THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MASSACHUSETTS
(EASTERN DIVISION)

In re: MOLECULAR INSIGHT PHARMACEUTICALS, INC.,[1] Debtor.	Chapter 11 Case No. 10-23355 (FJB)

DISCLOSURE STATEMENT FOR DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL FROM, BUT HAS NOT BEEN APPROVED BY, THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT

KRAMER LEVIN NAFTALIS & FRANKEL LLP
Attorneys for Debtor and
Debtor in Possession
1177 Avenue of the Americas
New York, New York 10036
(212) 715-9100

RIEMER & BRAUNSTEIN LLP
Attorneys for Debtor and
Debtor in Possession
Three Center Plaza
Boston, Massachusetts 02118
(617) 523-9000

Dated: March 7, 2011

[1] The last four digits of the Debtor's tax identification number are 2086.

Exhibit A – Plan of Reorganization
Exhibit B – Projections – To be filed
Exhibit C – Valuation Analysis – To be filed
Exhibit D – Liquidation Analysis– To be filed

I.

INTRODUCTION

On December 9, 2010 (the "Petition Date") Molecular Insight Pharmaceuticals, Inc. (the "Debtor" or "Molecular Insight") filed a petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor is soliciting votes to accept or reject a proposed plan of reorganization (the "Plan of Reorganization," the "First Amended Plan" or the "Plan"), a copy of which is annexed as Exhibit A hereto.

The Plan was developed after extensive negotiations between the Debtor and an informal group of holders (the "Consenting Bondholders") of the Debtor's senior secured floating rate bonds due 2012 (the "Bonds") and is being filed as an amendment to the plan of reorganization that the Debtor originally filed (the "Original Plan") in connection with an agreement with Savitr Capital LLC ("Savitr"). While the Original Plan provided for, among other things, a $45,000,000 contribution of new equity by Savitr and the distribution of up to $120,000,000 in newly issued bonds to the holders of the Bonds (the "Bondholders"), it did not have the Bondholders' support. As amended, the Plan now does have the support of the Consenting Bondholders and provides for, among other things: (a) $40,000,000 of new capital, to be raised through an exit facility that will be funded by certain of the Consenting Bondholders and affiliate entities of certain of the Consenting Bondholders; (b) the conversion of the Bonds into 100% of the new equity in the post-Effective Date reorganized Debtor; (c) payment of a pro rata share of $500,000 in cash to holders of allowed general unsecured claims; and (d) the cancelation of existing equity interests.

The Debtor believes that approval of the First Amended Plan presents the best chance for the Debtor's successful emergence from chapter 11. **Please refer to section 1 of the Plan, "Definitions and Interpretation," for the meaning of the defined terms used but not otherwise defined herein.**

The purpose of the Disclosure Statement is to provide information of a kind and in sufficient detail to enable the creditors of the Debtor who are entitled to vote on the Plan to make an informed decision on whether to accept or reject the Plan. Thus, this Disclosure Statement describes the Debtor's prepetition operating and financial history and the events leading up to the commencement of this Chapter 11 Case, as well as an extensive description of the intended effects of the Plan of Reorganization if it is confirmed and becomes effective; the anticipated organization, operations and financing of the Reorganized Debtor; the distributions to be made to the Debtor's creditors; the legal consequences of reorganization; certain risk factors associated with securities to be issued; and certain alternatives to the Plan. In addition, this Disclosure Statement describes the voting procedures, confirmation process and the steps that will be taken to implement the Plan.

All exhibits to this Disclosure Statement are incorporated into and are part of this Disclosure Statement as if set forth herein. Please note that if there is any inconsistency between the Plan and the descriptions of the Plan in this Disclosure Statement, the terms of the Plan will govern. Moreover, this Disclosure Statement and the Plan are the only materials creditors should use to determine whether to vote to accept or reject the Plan. This Disclosure Statement has been

prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 and not necessarily in accordance with federal or state securities laws or other applicable law. This Disclosure Statement has been neither approved nor disapproved by the U.S. Securities and Exchange Commission (the "SEC") nor has the SEC passed upon the accuracy or adequacy of the statements contained herein. Moreover, the information herein is being provided solely for purposes of voting to accept or reject the Plan and may not be used by any entity for any other purpose including, without limitation, for any litigation purpose. Neither this Disclosure Statement nor the Plan shall be construed to be conclusive advice on the tax, securities, financial or other effects of the Plan as to holders of Claims against, or Equity Interests in, the Debtor.

The *last day* to vote to accept or reject the Plan of Reorganization is _____ __, 2011 at 5:00 p.m. (Pacific Prevailing Time) (the "Voting Deadline"). A ballot for voting ("Ballot") is to be submitted to Omni Management Group, LLC ("Omni" or the "Solicitation Agent") at the address indicated below or, if you hold your Claim or Interest indirectly, to your Voting Nominee (as defined below).

A. Chapter 11 Overview

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and equity interest holders. Another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets. The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and equity interests in the debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the court order confirming the plan of reorganization discharges a debtor from any debt that arose prior to confirmation of the plan and substitutes the debt with the consideration specified under the confirmed plan of reorganization.

After a plan of reorganization has been filed, the holders of claims against a debtor are generally permitted to vote on the plan, provided that, as explained more fully below, their claims are not subject to a pending objection and are impaired by the proposed plan. Before soliciting acceptances of the proposed plan of reorganization, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtor is submitting this Disclosure Statement to holders of Claims to satisfy the requirements of section 1125 of the Bankruptcy Code.

B. Classification and Treatment of Claims and Interest; Voting on the Plan of Reorganization

Only administrative expenses, claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest means that the debtor agrees, or in the event of a dispute, that the bankruptcy court determines, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, the debtor. However, depending on the plan, not all "allowed" claims will be paid or receive a distribution. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or equity interest is automatically "allowed" unless the debtor or another party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the debtor's equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or equity interest before the deadline to file proofs of claim or equity interest.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, a debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves as members of multiple classes of claims and/or equity interests.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (i.e., altered by the plan) or "unimpaired" (unaltered by the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is "impaired" unless, with respect to each claim or interest of such class, the plan (a) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (b) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights.

Pursuant to section 1126(c) of the Bankruptcy Code, acceptance of a plan of reorganization by a class of creditors requires acceptance by at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors; pursuant to section 1126(d) of the Bankruptcy Code, acceptance by a class of interests requires acceptance by at least two-thirds in amount of the allowed interests held by holders of such interest.

Only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and will receive or retain property under a proposed plan of reorganization are entitled to vote on such a plan. A vote on a plan of reorganization may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. Classes of claims or equity interests in which such holders are unimpaired under a plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote on the plan. Classes of claims or equity interests in which such holders are not entitled to receive or retain any property on account of such claims or equity interests are deemed to reject the plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote on the plan.

Consistent with these requirements, the Plan of Reorganization divides the Claims against, and Equity Interests in, the Debtor into the following Classes and affords the treatments described herein:

Class	Type of Claim or Interest	Treatment	Entitled to Vote
---	Administrative Expense Claims	Payment in full	No
---	Compensation and Reimbursement Claims	Payment in full	No
---	Priority Tax Claims	Payment in full	No
1	Other Priority Claims	Unimpaired	No (deemed to accept)
2	Other Secured Claims	Unimpaired	No (deemed to accept)
3	Secured Bond Claims	Impaired	Yes
4	General Unsecured Claims	Impaired	Yes
5	Section 510(b) Claims	Impaired	No (deemed to reject)
6	Old Molecular Insight Equity Interests	Impaired.	No (deemed to reject)

The Debtor is not seeking votes from holders of Allowed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims or of Claims in Classes 1 and 2 (collectively, the "Unimpaired Claims"), because the Debtor believes those Claims are

not Impaired by the Plan of Reorganization. Because the holders of such Claims will receive payment in full of the Allowed amount of such Claim unless they agree to a less favorable treatment, these holders will be deemed to have voted to accept the Plan of Reorganization. The Debtor is not seeking votes from holders of Old Molecular Insight Equity Interests, who are not expected to receive any distribution; or from holders, if any, of Section 510(b) Claims, whose Claims will be discharged. Such holders of Claims and Equity Interests are deemed to have voted to reject the Plan of Reorganization.

The Debtor is seeking votes from the holders of Allowed Claims in Classes 3 and 4(the "Voting Classes") because they are Impaired under the Plan of Reorganization and will be receiving distributions under the Plan of Reorganization on account of such Claims in the event that the Plan of Reorganization is confirmed and made effective.

C. Ballots and Voting Deadline

Separate forms of Ballots are provided each Voting Class. Any person who holds Claims in more than one Voting Class is required to vote separately with respect to each such Claim, and such holder will receive more than one Ballot. Holders of Claims are required vote all of their Claims within a particular Class identically and may not split their votes. Any ballot received that does not clearly indicate either acceptance or rejection of the Plan of Reorganization (or that indicates both acceptance and rejection) will be deemed to be a vote to accept the Plan of Reorganization in full. Any Ballot received that is not signed or that contains insufficient information to permit the identification of the holder of the Claim will be an invalid Ballot and will not be counted for purposes of determining acceptance or rejection of the Plan of Reorganization. By signing and returning a Ballot, you will be certifying to the Bankruptcy Court and the Debtor that no other Ballots with respect to such Claim have been cast or, if any other Ballots have been cast with respect to such Class of Claims, such earlier Ballots are superseded and revoked.

In accordance with Bankruptcy Rule 3018(c), the Ballots are based on Official Form No. 14. In most cases, each Ballot enclosed with this Disclosure Statement has been encoded with the amount of the Allowed Claim for voting purposes (if the Claim is a Disputed Claim, this amount may not be the amount ultimately allowed for purposes of distribution) and the Class into which the Claim has been placed under the Plan of Reorganization. Please use only the Ballot(s) that accompanies this Disclosure Statement.

The record date for determining which creditors may vote on the Plan of Reorganization is the date that the Bankruptcy Court approves this Disclosure Statement (the "Voting Record Date"). If you are entitled to vote on the Plan of Reorganization, a Ballot is enclosed with this Disclosure Statement, the Plan, and other related materials (the "Solicitation Package"). If you plan to deliver a Ballot by mail, it is recommended that you use an air courier with a guaranteed next day delivery or registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to ensure timely delivery. **The method of such delivery is at the election and risk of the voter.**

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The last day to vote to accept or reject the Plan of Reorganization is

_____ __, 2011 at 5:00 p.m. (Pacific Prevailing Time) (i.e., the Voting Deadline).

Any ballots must be actually received by such Voting Deadline.

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A Ballot may be withdrawn by delivering a written notice of withdrawal to the Solicitation Agent, so that the Solicitation Agent receives the notice prior to the Voting Deadline. After the Voting Deadline, withdrawal may be effected only with the approval of the Bankruptcy Court. In order to be valid, a notice of withdrawal must (a) specify the name of the creditor who submitted the Ballot to be withdrawn, (b) contain a description of the Claim(s) to which it relates and (c) be signed by the creditor in the same manner as on the Ballot. The Debtor expressly reserves the right to contest the validity of any withdrawals of votes on the Plan of Reorganization.

Any creditor who has timely submitted a properly-completed Ballot to the Solicitation Agent or a Voting Nominee (as defined below), as applicable, may change its vote only with the approval of the Bankruptcy Court. In the case where more than one timely, properly-completed Ballot is received with respect to the same Claim and no order of the Bankruptcy Court allowing the creditor to change its vote has been entered prior to the Voting Deadline, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan of Reorganization have been received will be the timely, properly-completed Ballot that the Solicitation Agent determines was the first to be received.

The Bankruptcy Code provides that only creditors who vote on the Plan of Reorganization will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to timely deliver a properly completed ballot by the Voting Deadline will constitute an abstention (*i.e.*, will not be counted as either an acceptance or a rejection). Any improperly completed or late Ballot – or Ballot with missing signatures – will not be counted. Requests for additional copies of the Plan of Reorganization and the Disclosure Statement may be made to the Solicitation Agent at the above address.

If you received the Solicitation Package directly from the Solicitation Agent, please return the Ballot so that it is actually received by the Solicitation Agent by the Voting Deadline:

- **by email at MolecularClaims@OmniMgt.com (with scanned image of fully executed Ballot);**
- **by facsimile at (818) 905-6542 to the attention of "Katie Nownes" with a reference to "Molecular Insight Pharmaceuticals, Inc."; or**
- **by mail, hand delivery or overnight courier at the following address:**

Molecular Insight Pharmaceuticals, Inc.
c/o Omni Management Group, LLC

16161 Ventura Blvd., Suite C
PMB 477
Encino, CA 91436

Only Ballots submitted by one these means will be counted.

If you are a beneficial holder ("Beneficial Holder") of a Claim arising in respect of the Bonds held directly by a broker, dealer, commercial bank, trust company, or other agent or nominee of beneficial holders (each, a "Voting Nominee"), you will have received the Solicitation Package from the Voting Nominee and must return your Ballot to such Voting Nominee in the pre-addressed return envelope that has been provided to you, *well in advance of the Voting Deadline* so as to allow enough time for your Voting Nominee to cast your vote on a master Ballot (a "Master Ballot") on or before the Voting Deadline.

D. Instructions for Voting Nominees

As noted, holders of Claims arising in respect of the Bonds are merely Beneficial Holders, not holders of record. Such Beneficial Holders are entitled to vote to accept or reject the Plan by returning their completed Ballots to their respective Voting Nominees, who are the holders of record. Voting Nominees must: (a) deliver Solicitation Packages to Beneficial Holders with pre-addressed return envelopes for Ballots; (b) tabulate the Ballots of Beneficial Holders; (c) prepare a Master Ballot summarizing the individual votes with respect to all Claims of which they are the direct holders and (d) return a Master Ballot to the Solicitation Agent on or before the Voting Deadline.

If a Master Ballot is received after the Voting Deadline, the votes and elections on such Master Ballot may be counted only in the sole and absolute discretion of the Debtor. The method of delivery of a Master Ballot to be sent to the Solicitation Agent is at the election and risk of each Voting Nominee, and such delivery will be deemed made only when the executed Master Ballot is actually received by the Solicitation Agent. **Instead of effecting delivery by mail, it is recommended, though not required, that such Voting Nominees use an overnight or hand delivery service.** In all cases, sufficient time should be allowed to assure timely delivery. No Ballot should be sent to the Debtor, or the Debtor's financial or legal advisors, but only to the Solicitation Agent as set forth above.

By returning a Master Ballot, each Voting Nominee will be certifying to the Debtor and the Bankruptcy Court, among other things, that: (a) it has received a copy of the Disclosure Statement, the Ballots, and other Solicitation Package materials and has delivered the same to the Beneficial Holders listed on the Ballots or to any intermediary Voting Nominee, as applicable; (b) it has received a completed and signed Ballot from each Beneficial Holder for which it is a Voting Nominee or from an intermediary Voting Nominee, as applicable; (c) it is the registered holder of a Claim arising in respect of the Bonds being voted; (d) it has been authorized by each such Beneficial Holder or intermediary Voting Nominee, as applicable, to vote on the Plan and to make applicable elections; (e) it has properly disclosed: (i) the number of Beneficial Holders who completed Ballots, (ii) the amount of the Claim arising in respect of the Bonds, indirectly owned by each Beneficial Holder who completed a Ballot, (iii) each such Beneficial Holder's respective vote concerning the Plan; (iv) each such Beneficial Holder's certification as to the

other Claim arising in respect of the Bonds being voted; and (v) the customer account or other identification number for each such Beneficial Holder; (f) each such Beneficial Holder has certified to the Voting Nominee or to an intermediary Voting Nominee, as applicable, that it is eligible to vote on the Plan; (g) each such Beneficial Holder has certified to the Nominee that such Beneficial Holder has not submitted any other Ballot for such Claims held in other accounts or other names, or, if it has submitted another Ballot held in other accounts or names, that the Beneficial Holder has certified to the Voting Nominee that such Beneficial Holder has cast the same vote for such Claims, and the undersigned has identified such other accounts or owner and such other Ballots; and (h) it will maintain Ballots and evidence of separate transactions returned by Beneficial Holders or by intermediary Voting Nominees (whether properly completed or defective) for at least one year after the Voting Deadline and disclose all such information to the Bankruptcy Court or the Debtor, as the case may be, if so ordered.

II.

COMPANY BACKGROUND

A. The Debtor

Molecular Insight is a clinical-stage biopharmaceutical company and a pioneer in the emerging field of molecular medicine. It is focused on the discovery, development and commercialization of targeted radiotherapeutics and molecular imaging pharmaceuticals for use in oncology, intended to improve the lives of patients through timely and accurate detection, improved treatment, and effective monitoring of therapeutic response and disease progression. Molecular Insight has product candidates (the "Product Candidates") at various stages of development and/or in different phases in the regulatory approval process in the United States and Europe.[2] These Product Candidates, and the status of the regulatory approval process relating to them, are described below.

1. *Trofex™*

Trofex is a molecular imaging radiopharmaceutical under development for the non-invasive diagnosis and detection of metastatic prostate cancer. Traditional screening tests, such as prostate-specific antigen ("PSA") test, digital rectal exam, and biopsy, are invasive and protracted. The ability to visualize prostate cancer using nuclear medicine promises to usher in a new era in prostate cancer care, with same-day detection and enhanced patient care and disease management.

[2] The U.S. regulatory scheme for the development and commercialization of new pharmaceutical products can be divided into three distinct phases: an investigational phase including both preclinical and clinical investigations leading up to the submission of a new drug application ("NDA"); a period of Food and Drug Administration ("FDA") review culminating in the approval or refusal to approve the NDA; and the post-marketing period. The protocol in Europe, under the supervision of the European Medicines Agency ("EMEA"), is similar to that of the FDA but with a shorter timetable to bring products to market.

