

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
_____	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
_____)	

STIPULATION OF SETTLEMENT

This Stipulation of Settlement dated as of October 25, 2010 (the “Stipulation”), is made and entered into by and among: (i) the Lead Plaintiff Operating Engineers Construction Industry and Miscellaneous Pension Fund (Local 66-Pittsburg) (on behalf of itself and each of the Class Members), by and through its counsel of record in the Litigation (as defined herein); and (ii) Defendants NeoPharm, Inc., James M. Hussey, and Imran Ahmad, by and through their counsel of record in the Litigation. The Stipulation is intended to fully, finally, and forever resolve, discharge, and settle the Released Claims (as defined herein), subject to the approval of the Court and the terms and conditions set forth in this Stipulation.

I. THE LITIGATION

The initial complaint in this case was filed as *Carson v. NeoPharm, Inc., et al.*, No. 02 C 2976, in the United States District Court for the Northern District of Illinois (the “Court”) on April 25, 2002. Three other substantially identical class action cases, *Belfi v. NeoPharm, Inc., et al.*, No. 02 C 3046, *Slomovics v. NeoPharm, Inc., et al.*, No. 02 C 3608, and *Horne v. NeoPharm, Inc., et al.*, No. 02 C 3912, were filed in the Court on April 29, 2002, May 20, 2002, and May 31, 2002, respectively. These cases were consolidated by a Court Order dated June 27, 2002, and were subsequently captioned as *In re NeoPharm, Inc. Securities Litigation* under the case number 02 C 2976. On September 16, 2002, the Consolidated Amended Class Action Complaint for Violations of Federal Securities Laws (“Complaint”) was filed alleging violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934. On November 4, 2002, Defendants moved to dismiss the Complaint. On February 7, 2003, the Court granted in part and denied in part Defendants’ motion to dismiss. On May 18, 2004, Operating Engineers Construction Industry and Miscellaneous Pension Fund (Local 66-Pittsburg) was appointed as Lead Plaintiff.

On June 17, 2004, Lead Plaintiff filed a renewed motion for class certification. On August 17, 2004, the Court granted Lead Plaintiff’s renewed motion for class certification. On March 31,

2010, the Court denied Defendants' motion for summary judgment as to statements made after January 14, 2002. On September 3, 2010, the parties reached an agreement-in-principle to settle the Litigation and signed a Memorandum of Understanding on September 20, 2010.

II. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims alleged by the Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, among other allegations, the allegations that the Lead Plaintiff or the Class have suffered any damage, that the price of NeoPharm common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiff or the Class were harmed by the conduct alleged in the Complaint. Defendants believe that the evidence developed to date supports their position that they acted properly at all times and that the Litigation is without merit.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation. Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in this Stipulation.

III. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT

The Lead Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, the Lead Plaintiff and its counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. The Lead Plaintiff and its

counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. The Lead Plaintiff and its counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. The Lead Plaintiff and its counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, the Lead Plaintiff and its counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Lead Plaintiff and the Class.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Lead Plaintiff (for itself and the Class Members) and the Defendants, by and through their respective counsel or attorneys of record, that, subject to the approval of the Court, the Litigation and the Released Claims shall be finally and fully compromised, settled, and released, and the Litigation shall be dismissed with prejudice, as to all Settling Parties, upon and subject to the terms and conditions of the Stipulation, as follows.

1. Definitions

As used in the Stipulation the following terms have the meanings specified below:

1.1 “Authorized Claimant” means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

1.2 “Claims Administrator” means the firm of Gilardi & Co. LLC.

1.3 “Class” means all Persons (other than those Persons who timely and validly request exclusion from the Class) who purchased or otherwise acquired the common stock of NeoPharm, Inc. during the period from January 14, 2002 to April 19, 2002, inclusive, excluding the Defendants, members of the immediate family of each of the Defendants, any person, firm, trust, corporation,

officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party.

1.4 “Class Member” or “Member of the Class” mean a Person who falls within the definition of the Class as set forth in ¶1.3 above.

1.5 “Class Period” means the period commencing on January 14, 2002 through and including April 19, 2002.

1.6 “Defendants” means NeoPharm, Inc., James M. Hussey, and Imran Ahmad.

1.7 “Effective Date,” or the date upon which this settlement becomes “effective,” means three (3) business days after the date by which all of the events and conditions specified in ¶7.1 of the Stipulation have been met and have occurred.

1.8 “Escrow Agent” means the law firm of Robbins Geller Rudman & Dowd LLP or its successor(s).

1.9 “Final” means when the last of the following with respect to the Judgment approving the Stipulation, substantially in the form of Exhibit B attached hereto, shall occur: (i) the expiration of the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the time in which to appeal the Judgment has passed without any appeal having been taken; and (iii) if a motion to alter or amend is filed or if an appeal is taken, immediately after the determination of that motion or appeal so that it is no longer subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by a court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of this Stipulation. For purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of

this settlement, but shall not include any appeal which concerns only the issue of plaintiffs' attorneys' fees and expenses, Lead Plaintiff's reimbursement, the Plan of Allocation of the Settlement Fund, as hereinafter defined, or the procedures for determining Authorized Claimants' recognized claims.

1.10 "Individual Defendants" means James M. Hussey and Imran Ahmad.

1.11 "Judgment" means the Final Judgment and Order of Dismissal with Prejudice to be rendered by the Court, substantially in the form attached hereto as Exhibit B.

1.12 "Lead Counsel" means Robbins Geller Rudman & Dowd LLP, Keith F. Park, X. Jay Alvarez, 655 W. Broadway, Suite 1900, San Diego, CA 92101.

1.13 "Lead Plaintiff" means Operating Engineers Construction Industry and Miscellaneous Pension Fund (Local 66-Pittsburg).

1.14 "Litigation" means the consolidated actions under case number 02 C 2976.

1.15 "NeoPharm" means NeoPharm, Inc.

1.16 "Net Settlement Fund" means the Settlement Fund less any attorneys' fees, costs, and expenses, and any award to Lead Plaintiff, provided for herein or approved by the Court and less notice and administration costs, Taxes and Tax Expenses, and other Court-approved deductions.

1.17 "Person" means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.18 "Plaintiffs" means the Lead Plaintiff and the Class.

1.19 "Plan of Allocation" means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the settlement, Taxes and Tax Expenses, and such attorneys' fees,

costs, expenses, and interest, as well as Lead Plaintiff's expenses, if any, as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and neither Defendants nor their Related Parties shall have any responsibility or liability with respect thereto.

1.20 "Related Parties" means each of a Defendant's past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant's immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant's family.

1.21 "Released Claims" shall collectively mean any and all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without limitation, claims for negligence, gross negligence, breach of fiduciary duty, fraud, or violation of any state or federal common law or statutes, rules, or regulations, by the Lead Plaintiff or any Class Member against the Released Persons (as defined below) arising out of or based upon the purchase or other acquisition or sale of NeoPharm common stock during the Class Period and the acts, facts, events, statements or omissions that were or could have been alleged in the Litigation. "Released Claims" includes "Unknown Claims" as defined in ¶1.27 hereof.

1.22 "Released Persons" means each and all of the Defendants and their Related Parties.

1.23 "Settlement Amount" means Three Million Three Hundred Fifty Thousand Dollars (\$3,350,000.00) in cash to be paid by either wire transfer or check to the Escrow Agent pursuant to ¶2.1 of this Stipulation.

1.24 “Settlement Fund” means the Settlement Amount plus all interest and accretions thereto and which may be reduced by payments or deductions as provided herein or by Court order.

1.25 “Settling Parties” means, collectively, the Defendants and the Plaintiffs.

1.26 “Tax” or “Taxes” means any and all taxes, fees levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any governmental authority, including income tax and other taxes and charges on or regarding franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers’ compensation, unemployment compensation or net worth; taxes or other charges in the nature of excise, withholding ad valorem, stamp, transfer, value added or gains taxes; license registration and documentation fees; and customs duties, tariffs, and similar charges.

