Debtors for contributions to employee benefit plans shall survive confirmation of the Plan, remain unaffected thereby, not be discharged, and to the extent the contracts upon which such claims are based are executory, they shall be assumed pursuant to Section 8.01 of the Plan, except to the extent such plans, policies and programs held 510(b) Note Claims, Old Equity Interests or Other Interests (which Interests shall be extinguished as set forth in Sections 6.06, 6.07 and 9.09 of the Plan). Thus any proofs of claim filed on account of such Allowed Claims shall be deemed satisfied.

27. The business and assets of the Debtors shall remain subject to the jurisdiction of this Court until the Effective Date. From and after the Effective Date, this Court shall retain and have exclusive jurisdiction of all matters arising out of, and related to the Chapter 11 Case or the Plan pursuant to, and for purposes of, subsection 105(a) and section 1142 of the Bankruptcy Code and for, among other things, the following purposes: (a) to determine any and all disputes relating to Administrative Expenses, Claims and Old Equity Interests, including the allowance and amount thereof, and any right to setoff; (b) to determine any and all disputes among creditors with respect to their Claims; (c) to determine any and all disputes relating to the Litigation LLC, the Plan Administrator and the Plan Administration Committee; (d) to determine any and all disputes regarding any assertion of a waiver or relinquishment of any Privilege through the transfer of the Designated Litigation to the Litigation LLC or by sharing any Privileged information with the Litigation Manager, the Plan Administrator, or the Creditors'

Committee; (e) to determine any and all objections to cure amounts required pursuant to section 8.02 of the Plan; (f) to consider and allow any and all applications for compensation for professional services rendered and disbursements incurred up to and including the Confirmation Date in connection therewith; (g) to determine any and all applications, motions, adversary proceedings and contested or litigated matters pending on the Effective Date and arising in or related to the Chapter 11 Cases or the Plan; (h) to remedy any defect or omission or reconcile any inconsistency in the Plan or this Order; (i) to enforce the provisions of the Plan relating to the distributions to be made thereunder; (j) to issue such orders, consistent with section 1142 of the Bankruptcy Code, as may be necessary to effectuate the consummation and full and complete implementation of the Plan; (k) to enforce and interpret any provisions of the Plan or this Order; (l) to determine such other matters as may be set forth in this Order or that may arise in connection with the implementation of the Plan; (m) to determine the amounts allowable as Administrative Expenses pursuant to section 503(b) of the Bankruptcy Code; (n) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Sale Transaction and any agreements or documents necessary to effectuate the terms and conditions of the Plan, or any orders entered by the Court during the pendency of the Chapter 11 Cases; (o) to hear and determine any issue for which the Plan or any document related to or ancillary thereto requires a Final Order of the Court; (p) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code; (q) to hear and determine any issue related to the composition of the New Boards of Directors of each of the Reorganized Debtors; (r) to hear any other matter not inconsistent with the Bankruptcy Code; and (s) to enter a final decree closing the Chapter 11 Cases.

28. Unless otherwise provided by Order of this Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

29. The stipulations "so ordered" by this Court and the resolutions of the objections to confirmation explained on the record at the confirmation hearing are hereby incorporated by reference.

30. Notwithstanding anything to the contrary in the Plan, nothing in the Plan or this Order shall be construed as subordinating any Allowed Claim of the Secretary of Labor, U.S. Department of Labor to the Claims of General Unsecured Creditors; rather, all parties in these Chapter 11 Cases shall preserve their rights to object to (a) the filing of any Proof of Claim by the Secretary of Labor, U.S. Department of Labor, (b) the Allowance of any Claim of the Secretary of Labor, U.S. Department of Labor, and (c) the classification of any Claim of the Secretary of Labor, U.S. Department of Labor. In addition, all of the rights of the Secretary of Labor, U.S. Department of Labor with regard to (a), (b), and (c) above shall be preserved.

31. Any provision in paragraphs 15.01(c) and 15.04 of the Plan that provides for the release of non-Debtors, or an injunction on behalf of non-Debtors, shall not apply to any actions or proceedings brought by the Secretary of Labor, U.S. Department of Labor against a non-Debtor pursuant to Title I of ERISA.

32. All fees payable through the Effective Date under 28 U.S.C. § 1930 shall be paid on the Effective Date, or as soon thereafter as practicable. Neither the Debtors nor the Reorganized Debtors shall make any payments pursuant to 28 U.S.C. § 1930 on account of any disbursements to the General Unsecured Claims Reserve. From and after the Effective Date, the

Reorganized aaiPharma shall pay the fees under 28 U.S.C. § 1930 for any disbursements made from the General Unsecured Claims Reserve, including any disbursements on account of any proceeds received from the prosecution, settlement, or any other disposition of the Designated Litigation. The Reorganized Debtors shall pay the fees assessed against each of the Reorganized Debtors' estates under 28 U.S.C. § 1930 until entry of an order closing the respective Chapter 11 Cases. In addition, (i) each of the Debtors or the Reorganized Debtors (as the case may be) and (ii) the Plan Administrator shall file post-confirmation quarterly reports or any pre-confirmation monthly operating reports not filed as of the confirmation hearing in conformity with the U.S. Trustee guidelines, until, (x) in the case of the Reorganized Debtors, entry of an order closing the respective Chapter 11 Cases, and (y) in the case of the Plan Administrator, the dissolution of the Plan Administration Committee. The U.S. Trustee shall not be required to file a request for payment of its quarterly fees, which shall be deemed an administrative expense claim against the Debtors and their estates. The U.S. Trustee shall not object to any decree closing the Chapter 11 Cases on the grounds that the Litigation LLC is continuing to prosecute or has not yet resolved the Designated Litigation.