Trofex has the potential to revolutionize the diagnosis and monitoring of metastatic prostate cancer. With further clinical studies, the Debtor hopes that Trofex will provide both highly specific and sensitive detection of prostate cancer through the use of tumor imaging.

The Debtor has completed various Phase 1 studies and intends to conduct further clinical trials to support a fast track designation for approval by the FDA, for Trofex as a diagnostic agent. In addition, the Debtor is exploring strategic collaborative and licensing opportunities in the United States, European Union, and Asia. These opportunities will allow the Debtor to realize up-front cash payments and licensing revenue with sharing of future research and development costs.

2. *Other Product Candidates*

In addition to Trofex, the Debtor has four other Product Candidates in clinical development.

(a) *Solazed*™. Solazed is a targeted radiotherapeutic for the treatment of malignant metastatic melanoma (the most serious type of skin cancer). The Debtor in-licensed Solazed, along with a family of similar compounds, from Bayer Schering Pharma Aktiengesellschaft. The Debtor is preparing for a Phase I clinical study using a two-year grant from the National Cancer Institute to support the development of Solazed.

(b) *Azedra*™. Azedra, developed for the systematic treatment of metastatic neuroendocrine cancers, such as pheochromocytoma (a tumor of the adrenal gland) and neuroblastoma (a malignant tumor that develops from nerve tissue, occurring in infants and children) is a radiotherapeutic oncology Product Candidate. If approved, Azedra would be the first anti-cancer drug in the United States for the treatment of pheochromocytoma. The Debtor has begun clinical trials and Azedra has been granted Orphan Drug designation and Fast Track status by the FDA.

(c) *Zemiva*™. Zemiva is a non-oncology Product Candidate, designed to be used for the diagnosis of cardiac ischemia (insufficient blood flow to the heart muscle) or heart attack through cardiac metabolic imaging. Zemiva has the capacity for broad-based adoption in the emergency room setting in chest pain patients who have an uncertain diagnosis after initial evaluation. The Debtor and the FDA have come to general agreement on the protocol for an initial Phase 3 clinical trial.

(d) *Onalta*™. Onalta is a radiotherapeutic Product Candidate for the treatment of metastatic carcinoid and pancreatic neuroendocrine tumors in patients whose symptoms are not controlled by conventional therapy. Carcinoid tumors are neuroendocrine tumors of the gastrointestinal tract and bronchus. Onalta has been used as a pre-approval, compassionate use therapeutic in Europe by research centers treating over 4,000 patients to date. Onalta is the Debtor's brand name for yttrium-90 radiolabeled edotreotide which was in-licensed on a world-wide basis from Novartis Pharma AG ("Novartis") in 2006. Prior to the in-licensing, Novartis had conducted three Phase 1 and three Phase 2 clinical trials with trials having progressed the furthest in Europe. In 2009, the EMEA reviewed and accepted Onalta's Phase 3 clinical trial protocol design and granted Onalta "Orphan Drug Designation" in Europe.

In September 2009, the Debtor entered into a license agreement (the "License Agreement") with BioMedica Life Sciences S.A. ("BioMedica"), which provides BioMedica with an exclusive sub-license for Onalta in Europe and parts of Asia and Africa (the "Territories"). Generally, the BioMedica Agreement provided that BioMedica would take Onalta through the regulatory process to commercialization, would exclusively market, distribute and sell Onalta throughout the Territories and would pay the Debtor tiered royalty fees based upon certain milestone events and sales volumes. Also in September 2009, the Debtor and BioMedica entered into an exclusive ten-year supply agreement which provides for BioMedica to purchase Onalta from the Debtor (the "Supply Agreement"). In October 2009, the Debtor entered into that certain Facility Setup and Contract Manufacturing Agreement, dated October 20, 2009, with Eckert & Ziegler Nuclitec GmbH in Germany ("E&Z") to manufacture Onalta for the Debtor (the "E&Z Agreement").

Prior to the Petition Date, the Debtor and BioMedica were engaged in a dispute relating to BioMedica's obligations under the BioMedica Agreement (the "Onalta/Europe Dispute"). The Debtor alleges, among other claims, that BioMedica failed to implement its development and commercialization activities substantially in accordance with the development milestones and timelines set forth in the License Agreement; that it had failed to provide the Debtor with various performance and sales reports; that it had misstated its financial capacity at the time of execution of the License Agreement; that it had failed to implement its required development and commercialization activities; and that it had failed to make certain minimum monthly payments required under the Supply Agreement. In turn, BioMedica had alleged, among other claims, that the Debtor failed to terminate alternative sources of supply for Onalta within BioMedica's territory (such that competitors in Europe were also receiving Onalta); did not meet various support obligations under the Licensing Agreement; and misstated its financial resources available to support Onalta throughout BioMedica's territory. Each party has denied the allegations made by the other party. On February 4, 2011, BioMedica filed a proof of claim against the Debtor in the amount of $9,797,614.00 in respect of its claims in the Onalta/Europe Dispute (the "BioMedica Claim").

B. The Debtor's Organizational Structure

1. *Corporate Structure*

The Debtor was incorporated in the Commonwealth of Massachusetts in 1997 under the name Imaging Biopharmaceuticals, Inc. It subsequently changed its name to Biostream, Inc. in 1998, and then to Molecular Insight Pharmaceuticals, Inc. in 2003. The Debtor has two wholly owned subsidiaries, Molecular Insight Limited, based in the United Kingdom, and Biostream Therapeutics, Inc., based in Cambridge, Massachusetts. Neither of these subsidiaries has any operations or material assets. The Debtor has no other direct or indirect subsidiaries and no intercompany debt or obligations.

2. *Headquarters and Facilities*

The Debtor's principal executive offices are located in leased space at 160 Second Street, Cambridge, Massachusetts. The Debtor leases additional space for operations at 101 Rogers Street, Cambridge, Massachusetts. The Debtor owns a facility in Denton, Texas that was

intended to be used as a radiopharmaceutical manufacturing facility but that was never placed in service. There are no known environmental issues at the property.

3. *Employees and Other Personnel*

As of the Petition Date, the Debtor employed 32 full-time salaried employees engaged in research and development, clinical development, regulatory affairs, and quality assurance; 3 hourly employees who hold general and administrative positions; and 3 consultants. In addition, the Debtor utilizes skilled clinical personnel who are retained through third party agencies pursuant to contracts between the Debtor and such agencies.

The Debtor provides its employees with standard employee benefits including paid time off, health, dental and life insurance, flexible spending and dependent care plans, tuition reimbursement, gym benefits, and parking benefits.

C. The Debtor's Capital Structure

1. *Common Stock*

The Debtor is a public reporting company under Section 12(b) of the Securities and Exchange Act of 1934 and its common stock was traded on the NASDAQ Global Market under the symbol "MIPI" from February 2, 2007 through December 20, 2010. Due to the Debtor's chapter 11 filing, its common stock was delisted from the NASDAQ Global Market. The Debtor's common stock is currently quoted on the Pink OTC Markets Inc. (the "Pink Sheets") and has traded on the OTCQBTM Marketplace since December 21, 2010 under the symbol "MIPIQ."

As of the Petition Date, there were approximately 25,268,327 shares outstanding with a total market capitalization of approximately $26 million, and approximately 83 stockholders of record. The Debtor has never declared or paid any cash dividends on its common stock.

2. *Debt*

(a) *Bonds*. On November 16, 2007, the Debtor issued $150,000,000 in Senior Secured Floating Rate Bonds due 2012 (the "Bonds") and warrants to purchase 6,021,247 shares of common stock at an exercise price of $5.87 per share under an indenture, dated as of November 16, 2007 (the "Indenture"), between the Debtor and the Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as collateral agent and trustee ("Indenture Trustee").

Until the Petition Date, in accordance with the terms of the Indenture, the Debtor has elected to pay interest on the Bonds using payment-in-kind in lieu of cash interest payments ("PIK Interest"). Accordingly, the principal amount of the Bonds has increased by the amount of the PIK Interest. Under the terms of the Indenture, the Debtor's option to pay interest in the form of PIK Interest ended in November 2010 and thereafter, interest will be payable quarterly in cash. As of the Petition Date, the outstanding balance of the Bonds, including PIK Interest, was approximately $202 million.

The Indenture requires, among other things, that the Debtor maintain an amount of cash and cash equivalents in excess of certain minimum liquidity thresholds that vary from time to time. Moreover, under Section 4.03(a) of the Indenture, the Debtor is required to deliver audited annual financial statements that "are not subject to any 'going concern' or like qualification . . . as to the scope of such audit."

In light of the Indenture's requirement that the Debtor begin paying cash interest on the Bonds starting in February 2011, in March 2010, Molecular Insight's independent auditors issued a qualified opinion on the Debtor's financial statements, expressing doubt whether Molecular Insight can continue as a "going concern." If not waived, this qualification would constitute a covenant default under the Indenture.

On February 2, 2011, the Indenture Trustee filed a proof of claim in respect of the Debtor's obligations under the Indenture in the amount of $201,759,257.00.

(b) *Unsecured Debt*. As of General Bar Date (as defined below), the total amount of general unsecured claims that had been asserted against the Debtor was approximately $12,638,398.46. Aside from the BioMedica Claim, which represents the bulk of this claim amount, the Debtor estimates that the majority of general unsecured claims that have been asserted against it arise in connection with trade and rejection damages. The Debtor further estimates that certain of the rejection damages that have been asserted against it were "protective" in nature and will be paid in the ordinary course, in the event that the underlying contracts are assumed. Additional claims for rejection damages may be filed against the Debtor in the event that it rejects contracts with counterparties who have not yet filed proofs of claim. Cure amounts, meanwhile, are not expected to be significant, as the Debtor has generally remained current under its vendor contracts.

D. Events Leading to the Commencement of the Chapter 11 Case

To date, the Debtor has funded its operations through the public offering of equity securities, the private placement of equity securities, debt financings, government grant funding, and upfront license payments from collaborations. It has incurred significant net losses and negative operating cash flows since inception. As of September 30, 2010, the Debtor had incurred an accumulated deficit of $346.0 million including the $53.2 million net losses incurred for the nine months ended September 30, 2010.

As of the Petition Date, the Debtor had approximately $15 million in cash and cash equivalents remaining. The Debtor projects that operating expenses, including the expense of conducting clinical trials for its Product Candidates, will cause it to require additional capital in order to operate.

Aware of its long term cash needs and the potential that it might default under the Indenture beginning in August 2009, the Debtor and its financial advisors entered into discussions with the Consenting Bondholders and the Indenture Trustee. In February 2010, the parties began protracted negotiations concerning the terms of a potential restructuring.

On March 15, 2010, Molecular Insight executed a limited waiver agreement (the "Waiver Agreement") with the Bondholders and the Indenture Trustee under which the Bondholders

agreed to waive for a period of 30 days a default arising from the inclusion of the "going concern" qualification on the company's audited financial statements. The Waiver Agreement, however, was subject to certain terms and conditions including, but not limited to: (a) the stipulation that following the expiration of the waiver period, the Indenture Trustee's and the Bondholders's rights to enforce the terms of the Indenture and such remedies for the default would be reinstated and (b) in consideration for the waiver, the Debtor granted the holders of the Bonds and the Indenture Trustee a wide release of all claims that it had as of the date thereof and reimbursement of fees for its legal, financial and industry advisors. Over the ensuing nine months, the parties executed sixteen additional amendments to the Waiver Agreement to allow the restructuring discussions to proceed.

Throughout the spring and summer of 2010, the Debtor and the Consenting Bondholders extensively debated the proper valuation of the company and its Product Candidates. Based on these discussions, the parties exchanged numerous proposals for a restructuring of the Debtor's obligations under the Bonds and differing distributions of the equity of the restructured company. Ultimately, in August of 2010, the parties tentatively reached consensus on the terms of a revised capital structure, including the terms of an equity split and restructured bonds. To implement this restructuring, however, the Debtor required an infusion of substantial new capital, which the Bondholders did not commit to provide and the Debtor was otherwise unable to obtain, thereby delaying a restructuring.

In mid-September 2010, Savitr expressed to the Debtor a willingness to invest $45 million of new equity capital into Molecular Insight as part of a global restructuring plan. Over the next few months, Molecular Insight, the Consenting Bondholders and Savitr negotiated the terms of a restructuring plan that was to be implemented through, among other things, the commencement of a chapter 11 case and the filing and confirmation of a pre-negotiated plan of reorganization. On December 1, 2010, the day before the parties expected to file a pre-negotiated Chapter 11 case to implement this consensual restructuring plan, the Consenting Bondholders and their industry advisor raised concerns about the proposed transaction. After the meeting between the Consenting Bondholders and Savitr, Savitr sent notice terminating its investment commitment.

Although it sent a termination notice, Savitr informed the Debtor that it remained willing to make a $45 million equity investment, provided the terms were adjusted to accommodate the new views expressed by the Consenting Bondholders. Accordingly, the following morning, the Debtor's advisors contacted advisors for the Bondholders to determine whether they were prepared to consider proposals to salvage the restructuring. They were informed that the Bondholders did not want to pursue a modified restructuring proposal with Savitr. Subsequently, representatives of the Bondholders resurfaced the possibility of an equity investment from the Bondholders. This approach, however, would require further diligence, documentation and commitments from individual members of the bondholder group, all of which would entail additional delay and uncertainty.

The collapse of the consensual restructuring plan presented Molecular Insight with a stark choice: either (a) continue to hope that the Bondholders would commit sufficient capital, which they had not yet been able to do, as the basis for a restructuring that has thus far eluded the parties and risk liquidation if such a deal did not materialize, or (b) secure a $45 million equity

commitment from Savitr to act as a form of stalking horse for either an alternative transaction, a negotiated agreement with the Bondholders or, if no other solution emerges, a cram down plan.

After careful consideration, the Board of Directors concluded that the most effective way to maximize value for the benefit of all of the Debtor's stakeholders and avoid the risk of liquidation was to secure the $45 million of committed capital offered by Savitr, while preserving the ability of other parties, including the Consenting Bondholders, to formulate, finance and present competing proposals to restructure the Debtor. Accordingly, on the Petition Date, the Debtor and Savitr entered into an agreement (the "Investment Agreement"). The Investment Agreement broadly committed Savitr to pay the Debtor $45 million in exchange for 100% of the equity in the Reorganized Debtor at closing, contemplated that the Debtor would propose and prosecute an agreed plan of reorganization (i.e., the Original Plan), and expressly preserved the ability of the Debtor to seek and entertain competing investment and restructuring proposals, including proposals from the Consenting Bondholders (an "Alternative Transaction"). To compensate Savitr in the event that an alternative transaction emerges, the Investment Agreement further provided for a break up fee (the "Break-Up Fee") and expense reimbursement ("Expense Reimbursement").

III.
THE CHAPTER 11 CASE

On December 9, 2010 (the "Petition Date"), the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Debtor is managing its property as a debtor-in-possession, subject to the supervision of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code. An immediate effect of the filing of the case (the "Chapter 11 Case") was the imposition of the automatic stay under section 362 of the Bankruptcy Code, which, with limited exceptions, enjoined the commencement or continuation of: (1) all collection efforts by creditors; (2) enforcement of Liens against any Assets of the Debtor; and (3) litigation against the Debtor.

A. Significant First Day Motions and Retention of Professionals

On the Petition Date, the Debtor filed certain motions and applications for orders to minimize the disruption caused by the chapter 11 filing of the Debtor's business operations and to facilitate its reorganization.

1. *Cash Collateral*

On the Petition Date, the Debtor had approximately $15 million cash on hand comprised of cash collateral (the "Cash Collateral") of the holders of the Secured Bond Claims. During the several days prior to the Petition Date, the Debtor and the Bondholders negotiated terms upon which the Debtor would be afforded consensual use of Cash Collateral on an interim basis, for a period through January 14, 2011. To provide the Debtor with the cash and liquidity necessary to continue operating and to maintain normal vendor relations postpetition, the Debtor sought Bankruptcy Court approval on the Petition Date for the use of the Cash Collateral, with the Bondholders' consent. On December 17, 2010, the Bankruptcy Court entered an order (the "Interim Cash Collateral Order") approving the use of the Cash Collateral in accordance with a

budget (the "Budget"). Pursuant to the Interim Cash Collateral Order, the Debtor granted adequate protection to the Bondholders consisting of, among other things, replacement liens all of the Debtor's assets and claims. On December 29, 2010, the Debtor filed a supplementary statement in support of continued use of the Cash Collateral past January 14, 2011. The Bondholders filed a limited objection on January 7, 2011. A hearing was held on January 14, 2011 and on January 20, 2011, the Bankruptcy Court entered an order that continued authorizing the use of Cash Collateral on substantially the same terms and conditions as previously authorized through February 16, 2011. Hearings on a final order approving the use of Cash Collateral were subsequently adjourned several times while the parties continued to negotiate. On March 3, 2011, the Court entered a final order approving the use of Cash Collateral, again in accordance with the Budget, with the consent of the Consenting Bondholders (the "Final Cash Collateral Order").

2. *Cash Management*

On the Petition Date, the Debtor filed a motion for an order (a) authorizing the continued use of the existing cash management systems; (b) authorizing the continued use and maintenance of the existing bank accounts, including honoring certain prepetition obligations relating to the use of existing cash management system; (c) authorizing the continued use of existing business forms; (d) waiving, on an interim basis, the investment and deposit requirements of section 345(b) of the Bankruptcy Code. On December 22, 2010, the Bankruptcy Court entered an order (the "Cash Management Order") granting much of the relief requested by the motion.