1.27 “Unknown Claims” means any Released Claims which Lead Plaintiff or Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and

benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff shall expressly settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

2. The Settlement

a. The Settlement Fund

2.1 Defendants or their counsel shall cause their Insurers to pay the principal amount of \$3,350,000.00 in cash to the Escrow Agent, either by wire transfer in accordance with instructions to be provided by the Escrow Agent or by check, as follows: (a) an initial payment in the amount of \$3,000,000.00 will be made on or before October 20, 2010; and (b) the remaining payment in the amount of \$350,000.00 will be made within fifteen (15) business days after the entry of an Order granting preliminary settlement approval. If the entire Settlement Amount is not timely paid to the Escrow Agent, Lead Counsel may terminate the settlement only if (i) Lead Counsel have notified Defendants' counsel in writing of Lead Counsel's intention to terminate the settlement, and (ii) the

entire Settlement Amount is not transferred to the Escrow Agent within ten (10) business days after Lead Counsel have provided such written notice. The Escrow Agent shall deposit the Settlement Amount plus any accrued interest in a segregated escrow account maintained by the Escrow Agent.

b. The Escrow Agent

2.2 The Escrow Agent shall invest the Settlement Amount deposited pursuant to ¶2.1 hereof in short term United States Agency or Treasury Securities or other instruments backed by the Full Faith & Credit of the United States Government or an Agency thereof, or fully insured by the United States Government or an Agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. All risks related to the investment of the Settlement Fund in accordance with the investment guidelines set forth in this paragraph shall be borne by the Settlement Fund.

2.3 The Escrow Agent shall not disburse the Settlement Fund except as provided in the Stipulation, by an order of the Court, or with the written agreement of counsel for Defendants.

2.4 Subject to further order(s) and/or directions as may be made by the Court, or as provided in the Stipulation, the Escrow Agent is authorized to execute such transactions as are consistent with the terms of the Stipulation.

2.5 All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

2.6 Without further order of the Court, the Settlement Fund may be used by Lead Counsel to pay reasonable costs and expenses actually incurred in connection with providing notice to the Class, locating Class Members, soliciting claims, assisting with the filing of claims, administering and distributing the Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, and paying escrow fees and costs, if any (“Notice and Administration Expenses”).

c. Taxes

2.7 (a) The Settling Parties and the Escrow Agent agree to treat the Settlement Fund as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. §1.468B-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg. §1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(b) For the purpose of §1.468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow Agent. The Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in ¶2.7(a) hereof) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes (including any estimated Taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.7(c) hereof.

(c) All (a) Taxes (including any estimated Taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that may be imposed upon the Released Persons or their counsel with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a “qualified settlement fund” for federal or state income tax purposes, and (b) expenses and costs incurred in connection with the operation and implementation of this ¶2.7 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and

expenses relating to filing (or failing to file) the returns described in this ¶2.7) (“Tax Expenses”), shall be paid out of the Settlement Fund; in all events the Released Persons and their counsel shall have no liability or responsibility for the Taxes or the Tax Expenses. The Escrow Agent, through the Settlement Fund, shall indemnify and hold each of the Released Persons and their counsel harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court and the Escrow Agent shall be authorized (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)); neither the Released Persons nor their counsel are responsible nor shall they have any liability for any Taxes or Tax Expenses. The parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.7.

d. Termination of Settlement

2.8 In the event that the Stipulation is not approved or the Stipulation is terminated, canceled, or fails to become effective for any reason, the Settlement Amount (including accrued interest) less Notice and Administration Expenses or Taxes or Tax Expenses up to a maximum of \$220,000.00 paid, incurred, or due and owing in connection with the settlement provided for herein, shall be refunded pursuant to written instructions from counsel to the Defendants (in accordance with ¶7.4 herein).

3. Preliminary Approval Order and Settlement Hearing

3.1 Promptly after execution of the Stipulation, Lead Counsel shall submit the Stipulation together with its Exhibits to the Court and shall apply for entry of an order (the “Preliminary Approval Order”), substantially in the form of Exhibit A attached hereto, requesting, *inter alia*, the preliminary approval of the settlement set forth in the Stipulation, and approval for the mailing of a settlement notice (the “Notice”) and publication of a summary notice, substantially in the forms of Exhibits A-1 and A-3 attached hereto. The Notice shall include the general terms of the settlement set forth in the Stipulation, the proposed Plan of Allocation, the general terms of the Fee and Expense Application, as defined in ¶6.1 hereof, and the date of the Settlement Hearing as defined below.

3.2 Lead Counsel shall request that after notice is given, the Court hold a hearing (the “Settlement Hearing”) and approve the settlement of the Litigation as set forth herein. At or after the Settlement Hearing, Lead Counsel also will request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application and the Lead Plaintiff’s request for reimbursement of expenses, if any.

4. Releases

4.1 Upon the Effective Date, as defined in ¶1.7 hereof, the Lead Plaintiff and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims against the Released Persons, whether or not such Class Member executes and delivers the Proof of Claim and Release or shares in the Settlement Fund. Claims to enforce the terms of this Stipulation are not released.

4.2 The Proof of Claim and Release to be executed by Class Members shall release all Released Claims against the Released Persons and shall be substantially in the form contained in Exhibit A-2 attached hereto.

4.3 Upon the Effective Date, as defined in ¶1.7 hereof, all Class Members and anyone claiming through or on behalf of any of them, will be forever barred and enjoined from commencing, instituting, prosecuting or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, or administrative forum, asserting the Released Claims against any of the Released Persons.

4.4 Upon the Effective Date, as defined in ¶1.7 hereof, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Lead Plaintiff, each and all of the Class Members, and Lead Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims. Claims to enforce the terms of this Stipulation are not released.

5. Administration and Calculation of Claims, Final Awards and Supervision and Distribution of the Settlement Fund

5.1 The Claims Administrator, subject to such supervision and direction of the Court as may be necessary or as circumstances may require, shall administer and calculate the claims submitted by Class Members and shall oversee distribution of the Net Settlement Fund to Authorized Claimants.

5.2 The Settlement Fund shall be applied as follows:

(a) to pay all the costs and expenses reasonably and actually incurred in connection with providing notice, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, and paying escrow fees and costs, if any;

(b) to pay the Taxes and Tax Expenses described in ¶2.7 hereof;

(c) after entry of the Judgment, to pay attorneys' fees and expenses of counsel to the plaintiffs (the "Fee and Expense Award"), and to reimburse the Lead Plaintiff for its expenses, if and to the extent allowed by the Court; and

(d) after the Effective Date, to distribute the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or the Court.

5.3 After the Effective Date, and in accordance with the terms of the Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following.

5.4 Within ninety (90) days after the mailing of the Notice or such other time as may be set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to the Claims Administrator a completed Proof of Claim and Release, substantially in the form of Exhibit A-2 attached hereto, signed under penalty of perjury and supported by such documents as are specified in the Proof of Claim and Release.

5.5 Except as otherwise ordered by the Court, all Class Members who fail to timely submit a valid Proof of Claim and Release within such period, or such other period as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the Stipulation and the settlement set forth herein, but will in all other respects be subject to and bound by the provisions of the Stipulation, the releases contained herein, and the Judgment. Notwithstanding the foregoing, Lead Counsel shall have the discretion to accept late-submitted claims for processing by the Claims Administrator so long as the distribution of the Settlement Fund is not materially delayed thereby.

5.6 The Net Settlement Fund shall be distributed to the Authorized Claimants substantially in accordance with the Plan of Allocation set forth in the Notice and approved by the Court. If there is any balance remaining in the Net Settlement Fund after six (6) months from the initial date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise), Lead Counsel shall, if feasible, reallocate such balance among Authorized Claimants in an equitable and economic fashion. Thereafter, any balance which still remains in the Net Settlement Fund shall be donated to an appropriate non-profit organization.

5.7 The Defendants and their Related Parties shall have no responsibility for, interest in, or liability whatsoever with respect to the distribution of the Net Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims, the payment or withholding of Taxes or Tax Expenses, or any losses incurred in connection therewith. No Person shall have any claim of any kind against the Defendants or their Related Parties with respect to the matters set forth in ¶¶5.1-5.9 hereof; and the Class Members, the Lead Plaintiff, and Lead Counsel release the Defendants and their Related Parties from any and all liability and claims arising from or with respect to the investment or distribution of the Settlement Fund.