33. The Debtors are authorized to retain an investigatory firm to conduct background checks of the individuals proposed to serve as directors of Reorganized AAI Pharma without the need to file an application for approval thereof, and the investigatory firm selected by the Debtors shall not be required to file fee applications with this Court or seek approval of its fees or expenses in connection with the performance of any such services.

34. Notwithstanding this Court's Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and Committee Members, all applications for final allowances of

compensation and reimbursement of expenses pursuant to sections 330 and 503(b) of the Bankruptcy Code in connection with the Chapter 11 Cases for the period from the Petition Date through and including the Confirmation Date shall be filed with this Court and served upon (i) the Debtors, c/o aaiPharma Inc., 2320 Scientific Park Drive, Wilmington, NC 28405 (Attn: Gregory S. Bentley, Esq.); (ii) counsel to the Debtors, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, NY 10004 (Attn: Gary L. Kaplan, Esq.) and Richards, Layton & Finger, One Rodney Square, 920 North King Street, Wilmington, DE 19801 (Attn: Mark D. Collins, Esq.); (iii) The Office of the United States Trustee, District of Delaware, J Caleb Boggs Federal Building, 844 King Street, Suite 2207, Wilmington, DE 19801 (Attn: William Harrington, Esq.); (iv) counsel to the Creditors' Committee, Reed Smith LLP, 1201 Market Street, Suite 1500, Wilmington, DE 19801 (Attn: Kurt F. Gwynne, Esq.); (v) counsel to the Ad Hoc Committee of Secured Noteholders, Milbank, Tweed, Hadley, & McCloy LLP, One Chase Manhattan Plaza, New York, NY 10005 (Attn: Dennis F. Dunne, Esq.); (vi) counsel to the Agent for the Debtors' Debtor in Possession Financing Facility, Schulte Roth & Zabel LLP, 919 Third Avenue, New York, NY 10022 (Attn: Frederick L. Ragucci, Esq.); and (vii) the Master Service List, no later than 45 days after the Effective Date. Objections to persons or entities seeking an award of the Bankruptcy Court for compensation for services rendered or reimbursement of expenses under sections 330 and 503(b) of the Bankruptcy Code must be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors and the person or entity to whose application the objections are addressed no later than 20 days after such application is filed. Notwithstanding anything to the contrary, none of the Plan Administrator, the Litigation Manager, the members of the Plan Administration Committee, nor any of their respective professionals shall be required to file fee applications or otherwise seek approval of

their fees and expenses with the Bankruptcy Court. In addition, the Litigation Manager shall be entitled to compensation and reimbursement of out-of-pocket expenses for any services provided in that capacity prior to the Effective Date; provided, however, that such fees and expenses shall be paid solely out of the General Unsecured Cash Amount (and the Debtors and the Reorganized Debtors shall not have any liability for such fees or expenses). The Litigation Manager shall not be required to file a fee application for such compensation or expense reimbursement.

35. After the entry of this Order, the Debtors may, upon order of the Bankruptcy Court, alter, amend or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. The Debtors, without further order of the Court, shall be authorized to negotiate and execute (including the payment of any necessary diligence fees of such lender) a New Credit Facility with a lender other than the lender disclosed at the Confirmation Hearing upon prior consultation with and prior approval of the Ad Hoc Committee of Secured Noteholders.

36. Within fifteen (15) days after entry of this Order, or within such further time as this Court may allow, the Debtors shall, as provided in Bankruptcy Rule 2002(f)(7), cause a copy of a notice of entry of this Order, in the form annexed hereto as Exhibit C, to be mailed by first class mail to all creditors of the Debtors and to be published once in the national edition of The New York Times, the Charlotte Observer, and the Raleigh News and Observer and once in the international edition of the Wall Street Journal. Such notice is adequate under the particular circumstances and no other or further notice is necessary or required.

37. If any or all of the provisions of this Order are hereafter reversed, modified or vacated by subsequent order of this Court or any other court, such reversal, modification or

vacatur shall not affect the validity of the acts or obligations incurred or undertaken under or in connection with the Plan prior to the Debtors' receipt of written notice of any such order.

Notwithstanding any such reversal, modification or vacatur of this Order, any such act or obligation incurred or undertaken pursuant to, and in reliance on, this Order prior to the effective date of such reversal, modification or vacatur shall be governed in all respects by the provisions of this Order and the Plan and all documents related to the Plan and any amendments or modifications to any of the foregoing.

38. The provisions of the Plan and this Order shall be construed in a manner consistent with each other so as to effect the purposes of each; provided, however, that if there is determined to be any inconsistency between any Plan provision and any provision of this Order that cannot be so reconciled, then solely to the extent of such inconsistency, the provisions of this Order shall govern and any provision of this Order shall be deemed a modification to the Plan and shall control and take precedence.

39. The provisions of this Order are integrated with each other and are non-severable and mutually dependent.

40. The failure specifically to include or reference any particular provision of the Plan or any related agreement in this Order shall not diminish or impair the efficacy of such provision or such related agreements, it being understood that it is the intent of this Bankruptcy Court that the Plan be confirmed and such related agreements be approved in their entirety.

41. Pursuant to the authority of this Court granted under Bankruptcy Rule 3020(e), this Order shall not be stayed until the expiration of 10 days after entry of this Order and shall be effective immediately upon its entry. This Order is a Final Order and the period in which an appeal must be filed shall commence upon the entry hereof.

Dated: Wilmington, Delaware
January 20 2006


UNITED STATES BANKRUPTCY JUDGE