3. *Employee Wages*

On the Petition Date, the Debtor filed a motion for an order (a) authorizing, but not directing, the Debtor, in its good faith business judgment, to (i) satisfy certain prepetition employee obligations and (ii) remit payroll taxes and other deductions to the applicable taxing authorities and other third parties; and (b) authorizing and directing banks to honor related prepetition transfers. On December 14, 2010, the Bankruptcy Court entered an order granting this relief (the "Wage Order").

4. *Retention of Professionals*

On or shortly after the Petition Date, the Debtor filed applications or motions (as applicable) to retain (a) Omni, as claims, balloting, noticing and administrative agent; (b) Kramer Levin Naftalis & Frankel LLP, as lead bankruptcy counsel; (c) Riemer & Braunstein LLP, as local Massachusetts bankruptcy counsel; (d) Foley & Lardner LLP, as special corporate counsel; (e) CRT Capital Group LLC (n/k/a M.M. Dillon & Co.) ("Dillon") as financial advisor; and (f) Tatum, a division of SFN Professional Services LLC, to provide outsourced interim services. The Bankruptcy Court subsequently entered orders authorizing these retentions. Pursuant to the order authorizing the Debtor's retention of Tatum, Mark A. Attarian was designated as Interim Executive Vice President and Chief Financial Officer of the Debtor.

On December 23, 2010, the Debtor filed a motion to retain, employ, and compensate certain professionals utilized by the Debtor in the ordinary course of its business. The Bankruptcy Court subsequently entered an order granting this relief.

B. The Bar Date Motion

On December 22, 2010, the Debtor filed an expedited motion for an order (a) establishing February 4, 2011 at 4:00 p.m. (Pacific Prevailing Time) as the last date and time for each person or entity other than governmental units to file proofs of claim based on prepetition claims against the Debtor (the "General Bar Date"); (b) solely as to governmental units, establishing June 7, 2011 at 4:00 p.m. (Pacific Prevailing Time) as the last date and time for each such governmental unit to file proofs of claim based on prepetition claims against the Debtor (the "Governmental Bar Date," and together with the General Bar Date, the "Bar Dates"). On December 23, 2010, the Bankruptcy Court entered an order granting this relief (the "Bar Date Order"). The Bar Date Order further provides that any person or entity (other than, among specified others, professionals retained in the Chapter 11 Case) that fails to timely file a proof of claim will be forever barred, estopped and enjoined from voting on, or receiving a distribution under, the Plan and will be forever barred, estopped and enjoined from asserting a Claim against the Debtor, its estate, the Reorganized Debtor, and any of its successors or assigns.

C. The Investment Agreement

On December 21, 2010, the Debtor filed a motion (the "Investment Motion") for an order authorizing (a) the assumption of the Investment Agreement and (b) payment of the Break-Up Fee and Expense Reimbursement. The Bondholders and the United States Trustee filed objections to the Investment Motion. On January 20, 2011, the Bankruptcy Court entered an order (the "Investment Order") granting the Investment Motion, authorizing the Debtor to assume the Investment Agreement and approving the Break-Up Fee and Expense Reimbursement, subject to the limitation that if the Debtor entered into any written commitment, understanding or arrangement with respect to an Alternative Transaction proposed or sponsored by the Bondholders, the Break-Up Fee would be limited to $150,000.

In response to concerns expressed by certain representatives and holders of the Bonds, and in an effort to expedite a restructuring that maximizes the value of the Debtor for all stakeholders, the Debtor subsequently requested, and Savitr agreed, to amend the Investment Agreement upon the terms set forth in that certain Second Amendment to the Investment Agreement, filed with the Bankruptcy Court on February 3, 2011 (the "Investment Agreement Amendment").

D. The Original Plan

On February 3, 2011, consistent with the terms of the Investment Agreement, as amended, the Debtor filed the Original Plan, a disclosure statement for the Original Plan, and a motion to approve the disclosure statement and solicitation and confirmation procedures in connection with the Original Plan (the "Disclosure Statement Motion"). The Original Plan contained provisions that would have implemented the transaction contemplated by the Investment Agreement: among other things, an investment of $45 million by Savitr in exchange for 100% of the equity in the Reorganized Debtor, and the issuance of up to $120 million in new bonds to the Bondholders.

E. The Plan Support Agreement and Exit and DIP Facilities

Shortly following the filing of the Original Plan and related disclosure statement, the Consenting Bondholders engaged in discussions with the Debtor regarding the possible terms of an Alternative Transaction. After extensive negotiations between the Consenting Bondholders and the Debtor, the Board of Directors carefully considered the Consenting Bondholders' proposed transaction and subsequently determined that such proposal was a "Superior Proposal," as such term is defined in the Investment Agreement, and, therefore, authorized the Debtor to enter into an agreement with the Consenting Bondholders (the "Plan Support Agreement") providing for the implementation of an Alternative Transaction along terms set forth in a plan term sheet attached thereto (the "Plan Term Sheet"). The Plan Support Agreement, dated as of February 28, 2011 and executed by the Debtor on March 1, 2011, provides, among other things, that (a) the Debtor is to file the Plan and this Disclosure Statement, each containing terms consistent with the Plan Term Sheet, on or before March 7, 2011 and (b) the Consenting Bondholders are to support confirmation and implementation of the Plan. The Plan Support Agreement also provides that upon request by the Required Consenting Bondholders, the Debtor will file a motion to restrict trading of Equity Interests in the Debtor. The Plan Support Agreement moreover provides that it will terminate in the event that, among other contingencies, the Plan does not become effective by May 16, 2011, unless extended by agreement among the parties.

Also on March 1, 2011, the Debtor entered into: (a) that certain exit financing commitment letter, dated February 28, 2011, committing certain of the Consenting Bondholders and affiliate entities of certain of the Consenting Bondholders, as lenders party thereto, to provide up to $40 million in exit financing (the "Exit Facility") to the Debtor, subject to certain conditions; (b) that certain debtor in possession commitment letter, dated as of February 28, 2011, committing certain of the Consenting Bondholders and affiliate entities of certain of the Consenting Bondholders, as lenders party thereto, to provide up to $10 million in debtor in possession financing (the "DIP Facility") to the Debtor, subject to certain conditions; (c) that certain exit financing fee letter, dated as of February 28, 2011 (together with the aforementioned exit financing commitment letter, the "Exit Commitment Letter"), providing for the payment of certain cash and equity fees to the lenders party to the exit financing commitment letter in exchange for their commitment to provide the Exit Facility; and (d) that certain debtor in possession financing fee letter, dated as of February 28, 2011, providing for the payment of certain cash fees to the lenders party to the debtor in possession financing commitment letter in exchange for their commitment to provide the DIP Facility.

On March 7, 2011, the Debtor filed a motion to approve the Plan Support Agreement and the Exit Commitment Letter. The Bankruptcy Court entered an order granting this relief on March [ ], 2011.

On March [ ], 2011, the Debtor filed a motion to approve the DIP Facility. The Bankruptcy Court entered an order granting this relief on [ ], 2011. As of [ ], the amount outstanding under the DIP Facility is [ ].

In accordance with the terms of the Plan Support Agreement and the Plan Term Sheet, the Debtor filed the Plan and this Disclosure Statement on March 7, 2011.

IV.

CORPORATE RESTRUCTURING TRANSACTIONS UNDER THE PLAN OF REORGANIZATION AND CERTAIN SECURITIES LAW MATTERS

The transactions described are provided for in the Plan and the Plan Support Agreement. Pursuant to the Plan, the Reorganized Debtor will be authorized to issue all Plan Securities and related documents without the need for any further corporate action. The Plan Securities to be distributed pursuant to the Plan of Reorganization will be issued, as applicable, pursuant to the exemption set forth in section 1145(a)(1) of the Bankruptcy Code and shall be freely tradable, without restriction, except to the extent any holder is an underwriter as provided in section 1145(b)(1) of the Bankruptcy Code. The (i) New Warrants and (ii) New Molecular Insight Preferred Stock to be issued pursuant to the exercise of the New Warrants will be exempt from the registration and prospectus delivery requirements of Section 5 of the Securities Act and any other applicable law requiring registration and/or delivery of a prospectus prior to the offering, issuance, distribution or sale of securities pursuant to the exemptions set forth in Section 4(2) of the Securities Act or Regulation D promulgated thereunder.

The Debtor and/or the Reorganized Debtor will be authorized to take all actions as may be necessary or appropriate to implement procedures, and amend, supplement, modify or enter into agreements and take such actions and to execute and deliver such documents as will be necessary, appropriate or convenient to effectuate any transaction described in, approved by, contemplated by or necessary to the implementation of the Plan, including without limitation the issuance of all debt and equity securities to be issued pursuant to the Plan, without any further order of the Bankruptcy Court. Without limitation, such actions may include: (1) the execution and delivery of appropriate agreements or other documents (including, without limitation, the Exit Credit Agreement, the New Pledge and Security Agreement, and the New Warrant Agreement) containing terms that are consistent with the terms of the Plan of Reorganization and that satisfy the requirements of applicable law; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan of Reorganization; (3) the filing of appropriate certificates of incorporation, merger or consolidation with the appropriate governmental authorities pursuant to applicable law; and (4) all other actions that the Reorganized Debtor determines are necessary or appropriate.

The Reorganized Debtor will execute and deliver such other agreements, documents and instruments as are required to be executed and/or delivered pursuant to the terms of (including, but not limited to, as a condition precedent to the effectiveness of) the Plan, the Exit Credit Agreement, and the New Pledge and Security Agreement.

A. Reincorporation in Delaware, Continuation of Corporate Existence

On or prior to the Effective Date, the Debtor will, as a Reorganized Debtor, reincorporate as a Delaware corporation. Except as otherwise provided in the Confirmation Order, the Debtor, as Reorganized Debtor, will continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation, as applicable, under the laws of the respective state

of incorporation and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law. On and after the Effective Date, the Reorganized Debtor will be authorized to operate its business and may use, acquire or dispose of its property, without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan of Reorganization or the Confirmation Order.

B. Cancellation of Instruments and Securities

Except to the extent provided otherwise in the Plan of Reorganization, on the Effective Date, the Old Molecular Insight Equity Interests will no longer be outstanding, will be canceled, retired, and deemed terminated, and will cease to exist, as permitted by section 1123(a)(5) of the Bankruptcy Code and the obligations of the Debtor pursuant, relating or pertaining to any agreements, certificates of designation, by-laws or certificate or articles of incorporation or similar documents governing the shares, certificates, purchase rights, options, or other instruments or documents evidencing or creating any ownership interest in the Debtor will be released and discharged.

Except (i) for purposes of evidencing a right to distributions under the Plan, (ii) with respect to Executory Contracts that have been assumed by the Debtor, or (iii) as otherwise provided in the Plan, on the Effective Date, all the agreements and other documents evidencing the Claims or rights of any holder of a Claim against the Debtor, including the Indenture (subject to section 5.3(c) of the Plan) and the Bonds evidencing such Claims, in each case, outstanding prior to the Effective Date, will be canceled.

Notwithstanding the foregoing, nothing in the Plan of Reorganization will affect the Indenture Trustee's rights pursuant to the Indenture and applicable non-bankruptcy law to assert liens on any distributions under the Plan to the holders of the Bonds issued pursuant to such Indenture, to secure payment of its fees and expenses. If the Indenture Trustee does not serve as Disbursing Agent with respect to distributions to its respective holders, then the funds distributed to any such Disbursing Agent will be subject to the lien of the Indenture Trustee under the Indenture.

C. Exit Financing

On the Effective Date, the Debtor will enter into the Exit Credit Agreement, which will provide the New Loans to the Debtor in an aggregate principal amount of $40,000,000. The New Loans will bear interest at the rate of 17.5% per annum, and interest will be payable quarterly in cash or, at the election of the Debtor, by increasing the then outstanding principal amount of the loans. In addition, the Exit Credit Agreement will provide the Debtor with the right, subject to certain terms and conditions set forth therein, to be exercised not more than once during the period commencing on the Effective Date and ending on the fourth anniversary of the Effective Date, to request additional term loans in an aggregate amount not to exceed $45,000,000. All outstanding obligations under the Exit Credit Agreement shall be payable by the Reorganized Debtor on the maturity date, which shall be the fifth anniversary of the Effective Date. The Exit Credit Agreement contains covenants limiting the Debtor's incurrence of

additional indebtedness and liens, dispositions, investments, restricted payments and certain types of transactions.

Pursuant to the terms of the Exit Fee Letter, the Debtor has agreed to provide, in consideration of the agreements contained in the Exit Commitment Letter, among other things, (a) an upfront fee in an amount equal to $2 million, to be fully earned upon acceptance by the Debtor of the Exit Commitment Letter and payable to the administrative agent under the Exit Facility, for the ratable benefit of each lender party to the Exit Commitment Letter, on the closing date of the Exit Facility; (b) a fee in the form of warrants to purchase shares of New Molecular Insight Preferred Stock, with an exercise price of $0.01 per share and with a seven-year term, exercisable for an aggregate of 25% of the New Molecular Insight Common Stock issuable upon conversion of the New Molecular Insight Preferred Stock outstanding as of the Effective Date (excluding shares of New Molecular Insight Common Stock issuable upon the conversion of New Molecular Insight Preferred Stock issuable upon exercise of the New Warrants), fully earned upon the Debtor's acceptance of the Exit Commitment Letter and to be issued on the closing date of the Exit Facility to the lenders party to the Exit Commitment Letter, ratably in accordance with the pro rata percentages set forth in the Exit Fee Letter; and (c) a backstop fee in the form of warrants to purchase shares of New Molecular Insight Preferred Stock, with an exercise price of $0.01 per share and with a seven-year term, exercisable for an aggregate of 6.5% of New Molecular Insight Common Stock issuable upon conversion of the New Molecular Insight Preferred Stock outstanding as of the Effective Date (excluding shares of New Molecular Insight Common Stock issuable upon the conversion of New Molecular Insight Preferred Stock issuable upon exercise of the New Warrants), fully earned upon the Debtor's acceptance of the Exit Commitment Letter and to be issued on the closing date of the Exit Facility to the lenders party to the Exit Commitment Letter providing a backstop under the Exit Facility, ratably in accordance with the pro rata percentages set forth in the Exit Fee Letter.

The proceeds from the New Loans will be used to (i) pay Allowed DIP Facility Claims, (ii) pay fees, costs and expenses incurred directly in connection with the Restructuring Transactions, (iii) pay the fees, costs and expenses of the Bondholder Professionals that have not been paid in full in accordance with the Final Cash Collateral Order or to otherwise reimburse holders of Secured Bond Claims for any amount of such fees, costs or expenses paid by holders of Secured Bond Claims to the Bondholder Professionals during the Chapter 11 Case, and (iv) to fund the Reorganized Debtor's working capital and general corporate needs.

D. Sources of Cash for Plan Distributions

All Cash necessary for the Reorganized Debtor to make payments required pursuant to the Plan of Reorganization will be funded with Cash on hand, by the New Loans, and the proceeds, if any, of Avoidance Actions and insurance. On the Effective Date, the Exit Lenders will fund the New Loans to the Reorganized Debtor, in accordance with the Exit Credit Agreement and subject to the satisfaction of the conditions precedent set forth therein. From and after the Effective Date, the Reorganized Debtor, subject to any applicable limitations set forth in the Exit Credit Agreement and any other post-Effective Date financing, shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the board of directors of the Reorganized Debtor deems appropriate.

E. Authorization and Issuance of New Molecular Insight Capital Stock and New Warrants

(a) New Molecular Insight Capital Stock and New Warrants. On the Effective Date, the Reorganized Debtor will issue or reserve for issuance all of the New Molecular Insight Capital Stock and the New Warrants. The New Molecular Insight Preferred Stock and the New Warrants will represent all of the Equity Interests in Reorganized Debtor as of the Effective Date and, other than shares reserved for issuance pursuant to the Management Equity Plan, for issuance upon the exercise of the New Warrants, and upon conversion of the New Molecular Insight Preferred Stock. The New Molecular Insight Preferred Stock will be issued to the holders of Secured Bond Claims as provided in the Plan. The New Warrants will be issued to the Exit Lenders as provided in the Plan of Reorganization, the Exit Commitment Letter, the Exit Fee Letter and the New Warrant Agreement. The issuance of the New Molecular Insight Capital Stock and the New Warrants by the Reorganized Debtor will be authorized without the need for further corporate action and all of the shares of New Molecular Insight Capital Stock issued pursuant to the Plan will be duly authorized, validly issued, fully paid and non-assessable. The New Warrants will have an exercise price of $0.01 per share. The Reorganized Debtor will issue and transfer the New Molecular Insight Capital Stock and New Warrants through separate stock certificates to the Holders of Secured Bond Claims and/or the Exit Lenders.

(b) Investor Rights Agreement and Stockholders' Agreement. On the Effective Date, the Reorganized Debtor will enter into and deliver the Investor Rights Agreement and the Stockholders' Agreement, in substantially the forms included in the Plan Supplement, to each entity or person that is intended to be a party thereto and such agreements will be deemed to be valid, binding and enforceable in accordance with their respective terms, and each holder of New Molecular Insight Capital Stock (including the holders of the New Warrants upon their exercise thereof) shall be bound thereby, in each case without the need for execution by any party thereto other than the Reorganized Debtor.

(c) Private Company. On or prior to the Effective Date, the Reorganized Debtor will be a private company and shall take such actions necessary to cease being a reporting company as contemplated under Securities Exchange Act of 1934 and any applicable regulations. As such, subject to the Investor Rights Agreement, the Reorganized Debtor will not list the New Molecular Insight Capital Stock on a national securities exchange.