5.8 No Person shall have any claim against the Lead Plaintiff, Lead Counsel or the Claims Administrator, or any other Person designated by Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

5.9 It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of the Stipulation and is to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the settlement set forth in the Stipulation, and any order or proceeding relating to the Plan of

Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Judgment approving the Stipulation and the settlement set forth therein, or any other orders entered pursuant to the Stipulation.

6. Lead Plaintiff's Counsel's Attorneys' Fees and Expenses

6.1 Lead Counsel may submit an application or applications (the "Fee and Expense Application") for: (a) an award of attorneys' fees; plus (b) expenses incurred in connection with prosecuting the Litigation; plus (c) any interest on such attorneys' fees and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid) as may be awarded by the Court. Lead Counsel reserve the right to make additional applications for fees and expenses incurred.

6.2 The fees and expenses, as awarded by the Court, shall be paid to Lead Counsel, as ordered, immediately after the Court executes an order awarding such fees and expenses and enters the Judgment. Lead Counsel may thereafter allocate the attorneys' fees among other plaintiffs' counsel in a manner in which they in good faith believe reflects the contributions of such counsel to the initiation, prosecution, and resolution of the Litigation.

6.3 In the event that the Effective Date does not occur, or the Judgment or the order making the Fee and Expense Award is reversed or modified, or the Stipulation is canceled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then such of plaintiffs' counsel who have received any portion of the Fee and Expense Award shall within five (5) business days from receiving notice from the Defendants' counsel or from a court of appropriate jurisdiction, refund to the Settlement Fund such fees and expenses previously paid to them from the Settlement Fund plus interest thereon at the same rate as earned on the Settlement Fund in an amount consistent with such reversal or modification. Each such plaintiffs' counsel's law firm receiving fees and expenses, as a condition of receiving such fees and

expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this paragraph. Without limitation, plaintiffs' counsel agree that the Court may, upon application of Defendants and notice to Lead Counsel, summarily issue orders including, but not limited to, judgments and attachment orders, and may make appropriate findings of or sanctions for contempt, should such law firm fail timely to repay fees and expenses pursuant to this ¶6.3.

6.4 The Lead Plaintiff may submit an application for reimbursement of its time and expenses incurred in the prosecution of the Litigation. However, in the event that the Effective Date does not occur, or the judgment or the order approving Lead Plaintiff's application for reimbursement of its time and expenses is reversed or modified, or the Stipulation is canceled or terminated for any other reason, then the Lead Plaintiff shall within five (5) business days from receiving notice from Defendants' counsel or from a court of appropriate jurisdiction, refund to the Settlement Fund such reimbursement for time and expenses previously paid to it from the Settlement Fund plus interest thereon at the same rate as earned on the Settlement Fund in an amount consistent with such reversal or modification. Lead Plaintiff, if it receives reimbursement under this paragraph, as a condition of receiving such reimbursement, agrees that it is subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this paragraph.

6.5 The procedure for and the allowance or disallowance by the Court of any applications by any plaintiffs' counsel for attorneys' fees and expenses, or the expenses of the Lead Plaintiff, to be paid out of the Settlement Fund, are not part of the settlement set forth in the Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the settlement set forth in the Stipulation, and any order or proceeding relating to the Fee and Expense Application, or the Lead Plaintiff's expense application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to

terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Stipulation and the settlement of the Litigation set forth therein.

6.6 Defendants and their Related Parties shall have no responsibility for any payment of attorneys' fees and expenses to plaintiffs' counsel over and above payment out of the Settlement Fund.

6.7 Defendants and their Related Parties shall have no responsibility for the allocation among plaintiffs' counsel, and/or any other Person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Litigation, and the Defendants and their Related Parties take no position with respect to such matters.

7. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

7.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

(a) Defendants have timely made or caused to be made their contributions to the Settlement Fund, as required by ¶2.1 hereof;

(b) the Court has entered the Preliminary Approval Order, as required by ¶3.1 hereof;

(c) NeoPharm has not exercised its option to terminate the Stipulation pursuant to ¶7.3 hereof;

(d) the Court has entered the Judgment, or a judgment substantially in the form of Exhibit B attached hereto; and

(e) the Judgment has become Final, as defined in ¶1.9 hereof.

7.2 Upon the Effective Date, any and all remaining interest or right of the Defendants or the Defendants' Insurers in or to the Settlement Fund, if any, shall be absolutely and forever

extinguished. If the conditions specified in ¶7.1 hereof are not met, then the Stipulation shall be canceled and terminated subject to ¶7.4 hereof unless Lead Counsel and counsel for the Defendants mutually agree in writing to proceed with the Stipulation.

7.3 As set forth in a separate agreement (the “Supplemental Agreement”) executed between Lead Counsel and NeoPharm’s counsel, NeoPharm shall have the option to terminate the settlement in the event that Persons who purchased or acquired in the aggregate more than a certain number of shares of NeoPharm common stock during the Class Period submit valid and timely requests for exclusion from the Class. The Supplemental Agreement will not be filed with the Court unless a dispute among the Settling Parties concerning its interpretation or application arises and in that event, the Supplemental Agreement shall be filed and maintained by the Court under seal.

7.4 Unless otherwise ordered by the Court, in the event the Stipulation shall terminate, or be canceled, or shall not become effective for any reason, within five (5) business days after written notification of such event is sent by counsel for the Defendants or Lead Counsel to the Escrow Agent, the Settlement Amount (including accrued interest), less expenses (up to a maximum of \$220,000.00) which have either been disbursed pursuant to ¶¶2.6 and 2.7 hereof, or are determined to be chargeable to the Settlement Fund pursuant to ¶¶2.6 and 2.7 hereof, shall be refunded by the Escrow Agent directly to the entities that provided the funds based on their pro rata contribution to the Settlement Amount. The Escrow Agent or its designee shall apply for any tax refund owed on the Settlement Amount and pay the proceeds, after deduction of any fees or expenses incurred in connection with such application(s) for refund, directly to the entities that provided the funds based on their pro rata contribution to the Settlement Amount.

7.5 In the event that the Stipulation is not approved by the Court or the settlement set forth in the Stipulation is terminated or fails to become effective in accordance with its terms, the Settling Parties shall be restored to their respective positions in the Litigation as of September 20,

2010. In such event, the terms and provisions of the Stipulation, with the exception of ¶¶1.1-1.27, 2.6-2.8, 6.3-6.4, 7.4-7.6, and 8.3-8.4 hereof, shall have no further force and effect with respect to the Settling Parties and shall not be used in this Litigation or in any other proceeding for any purpose, and any judgment or order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or the amount of any attorneys' fees, costs, expenses, and interest awarded by the Court to any of plaintiffs' counsel or expenses to the Lead Plaintiff shall operate to terminate or cancel this Stipulation or constitute grounds for cancellation or termination of the Stipulation.

7.6 If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its terms, neither the Lead Plaintiff nor any of its counsel shall have any obligation to repay any amounts actually and properly disbursed pursuant to ¶2.6. In addition, any expenses already incurred pursuant to ¶2.6 hereof at the time of such termination or cancellation but which have not been paid, shall be paid by the Escrow Agent in accordance with the terms of the Stipulation prior to the balance being refunded in accordance with ¶¶2.8 and 7.4 hereof.

8. Miscellaneous Provisions

8.1 The Settling Parties (a) acknowledge that it is their intent to consummate this agreement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

8.2 The Settling Parties intend this settlement to be a final and complete resolution of all disputes between them with respect to the Litigation. The settlement compromises claims which are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense. The Final Judgment will contain a finding that, during the course of the Litigation, the

parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. The Settling Parties agree that the Settlement Amount and the other terms of the settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a manner that such party determines to be appropriate, any contention made in any public forum that the Litigation was brought or defended in bad faith or without a reasonable basis.

8.3 Neither the Stipulation nor the settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Defendants; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Defendants in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. The Defendants may file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

8.4 All agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive this Stipulation.

8.5 All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

8.6 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

8.7 The Stipulation and the Exhibits attached hereto and the Supplemental Agreement constitute the entire agreement among the parties hereto and no representations, warranties or inducements have been made to any party concerning the Stipulation or its Exhibits other than the representations, warranties, and covenants contained and memorialized in such documents. Except as otherwise provided herein, each party shall bear its own costs.