F. Vesting of Assets in the Reorganized Debtor

On the Effective Date, all property of the Estate, and any property acquired by the Debtor during the Chapter 11 Case or the Reorganized Debtor under the Plan of Reorganization, will vest in the Reorganized Debtor, free and clear of all Claims, Liens, charges, or other encumbrances and interests except as provided in the Plan and the Confirmation Order. From and after the Effective Date, the Reorganized Debtor will be authorized to operate its businesses and use, acquire and dispose of property, free of restrictions imposed under the Bankruptcy Code.

G. Termination of Cash Collateral Order and the DIP Order

On the Effective Date, the DIP Order and the Cash Collateral Order, including the use of cash collateral thereunder, will be terminated. Upon the payment in full in Cash on the Effective Date of all Allowed DIP Claims and Claims due and owing as a form of adequate protection under the Cash Collateral Order, all Liens, Claims and security interests granted to secure the Secured Bond Claims under the Cash Collateral Order and the DIP Claims under the DIP Order will be deemed terminated and will be of no further force and effect. The Reorganized Debtor will be entitled to take any action necessary to effectuate the discharge of any Lien under the Cash Collateral Order and the DIP Order. On the Effective Date, the Debtor will pay in Cash all unpaid amounts due and owing as a form of adequate protection under the Cash Collateral Order and the DIP Order, if any, as applicable, as provided in the Cash Collateral Order and DIP Order, as applicable.

H. Exemption from Certain Transfer Taxes and Recording Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfer from the Debtor to the Reorganized Debtor or to any entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (1) the issuance, distribution, transfer, or exchange of any debt, securities, or other interest in the Debtor or the Reorganized Debtor; (2) the creation, modification, consolidation, or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (3) the making, assignment, or recording of any lease or sublease; or (4) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents will forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

V.

TREATMENT OF HOLDERS OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN OF REORGANIZATION

A. Description and Treatment of Unclassified Claims

Generally, the Plan of Reorganization provides for the payment in full of DIP Facility Claims, Administrative Expense Claims, Compensation and Reimbursement Claims and Priority Tax Claims. The aggregate amount of these Claims will depend on the length of the Chapter 11 Case. The Debtor estimates that the amount of such Claims (other than Compensation and Reimbursement Claims) will not be significant. Delays in the case due to litigation, regulatory approvals, or unforeseen events could materially increase the amount of such Claims.

1. *DIP Facility Claims*

Except to the extent that a holder of an Allowed DIP Facility Claim agrees to a less favorable treatment, each holder of an Allowed DIP Facility Claim, if any, will receive, on the Effective Date, in full satisfaction, settlement, and release of, and in exchange for, such Claim, Cash in an amount equal to the unpaid amount of such Allowed DIP Facility Claim.

2. *Administrative Expense Claims*

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim (other than a Claim for Professional Fees), will receive, in full satisfaction, settlement, and release of, and in exchange for, such Claim, Cash in an amount equal to the unpaid Allowed amount of such Administrative Expense Claim on the later of (a) the Effective Date (or as soon thereafter as reasonably practicable), and (b) the date that is ten (10) days after the Allowance Date; *provided, however*, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor during the Chapter 11 Case or otherwise assumed by the Debtor on the Effective Date pursuant to the Plan will be paid or performed by the Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

3. *Compensation and Reimbursement Claims*

All persons and entities seeking an award by the Bankruptcy Court of Professional Fees (a) will file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is forty-five (45) days after the Effective Date, and, (b) will receive, in full satisfaction, settlement, and release of, and in exchange for such Claim, Cash in such amounts as are Allowed by the Bankruptcy Court (i) on the later of (A) the Effective Date (or as soon thereafter as reasonably practicable) and (B) the date that is ten (10) days after the Allowance Date, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Claim for Allowed Professional Fees and the Reorganized Debtor.

Except as otherwise specifically provided in the Plan, on and after the Effective Date, the Reorganized Debtor, will, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and consummation of the Plan incurred by the Reorganized Debtor after the Effective Date. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Debtor may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

4. *Priority Tax Claims*

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to less favorable treatment, each holder of an Allowed Priority Tax Claim due and payable on or prior

to the Effective Date will receive, as soon as reasonably practicable after the Effective Date, on account of such Claim: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (b) Cash in an amount agreed to by the applicable Debtor or Reorganized Debtor, as applicable, and such holder; *provided*, *however*, that such parties may further agree for the payment of such Allowed Priority Tax Claim at a later date; or (c) at the option of the Reorganized Debtor, Cash in an aggregate amount of such Allowed Priority Claim payable in installment payments over a period not more than five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. To the extent any Allowed Priority Tax Claim is not due and owing on or before the Effective Date, such Claim will be paid in full in Cash in accordance with the terms of any agreement between the Debtor or Reorganized Debtor and such holder, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business. Any Claims asserted by a Governmental Unit on account of any penalties shall not be an Allowed Priority Tax Claim and shall be subordinated to General Unsecured Claims.

B. Description and Treatment of Classified Claims and Equity Interests

On December 22, 2010, pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, the Debtor filed its Statements of Financial Affairs, Schedules of Assets and Liabilities, and Schedules of Executory Contracts and Unexpired Leases (collectively, the "Schedules").

1. *Class 1 – Other Priority Claims*

Other Priority Claims are Claims entitled to priority pursuant to section 507(a) of the Bankruptcy Code (other than Administrative Claims and Priority Tax Claims), including, without limitation, certain allowed employee compensation and benefit claims of the Debtor's employees incurred within one hundred eighty (180) days prior to the Petition Date. The Debtor estimates that the Allowed Claims in Class 1 that are due and payable pursuant to the Plan on or before the Effective Date will be nominal.

Except to the extent that a holder of an Allowed Other Priority Claim agrees to a less favorable treatment of such Claim, each holder of an Allowed Other Priority Claim will receive, in full satisfaction, settlement, and release of, and in exchange for such Claim, Cash in an amount equal to such Allowed Other Priority Claim, on the later of (a) the Effective Date (or as soon thereafter as reasonably practicable), and (b) the date that is ten (10) days after the Allowance Date.

Class 1 is Unimpaired under the Plan. Holders of Allowed Other Priority Claims are conclusively presumed to accept the Plan and are not entitled to vote to accept or reject the Plan.

2. *Class 2 – Other Secured Claims*

Other Secured Claims are Claims, other than the Secured Bond Claims, to the extent reflected in the Schedules or a proof of claim filed as a secured Claim, secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code, or, in the event that such Claim is subject to setoff under section 553 of the Bankruptcy Code, to the extent of such setoff. The Debtor estimates that the Allowed

Claims in Class 2 that are due and payable pursuant to the Plan on or before the Effective Date will be nominal.

Except to the extent that a holder of an Allowed Other Secured Claim agrees to a less favorable treatment, each holder of an Allowed Other Secured Claim will receive one of the following treatments on the later of (a) the Effective Date (or as soon thereafter as reasonably practicable), and (b) the date that is ten (10) days after the Allowance Date, at the sole option of the Reorganized Debtor, in full satisfaction, settlement, and release of, and in exchange for such Claim: (x) the Debtor or Reorganized Debtor will pay such Allowed Other Secured Claims in full in Cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code; (y) the Debtor or the Reorganized Debtor will deliver the collateral securing any such Allowed Other Secured Claim without representation of, warranty by or recourse against the Debtor or the Reorganized Debtor; or (z) the Debtor or the Reorganized Debtor will otherwise treat any Allowed Other Secured Claim in any other manner such that the Claim will be rendered Unimpaired. The Debtor specifically reserves the right to challenge the validity, nature, and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported Liens relating to Other Secured Claims.

Class 2 is Unimpaired under the Plan. Holders of Other Secured Claims are presumed to accept the Plan and are not entitled to vote to accept or reject the Plan.

3. *Class 3 – Secured Bond Claims*

On the Effective Date, the Secured Bond Claims will be allowed in full in the amount of $201,794,051 plus all accrued and unpaid interest as of the Effective Date.

On the Effective Date, or as soon thereafter as reasonably practicable, each holder of an Allowed Secured Bond Claim will receive in full satisfaction, settlement, and release of, and in exchange for such Claim a Pro Rata Share of the 10,000,000 shares of New Molecular Insight Preferred Stock to be issued on the Effective Date, with such shares initially convertible into 100% of the Reorganized Debtor's issued and outstanding shares of New Molecular Insight Common Stock (subject to dilution by shares of New Molecular Insight Common Stock issued pursuant to the Management Equity Plan and the New Warrants).

Class 3 is Impaired under the Plan and each holder thereof will be entitled to vote to accept or reject the Plan.

4. *Class 4 – General Unsecured Claims*

General Unsecured Claims are all unsecured Claims that are not Secured Tax Claims, Secured Bond Claims, Administrative Expense Claims, Priority Tax Claims or Other Priority Claims and include, without limitation, (a) Claims of vendors or customers of the Debtor that are not Priority Claims, (b) Claims of present or former employees of the Debtor that are not Priority Claims and (c) Claims arising as a result of the rejection by the Debtor of Executory Contracts.

On the Effective Date, or as soon thereafter as reasonably practicable, each holder of an Allowed General Unsecured Claim will receive in full satisfaction, settlement and release of, and in exchange for such Claim a Pro Rata Share of $500,000 in Cash; provided, however, that no

member of Class 4 will be entitled to more than payment in full of its Claim and excess Cash, if any, shall be retained by the Reorganized Debtor consistent with section 6.2(g) of the Plan.

5. *Class 5 – Section 510(b) Claims*

Section 510(b) Claims are Claims that arise from the rescission of a purchase or sale of a security of the Debtor, for damages arising from the purchase or sale of such security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a claim. Such Claims will be subordinated in accordance with section 510(b) of the Bankruptcy Code.

On the Effective Date, all Section 510(b) Claims will be discharged. Holders of Section 510(b) Claims will not receive or retain any interest or property on account of such Claims, unless and until all holders of Allowed Claims other than Claims in Class 5 are satisfied in full.

Class 5 is Impaired by the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, each holder of a Section 510(b) Claim is deemed to reject the Plan and is not entitled to vote to accept or reject the Plan.

6. *Class 6 – Old Molecular Insight Equity Interests*

Old Molecular Insight Equity Interests are Interests in an equity security of the Debtor. The Schedules contain a complete list of the record holders (as of the Petition Date) of the Debtor's equity interests which are primarily held indirectly through the Depository Trust Corporation ("DTC") and its participant broker/dealers (the "DTC Participants").

On the Effective Date, all Old Molecular Insight Equity Interests will be canceled and extinguished. Holders of Old Molecular Insight Equity Interests will not receive or retain any interest or property on account of such Equity Interests.

Class 6 is Impaired by the Plan. Each holder of an Old Molecular Insight Equity Interest is deemed to reject the Plan and is not entitled to vote to accept or reject the Plan.

C. Special Provision Governing Unimpaired Claims.

Except as otherwise provided in the Plan, nothing therein will affect the Debtor's or the Reorganized Debtor's rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

D. Acceptance or Rejection of the Plan

(a) Presumed Acceptance of Plan. Classes 1 and 2 are Unimpaired under the Plan, and are, therefore, presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

(b) Voting Classes. Each holder of an Allowed Claim in each of Classes 3 and 4 will be entitled to vote to accept or reject the Plan.

(c) Presumed Rejection of Plan. Classes 5 and 6 will receive no distribution under the Plan (not including any amounts that may be distributed to holders of Class 6 Claims, in the Debtor's discretion) and will be presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

(d) Controversy Concerning Impairment. If a controversy arises as to whether any Claims or Equity Interests, or any Class thereof, are Impaired, the Bankruptcy Court will, after notice and a hearing, determine such controversy on or before the Confirmation Date.

(e) Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code. Acceptance of the Plan by either Class 4 or 5 will satisfy section 1129(a)(10) of the Bankruptcy Code. The Debtor will seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any rejecting class of Claims consistent with the Plan Support Agreement.

(f) Elimination of Vacant Classes. Any Class of Claims that is not occupied as of the date of commencement of the Confirmation Hearing by the holder of an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018 (i.e., no Ballots are cast in a Class entitled to vote on the Plan) will be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptances or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

VI.

PROJECTIONS AND VALUATION ANALYSIS

A. Projections

Attached as Exhibit B are the financial projections prepared by the Debtor's management (the "Projections"). The Projections incorporate the estimated effect of the transactions contemplated by the Plan on the Debtor's cash flow for the three-year period ending December, 2013. The Projections reflect significant assumptions, including various assumptions with respect to the anticipated future performance of the Debtor after the restructuring contemplated under the Plan is consummated, industry performance, research results, regulatory approval, general business and economic conditions and other matters, some of which are beyond the control of the Debtor.

In addition, unanticipated events and circumstances may affect the actual financial results of the Debtor in the future. THEREFORE, WHILE THE PROJECTIONS ARE PRESENTED FOR FISCAL YEARS 2011-2013 (the "PROJECTED PERIOD"), ACTUAL RESULTS MAY VARY FROM THE PROJECTED RESULTS, NO REPRESENTATION CAN BE MADE OR IS MADE WITH RESPECT TO THE ACCURACY OF THE PROJECTIONS OR THE ABILITY OF THE DEBTOR TO ACHIEVE THE PROJECTED RESULTS. See Section IX of the Disclosure Statement entitled "CERTAIN RISK FACTORS TO BE CONSIDERED" for a discussion of certain factors that may affect the future financial performance of the Debtor and/or Reorganized Debtor. The Debtor does not anticipate that it will, and disclaims any obligation to, furnish updated projections in the event that actual industry performance or the general economic

or business climate differs from that upon which the Projections have been based. The projections have been prepared by the Debtor's management, and while it believes that the assumptions underlying the projections for the Projected Period, when considered on an overall basis, are reasonable in light of current circumstances, no assurance can be given or is given that the Projections will be realized. The Projections were not prepared in accordance with standards for projections promulgated by the American Institute of Certified Accountants, the Financial Account Standards Board or with a view to compliance with published guidelines of the Securities and Exchange Commission regarding projections or forecasts. The Projections have not been audited, reviewed or compiled by the Debtor's independent auditors. Although presented with numerical specificity, the Projections are based upon a variety of assumptions, some of which have not been achieved to date and may not be realized in the future, and are subject to significant business, litigation, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Debtor. Consequently, the Projections should not be regarded as a representation or warranty by the Debtor, or any other person, that the Projections will be realized.

The Projections contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Although the Debtor believes the expectations contained in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. The Debtor's actual results of operations and future financial condition may differ materially from those expressed or implied in any such forward looking statements.

B. Valuation Analysis

Attached as Exhibit C is the Debtor's valuation analysis (the "Valuation Analysis").

VII.

GOVERNANCE OF REORGANIZED DEBTOR

A. Certificate of Incorporation and Bylaws

On the Effective Date, the certificate of incorporation and bylaws of the Reorganized Debtor will be amended and restated in the form of the Restated Certificate of Incorporation and the Restated ByLaws. The Restated Certificate of Incorporation of the Reorganized Debtor will prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code without any further actions by the stockholders or directors of the Debtor or the Reorganized Debtor. The Consenting Bondholders are considering the insertion of provisions in the Restated Certificate of Incorporation that restrict the transfer of equity interests in the Reorganized Debtor for a period of up to two years from and after the Effective Date to the extent necessary to prevent an "ownership change" during such period. After the Effective Date, the Reorganized Debtor will be authorized to amend and restate the Restated Certificate of Incorporation as provided therein or by applicable law.

B. Officers and Directors

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, on the Effective Date, (i) the initial directors of the Reorganized Debtor will be appointed by the holders of New Molecular Insight Capital Stock in accordance with the Restated Certificate of Incorporation and the Stockholders' Agreement, and (ii) the officers of the Debtor immediately prior to the Effective Date will be the initial officers of the Reorganized Debtor. All directors of the Debtor serving immediately prior to the Effective Date will be deemed to have resigned as of the Effective Date. Pursuant to section 1129(a)(5), the Debtor will disclose, on or prior to the Confirmation Date, the identity and affiliations of any other person proposed to serve on the initial board of directors of the Reorganized Debtor or as an initial officer of the Reorganized Debtor, and, to the extent such person is an insider, the nature of any compensation for such person. The classification and composition of the board of directors will be consistent with the Restated Certificate of Incorporation, and such board will consist of no more than five (5) directors, with one being the then serving chief executive officer of the Reorganized Debtor. Each such director and officer will serve from and after the Effective Date pursuant to the terms of the Stockholders' Agreement, the Restated Certificate of Incorporation and Restated Bylaws of the Reorganized Debtor and the corporation laws of the State of Delaware.

C. Corporate Action

On the Effective Date, and as provided in the Plan, the adoption of the Restated Certificate of Incorporation and the Restated Bylaws, the selection of directors and officers for the Reorganized Debtor, and all actions of the Debtor and the Reorganized Debtor contemplated by the Plan will 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 the Confirmation Order). All matters provided for in the Plan involving the corporate structure of the Debtor and the Reorganized Debtor and any corporate action required by the Debtor and the Reorganized Debtor in connection with the Plan, will be deemed to have timely occurred in accordance with applicable state law and will be in effect, without any requirement of further action by the security holders or directors of the Debtor and the Reorganized Debtor. Notwithstanding the foregoing, on the Effective Date the appropriate officers and members of the board of directors of the Reorganized Debtor are and will be authorized and directed to take or cause to be taken all such actions as may be necessary or appropriate to issue, execute and deliver the agreements, documents, certificates, securities and instruments contemplated by the Plan in the name of and on behalf of the Reorganized Debtor.