8.8 Lead Counsel, on behalf of the Class, is expressly authorized by the Lead Plaintiff to take all appropriate action required or permitted to be taken by the Class pursuant to the Stipulation to effectuate its terms and also are expressly authorized to enter into any modifications or amendments to the Stipulation on behalf of the Class which they deem appropriate.

8.9 Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such Person has the full authority to do so.

8.10 The Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of original executed counterparts shall be filed with the Court.

8.11 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto.

8.12 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Stipulation.

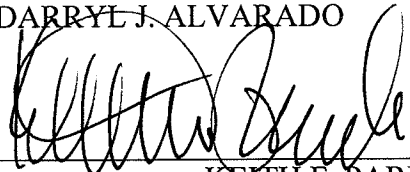
8.13 This Stipulation and the Exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of Illinois, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Illinois without giving effect to that State's choice-of-law principles.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of October 25, 2010.

LASKY & RIFKIND, LTD.
NORMAN RIFKIND (6191038)
350 North LaSalle Street, Suite 1320
Chicago, IL 60610
Telephone: 312/634-0057
312/634-0059 (fax)

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& DOWD LLP
KEITH F. PARK
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Palo Alto, CA 94304-1050
Telephone: 650/493-9300
650/493-6811 (fax)

Attorneys for Defendants

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of October 25, 2010.

LASKY & RIFKIND, LTD.
NORMAN RIFKIND (6191038)
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312/840-7900 (fax)

Local Counsel for Defendants

EXHIBIT A

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
_____	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
_____)	

**[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT AND
PROVIDING FOR NOTICE**

EXHIBIT A

WHEREAS, a consolidated action is pending before this Court styled *In re NeoPharm, Inc. Securities Litigation*, Master File No. 02 C 2976 (the "Litigation");

WHEREAS, the parties having made application, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in accordance with a Stipulation of Settlement dated as of October 25, 2010 (the "Stipulation"), which, together with the exhibits annexed thereto, set forth the terms and conditions for a proposed settlement of the Litigation and for dismissal of the Litigation with prejudice upon the terms and conditions set forth therein; and the Court having read and considered the Stipulation and the Exhibits annexed thereto; and

WHEREAS, all defined terms herein have the same meanings as set forth in the Stipulation.

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Court does hereby preliminarily approve the Stipulation and the settlement set forth therein, subject to further consideration at the Settlement Hearing described below.

2. The Court hereby certifies a Class, for settlement purposes only, defined as: "all Persons (other than those Persons who timely and validly request exclusion from the Class) who purchased or otherwise acquired the common stock of NeoPharm, Inc. during the period from January 14, 2002 to April 19, 2002, inclusive, excluding the Defendants, members of the immediate family of each of the Defendants, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party."

3. A hearing (the "Settlement Hearing") shall be held before this Court on _____, 2011, at __:___.m., at the United States District Court for the Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn

Street, Chicago, Illinois 60604, to determine whether the proposed settlement of the Litigation on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to the Class and should be approved by the Court; whether a Judgment as provided in ¶1.11 of the Stipulation should be entered; whether the proposed Plan of Allocation is fair, reasonable, and adequate, and should be approved; to determine the amount of fees and expenses that should be awarded to Lead Counsel; and to determine the amount of reimbursement of expenses to Lead Plaintiff. The Court may adjourn the Settlement Hearing without further notice to the Members of the Class.

4. The Court approves, as to form and content, the Notice of Pendency and Proposed Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of Claim”), and Summary Notice annexed as Exhibits A-1, A-2, and A-3 hereto and finds that the mailing and distribution of the Notice and publishing of the Summary Notice substantially in the manner and form set forth in ¶¶5-6 of this Order meet the requirements of Federal Rule of Civil Procedure 23 and due process, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

5. The firm of Gilardi & Co. LLC (“Claims Administrator”) is hereby appointed to supervise and administer the notice procedure as well as the processing of claims as more fully set forth below:

(a) Lead Counsel shall make reasonable efforts to identify all Persons who are Members of the Class and not later than _____, 2010 (the “Notice Date”), Lead Counsel shall cause a copy of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibits A-1 and A-2 hereto, to be mailed by First-Class Mail to all Class Members who can be identified with reasonable effort;

(b) Not later than _____, 2010, Lead Counsel shall cause the Summary Notice to be published once in *Investor’s Business Daily* and on *PRNewswire*; and

(c) At least seven (7) calendar days prior to the Settlement Hearing, Lead Counsel shall cause to be served on Defendants' counsel and filed with the Court proof, by affidavit or declaration, of such mailing and publishing.

6. Nominees who purchased or acquired the common stock of NeoPharm for the beneficial ownership of Class Members during the Class Period shall send the Notice and the Proof of Claim to all beneficial owners of such NeoPharm common stock within ten (10) days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice and Proof of Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage houses or other nominees solely for their reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are Class Members out of the Settlement Fund, which expenses would not have been incurred except for the sending of such Notice, subject to further order of this Court with respect to any dispute concerning such compensation.

7. All Members of the Class shall be bound by all determinations and judgments in the Litigation concerning the settlement, whether favorable or unfavorable to the Class.

8. Class Members who wish to participate in the settlement shall complete and submit Proofs of Claim in accordance with the instructions contained therein. Unless the Court orders otherwise, all Proofs of Claim must be postmarked no later than ninety (90) days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim within the time provided for, shall be barred from sharing in the distribution of the proceeds of the Settlement Fund, unless otherwise ordered by the Court. Notwithstanding the foregoing, Lead Counsel may, in their discretion, accept late-submitted claims for processing by the Claims Administrator so long as distribution of the Net Settlement Fund is not materially delayed thereby.

9. Any Member of the Class may enter an appearance in the Litigation, at their own expense, individually or through counsel of their own choice. If they do not enter an appearance, they will be represented by Lead Counsel.

10. Any Person falling within the definition of the Class may, upon request, be excluded from the Class. To request exclusion from the Class, any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion"), postmarked no later than _____, 2010. To be valid and effective, a Request for Exclusion must: (a) state the name, address, and telephone number of the Person requesting exclusion; (b) identify each of the Person's purchases, acquisitions, and sales of NeoPharm common stock made during the Class Period, including the dates of purchase, acquisition or sale, the number of shares purchased, acquired, and/or sold, and the price paid or received per share for each such purchase, acquisition or sale; (c) state that the Person wishes to be excluded from the Class; and (d) include the Person's signature. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph shall have no rights under the Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment entered in the Litigation.

11. Any Member of the Class may appear and show cause, if he, she or it has any, why the proposed settlement of the Litigation should or should not be approved as fair, reasonable, and adequate, why a judgment should or should not be entered thereon, why the Plan of Allocation should or should not be approved, why attorneys' fees and expenses should or should not be awarded to counsel for the plaintiffs, or why the expenses of the Lead Plaintiff should or should not be reimbursed; provided, however, that no Class Member or any other Person shall be heard or entitled to contest such matters, unless that Person has delivered by hand or sent by First-Class Mail written objections and copies of any papers and briefs such that they are received, not simply postmarked, on or before _____, 2010, by Robbins Geller Rudman & Dowd LLP, Keith F. Park, 655 W.

Broadway, Suite 1900, San Diego, CA 92101; Wilson Sonsini Goodrich & Rosati, P.C., David S. Steuer, Dylan Liddiard, 650 Page Mill Road, Palo Alto, CA 94304, and filed said objections, papers, and briefs with the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division, on or before _____, 2010. Any Member of the Class who does not make his, her or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, to the Plan of Allocation, or to the award of attorneys' fees and expenses to counsel for the plaintiffs or expenses of the Lead Plaintiff, unless otherwise ordered by the Court.

12. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

13. All opening briefs and supporting documents in support of the settlement, the Plan of Allocation, and any application by counsel for the plaintiffs for attorneys' fees and expenses or by Lead Plaintiff for reimbursement of its expenses shall be filed and served by _____, 2010. Replies to any objections shall be filed and served by _____, 2011.

14. Neither the Defendants and their Related Parties nor the Defendants' counsel shall have any responsibility for the Plan of Allocation or any application for attorneys' fees or expenses submitted by plaintiffs' counsel or the Lead Plaintiff, and such matters will be considered separately from the fairness, reasonableness, and adequacy of the settlement.