D. Reincorporation in Delaware; Continuing Corporate Existence

On the Effective Date, the Debtor will, as a Reorganized Debtor, reincorporate as a Delaware corporation. Except as otherwise provided in the Plan, the Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate corporate entity, with all of the powers of a corporation under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable state law. Except as otherwise provided in the Plan of Reorganization, as of the Effective Date, all property of the Estate, and any property acquired by the Debtor or Reorganized Debtor under the

Plan, will vest in the Reorganized Debtor, free and clear of all Claims, Liens, charges, other encumbrances, and interests. On and after the Effective Date, the Reorganized Debtor may operate its business and may use, acquire, and dispose of property and compromise or settle any claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtor may pay the charges that it incurs on or after the Effective Date for professional fees and expenses, disbursements, expenses, or related support services (including fees relating to the preparation of applications for Professionals) without application to, or approval of, the Bankruptcy Court.

VIII.

OTHER ASPECTS OF THE PLAN OF REORGANIZATION

A. Distributions

Only holders of Allowed Claims may receive distributions under and in accordance with the Plan.

1. *Timing of Distribution; Disputed Claims*

Except as otherwise provided in the Plan or by order of the Bankruptcy Court, distributions to be made on the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan will be made on the Effective Date or as promptly thereafter as practicable. Notwithstanding the foregoing or anything in the Plan to the contrary, neither the Debtor nor the Reorganized Debtor will be required to make any distributions under the Plan to holders of Allowed General Unsecured Claims prior to the date that all Contingent Claims are Allowed, estimated for purposes of distribution under section 7.3 of the Plan or otherwise disallowed by a Final Order of the Bankruptcy Court. For purposes of calculating a Pro Rata Share, the amount of the total Allowed Claims in each Class will be calculated as if all unresolved Disputed Claims in each Class were Allowed in the full amount thereof.

2. *Distributions of Cash and Plan Securities*

(a) Distributions from Reorganized Debtor of the New Molecular Insight Preferred Stock. All distributions provided for in the Plan of Plan Securities shall be made by the Debtor to (i) the Indenture Trustee or (ii) with the prior written consent of the Indenture Trustee through the facilities of DTC for the benefit of the holders of Allowed Secured Bond Claims. Notwithstanding the provisions of section 5.3 of the Plan regarding the cancellation of the Bonds, the distribution provisions of the Indenture shall continue in effect solely to the extent necessary to authorize the distribution of the corresponding Plan Securities and other New Warrants to holders of Allowed Secured Bond Claims pursuant to the Plan. The Reorganized Debtor shall have no liability for any act or omission of the Indenture Trustee or DTC.

(b) Distributions from Exchange Agent of the Plan Securities. As soon as practicable after the Effective Date, the Reorganized Debtor shall send a letter of transmittal to each holder of the Bonds advising such holder of the effectiveness of the Plan and the

instructions for delivering to the Indenture Trustee any Bonds in exchange for the corresponding Plan Securities issuable or distributable pursuant to the Plan. Such letter of transmittal shall specify that delivery of any Bonds shall be affected, and that risk of loss and title thereto shall pass, only upon delivery of such Bonds to the Indenture Trustee in accordance with the terms and conditions of such letter of transmittal. Such letter of transmittal shall be in such form and have such other provisions as Debtor or Indenture Trustee may reasonably require. Except to the extent the Bonds are evidenced by electronic book entry in the facilities of DTC or as otherwise agreed to in writing by the Indenture Trustee, it shall be a condition to receipt of any distribution of the corresponding Plan Securities that the holder of Bonds surrender or be deemed to have surrendered, in accordance with section 6.2(c) of the Plan, the Bonds.

(c) Lost or Stolen Bonds. In addition to any requirements under the Indenture, or any related agreement, in the event any Bonds that are not evidenced by electronic book entry in the facilities of DTC will have been lost, stolen or destroyed, then upon the delivery to the Exchange Agent of an affidavit attesting to the fact by the holder of the Bond and the posting by such holder of a Bond or the giving by such holder of an indemnity as may be reasonably required by the Reorganized Debtor as indemnity against any claim that may be made against either of them with respect to such Bond, the Exchange Agent will distribute the corresponding Plan Securities, and any interest payments or other distributions with respect thereto, issuable or payable in exchange for such lost, stolen or destroyed Bond pursuant to the provisions of the Plan. Upon compliance with section 6.2(c) of the Plan by a holder of an Allowed Claim evidenced by a Bond, such holder will, for all purposes under the Plan, be deemed to have surrendered such Bond.

(d) Failure to Surrender Canceled Bonds. Any holder of a Bond that fails to surrender or is deemed to have failed to surrender any Bond required to be delivered under the Plan, or fails to comply with the provisions of section 6.2(c) thereof, will (i) within 180 days after the Effective Date, be entitled to look only to the Reorganized Debtor for its distributions under the Plan, or (ii) within one (1) year after the Effective Date, have its Claim for a distribution pursuant to the Plan on account of such Bond discharged and be forever barred from asserting any such Claim against the Reorganized Debtor or its property. In the event a claim for a distribution pursuant to the Plan on account of such Bond is discharged, such distribution will vest in the Reorganized Debtor in accordance with section 6.5 of the Plan. Any holder of a Bond for which no physical certificate was issued to the holder but which instead is held in electronic book entry pursuant to a global security held by DTC will be deemed to have surrendered its Bond upon the surrender of such global security by DTC.

(e) Distribution Record Date. As of the close of business on the Distribution Record Date, the transfer register for the Bonds as maintained by DTC, the Debtor or their respective agents or participants, will be deemed closed, and there will be no further changes in the record holders of any of the Bonds. The Reorganized Debtor, the Exchange Agent, and the Indenture Trustee and their respective agents will have no obligation to recognize the transfer of any Bonds occurring after the Distribution Record Date, and will be entitled for all purposes herein to recognize and deal only with those holders of record as of the close of business on the Distribution Record Date.

(f) Plan Securities Issued in Different Name. If any Plan Securities are to be issued or distributed in a name other than that in which the Bonds surrendered in exchange therefor is registered, it will be a condition of such exchange that (i) the Bond so surrendered will be transferable, and will be properly assigned and endorsed, (ii) such transfer will otherwise be proper and (iii) the holder requesting such transfer will pay all transfer or other taxes payable by reason of the foregoing and establish to the satisfaction of the Exchange Agent that such taxes have been paid.

(g) Minimum Distributions. No payment of Cash less than $500 will be made by the Debtor or Reorganized Debtor to any holder of a Claim unless either a request therefor is made in writing to the Debtor or Reorganized Debtor, as applicable, by the holder of such Claim or the Debtor or Reorganized Debtor, as applicable, so determines to make such payment in its sole and absolute discretion; provided, that if such distribution represents the final, remaining distribution, such distribution may be made notwithstanding such minimum threshold..

(h) Fractional Shares. No fractional shares of New Molecular Insight Capital Stock, fractional New Warrants or Cash in lieu thereof, will be distributed under the Plan. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Molecular Insight Capital Stock that is not a whole number, the actual distribution of shares of New Molecular Capital Stock will be rounded as follows: (i) fractions of 1/2 or greater will be rounded to the next higher whole number; and (ii) fractions of less than 1/2 will be rounded to the next lower whole number. The total number of shares of New Molecular Insight Capital Stock to be distributed to holders of Allowed Claims will be adjusted as necessary to account for the rounding provided in this section.

(i) Distributions to Holders of General Unsecured Claims. The Reorganized Debtor will distribute Cash to holders, as of the Distribution Record Date, of General Unsecured Claims. No distribution described hereby will be made unless and until such Claim becomes an Allowed Claim.

(j) Manner of Distributions. Any distribution of the New Molecular Insight Capital Stock under the Plan will be made delivery of physical certificates representing the New Molecular Insight Capital Stock.

3. *Reserves and Distribution Thereof*

On the Effective Date, the Debtor will reserve from distribution an amount of Cash equal to the amount of corresponding Cash that would be distributed to holders of Disputed General Unsecured Claims, if such Claims were Allowed Claims (the "Reserved Cash"). The Reserved Cash will be distributed to the holders of Disputed Claims to the extent such Claims become Allowed Claims in accordance with the provisions of section 6.2 hereof and to the extent such Disputed Claims are Allowed for an amount less than the amount for which Cash was reserved, to the other holders of Allowed General Unsecured Claims at the times provided for in section 6.2 of the Plan.

4. *Undeliverable and Unclaimed Distributions*

(a) Delivery of Distributions. All property under the Plan to be distributed by mail will be sent to the latest mailing address filed with the Bankruptcy Court for the party entitled thereto, or, if no such mailing address has been so filed, the mailing address reflected in the Debtor's books and records or the mailing address of the corresponding nominee or participant of the DTC for such party.

(b) Undeliverable Distributions. If any distribution to the holder of an Allowed Claim is returned as undeliverable, no further distributions will be made to such holder unless and until the Reorganized Debtor is notified in writing of such holder's then-current address. Undeliverable distributions made by the Reorganized Debtor or the Exchange Agent will be returned to the Reorganized Debtor and will remain in the possession of the Reorganized Debtor until such time as a distribution becomes deliverable. The Reorganized Debtor will have no obligation to attempt to locate any holder with regard to whom a distribution has been returned as undeliverable, forwarding time expired or similar indication. Undeliverable distributions will not be entitled to any interest, dividends or other accruals of any kind.

(c) Distributions After the Effective Date. Subject to sections 6.1 and 6.3 of the Plan, within 20 days after the end of each six month anniversary following the Effective Date, the Reorganized Debtor will make all distributions, as provided herein or in the Confirmation Order, that become deliverable during the preceding six months, including payments to (i) holders of Allowed Claims who become entitled to additional distributions as a result of the disallowance or reduction of a Disputed Claim, and (ii) holders of Disputed Claims that become Allowed Claims.

5. *Failure to Claim Undeliverable Distributions*

Any holder of an Allowed Claim that does not assert a Claim or Equity year after the Effective Date for distributions made on or about the Effective Date and with respect to distributions to be made after the Effective Date, one year after the date of such a subsequent distribution, will have its Claim for such undeliverable distribution discharged and will be forever barred from asserting any such Claim against the Reorganized Debtor or its property. In such cases, any Cash held for distribution on account of such Claims will be retained by the Reorganized Debtor, while any New Molecular Insight Capital Stock held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan or Confirmation Order will require the Reorganized Debtor, the Exchange Agent, the Indenture Trustee or the Disbursing Agent to attempt to locate any holder of an Allowed Claim.

6. *Compliance with Tax Requirements/Allocations*

In connection with the Plan, to the extent applicable, the Reorganized Debtor will comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant hereto will be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtor and the Disbursing Agent will be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution

to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtor reserves the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances. For tax purposes, distributions in full or partial satisfaction of Allowed Claims will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims.

7. *Compensation and Reimbursement to Exchange Agent for Services Related to Balloting and Distributions*

The Exchange Agent providing services related to distributions pursuant to the Plan will receive from the Reorganized Debtor, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with the Reorganized Debtor.

8. *Setoffs*

The Reorganized Debtor may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the holder of such Allowed Claim; provided that neither the failure to effect such a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor or the Reorganized Debtor of any such claims, rights and Causes of Action that the Debtor or the Reorganized Debtor may possess against such holder.

9. *Claims Paid or Payable by Third Parties*

(a) Claims Paid by Third Parties. The Debtor or the Reorganized Debtor, as applicable, will reduce in full a Claim, and such Claim will be disallowed without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the holder of such Claim receives payment in full on account of to the extent a holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not the Debtor or Reorganized Debtor on account of such Claim, such holder will, within two weeks of receipt thereof, repay or return the distribution to the Reorganized Debtor, to the extent the holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. If the Debtor becomes aware of the payment by a third party, the Debtor or Reorganized Debtor, as applicable, will send a notice of wrongful payment to such party requesting return of any excess payments and advising the recipient of the provisions of the Plan requiring turnover of excess estate funds. The failure of such holder to timely repay or return such distribution will result in the holder owing the Reorganized Debtor annualized interest at the federal judgment rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

(b) Claims Payable by Third Parties. No distributions under the Plan will be made on account of an Allowed Claim that is payable pursuant to one of the Debtor's insurance policies until the holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtor's insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Policies. Except as otherwise provided in the Plan, distributions to holders of Allowed Claims will be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan will constitute or be deemed a waiver of any Cause of Action that the Debtor or any person or entity may hold against any other entity, including insurers, under any policies of insurance, nor will anything described herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

B. Procedures for Disputed Claims

1. *Objections to Claims*

Except as to applications for allowance of compensation and reimbursement of expenses under sections 328, 330 and 503 of the Bankruptcy Code, the Reorganized Debtor will on and after the Effective Date have the exclusive authority to enforce, sue on, object to, settle, compromise, withdraw, assign or litigate to judgment (or decline to do any of the foregoing) any and all Claims, objections to Claims including Administrative Expense Claims, Causes of Action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Debtor or the Estate may hold against any person or entity without approval of the Bankruptcy Court, subject to section 7.1 of the Plan, the Confirmation Order, and any contract, instrument, release, indenture or other agreement entered into in connection herewith. **All objections to Claims must be filed on or before the date that is one hundred eighty (180) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court**.

2. *Payments and Distributions with Respect to Disputed Claims*

Notwithstanding any other provision of the Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder will be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim; *provided*, *however*, section 7.2 of the Plan will not prohibit the Reorganized Debtor, in its sole discretion, from paying any portion of the Disputed Claim, if any, that is not specifically disputed. After a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim will receive all payments and distributions to which such holder is then entitled in accordance with section 6 of the Plan. Notwithstanding the foregoing, any person who holds both an Allowed Claim(s) and a Disputed Claim(s) will receive the appropriate payment or distribution on the Allowed Claim(s), although, except as otherwise agreed by the Reorganized Debtor in its sole discretion, no payment or distribution will be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order. To the extent that all or a portion of a Disputed Claim is disallowed, the holder of

such Claim will not receive any distribution on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim will be reallocated pro rata to the holders of Allowed Claims in the same Class.

3. *Estimation of Claims*

The Debtor or Reorganized Debtor may at any time request that the Bankruptcy Court estimate any Contingent Claim or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contingent Claim or Disputed Claim, the amount so estimated will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Except as provided herein, Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

4. *Disallowed Claims*

All Claims held by persons or entities against whom or which the Debtor has commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549, and/or 550 of the Bankruptcy Code will be deemed "disallowed" claims pursuant to section 502(d) of the Bankruptcy Code and holders of such claims will not be entitled to vote to accept or reject the Plan. Claims that are deemed disallowed for the reason described above will continue to be disallowed for all purposes until the avoidance action against such party has been settled or resolved by Final Order and any sums due to the Debtor from such party have been paid.

(a) **EXCEPT AS OTHERWISE AGREED BY THE DEBTOR WITH THE PRIOR WRITTEN CONSENT OF THE REQUIRED CONSENTING BONDHOLDERS, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE APPLICABLE CLAIMS BAR DATE WILL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.**

(b) On or after the later of the Bar Date and the Effective Date, except as otherwise provided herein, a Claim may not be filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtor, and, to the extent such prior authorization is

not received, any such new or amended Claim filed will be deemed disallowed and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

5. *Indenture Trustee as Claim Holder*

Pursuant to the Plan, the Indenture Trustee is authorized but not required to file a Proof of Claim with respect to the Bonds. Any Proof of Claim filed by a registered or beneficial holder of Bonds for which the Indenture Trustee has filed a Proof of Claim will be Disallowed by the Confirmation Order as duplicative of the Proof of Claim filed by the Indenture Trustee without need for any further action or Bankruptcy Court Order, except to the extent that any Claim, or a portion of a Proof of Claim, filed by a holder is not included within the Proof of Claim filed by the Indenture Trustee.

C. Treatment of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Contracts will be deemed to be assumed in accordance with sections 365 and 1123 of the Bankruptcy Code, except for an Executory Contract that (a) previously has been assumed or rejected pursuant to Final Order of the Bankruptcy Court, (b) is specifically designated as a contract or lease to be rejected in the Plan Supplement, or (c) is the subject of a separate (i) assumption motion filed by the Debtor, or (ii) rejection motion filed by the Debtor, under section 365 of the Bankruptcy Code prior to the Confirmation Date. The list of executory contracts to be rejected in the Plan Supplement will be acceptable to the Consenting Bondholders. The Debtor may, at any time on or prior to the Effective Date and with the prior written consent of the Consenting Bondholders, amend the list of Executory Contracts in the Plan Supplement. The Confirmation Order will constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions and/or rejections described above as of the Effective Date.

1. *Cure of Defaults*

At least fifteen (15) days prior to the Confirmation Date the Debtor will file and serve on all parties to Executory Contracts to be assumed as of the Effective Date, a schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtor in accordance with section 365(b)(1) of the Bankruptcy Code. Objections to any such proposed cure payment must be made by the deadline for filing objections to confirmation of the Plan, and will be determined, if necessary, at the Confirmation Hearing. A party to an assumed Executory Contract that does not file an appropriate pleading with the Bankruptcy Court on or before the deadline set by the Bankruptcy Court for objection to the cure amount is deemed to have waived its right to dispute such amount. All unpaid cure and compensation payments under any Executory Contracts that are assumed or assumed and assigned under the Plan (including, without limitation, Claims filed in the Chapter 11 Case or listed in the Schedules and Allowed by order of the Bankruptcy Court prior to the Confirmation Date that relate to Executory Contracts that are assumed or assumed and assigned under the Plan) will be made by the Reorganized Debtor as soon as practicable after the Effective Date, but not later than thirty days after the Effective Date. In the event of a dispute regarding: (1) the existence of any default or the amount of any cure payments, (2) the ability of the Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the

Bankruptcy Code) under the Executory Contract to be assumed or (3) any other matter pertaining to assumption of such contracts or leases, any cure payments required by section 365 (b) (1) of the Bankruptcy Code will be made following the entry of a Final Order by the Bankruptcy Court resolving the dispute and otherwise approving the assumption.