15. At or after the Settlement Hearing, the Court shall determine whether the Plan of Allocation proposed by Lead Counsel, and any application for attorneys' fees or payment of expenses shall be approved.

16. All reasonable expenses incurred in identifying and notifying Class Members, as well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the event the settlement is not approved by the Court, or otherwise fails to become effective, neither Lead Plaintiff nor any of its counsel shall have any obligation to repay any amounts incurred and properly disbursed pursuant to ¶¶2.6 or 2.7 of the Stipulation.

17. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by the Defendants of the truth of any of the allegations in the Litigation, or of any liability, fault, or wrongdoing of any kind.

18. The Court reserves the right to adjourn the date of the Settlement Hearing without further notice to the Members of the Class, and retains jurisdiction to consider all further applications arising out of or connected with the proposed settlement. The Court may approve the settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Class.

19. If the Stipulation and the settlement set forth therein is not approved or consummated for any reason whatsoever, the Stipulation and settlement and all proceedings had in connection therewith shall be without prejudice to the rights of the Settling Parties *status quo ante*.

20. Pending final determination of whether the proposed settlement should be approved, neither the Lead Plaintiff nor any Class Member, directly or indirectly, representatively, or in any other capacity, shall commence or prosecute against any of the Defendants, any action or proceeding in any court or tribunal asserting any of the Released Claims.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE JOAN H. LEFKOW
UNITED STATES DISTRICT JUDGE

Submitted by:

LASKY & RIFKIND, LTD.
NORMAN RIFKIND (6191038)
350 North LaSalle Street, Suite 1320
Chicago, IL 60610
Telephone: 312/634-0057
312/634-0059 (fax)

Liaison Counsel

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
STEVEN W. PEPICH
JOHN J. RICE
X. JAY ALVAREZ
DARRYL J. ALVARADO

s/ Keith F. Park

KEITH F. PARK

655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Plaintiffs

EXHIBIT A-1

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
_____	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
_____)	

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

EXHIBIT A-1

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF NEOPHARM, INC. ("NEOPHARM") FROM JANUARY 14, 2002 TO APRIL 19, 2002, INCLUSIVE

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS ARE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM ("PROOF OF CLAIM") POSTMARKED ON OR BEFORE _____, 2011.

IF YOU DO NOT WISH TO BE INCLUDED IN THE CLASS AND YOU DO NOT WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE _____, 2010.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

- The purpose of this Notice is to inform you of the pendency and proposed settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation. Your legal rights are affected *whether or not you act*. Please read this Notice carefully.¹
- The proposed settlement, subject to Court approval, resolves class action litigation involving allegations that NeoPharm and certain of its officers violated federal securities laws by knowingly or recklessly making false and misleading statements about NeoPharm's experimental anti-cancer drug called Liposome Encapsulated Paclitaxel.
- The proposed settlement creates a fund in the amount of \$3,350,000.00 in cash, including interest that accrues prior to distribution (the "Settlement Fund"), to pay claims from investors who purchased or otherwise acquired NeoPharm common stock from January 14, 2002 to April 19, 2002, inclusive. Your ability to recover from the Settlement Fund will depend on a number of variables, including the number of shares of NeoPharm common stock you purchased or acquired during the period from January 14, 2002 through and including April 19, 2002, and the timing of your purchases and any sales. Lead Counsel estimate that if claims representing 100% of the number of shares entitled to participate in a distribution from the Settlement Fund are made, the average distribution per share will be approximately \$0.94 before deduction of Court-approved fees and expenses. Typically,

¹ Capitalized terms that are not defined in this Notice are defined in the Stipulation of Settlement ("Stipulation"), which may be viewed online at www.gilardi.com.

claims for less than 100% of eligible shares are submitted and, thus, average distributions are higher than that estimated above.

- For Defendants, the principal reason for the settlement is to eliminate the expense, risks, and uncertainty of continued litigation. For Lead Plaintiff, the principal reason for the settlement is that Lead Plaintiff believes that the proposed settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the Class would not have prevailed on any of its claims, in which case the Class would receive nothing. The amount of damages recoverable by the Class was and is challenged by the Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants would have asserted that all or most of the losses of Class Members were caused by non-actionable market, industry or general economic factors. The Defendants would also assert that throughout the Class Period the uncertainties and risks associated with the purchase of NeoPharm common stock were fully and adequately disclosed. The settlement provides money to investors like you, while avoiding further risks associated with litigation.
- Lead Plaintiff and the Defendants do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiff was to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which NeoPharm common stock was allegedly artificially inflated (if at all) during the Class Period; (2) the effect of various market forces influencing the trading price of NeoPharm common stock at various times during the Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the trading price of NeoPharm common stock at various times during the Class Period; (4) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading price of NeoPharm common stock at various times during the Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the trading price of NeoPharm common stock at various times during the Class Period; and (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws.
- Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff and the Members of the Class, nor have they recovered their expenses. If the settlement is approved by the Court, Lead Counsel will apply to the Court for attorneys' fees of 23% of the Settlement Fund, plus expenses not to exceed \$400,000.00 to be paid from the Settlement Fund. If the amount requested is approved by the Court, the average cost per share will be \$0.33. In addition, Lead Plaintiff may seek reimbursement of its expenses incurred in prosecuting the Litigation on behalf of the Class in an amount not to exceed \$5,000.00. The fee requested by Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The fee requested is well within (if not below) the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type.

- For further information regarding this settlement you may contact a representative of Lead Counsel: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 W. Broadway, Suite 1900, San Diego, CA 92101, Telephone: 800/449-4900.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

If you are a Class Member, you have the following options:

1. SUBMIT A CLAIM FORM. *Deadline:* _____. This is the only way to get a payment if you have an authorized claim. If you choose this option, you will remain a Class Member, you will share in the proceeds of the proposed settlement if your claim is timely and valid and if the proposed settlement is finally approved by the Court, and you will be bound by the Judgment and release described in this Notice. For instructions, see pages ___ of this Notice.

2. EXCLUDE YOURSELF. *Deadline:* _____. If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. If you exclude yourself from the Class, you will get no payment. This is the only option that allows you to ever be part of any other lawsuit against NeoPharm and the other Released Persons about the Released Claims. For instructions, see page ___ of this Notice.

3. OBJECT. *Deadline:* _____. You may write to the Court about why you do not like the settlement, the Plan of Allocation, the application of Lead Counsel for an award of attorneys' fees and expenses, and/or the request by Lead Plaintiff for reimbursement of its expenses. You may, but are not required to, appear at the Settlement Hearing. You may, but are not required to, hire your own lawyer of your choosing at your own expense. For more information about these options, see page ___ of this Notice.

4. DO NOTHING. You may do nothing at all. If you choose this option, you will get **no payment** but you **will** be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons.

- These rights and options, and the deadlines to exercise them, are explained in this Notice.
- The Court must still decide whether to approve the settlement. Payments will be made to Class Members who submit timely and valid Proofs of Claim if the Court approves the settlement, and after any appeals are resolved.

WHAT THIS NOTICE CONTAINS

PAGE

BASIC INFORMATION.....

WHO IS IN THE SETTLEMENT.....

THE SETTLEMENT BENEFITS – WHAT YOU GET.....

HOW YOU GET A PAYMENT – SUBMITTING A PROOF
OF CLAIM FORM.....

EXCLUDING YOURSELF FROM THE SETTLEMENT.....

THE LAWYERS REPRESENTING YOU.....

OBJECTING TO THE SETTLEMENT.....

THE COURT’S FINAL SETTLEMENT HEARING.....

IF YOU DO NOTHING.....

GETTING MORE INFORMATION.....

PLAN OF ALLOCATION.....

CONDITIONS FOR SETTLEMENT.....

SPECIAL NOTICE TO NOMINEES.....

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased or otherwise acquired shares of NeoPharm common stock between January 14, 2002 and April 19, 2002, inclusive.

The Court directed that this Notice be sent to potential Class Members because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the settlement. If the Court approves the settlement and any appeals are resolved, an administrator appointed by the Court will make the payments that the settlement allows.