2. *Rejection Claims*

In the event that the rejection of an Executory Contract by the Debtor pursuant to the Plan results in damages to the counterparty to such Executory Contract, a Claim for such damages, if not heretofore evidenced by a timely filed Proof of Claim, will be forever barred and will not be enforceable against the Debtor, or the Debtor's properties or interests in property as agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court by no later than thirty (30) days after the effective date of such rejection.

3. *No Survival of the Debtor's Indemnification Obligations*

The obligations of the Debtor to indemnify any person serving at the Petition Date or thereafter as one of its directors, officers or employees by reason of such person's service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in the Debtor's constituent documents or by a written agreement with the Debtor or the law of the state in which the Reorganized Debtor is organized, will not survive the Effective Date. The Reorganized Debtor will not have any obligation pursuant to the Plan or otherwise to provide indemnification or reimbursement with respect to any act or omission (whether occurring before or after the Effective Date) of any person that is no longer serving as an officer, director or employee of the Reorganized Debtor on or after the Effective Date. Pursuant to the budget attached to the Cash Collateral Order, the Debtor is authorized to use cash collateral to purchase an extended reporting period endorsement to the directors and officers liability insurance policy that is currently in force, or to purchase other directors and officers liability insurance coverage with respect to acts and omissions preceding the Effective Date provided that such coverage will not be conditioned on indemnification from the Reorganized Debtor or include any deductible or self-insured retention for which the Reorganized Debtor may be responsible.

4. *Survival of Other Employment Arrangements*

All prepetition employment contracts, benefit, compensation, and other similar programs and plans will be deemed and treated as Executory Contracts pursuant to the Plan and will continue in full force and effect as obligations of the Reorganized Debtor for the period the Debtor has obligated itself with respect thereto, except to the extent they have been previously rejected or are rejected hereunder. Notwithstanding section 10.4 of the Plan, the Plan will not release former officers of the Debtor from any continuing obligations the former officers owe to the Debtor under employment, separation, severance, non-competition, non-disclosure or proprietary rights agreements existing between the Debtor and the former officers if and to the extent that such agreements are assumed by the Debtor in connection with the Chapter 11 Case.

5. *Insurance Policies*

All insurance policies pursuant to which the Debtor has any obligations in effect as of the date of the Confirmation Order will be deemed and treated as Executory Contracts pursuant to the Plan and will be assumed by the Debtor and the Reorganized Debtor and will continue in full force and effect. All other insurance policies will revest in the Reorganized Debtor. Nothing described in this section will constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's policies of insurance.

D. Conditions Precedent to Consummation of the Plan of Reorganization.

1. *Conditions Precedent to Confirmation Date.*

The occurrence of the Confirmation Date of the Plan of Reorganization is subject to the following conditions precedent each of which must be satisfied or waived in accordance with section 9.3 of the Plan:

(a) a Final Order, finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code, shall have been entered by the Bankruptcy Court;

(b) the Disclosure Statement is consistent with the Plan Support Agreement and is in form and substance reasonably satisfactory to the Debtor and the Consenting Bondholders;

(c) the proposed Confirmation Order will contain authorization for the releases and injunctions contemplated by section 10 hereof, and will otherwise be in form and substance reasonably satisfactory to the Debtor and the Consenting Bondholders;

(d) the Plan Support Agreement will be in full force and effect, all payments required thereunder shall be paid in Cash as required by the terms thereof, the Plan Support Agreement will not have been terminated and there will be no ongoing event of default thereunder (other than defaults for which the parties entitled to exercise remedies have not done so within a reasonable amount of time);

(e) except as otherwise provided in the definition of Plan Supplement, the Plan, including any amendments, modifications or supplements thereto, and all documentation contemplated by the Plan and the terms set forth in the Plan Supplement, shall be in form and substance reasonably satisfactory to the Debtor and the Consenting Bondholders;

(f) the Cash Collateral Order and the DIP Order, as applicable, will be in full force and effect, will not have been terminated and there shall be no ongoing event of default (other than defaults for which the parties entitled to exercise remedies have not done so within a reasonable amount of time); and

(g) at the request of the Required Consenting Bondholders, the Debtor will have obtained orders of the Bankruptcy Court rejecting (i) the License Agreement., (ii) the

Supply Agreement; and (iii) the E&Z Agreement; provided, however, that it will not be a condition precedent that any claims resulting from the rejection of the contracts set forth in clause (g) (including, without limitation, any claims under section 365(n) of the Bankruptcy Code) be resolved in a manner that is satisfactory to the Consenting Bondholders (unless resolved consensually or by way of settlement, in which case consent of the Consenting Bondholders, not to be unreasonably withheld, will be required), provided, further, that if the Debtor elects to renegotiate or replace the agreement referenced in subclause(g)(iii), any such renegotiation or replacement must be on terms reasonably satisfactory to the Consenting Bondholders.

2. *Conditions Precedent to the Effective Date*

The occurrence of the Effective Date of the Plan of Reorganization is subject to the following conditions precedent each of which must be satisfied or waived in accordance with section 9.3:

(a) the Bankruptcy Court will have entered the Confirmation Order, which order will contain authorization for the releases and injunctions contemplated by section 10 of the Plan, and will otherwise be in form and substance reasonably satisfactory to the Debtor and the Consenting Bondholders, and such Confirmation Order will have become a Final Order;

(b) all actions, documents, and agreements necessary to implement the Plan, including, without limitation, all actions, documents, and agreements necessary to implement the Restructuring Transactions, will have been effected or executed;

(c) the Cash Collateral Order and the DIP Order, as applicable, will be in full force and effect immediately prior to the Effective Date, will not have been terminated and there will be no ongoing event of default (other than defaults for which the parties entitled to exercise remedies have not done so within a reasonable amount of time);

(d) the Plan Support Agreement will be in full force and effect, all payments required thereunder will be paid in Cash as required by the terms thereof, the Plan Support Agreement will not have been terminated and there will be no ongoing event of default thereunder (other than defaults for which the parties entitled to exercise remedies have not done so within a reasonable amount of time);

(e) the Stockholders' Agreement, the Investor Rights Agreement, and the New Warrant Agreement will have been executed as contemplated by the Plan;

(f) the New Pledge and Security Agreement and the Exit Credit Agreement will have been executed and all conditions to the effectiveness thereof (including, but not limited to, the execution and/or delivery of such other agreements, documents and instruments as are required to be executed and/or delivered as a condition precedent to the effectiveness thereof) will have been satisfied or waived by the Exit Lenders and/or Exit Agent, in accordance with the terms thereof; and

(g) the Debtor will have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement the Plan and that are required by law, regulation, or order.

3. *Waiver of Conditions Precedent*

Each of the conditions precedent in sections 9.1 and 9.2 of the Plan, may be waived, in whole or in part, at any time by the Debtor with the prior written consent of the Consenting Bondholders without leave or order of the Bankruptcy Court and without any formal action.

4. *Effect of Failure of Conditions to Effective Date*

If the conditions precedent specified in section 9.2 of the Plan have not been satisfied or waived by the earlier of May 16, 2011 and sixty (60) days after the Confirmation Date, then, unless such deadline is extended with the prior written consent of the Required Consenting Bondholders, (a) the Confirmation Order will be vacated, (b) no distributions under the Plan will be made, (c) the Debtor and all holders of Claims and Old Molecular Insight Equity Interests will be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (d) all of the Debtor's obligations with respect to the Claims and the Old Molecular Insight Equity Interests will remain unchanged and none of the provisions of the Plan described herein will be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other entity or to prejudice in any manner the rights of the Debtor or any other entity in any further proceedings involving the Debtor or otherwise.

E. Effect of Confirmation

1. *Discharge of Debtor*

Except as otherwise provided in the Plan or in the Confirmation Order, the rights afforded and treatment of all Claims and Equity Interests described herein will be in exchange for and in complete satisfaction, settlement, discharge and release of all existing Claims and Equity Interests of any nature whatsoever, known or unknown against the Debtor or any of its assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as otherwise provided in the Plan, on the Effective Date, all such Claims against and Equity Interests in the Debtor and the Reorganized Debtor will be, and will be deemed to be, satisfied, released discharged and terminated in full, and all holders of Claims and Equity Interest will be precluded and enjoined from asserting against the Reorganized Debtor or any of its assets or properties, any other or further Equity Interest or Claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a Proof of Claim. Notwithstanding any provision of the Plan, any valid setoff or recoupment rights held against the Debtor will not be affected by the Plan and will be expressly preserved in the Confirmation Order. Except as provided in the Plan or the Confirmation Order, confirmation will, as of the Effective Date, discharge the Debtor from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not a Proof of Claim based on such debt is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, a Claim based on such debt is Allowed pursuant to section 502 of the Bankruptcy Code or the

holder of a Claim based on such debt has accepted the Plan and satisfy or terminate all Equity Interests and other rights of equity security holders in the Debtor.

2. *Injunction*

Except as otherwise expressly provided in the Plan or Confirmation Order, from and after the Effective Date, all persons who have held, hold or may hold Claims against or Equity Interests in the Debtor will be permanently enjoined from: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, Cause of Action or other proceeding of any kind (including, without limitation, in any judicial, arbitration, administrative or other forum) against or affecting the Reorganized Debtor or the Estate on account of or respecting any Claim, Equity Interest, obligation, debt, right, Cause of Action, remedy or liability discharged, released or to be released pursuant to section 10 of the Plan; (b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order in respect of any Claim against the Reorganized Debtor or the Estate on account of or respecting any Claim, obligation, debt, right, Cause of Action, remedy or liability discharged, released or to be released pursuant to section 10 of the Plan; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind in respect of any Claim against the Reorganized Debtor or the Estate on account of or respecting any Claim, obligation, debt, right, Cause of Action, remedy, or liability discharged, released or to be released pursuant to section 10 of the Plan; (d) asserting, directly or indirectly, any setoff, right of subrogation or recoupment right of any kind in respect of any Claim against any debt, liability or obligation due to the Reorganized Debtor or the Estate on account of or respecting any Claim, obligation, debt, right, Cause of Action, remedy or liability discharged, released or to be released pursuant to section 10 of the Plan; or (e) commencing or continuing any action or proceeding in any manner or in any place whatsoever that does not conform to or comply with the provisions of the Plan.

3. *Term of Injunctions or Stays*

Unless otherwise provided in the Plan, all injunctions or stays arising under or entered during the Chapter 11 Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the Effective Date.

4. *Releases of D&O Releasees*

IN CONSIDERATION OF THE EFFORTS EXPENDED AND TO BE EXPENDED BY THE DEBTOR'S OFFICERS AND DIRECTORS IN CONJUNCTION WITH THE DEBTOR'S OPERATIONAL AND FINANCIAL RESTRUCTURING BOTH BEFORE AND DURING THE CHAPTER 11 CASE, ON THE EFFECTIVE DATE, THE DEBTOR, THE REORGANIZED DEBTOR AND THE CONSENTING BONDHOLDERS AUTOMATICALLY WILL RELEASE AND WILL BE DEEMED TO RELEASE THE D&O RELEASEES FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS DAMAGES, CAUSES OF ACTION, REMEDIES AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR

HEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, THE DEBTOR, ITS ESTATE OR THE CONSENTING BONDHOLDERS, RESPECTIVELY, WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR EQUITY INTEREST OR OTHER PERSON OR ENTITY, BASED IN WHOLE OR PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER CIRCUMSTANCE TAKING PLACE OR EXISTING ON OR PRIOR TO THE EFFECTIVE DATE (INCLUDING PRIOR TO THE PETITION DATE) IN CONNECTION WITH OR RELATED TO THE REORGANIZED DEBTOR, THE DEBTOR, THEIR RESPECTIVE ASSETS, PROPERTY OR ESTATE, OR THE CHAPTER 11 CASE. SUCH RELEASE WILL BE EFFECTIVE NOTWITHSTANDING THAT THE DEBTOR OR THE REORGANIZED DEBTOR MAY HEREAFTER DISCOVER FACTS IN ADDITION TO, OR DIFFERENT FROM, THOSE WHICH THAT PARTY NOW KNOWS OR BELIEVES TO BE TRUE, AND WITHOUT REGARD TO THE SUBSEQUENT DISCOVERY OR EXISTENCE OF SUCH DIFFERENT OR ADDITIONAL FACTS, AND THE DEBTOR AND REORGANIZED DEBTOR WILL BE EXPRESSLY DEEMED TO HAVE WAIVED ANY AND ALL RIGHTS THAT THEY MAY HAVE UNDER ANY STATUTE OR COMMON LAW PRINCIPLE WHICH WOULD LIMIT THE EFFECT OF THE FOREGOING RELEASE, WAIVER, AND DISCHARGE TO THOSE RELEASED CLAIMS ACTUALLY KNOWN OR SUSPECTED TO EXIST ON THE EFFECTIVE DATE. ENTRY OF THE CONFIRMATION ORDER WILL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019 AND SECTION 1123(B)(3)(A) OF THE BANKRUPTCY CODE, OF THE RELEASE AND SETTLEMENT PROVIDED IN SECTION 10.4 OF THE PLAN, AND FURTHER, WILL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE SUCH SETTLEMENT AND RELEASE IS: (A) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE D&O RELEASEES, (B) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR IN SECTION 10.4 OF THE PLAN; (C) IN THE BEST INTERESTS OF THE DEBTOR AND ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS; (D) FAIR, EQUITABLE AND REASONABLE; (E) GIVEN AND MADE AFTER REASONABLE INVESTIGATION BY THE DEBTOR AND AFTER NOTICE AND OPPORTUNITY FOR HEARING; AND (F) A BAR TO ANY OF THE DEBTOR, THE REORGANIZED DEBTOR OR THE CONSENTING BONDHOLDERS ASSERTING ANY CLAIM RELEASED IN SECTION 10.4 OF THE PLAN AGAINST ANY OF THE D&O RELEASEES; PROVIDED, THAT SECTION 10.4 OF THE PLAN WILL NOT OPERATE AS A WAIVER OR RELEASE FROM ANY CLAIMS OR CAUSES OF ACTION ARISING OUT OF ANY ACT OR OMISSION WHICH IS DETERMINED BY FINAL ORDER OF A COURT OF COMPETENT JURISDICTION TO HAVE CONSTITUTED GROSS NEGLIGENCE, WILLFUL MISCONDUCT, INTENTIONAL FRAUD OR CRIMINAL CONDUCT.

5. *Release of Released Parties.*

AS OF THE EFFECTIVE DATE, THE DEBTOR, ON BEHALF OF ITSELF AND ALL OF ITS SUCCESSORS AND ASSIGNS, AND THE DEBTOR'S ESTATE (COLLECTIVELY, INCLUDING THE DEBTOR AND ITS ESTATES, THE

"RELEASING PARTIES") WILL BE DEEMED TO HAVE FOREVER RELEASED, WAIVED AND DISCHARGED EACH OF THE RELEASED PARTIES FROM ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, LIABILITIES, RIGHTS OF CONTRIBUTION AND RIGHTS OF INDEMNIFICATION, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE (COLLECTIVELY, THE "RELEASED CLAIMS"), THAT ARE BASED IN WHOLE OR PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER CIRCUMSTANCE TAKING PLACE OR EXISTING ON OR PRIOR TO THE EFFECTIVE DATE (INCLUDING PRIOR TO THE PETITION DATE) IN CONNECTION WITH OR RELATED TO THE REORGANIZED DEBTOR, THE DEBTOR, THEIR RESPECTIVE ASSETS, PROPERTY OR ESTATE, OR THE CHAPTER 11 CASE, WHICH ANY RELEASING PARTY HAD, HAS OR MAY HAVE AGAINST A RELEASED PARTY. SUCH RELEASE WILL BE EFFECTIVE NOTWITHSTANDING THAT ANY RELEASING PARTY OR OTHER PERSON OR ENTITY MAY HEREAFTER DISCOVER FACTS IN ADDITION TO, OR DIFFERENT FROM, THOSE WHICH THAT PARTY NOW KNOWS OR BELIEVES TO BE TRUE, AND WITHOUT REGARD TO THE SUBSEQUENT DISCOVERY OR EXISTENCE OF SUCH DIFFERENT OR ADDITIONAL FACTS, AND THE RELEASING PARTIES ARE HEREBY EXPRESSLY DEEMED TO HAVE WAIVED ANY AND ALL RIGHTS THAT THEY MAY HAVE UNDER ANY STATUTE OR COMMON LAW PRINCIPLE WHICH WOULD LIMIT THE EFFECT OF THE FOREGOING RELEASE, WAIVER, AND DISCHARGE TO THOSE RELEASED CLAIMS ACTUALLY KNOWN OR SUSPECTED TO EXIST ON THE EFFECTIVE DATE. ENTRY OF THE CONFIRMATION ORDER WILL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019 AND SECTION 1123(B)(3)(A) OF THE BANKRUPTCY CODE, OF THE RELEASE AND SETTLEMENT CONTAINED IN SECTION 10.5 OF THE PLAN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE SUCH SETTLEMENT AND RELEASE IS: (A) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES, (B) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR IN SECTION 10.5 OF THE PLAN; (C) IN THE BEST INTERESTS OF THE DEBTOR AND ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS; (D) FAIR, EQUITABLE AND REASONABLE; (E) GIVEN AND MADE AFTER REASONABLE INVESTIGATION BY THE DEBTOR AND AFTER NOTICE AND OPPORTUNITY FOR HEARING; AND (F) A BAR TO EITHER OF THE DEBTOR OR THE REORGANIZED DEBTOR ASSERTING ANY CLAIM RELEASED IN SECTION 10.5 OF THE PLAN AGAINST ANY OF THE RELEASED PARTIES; PROVIDED, THAT SECTION 10.5 OF THE PLAN SHALL NOT OPERATE AS A WAIVER OR RELEASE FROM ANY CLAIMS OR CAUSES OF ACTION ARISING OUT OF ANY ACT OR OMISSION WHICH IS DETERMINED BY FINAL ORDER OF A COURT OF COMPETENT JURISDICTION TO HAVE CONSTITUTED GROSS NEGLIGENCE, WILLFUL MISCONDUCT, INTENTIONAL FRAUD OR CRIMINAL CONDUCT.

6. *Exculpation*

EXCEPT WITH RESPECT TO ANY ACTS OR OMISSIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, THE EXCULPATED PARTIES WILL NEITHER HAVE NOR INCUR ANY LIABILITY TO ANY ENTITY OR PERSON FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR NOT TAKEN IN CONNECTION WITH, OR ARISING FROM OR RELATING IN ANY WAY TO, THE CHAPTER 11 CASE, INCLUDING, WITHOUT LIMITATION, THE OPERATION OF THE DEBTOR'S BUSINESSES DURING THE PENDENCY OF THESE CHAPTER 11 CASES; FORMULATING, NEGOTIATING, PREPARING, DISSEMINATING, IMPLEMENTING AND/OR EFFECTING THE PLAN SUPPORT AGREEMENT, THE DISCLOSURE STATEMENT AND THE PLAN (INCLUDING THE PLAN SUPPLEMENT AND ANY RELATED CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION THEREWITH); THE SOLICITATION OF VOTES FOR THE PLAN AND THE PURSUIT OF CONFIRMATION AND CONSUMMATION OF THE PLAN; THE ADMINISTRATION OF THE PLAN AND/OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN; THE OFFER AND ISSUANCE OF ANY SECURITIES UNDER THE PLAN; AND OR ANY OTHER PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTOR. IN ALL RESPECTS, EACH EXCULPATED PARTY WILL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER OR ITS RESPECTIVE DUTIES UNDER, PURSUANT TO OR IN CONNECTION WITH, THE PLAN. NOTWITHSTANDING ANYTHING IN THE PLAN TO THE CONTRARY, NOTHING IN THE FOREGOING "EXCULPATION" WILL EXCULPATE ANY PERSON OR ENTITY FROM ANY LIABILITY THAT IS DETERMINED IN A FINAL ORDER TO HAVE RESULTED FROM ANY ACT OR OMISSION CONSTITUTING FRAUD, WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL CONDUCT, IN EACH CASE THAT CAUSES DAMAGES OR ULTRA VIRES ACTS AS DETERMINED BY A FINAL ORDER.

7. *Retention of Causes of Action/Reservation of Rights*

(a) In accordance with section 1123(b) of the Bankruptcy Code, but subject to the releases set forth in sections 10.4 and 10.5 of the Plan, the Reorganized Debtor will retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action will be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtor may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor. **No person or entity may rely on the absence of a specific reference in the Plan of Reorganization, the Plan Supplement or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor or Reorganized Debtor, as applicable, will not pursue any and all available Causes of Action against them. The Debtor or Reorganized Debtor, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against**

any Person, except as otherwise expressly provided in the Plan of Reorganization. Unless any Causes of Action against a person or entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtor expressly reserve all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, will apply to such Causes of Action upon, after, or as a consequence of the entry of the Confirmation Order or the Effective Date.

(b) Subject to the releases set forth in sections 10.4 and 10.5 of the Plan, the Reorganized Debtor reserves and will retain the Causes of Action notwithstanding the rejection or repudiation of any Executory Contract during the Chapter 11 Case or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtor may hold against any person or entity will vest in the Reorganized Debtor. The Reorganized Debtor, through its authorized agents or representatives, will retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtor will have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order or approval of the Bankruptcy Court.

8. *Solicitation of the Plan of Reorganization*

As of and subject to the occurrence of the Confirmation Date, (a) the Debtor and its directors, officers, employees, attorneys, investment bankers, financial advisors, restructuring consultants, accountants, and other professional advisors and agents will be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including without limitation, sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtor, the Consenting Bondholders and each of their respective directors, officers, employees, attorneys, affiliates, agents, financial advisors, investment bankers, professional advisors, restructuring consultants, accountants, and attorneys will be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance, and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

F. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court will, to the fullest extent legally permissible, retain jurisdiction over all matters arising in, arising under, and related to the Chapter 11 Case and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction:

(a) to hear and determine motions and/or applications for the assumption, assumption and assignment, or rejection of Executory Contracts and the allowance, classification, priority, compromise, estimation, or payment of Claims resulting therefrom;

(b) to determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

(c) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(d) to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;

(e) to enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(g) to hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the disclosure statement for the Plan, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(h) to hear and determine all applications for Professional Fees incurred prior to the Confirmation Date;

(i) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the Restructuring Transactions or any agreement, instrument, or other document governing or relating to any of the foregoing;

(j) to take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following consummation;

(k) to hear any disputes arising out of, and to enforce, the order approving alternative dispute resolution procedures to resolve personal injury, employment litigation, and similar claims pursuant to section 105(a) of the Bankruptcy Code;

(l) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(m) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code);

(n) to hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(o) to enter a final decree closing the Chapter 11 Case;

(p) to recover all assets of the Debtor and property of the Estate, wherever located; and

(q) to hear and determine any rights, Claims, or Causes of Action held by or accruing to the Debtor or Reorganized Debtor pursuant to the Bankruptcy Code or pursuant to any federal statute or legal theory.

G. Miscellaneous Provisions

The Plan also contains provisions relating, but not limited to, vesting of assets, injunction against interference with the Plan, payment of statutory fees, fees to be paid under the Indenture, substantial consummation, compliance with tax requirements, severability, revocation and amendment of the Plan, governing law, dissolution of the Committee upon the Effective Date, and timing. For more information regarding these items, see the Plan attached hereto as Exhibit A.

IX.

CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN OF REORGANIZATION. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN OF REORGANIZATION AND ITS IMPLEMENTATION.

A. Certain Bankruptcy Considerations

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. In the event the conditions precedent described in section 9.1 of the Plan have not been satisfied, or waived (to the extent possible) by the Debtor or applicable party (as provided for in the Plan) as of the Effective Date,

then the Confirmation Order will be vacated, no distributions under the Plan will be made, and the Debtor and all holders of Claims and Equity Interests will be restored to the status *quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred.

The Bankruptcy Court may confirm the Plan if at least one impaired class votes to accept the Plan (with such acceptance being determined without including the vote of any "insider" in such class). Thus, for the Plan to be confirmed with respect to each Debtor, one impaired Class, among Classes 3 and 4 must vote to accept the Plan. As to each impaired class that has not accepted the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to these classes. The Debtor believes that the Plan satisfies these requirements. For more information, see section XI below.

B. Risks to Recovery By Holders of Secured Bond Claims and General Unsecured Claims

The ultimate recoveries under the Plan to those holders of Claims who will be receiving distributions of Plan Securities will depend on the Reorganized Debtor's economic performance over time and the Debtor's ability to comply with its obligations under the Exit Credit Agreement. Ultimate recoveries to holders of Claims pursuant to the Plan are subject to a number of material risks, including, but not limited to, those specified below.

1. *The Debtor has a history of losses and expects to continue to incur losses and may not achieve profitability.*

The Debtor has incurred net losses every year since its inception in 1997 and has generated no significant revenue from product sales and has received limited revenue from licenses to date. As of September 30, 2010, the Debtor had incurred an accumulated deficit of $346.0 million. The Reorganized Debtor expects to incur additional losses for at least the next several years and cannot be certain that it will ever achieve profitability. As a result, the Reorganized Debtor's business is subject to all of the risks inherent in the development of a new business enterprise, such as the risk that it may not: obtain substantial additional capital needed to support the expenses of developing its technology and commercializing its potential products; develop a market for its potential products; successfully transition from a company with a research focus to a company capable of either manufacturing and selling potential products or profitably licensing its potential products to others; and/or attract and retain qualified management, technical and scientific staff.

2. *The Company's degree of leverage upon emergence may limit its financial and operating activities*

The Reorganized Debtor's indebtedness upon emergence from the Chapter 11 Case under the Exit Credit Agreement could adversely affect its financial health and limit its research and other operations. Its historical capital requirements have been considerable and its future capital requirements could vary significantly and may be affected by general economic conditions, industry trends, performance, and many other factors that are not within its control. The

Debtor's substantial level of indebtedness has, in the past, had important consequences, including: limiting its ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of its growth and research strategy, or other purposes; limiting its ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation; limiting its ability or increasing the costs to refinance indebtedness; and limiting its ability to enter into licensing and other agreements with third parties that are crucial to obtaining profitability in the long term. These consequences, and others, could similarly impact the Reorganized Debtor's business and operations after the Effective Date.

3. *An event of default may occur under the Exit Credit Agreement.*

The Reorganized Debtor will be obligated to the lenders under the Exit Credit Agreement pursuant to its terms. Given the uncertainty of its research and commercial prospects, it is possible that an event of default under the Exit Credit Agreement will occur. This may cause the lenders thereunder to exercise certain lienholder and other rights, which could result in the liquidation, wind-down or second bankruptcy filing of the Reorganized Debtor.

4. *If the Reorganized Debtor fails to attract and retain senior management, consultants, advisors and scientific and technical personnel, its product development and commercialization efforts could be impaired.*

The Reorganized Debtor's performance is substantially dependent on the performance of its senior management and key scientific and technical personnel, particularly John W. Babich, Ph.D., its Chief Scientific Officer and Principal Executive Officer. The loss of the services of any member of the Reorganized Debtor's senior management or its scientific or technical staff may significantly delay or prevent the development of its product candidates and other business objectives by diverting management's attention to transition matters and identification of suitable replacements, if any, and could have a material adverse effect on our business, operating results, cash flows and financial condition. The Debtor maintains key man life insurance on John Babich.

The Debtor also relies on consultants and advisors to assist in formulating research and development strategy. All of the Debtor's consultants and advisors are either self-employed or employed by other organizations, and they may have conflicts of interest or other commitments, such as consulting or advisory contracts with other organizations, that may affect their ability to contribute to the Reorganized Debtor.

In addition, it is important that the Reorganized Debtor retains its core executive management and scientific and technical personnel. There is currently intense competition for skilled executives and employees with relevant scientific and technical expertise, and this competition is likely to continue. The inability to retain sufficient scientific, technical and managerial personnel or quickly recruit and attract qualified replacements could limit or delay the Reorganized Debtor's product development efforts, which could adversely affect the development of its product candidates and commercialization of its potential products and growth of its business.

5. *The Debtor licenses patent rights from third-party owners. If such owners do not properly maintain or enforce the patents underlying such licenses, the Reorganized Debtor's competitive position and business prospects could be harmed.*

The Debtor is or may become party to a number of licenses that give (or will give, as applicable) it rights to third-party intellectual property that is necessary or useful for its business. In particular, the Debtor has obtained the nonexclusive rights from Novartis, for certain radiolabeled somatostatin analogs and the exclusive rights to the particular somatostatin analog compound edotreotide (the parent compound of Onalta), along with know-how related to the manufacture and use of this compound. The Reorganized Debtor may enter into additional licensing agreements to license third-party intellectual property in the future. The Reorganized Debtor's success could depend in part on the ability of its licensors to obtain, maintain and enforce patent protection for their intellectual property, in particular, those patents to which the Debtor has secured exclusive rights. The Debtor's licensors may not successfully prosecute the patent applications to which the Debtor is licensed. Even if patents issue with respect to these patent applications, the Reorganized Debtor's licensors may fail to maintain these patents, may determine not to pursue litigation against other companies that are infringing these patents, or may pursue such litigation less aggressively than the Reorganized Debtor could. In addition, licensors may terminate their agreements with the Reorganized Debtor in the event it breaches the applicable license agreement and fails to cure the breach within a specified period of time. Without protection for the intellectual property the Reorganized Debtor licenses, other companies might be able to offer substantially identical products for sale, which could adversely affect the Reorganized Debtor's competitive business position and harm its business prospects.

Under the license agreement with Novartis, Novartis has retained an option to reacquire rights in the compound if annual sales exceed a certain threshold level. If Novartis does exercise this call back option, the Reorganized Debtor will be required to sell to Novartis the rights in the compound which may have a negative effect on operating results.

6. *The Debtor out-licenses certain of its product candidates to third parties for further development and commercialization and will be harmed if such licensees fail in their development or commercialization efforts or default under their agreements with the Reorganized Debtor, or if the agreements terminate for any other reason.*

As discussed above, the License Agreement, pursuant to which BioMedica is provided an exclusive sub-license for Onalta in the Territories, is currently the subject of the Onalta/Europe Dispute. The outcome of the Onalta/Europe Dispute will affect the Debtor's commercialization and development efforts with respect to Onalta. Due to the disproportionate size of the BioMedica Claim in comparison to the balance of the general unsecured claims pool, the outcome of the Onalta/Europe Dispute will also impact the recovery available to holders of Allowed General Unsecured Claims under the Plan.

The Debtor is prepared to explore out-license opportunities for its other products and/or programs including, but not limited to, Azedra, Trofex or Zemiva. Additionally, the Debtor plans to primarily focused on Trofex, with minimal or limited resources committed on other

products. It is possible that the Reorganized Debtor could be unsuccessful in its attempts to out-license these products and/or programs. In the event that the Reorganized Debtor is successful in out-licensing any of these products and/or programs, its revenue from licensing payments from any licensee will depend on whether such licensee is ultimately successful in the development of the products and/or programs. Accordingly, it is possible that the Reorganized Debtor may not receive any substantial financial benefit from any out-license of these products and/or programs in the short term. The Reorganized Debtor's revenue from these licenses will be limited if the licensees are not successful in developing and commercializing products in the licensed territories. Additionally, the Reorganized Debtor's licensees may terminate or fail to perform their obligations under its agreements or have internal liquidity issues, in which case the Reorganized Debtor's ability to review payments from them will be significantly impaired. There is no guarantee that the Reorganized Debtor's licensees will be able to pay fees to the Reorganized Debtor at all.

7. *A portion of the Debtor's funding comes from federal government grants and research contracts that cannot be relied upon as a continuing source of funds.*

A substantial portion of the Debtor's revenue to date has been derived from federal government grants and research contracts. As of December 31, 2009, the Debtor was awarded in the aggregate, approximately $3.1 million in grants from National Institutes of Health, or NIH and gross proceeds of $2.1 million remained to be received under its various NIH grants, which include potential reimbursements for the Debtor's employees' time and benefits and other expenses related to performance under various contracts. The government's obligation to make payments under these grants and contracts is subject to appropriation by the U.S. Congress for funding in each year. It is possible that Congress or the government agencies that administer these government research programs will decide to scale back these programs or terminate them due to their own budgetary constraints. Additionally, these grants and research contracts are subject to adjustment based upon the results of periodic audits performed on behalf of the granting authority. Consequently, the government may not award grants or research contracts to the Debtor in the future, and any amounts that the Debtor derives from existing grants or contracts may be less than the awarded amounts.

Additionally, significant government investment and allocation of resources to assist the economic recovery of other sectors may reduce the resources available for government grants and related funding for life sciences research and development. The Debtor's ability to obtain financing from government grants is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs. The Debtor cannot provide assurances that its efforts to obtain such funds from these government sources will be successful. In the event the Debtor is not successful in obtaining any new government grants or extensions to existing grants, it may have to reduce the scope of, or discontinue, some of its programs, which could have a material adverse effect.

X.

CONFIRMATION OF THE PLAN OF REORGANIZATION

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a Plan of Reorganization. On, or as promptly as practicable after the Petition Date, the Debtor will request that the Bankruptcy Code schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known creditors, equity holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a Plan of Reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or interests held or asserted by the objector against the Debtor, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon: (i) Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attention: Kenneth H. Eckstein, Esq., Attorneys for the Debtor; (ii) Riemer & Braunstein, LLP, Three Center Plaza, Boston, Massachusetts 02118, Attention: Alan Braunstein Esq., Attorneys for the Debtor; (iii) Bingham McCutchen LLP, 399 Park Avenue, New York, NY 10022, Attention: Jeffrey Sabin, Attorneys for certain of the Consenting Bondholders; and (iv) the U.S. Trustee, c/o John P. Fitzgerald, John W. McCormack Post Office and Court House, 5 Post Office Square, Suite 1000, Boston, MA 02109-3945, so as to be received by _____ __, 2011 at 4:00 p.m. Eastern Time.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. General Requirements of Section 1129

At the confirmation hearing, the Bankruptcy Court will determine whether the confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied.

C. Best Interests Test

The Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The Debtor's costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other

professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Chapter 11 Case allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtor, as well as other Compensation and Reimbursement Claims. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtor during the pendency of the Chapter 11 Case.

The foregoing types of Claims, costs, expenses, fees and such other Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. The Debtor believes that in a chapter 7 liquidation, no prepetition general unsecured Claims or Equity Interests would receive any distribution of property, and holders of Allowed Secured Bond Claims would receive a fractional percentage in satisfaction of their Claims.