This package explains the lawsuit, the settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of Illinois (the "Court"), and the case is known as *In re NeoPharm, Inc. Securities Litigation*, Master File No. 02 C 2976 (N.D. Ill.). This case was assigned to the Honorable United States District Judge Joan H. Lefkow. The persons who sued are called the Plaintiffs; and the Court-appointed Lead Plaintiff, Operating Engineers Construction Industry and Miscellaneous Pension Fund (Local 66-Pittsburg), was appointed on May 18, 2004. The company and the persons they sued, NeoPharm, Inc., James M. Hussey, and Imran Ahmad, are called the Defendants. Mr. Hussey and Mr. Ahmad are also called the Individual Defendants.

2. What is this lawsuit about?

Lead Plaintiff alleges that the Defendants knowingly or recklessly made false and misleading statements to investors about the development of NeoPharm's experimental anti-cancer drug called Liposome Encapsulated Paclitaxel ("LEP"). Lead Plaintiff's Consolidated Amended Class Action Complaint (the "Complaint") filed on September 16, 2002, alleges that Defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, promulgated thereunder by the Securities and Exchange Commission. Lead Plaintiff alleges that the Defendants misled investors about the status of the development of LEP, and the status and success of clinical trials of LEP. Lead Plaintiff alleges that the allegedly false and misleading statements caused NeoPharm's stock price to be artificially inflated during the Class Period. Lead Plaintiff also alleges that, when the public learned the truth about problems with LEP's development, NeoPharm's share price fell and shareholders were damaged. The Complaint also asserts "control person" claims against the Individual Defendants under Section 20(a) of the Securities Exchange Act of 1934. The lawsuit seeks money damages against the Defendants for violations of the federal securities laws.

The Defendants have vigorously denied and continue to deny any wrongdoing and insist that at all times they acted properly and that, as a result, there is no liability to Lead Plaintiff or the Class. Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Lead Plaintiff in the Litigation. Defendants continue to assert that

they did not violate Sections 10(b) or 20(a) of the Securities Exchange Act of 1934, that they did not engage in any conduct that could give rise to any liability to Lead Plaintiff or the Class, that none of the claimed statements of omissions caused damages to Lead Plaintiff or the Class, that none of the claimed misstatements or omissions were material, and that any misstatement they may have made was the result of excusable neglect and was not the result of any intention to defraud.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case, the Lead Plaintiff Operating Engineers Construction Industry and Miscellaneous Pension Fund (Local 66-Pittsburg), sue on behalf of people who have similar claims. All persons with similar claims are Class Members, who together constitute the Class. Bringing a case, such as this one, as a class action allows the collective adjudication of many similar claims that might be economically too small to bring in individual actions. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class.

4. Why is there a settlement?

The Lead Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, the Lead Plaintiff and its counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. The Lead Plaintiff and its counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. The Lead Plaintiff and its counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. The Lead Plaintiff and its counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, the Lead Plaintiff and its counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Lead Plaintiff and the Class.

The Defendants in this Litigation, while continuing to deny all allegations of wrongdoing or liability whatsoever, recognize the expense, risks, and uncertain outcome of litigation and appeals, especially in a complex action such as this, and wish to avoid the uncertainties, burdens, and costs associated with further litigation.

WHO IS IN THE SETTLEMENT

To get money from this settlement, you must be a Class Member.

5. How do I know if I am part of the settlement?

The Court directed that, for the purposes of the proposed settlement, everyone who fits this description is a Class Member: *All Persons who purchased or otherwise acquired the common stock of NeoPharm, Inc. during the period from January 14, 2002 to April 19, 2002, inclusive.*

6. Are there exceptions to being included?

The Defendants, members of the immediate family of each of the Defendants, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party.

Also excluded are those Persons who timely and validly request exclusion from the Class. See question 13 below for information about how to exclude yourself from the Class.

If one of the mutual funds in which you are invested purchased or otherwise acquired NeoPharm common stock during the Class Period, that does not make you a Class Member. You are a Class Member only if you directly purchased or otherwise acquired NeoPharm common stock during the Class Period. Contact your broker to see if you purchased or otherwise acquired NeoPharm common stock during the Class Period.

If you **sold** but did not purchase or acquire NeoPharm common stock during the Class Period, you are not a Class Member. You are a Class Member only if you **purchased or otherwise acquired** your shares during the Class Period.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help. You can contact the Claims Administrator by writing to: *NeoPharm Securities Litigation*, Claims Administrator, c/o Gilardi & Co. LLC, P.O. Box 8040, San Rafael, CA 94912-8040.

THE SETTLEMENT BENEFITS — WHAT YOU GET

8. What does the settlement provide?

Defendants have paid \$3,350,000 into an escrow account, which has been earning and will continue to earn interest for the benefit of the Class. In exchange for such payment, the Settling Parties will agree to dismiss the Litigation and Lead Plaintiff and all Class Members who do not exclude themselves from the settlement will release, relinquish, and discharge all Released Claims (including Unknown Claims) against each of the Defendants and their respective Related Parties, whether or not these Class Members execute and deliver the Proof of Claim.

A portion of the \$3,350,000 Settlement Fund will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for plaintiffs as attorneys' fees and expenses, and a portion

of the Settlement Fund may be used to reimburse Lead Plaintiff for expenses incurred in representing the Class in the Litigation. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proofs of Claim.

9. How much will my payment be?

Your share of the Net Settlement Fund will depend on a number of variables, including the number of shares of NeoPharm common stock you purchased or acquired during the Class Period, how much you paid for them, the timing of your purchases, acquisitions, and any sales, and the total number of Authorized Claimants (defined on page ___ below).

Please read the Plan of Allocation on page ___ for more information on how the Net Settlement Fund will be distributed among Authorized Claimants.

HOW YOU GET A PAYMENT — SUBMITTING A PROOF OF CLAIM FORM

10. How can I get a payment?

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before _____, 2011, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

11. When would I get my payment?

The Court will hold a hearing on _____, 2011, to decide whether to approve the settlement. If the Court approves the settlement, one or more appeals may follow. It is always uncertain how any such appeal will be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed.

12. What am I giving up to get a payment or stay in the Class?

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Class Members and counsel to the Lead Plaintiff from all claims arising out of the institution, prosecution, and settlement of the Litigation or the Released Claims.

Unless you exclude yourself, you will remain a Member of the Class, and that means that you will be bound by the Judgment, and upon the Effective Date, you will release all Released Claims against the Released Persons.

The Effective Date will occur when an Order entered by the Court approving the settlement becomes final and not subject to appeal and when all conditions of the Stipulation have been met.

“Released Claims” shall collectively mean any and all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without limitation, claims for negligence, gross negligence, breach of fiduciary duty, fraud, or violation of any state or federal common law or statutes, rules, or regulations, by the Lead Plaintiff or any Class Member against the Released Persons (as defined below) arising out of or based upon the purchase or other acquisition or sale of NeoPharm common stock during the Class Period, and the acts, facts, events, statements or omissions that were or could have been alleged in the Litigation. “Released Claims” includes “Unknown Claims” (as defined below).

“Unknown Claims” means any Released Claims which Lead Plaintiff or Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff shall expressly settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

“Released Persons” means each and all of the Defendants and their Related Parties (as defined below).

“Related Parties” means each of a Defendant’s past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant’s immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant’s family.

EXCLUDING YOURSELF FROM THE SETTLEMENT

13. How do I get out of the proposed settlement?

If you remain a Member of the Class, all of the Court’s orders will apply to you and legally bind you. If you *do not* wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must submit a written request for exclusion that must be postmarked on or before _____, 2010.

To request exclusion from the Class, any such Person must submit to the Claims Administrator a request for exclusion (“Request for Exclusion”), postmarked no later than _____, 2010. To be valid and effective, a Request for Exclusion must: (a) state your name, address, and telephone number; (b) identify each of your purchases, acquisitions, and sales of NeoPharm common stock made during the Class Period, including the dates of purchase, acquisition or sale, the number of shares purchased, acquired, and/or sold, and the price paid or received per share for each such purchase, acquisition or sale; (c) state that you wish to be excluded from the Class; and (d) include your signature. The Request for Exclusion should be addressed as follows:

NeoPharm Securities Litigation
EXCLUSION REQUEST
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST.