The Debtor's liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation. The analysis is based on a number of significant assumptions which are described below. The liquidation analysis does not purport to be a valuation of the Debtor's assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

D. Liquidation Analysis

As noted above, the Debtor believes that under the Plan all holders of impaired Claims and Old Molecular Insight Equity Interests will receive property with a value not less than the value such holder would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. The Debtor's belief is based primarily on (i) the liquidation analysis prepared by the Debtor, which is attached hereto as Exhibit D and (ii) consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of impaired Claims and Equity Interests, including (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and professional advisors to the trustee, (b) the surrender of collateral to the Debtor's secured creditors, which would most likely result in the Debtor ceasing product development, terminating all of its employees, and a drastic erosion in value of the Debtor's remaining assets in a chapter 7 case in the context of the rapid liquidation, (c) the substantial increases in Claims, such as estimated contingent Claims, which would be satisfied on a priority basis or on parity with the holders of impaired Claims and Equity Interests of the Chapter 11 Case, (d) the reduction of value associated with a chapter 7 trustee's operation of the Debtor's businesses and (e) the substantial delay in distributions to the holders of impaired Claims and Equity Interests that would likely ensue in a chapter 7 liquidation.

The Debtor believes that any liquidation analysis is speculative, as such an analysis necessarily is premised on assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtor. Thus, there can be no assurance as to values that would actually be realized in a chapter 7 liquidation, nor can there be any assurance that a Bankruptcy Court would accept the Debtor's conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

For example, the Liquidation Analysis necessarily contains an estimate of the amount of Claims which will ultimately become Allowed Claims. This estimate is based solely upon the Debtor's review of its books and records and the Debtor's estimates as to additional Claims that may be filed in the Chapter 11 Case or that would arise in the event of a conversion of the case from chapter 11 to chapter 7. No order or finding has been entered by the Bankruptcy Court or any other court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtor has projected an amount of Allowed Claims that is at the lower end of a range of reasonableness such that, for purposes of the Liquidation Analysis, the largest possible liquidation dividend to holders of Allowed Claims can be assessed. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including any determination of the value of any distribution to be made on account of allowed Claims under the Plan.

To the extent that Confirmation of the Plan requires the establishment of amounts for the chapter 7 liquidation value of the Debtor, funds available to pay Claims, and the reorganization value of the Debtor, the Bankruptcy Court will determine those amounts at the Confirmation Hearing. Accordingly, the attached Liquidation Analysis is provided solely to disclose to holders the effects of a hypothetical chapter 7 liquidation of the Debtor, subject to the assumptions set forth therein.

E. Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet their obligations under the Plan. As part of this analysis, the Debtor has prepared the Projections described in section VI above. Based upon such Projections, the Debtor believes that it will be able to make all payments required pursuant to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

F. Section 1129(b)

The Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or equity interests if the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. *No Unfair Discrimination.*

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the plan of reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment is "fair."

2. *Fair and Equitable Test.*

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or equity interests in such class:

- *Secured Creditors*. Each holder of an impaired secured claim either (i) retains its liens on the property, to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date, of at least the allowed amount of such claim, or (ii) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof) or (iii) receives the "indubitable equivalent" of its allowed secured claim.

- *Unsecured Creditors*. Either (i) each holder of an impaired unsecured claim receives or retains under the plan of reorganization property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan of reorganization.

- *Equity Interests*. Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of equity interests that are junior to the equity interests of the dissenting class will not receive any property under the plan of reorganization.

The Debtor believes the Plan of Reorganization will satisfy the "fair and equitable" requirement under the foregoing standards.

XI.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF REORGANIZATION

A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in section XI.D of this Disclosure Statement. The Debtor believes that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because (a) the Debtor would have no working capital to continue operations, forcing it to terminate all of its employees and rending it next to impossible for the Debtor to maximize value from the Product Candidates, which are its primary

assets; (b) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (c) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtor's operations. In a chapter 7 liquidation, the Debtor believe that there would be no distribution to holders of Allowed Claims in Classes 4, 5 and 6 and the distribution to holders of Allowed Claims in Class 3 would be materially less.

B. Alternative Plan

If the Plan is not confirmed, the Debtor, or any other party in interest (if the Debtor's exclusive period in which to file a Plan of Reorganization has expired) could attempt to formulate a different chapter 11 plan. Such a plan might involve either a reorganization and continuation of the Debtor's business or an orderly liquidation of the Debtor's assets under chapter 11. The Debtor has concluded that the Plan enables creditors to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtor would still incur the expenses associated with closing or transferring to new operators numerous facilities. Further, if a trustee were not appointed, because such appointment is not required in a chapter 11 case, the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, the Debtor believes that liquidation under chapter 11 is a much less attractive alternative to creditors than the Plan because of the greater return provided by the Plan.

XII.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN OF REORGANIZATION

A. Introduction

The following discussion summarizes certain material U.S. federal income tax consequences of the Plan to the Debtor and holders of Claims. The summary is provided for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of federal income taxation that may be relevant to a particular holder of a Claim in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code (for example, foreign persons, financial institutions, broker-dealers, life insurance companies, tax-exempt organizations, persons that hold Claims as part of a "straddle," a "hedge" or a conversion transaction, persons that have a "functional currency other than the U.S. dollar, and investors in pass-through entities) and also does not discuss any aspects of state, local, or foreign taxation. In addition, a substantial amount of time may elapse between the Confirmation Date and the receipt of a final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or administrative changes, could affect the federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling will be sought from the Internal

Revenue Service (the "Service") with respect to any of the tax aspects of the Plan and no opinion of counsel has heretofore been obtained by the Debtor with respect thereto. **Accordingly, each holder of a Claim is strongly urged to consult with its own tax advisor regarding the federal, state, local and foreign tax consequences of the Plan.**

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Claim, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activity of the partnership. Partnerships and their partners should consult their tax advisors about the U.S. federal income tax consequences of participating in the Plan and as to ownership and disposition of the interests received under the Plan.

Circular 230 Disclosure: This tax discussion was written to support the promotion or marketing of the Plan. To ensure compliance with requirements imposed by the Service, we are informing you that this discussion was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax-related penalties that may be imposed on the taxpayer under the Tax Code. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

B. Certain Material Federal Income Tax Consequences to the Debtor

1. *Cancellation of Indebtedness*

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any discharged indebtedness (cancellation of debt or "COD") realized during the taxable year. COD is the amount by which the indebtedness of the Debtor discharged exceeds any consideration given in exchange therefor. COD generally equals the difference between (A) the "adjusted issue price" of the indebtedness discharged (which, in the case of the Bonds, should be their principal amount plus any accrued but unpaid interest on the Effective Date) and (B) the sum of (i) the amount of cash, (ii) the "issue price" of any new debt instrument, and (iii) the fair market value of any other property transferred in satisfaction of such discharged indebtedness.

In general, the Tax Code provides that a debtor in a bankruptcy case is not required to recognize COD income. In lieu thereof, the Debtor must reduce certain of its tax attributes – such as net operating loss ("NOL") carryforwards, tax credits, tax basis in assets and the attributes and tax basis of its subsidiaries – by the amount of the excluded COD. Certain statutory or judicial exceptions can apply to limit the amount of COD and attribute reduction (such as where the payment of the cancelled debt would have given rise to a tax deduction). In addition, to the extent the amount of COD exceeds the tax attributes available for reduction, the remaining COD is simply forgiven. As a result of the implementation of the Plan, the Debtor will have COD, and potential attribute reduction. However, because any reduction in tax attributes does not effectively occur until the first day of the taxable year following the taxable year in which the COD is incurred, the resulting COD will not impair the Reorganized Debtor's ability to use its tax attributes (to the extent otherwise available) to reduce its tax liability in the year of discharge, if any, otherwise resulting from the implementation of the Plan.

2. *Net Operating Losses*

The Reorganized Debtor anticipates that it will have a significant amount of NOL carryforwards remaining following (i) the reduction of NOLs as a result of COD and (ii) use of its NOLs against any gain or other income recognized in the year of discharge. Unless Section 382(*l*)(5) of the Tax Code applies, which is discussed below, the use of such NOL carryforwards will be subject to an annual limitation. Section 382 of the Tax Code provides that a corporation that undergoes an "ownership change" (as defined in section 382(g) of the Tax Code) is limited in the amount of NOL carryforwards and other tax attributes incurred prior to the ownership change that it can use each year to offset income earned following such change. Consummation of the Plan will result in an ownership change of the Debtor for these purposes. The annual limitation, which will be determined under section 382(*l*)(6) of the Tax Code, will be equal to the product of (i) the "long term tax-exempt rate" in effect at the time of the ownership change (which rate is 4.55% for ownership changes occurring in March 2011) and (ii) the equity value of the Reorganized Debtor immediately following the ownership change. To the extent that a corporation's section 382 limitation in a given year exceeds its taxable income for such year, such excess will increase the section 382 limitation for future taxable years.

Section 382 of the Tax Code also generally operates to limit the deduction of built-in losses recognized subsequent to the date of the ownership change. If a loss corporation has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of built-in income, gain, loss and deduction), then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as pre-change losses and similarly will be subject to the annual limitation.

Conversely, if the loss corporation has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. For these purposes, the Reorganized Debtor may elect to treat as recognized built-in gain the depreciation or amortization deductions on its assets that could be taken were the tax basis of its assets to equal their fair market value. The Reorganized Debtor anticipates that it will have a significant net unrealized built-in gain upon consummation of the Plan or Reorganization.

As a result of the annual limitation, the Reorganized Debtor does not anticipate that it will be permitted to use most of its NOLs following consummation of the Plan, even taking into account the benefit afforded by its net unrealized built-in gain, unless it qualifies for and elects to apply the provisions of Section 382(*l*)(5) of the Tax Code, described below.

An exception to the foregoing annual limitation (and built-in gain and loss rules) generally applies pursuant to Section 382(*l*)(5) of the Tax Code when shareholders and qualified creditors of the debtor receive at least 50% of the vote and value of the stock of the reorganized debtor pursuant to a confirmed title 11 plan. Under this exception, a debtor's pre-change losses are not limited on an annual basis but are reduced by the amount of any interest deductions claimed during the three taxable years prior to and including the reorganization in respect of the debt converted into stock of the corporation. Moreover, if this exception applies, any further

ownership change of the debtor within a two-year period will preclude the application of Section 382(*l*)(5) of the Tax Code, and the Section 382 limitation for the debtor's utilization of any pre-change losses at the time of the subsequent ownership change against future taxable income will be zero. A qualified creditor is a creditor who either (i) has held its debt continuously beginning at least 18 months prior to the filing of the title 11 case, or (ii) has owned at all times since such claim arose a claim that qualifies as an "ordinary course" claim (*e.g.*, a trade creditor). Notwithstanding the foregoing, even if a loss corporation qualifies for and elects to apply Section 382(*l*)(5), the benefits of that provision in terms of increased ability of the loss corporation to use NOLs and built-in losses may be disallowed by the IRS unless the loss corporation carries on more than an insignificant amount of an active trade or business during and subsequent to the title 11 case. The determination of whether the loss corporation carries on more than an insignificant amount of an active trade or business is based on all the facts and circumstances, including, for example, the amount of business assets that continue to be used, or the number of employees in the work force who continue employment, in an active trade or business (although not necessarily the historic trade or business).

The Reorganized Debtor believes, but has not yet conclusively determined, that it will be eligible for and elect to apply the provisions of Section 382(*l*)(5). However, the Reorganized Debtor has also not conclusively determined whether the Debtor has undergone an "ownership change" prior to commencement of the Chapter 11 case that would limit its ability to use its NOLs under the annual limitation rules described above, even if the ownership change that will occur upon consummation of the Plan will qualify under Section 382(*l*)(5).

3. *Alternative Minimum Tax*

A corporation may incur a federal alternative minimum tax ("AMT") liability even if its NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. In general, the AMT is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent that such tax exceeds the corporation's regular U.S. federal income tax. For purposes of computing taxable income for AMT purposes, i.e., AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, only 90% of a corporation's AMTI may be offset by available NOL carryforwards (as computed for AMT purposes).

In addition, if a corporation undergoes an "ownership change" within the meaning of section 382 of the Tax Code, as the Debtor will, and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

C. Federal Income Tax Consequences to Holders of Claims

1. *In General*

On the exchange of its Claim for Cash or New Molecular Insight Capital Stock, each holder of a Claim (other than holders of Claims that constitute Tax Securities (as defined below), the treatment of which is discussed in section XIII.C.2. below, or that relate to goods or services provided to the Debtor) will recognize gain or loss measured by the difference between (i) the sum of the amount of Cash and the aggregate fair market value of property received (including the fair market value of the New Molecular Insight Capital Stock, as discussed in section XIII.C.2. below) and (ii) such holder's tax basis in the Claim.

Each holder of a Claim that relates to services provided to a Debtor by an employee or a service provider generally will recognize ordinary income equal to the sum of the amount of cash and the fair market value of the property received in exchange for its Claim.

To the extent that the Cash and/or property received by a holder of a Claim is attributable to accrued interest (instead of principal) on such Claim, the Cash and/or property received will be deemed made in payment of such interest. Conversely, a holder of a Claim will recognize a deductible loss to the extent any accrued interest previously included in its gross income is not paid in full. The allocation for federal income tax purposes between principal and interest of amounts received in exchange for the discharge of a claim at a discount is unclear. However, the Debtor intends to treat any amount received as first allocated to principal.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including but not limited to: (a) the nature or origin of the Claim; (b) the tax status of the holder; (c) whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held; (d) whether the Claim was acquired at a market discount (discussed below); and (e) whether and to what extent the holder had previously claimed a bad debt deduction with respect to the Claim.

A holder that purchased its Claim (other than Bonds) from a prior holder at a market discount (generally defined as the amount, if any, by which a holder's tax basis in a debt obligation immediately after its acquisition is less than the adjusted issue price of the debt obligation at such time, subject to a de minimis exception) may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

Any gain recognized by a holder upon a subsequent taxable disposition of New Molecular Insight Capital Stock received pursuant to the Plan in satisfaction of a Claim (or any stock or other property received for them in a later tax free exchange) may be treated as ordinary income to the extent of any bad debt deductions (or additions to a bad debt reserve) previously claimed with respect to its Claim and any ordinary loss deduction incurred upon satisfaction of

its Claim, less any income (other than interest income) recognized by the holder upon satisfaction of its Claim.

Any cash and/or property received by a holder of a Claim after the Effective Date may be subject to the imputed interest provisions of the Tax Code pursuant to which a portion of the amount received may be treated as interest. Any gain realized by a holder of a Claim that receives cash and/or property after the Effective Date may be subject to the installment method of reporting. In addition, it is possible that the recognition of any loss realized by such a holder in respect of a Claim may be deferred until such holder receives the final payment in respect of its Claim.

2. *New Molecular Insight Capital Stock*

Pursuant to the Plan, holders of Allowed Secured Bond Claims will receive New Molecular Insight Capital Stock in satisfaction and discharge of their claims. The federal income tax consequences of the issuance of New Molecular Insight Capital Stock to holders of Allowed Secured Bond Claims will depend on whether the Bonds constitute securities for purposes of the reorganization provisions of the Tax Code ("Tax Securities"). The test of whether a debt obligation is a security for these purposes involves an overall evaluation of the nature of the obligation, with the term of the obligation usually regarded as one of the most significant factors. Debt obligations with a term of five years or less generally have not qualified as securities, whereas debt obligations with a term of ten years or more generally have qualified as securities. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. The Reorganized Debtor intends to take the position that the Bonds are Tax Securities.

If the Bonds are not Tax Securities, the issuance of New Molecular Insight Capital Stock in satisfaction of Allowed Secured Bond Claims will generally constitute a taxable exchange upon which holders must recognize gain or loss for federal income tax purposes. Subject to the discussion of accrued interest above, the amount of gain or loss recognized by a holder would be equal to the difference between (i) the fair market value of the New Molecular Insight Capital Stock and (ii) the holder's adjusted tax basis in the Bonds immediately prior to the Effective Date. Any such gain generally would be ordinary interest income and any such loss generally would be ordinary loss to the extent that the holder's total prior interest inclusions on the Bonds exceed the total net negative adjustments on the Bonds the holder took into account as ordinary loss as determined under Treasury Regulation § 1.1275-4(b)(8)(ii) (concerning contingent payment debt instruments). A holder's tax basis in the New Molecular Insight Capital Stock would generally be equal to stock's fair market value and a holder's holding period for the New Molecular Insight Capital Stock would begin on the day after the date of issuance.

If the Bonds constitute Tax Securities, the issuance of New Molecular Insight Capital Stock in satisfaction of Allowed Secured Bond Claims should constitute a "recapitalization" for U.S. federal income tax purposes. As a result, subject to the discussion of accrued interest

above, holders should not recognize gain or loss on the receipt of New Molecular Insight Capital Stock. However, it is also possible that a holder would be required to recognize gain (but not loss) to the same extent as if the exchange were not a recapitalization. A holder's tax basis in the New Molecular Insight Capital Stock would equal such holder's basis in the Bonds immediately before the Effective Date increased by any gain recognized, and a holder's holding period in the New Molecular Insight Capital Stock would equal such holder's holding period in the Bonds.

D. Federal Income Tax Consequences to Holders of Old Molecular Insight Equity Interests

Holders of Old Molecular Insight Equity Interests should be entitled to claim a loss on the extinguishment of the Equity Interests.

E. Information Reporting and Backup Withholding

All distributions to holders of Claims under the Plan are subject to any applicable tax information reporting and withholding, including employment tax withholding. Under U.S. federal income tax law, interest and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if a non-exempt holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) fails to provide certain certifications signed under penalty of perjury. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, generally, corporations and financial institutions.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE PLAN.

XIII.

CONCLUSION

The Debtor believes the First Amended Plan is in the best interests of all creditors and equity holders and urges the holders of Impaired Claims in Classes 3 and 4 to vote to accept the Plan of Reorganization and to evidence such acceptance by returning their Ballots.

Dated: March 7, 2011
Boston, Massachusetts

Respectfully submitted,
Molecular Insight Pharmaceuticals, Inc.

By: /s/ *Harry Stylli*
Name: Harry Stylli
Title: President and Chief Restructuring Officer