If you timely and validly request exclusion from the Class, (a) you will be excluded from the Class, (b) you will not share in the proceeds of the settlement described herein, (c) you will not be bound by any judgment entered in the Litigation, and (d) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

14. If I do not exclude myself, can I sue NeoPharm or the other Released Persons later for the Released Claims?

No. If you do not request in writing to be excluded from the Class as described above, you will be bound by any and all determinations or judgments in the Litigation in connection with the settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you will give up any rights to sue NeoPharm and the other Released Persons, or to enforce any existing judgments against any of the Released Persons, for any and all Released Claims. If you have a pending lawsuit against NeoPharm or the other Released Persons, speak to your lawyer in that case immediately, to determine if you have to exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is _____, 2010.

15. If I exclude myself, can I get money from the proposed settlement?

No. **If you exclude yourself, do not send in a Proof of Claim form** to ask for any money. But, you may exercise any right you may have to sue, continue to sue or be part of a different lawsuit against NeoPharm or the other Released Persons about the Released Claims.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

All Class Members are represented by Robbins Geller Rudman & Dowd LLP, Keith F. Park, X. Jay Alvarez, 655 W. Broadway, Suite 1900, San Diego, CA 92101. These lawyers are called Lead Counsel. You will **not** be separately charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

At the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees of 23% of the Settlement Fund, plus expenses, not to exceed \$400,000.00, which were incurred in connection with the Litigation, plus interest thereon. In addition, the Lead Plaintiff will seek reimbursement of its expenses incurred in representing the Class in the Litigation, not to exceed \$5,000.00. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members do not personally have to pay any such fees or expenses.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the settlement or some part of it.

18. How do I tell the Court that I do not like the proposed settlement?

If you are a Class Member, you can object to the settlement or any of its terms, the proposed Plan of Allocation, the application by Lead Counsel for an award of attorneys' fees and expenses,

and/or the request by Lead Plaintiff for reimbursement of its expenses. You may write to the Court setting out your objections. You may give reasons why you think the Court should not approve any or all of the settlement terms or arrangements and submit any documentation you believe is appropriate. The Court will only consider your views if you file a proper objection within the deadline identified and according to the following procedures.

To object, you must send a signed letter or other court submission stating that you object to the proposed settlement in *In re NeoPharm, Inc. Securities Litigation*, Master File No. 02 C 2976 (N.D. Ill.). Your objection must include your name, address, telephone number, and your signature; identify the date(s), price(s), and number(s) of shares of all purchases, acquisitions, and sales of NeoPharm common stock you made during the Class Period; and state the reasons why you object to the settlement. Your objection must be **received**, not just postmarked, **on or before** _____, **2010** by each of the following:

To the Court:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION
EVERETT MCKINLEY DIRKSEN UNITED STATES
COURTHOUSE
219 South Dearborn Street
Chicago, IL 60604

To Lead Counsel for Plaintiffs:

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
655 W. Broadway, Suite 1900
San Diego, CA 92101

To Counsel for Defendants:

WILSON SONSINI GOODRICH &
ROSATI, P.C.
DAVID S. STEUER
DYLAN LIDDIARD
650 Page Mill Road
Palo Alto, CA 94304

If you submit a written notice of objection on time as described above, you may also, but do not need to, attend the Settlement Hearing. Only Class Members who have submitted written notices of objection on time as described above are entitled to be heard at the Settlement Hearing. For more information about the Settlement Hearing, see page ___ below.

19. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about the proposed settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FINAL SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the proposed settlement. You may attend and you may ask to speak, but you do not have to.

20. When and where will the Court decide whether to approve the proposed settlement?

The Court will hold a hearing on _____, 2011, at __: __.m., before the Honorable Joan H. Lefkow, United States District Judge, at the United States District Court for the Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60604 (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$3,350,000.00 in cash should be approved as fair, reasonable, and adequate to the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; and (3) whether the application by Lead Counsel for an award of attorneys' fees and expenses and reimbursement of the expenses of the Lead Plaintiff should be approved.

The Court may change the date and time of the Settlement Hearing. Thus, if you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

The Court will take into consideration any written objections filed in accordance with the instructions at question 18 above. The Court also may listen to people who have properly submitted written objections, within the deadline identified above; but decisions regarding the conduct of the hearing will be made by the Court. (Please refer to question 22 for more information about speaking at the hearing.) The Court will also decide the amount of attorneys' fees and expenses to award Lead Counsel, and the amount of reimbursement of expenses to award to Lead Plaintiff. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

21. Do I have to come to the hearing?

No. Lead Counsel will answer questions the Court may have, but you are welcome to come at your own expense. If you send a written objection, you do not have to come to Court to talk about it. As long as you filed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but attendance is not mandatory. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

22. May I speak at the hearing?

If you send a timely and valid written objection to any aspect of the settlement (in accordance with the procedures described in question 18 above), you may appear and be heard at the Settlement Hearing. You may also (but are not required to) hire your own attorney at your own expense to appear at the Settlement Hearing on your behalf.

Only Members of the Class who have submitted written notices of objection as described in question 18 above will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise. You cannot speak at the hearing if you excluded yourself from the Class.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this settlement and, if the settlement is approved by the Court and becomes final, you will be precluded from starting, continuing with or being part of any other lawsuit against NeoPharm and the other Released Persons about the Released Claims in this case, ever again. To share in the Net Settlement Fund you must submit a Proof of Claim form (see question 10). To start, continue or be a part of any other lawsuit against NeoPharm and the other Released Persons about the Released Claims in this case you must exclude yourself from the Class (see question 13).

GETTING MORE INFORMATION

24. How can I get more information about the proposed settlement?

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60604, or at www.gilardi.com.

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel by writing:

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
655 W. Broadway, Suite 1900
San Diego, CA 92101

For even more detailed information concerning the matters involved in this Litigation, you can also inspect all the pleadings and papers filed in this Litigation, and all the Orders entered by the Court in this Litigation, at the Office of the Clerk of the United States District

Court for the Northern District of Illinois, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60604, during regular business hours.

PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim forms (“Authorized Claimants”) under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in NeoPharm common stock during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel have consulted with their damage experts and the Plan of Allocation reflects an assessment of the damages that they believe could have been recovered had Lead Plaintiff prevailed at trial.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant’s claim, as defined below. If, however (and as is more likely), the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A claim will be calculated as follows:

For shares of NeoPharm common stock purchased or acquired on or between January 14, 2002 through April 19, 2002, the claim per share shall be as follows:

- (a) If sold prior to April 22, 2002, the claim per share is zero.
- (b) If retained, or sold, on or after April 22, 2002, the claim per share shall be the lesser of: (i) \$4.68, or (ii) the difference between the purchase price per share and \$15.43 per share.

The date of purchase, acquisition or sale is the “contract” or “trade” date as distinguished from the “settlement” date.

For Class Members who held shares at the beginning of the Class Period or made multiple purchases, acquisitions or sales during the Class Period, the First-In, First-Out (“FIFO”) method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of securities during the Class Period will be matched, in chronological order, first against securities of the same type held at the beginning of the Class Period. The remaining sales of securities during the Class Period will then be matched, in chronological order, against securities purchased or acquired during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in NeoPharm common stock during the Class Period are subtracted from all losses. However, the proceeds from sales of

securities which have been matched against securities held at the beginning of the Class Period will not be used in the calculation of such net loss. No distributions will be made to Class Members who would otherwise receive less than \$10.00.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim of any kind against the Defendants or their Related Parties with respect to the investment or distribution of the Settlement Fund. No Person shall have any claim against Lead Plaintiff, Lead Counsel or any claims administrator or other person designated by Lead Counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

CONDITIONS FOR SETTLEMENT

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of September 20, 2010, meaning that you will not get any payment and will not give up any rights, and the Litigation will continue.

SPECIAL NOTICE TO NOMINEES

If you hold any NeoPharm common stock purchased or acquired during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

NeoPharm Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the

Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: _____

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

EXHIBIT A-2

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
_____	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
_____)	

PROOF OF CLAIM AND RELEASE

EXHIBIT A-2

I. GENERAL INSTRUCTIONS

1. To recover as a Member of the Class based on your claims in the action entitled *In re NeoPharm, Inc. Securities Litigation*, Master File No. 02 C 2976 (the "Litigation"), you must complete and, on page ___ hereof, sign this Proof of Claim and Release form. If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim and Release form, your claim may be rejected and you may be precluded from any recovery from the Net Settlement Fund created in connection with the proposed settlement.

2. Submission of this Proof of Claim and Release form, however, does not assure that you will share in the proceeds of the settlement of the Litigation.

3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE FORM POSTMARKED ON OR BEFORE _____, 2011, ADDRESSED AS FOLLOWS:

NeoPharm Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

If you are NOT a Member of the Class (as defined in the Notice of Pendency and Proposed Settlement of Class Action ("Notice")) DO NOT submit a Proof of Claim and Release form.

4. If you are a Member of the Class and you did not timely request exclusion in connection with the proposed settlement, you are bound by the terms of any judgment entered in the Litigation, including the releases provided therein, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE FORM.

II. CLAIMANT IDENTIFICATION

If you purchased or otherwise acquired NeoPharm common stock and held the certificate(s) in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you

purchased NeoPharm common stock and the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

Use Part I of this form entitled "Claimant Identification" to identify each purchaser of record ("nominee"), if different from the beneficial purchaser of the NeoPharm common stock which forms the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER(S) OR ACQUIRER(S) OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER(S) OR ACQUIRER(S) OF THE NEOPHARM COMMON STOCK UPON WHICH THIS CLAIM IS BASED.

All joint purchasers must sign this claim. Executors, administrators, guardians, conservators, and trustees must complete and sign this claim on behalf of persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

III. CLAIM FORM

Use Part II of this form entitled "Schedule of Transactions in NeoPharm Common Stock" to supply all required details of your transaction(s) in NeoPharm common stock. If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

On the schedules, provide all of the requested information with respect to *all* of your purchases or acquisitions of NeoPharm common stock which took place at any time from January 14, 2002 to April 19, 2002, inclusive (the "Class Period"), and *all* of your sales of NeoPharm common stock which took place at any time from January 14, 2002 to April 22, 2002, inclusive,

whether such transactions resulted in a profit or a loss. You must also provide all of the requested information with respect to *all* of the NeoPharm common stock you held at the close of trading on January 13, 2002, and at the close of trading on both April 19, 2002 and April 22, 2002. Failure to report all such transactions may result in the rejection of your claim.

List each transaction in the Class Period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day, and year of each transaction you list.

The date of covering a “short sale” is deemed to be the date of purchase of NeoPharm common stock. The date of a “short sale” is deemed to be the date of sale of NeoPharm common stock.

Copies of broker confirmations or other documentation of your transactions in NeoPharm common stock should be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request, or may be requested, to submit information regarding their transactions in electronic files. All claimants **MUST** submit a manually signed paper Proof of Claim and Release form whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1-877-567-4784 or visit their website at www.gilardi.com to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

In re NeoPharm, Inc. Securities Litigation

Master File No. 02 C 2976

PROOF OF CLAIM AND RELEASE

Must Be Postmarked No Later Than:

_____, 2011

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Street Address

City

State or Province

Zip Code or Postal Code

Country

Social Security Number or
Taxpayer Identification Number

Individual
Corporation/Other

Area Code

Telephone Number (work)

Area Code

Telephone Number (home)

Record Owner's Name (if different from beneficial owner listed above)

PART II: SCHEDULE OF TRANSACTIONS IN NEOPHARM COMMON STOCK

- A. Number of shares of NeoPharm common stock held at the close of trading on January 13, 2002: _____
- B. Purchases or acquisitions of NeoPharm common stock (January 14, 2002 – April 19, 2002, inclusive):

Trade Date Month Day Year	Number of Shares Purchased or Acquired	Total Purchase or Acquisition Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

- C. Sales of NeoPharm common stock (January 14, 2002 – April 22, 2002, inclusive):

Trade Date Month Day Year	Number of Shares Sold	Total Sales Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

- D. Number of shares of NeoPharm common stock held at the close of trading on April 19, 2002: _____
- E. Number of shares of NeoPharm common stock held at the close of trading on April 22, 2002: _____

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ AND SIGN THE RELEASE ON PAGE __. FAILURE TO SIGN THE RELEASE MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.

IV. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim and Release under the terms of the Stipulation of Settlement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Northern District of Illinois with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I am (we are) bound by and subject to the terms of any judgment that may be entered in the Litigation. I (We) agree to furnish additional information to the Claims Administrator to support this claim (including transactions in other NeoPharm securities) if requested to do so. I (We) have not submitted any other claim covering the same purchases, acquisitions or sales of NeoPharm common stock during the Class Period and know of no other person having done so on my (our) behalf.

V. RELEASE

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally, and forever settle, release, and discharge from the Released Claims each and all of the “Released Persons,” defined as each and all of the Defendants and their Related Parties. “Related Parties” means each of a Defendant’s past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant’s immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant’s family.

2. “Released Claims” shall collectively mean any and all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without

limitation, claims for negligence, gross negligence, breach of fiduciary duty, fraud, or violation of any state or federal common law or statutes, rules, or regulations, by the Lead Plaintiff or any Class Member against the Released Persons (as defined below) arising out of or based upon the purchase or other acquisition or sale of NeoPharm common stock during the Class Period and the acts, facts, events, statements or omissions that were or could have been alleged in the Litigation. "Released Claims" includes "Unknown Claims" as defined below.

3. "Unknown Claims" means any Released Claims which Lead Plaintiff or Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Lead Plaintiff shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff shall expressly settle and release and each Class Member, upon the Effective Date,

shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

This release shall be of no force or effect unless and until the Court approves the Stipulation of Settlement and the Stipulation becomes effective on the Effective Date (as defined in the Stipulation).

4. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

5. I (We) hereby warrant and represent that I (we) have included information about all of my (our) transactions in NeoPharm common stock which occurred during the Class Period as well as the number of shares of NeoPharm common stock held by me (us) at the close of trading on January 13, 2002, and at the close of trading on both April 19, 2002 and April 22, 2002.

I declare under penalty of perjury under the laws of the United States of America that all of the foregoing information supplied on this Proof of Claim and Release form by the undersigned is true and correct.

Executed this _____ day of _____
(Month/Year)
in _____
(City) (State/Country)

(Sign your name here)

(Type or print your name here)

(Capacity of person(s) signing,
e.g., Beneficial Purchaser, Acquirer
Executor or Administrator)

**ACCURATE CLAIMS PROCESSING TAKES A
SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach supporting documentation, if available.
3. Do not send original stock certificates.
4. Keep a copy of your claim form and all supporting documentation for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.

EXHIBIT A-3

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
)	

SUMMARY NOTICE

EXHIBIT A-3

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF NEOPHARM, INC. ("NEOPHARM") FROM JANUARY 14, 2002 TO APRIL 19, 2002, INCLUSIVE

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Northern District of Illinois, that a hearing will be held on _____, 2011, at __: ____, before the Honorable Joan H. Lefkow, at the United States District Court, Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60604, for the purpose of determining (1) whether the proposed settlement of the claims in the Litigation for the principal amount of \$3,350,000.00, plus accrued interest, should be approved by the Court as fair, just, reasonable, and adequate; (2) whether a Final Judgment and Order of Dismissal with Prejudice should be entered by the Court dismissing the Litigation with prejudice; (3) whether the Plan of Allocation is fair, reasonable, and adequate and therefore should be approved; and (4) whether the application of Lead Counsel for the payment of attorneys' fees and expenses and the Lead Plaintiff's expenses in connection with this Litigation should be approved.

IF YOU PURCHASED OR ACQUIRED NEOPHARM COMMON STOCK DURING THE PERIOD FROM JANUARY 14, 2002 TO APRIL 19, 2002, INCLUSIVE, YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THIS LITIGATION. If you have not received a detailed Notice of Pendency and Proposed Settlement of Class Action ("Notice") and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *NeoPharm Securities Litigation*, Claims Administrator, c/o Gilardi & Co. LLC, P.O. Box 8040, San Rafael, CA 94912-8040, or on the internet at www.gilardi.com. If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release **postmarked no later than _____, 2011**, establishing that you are entitled to recovery.

If you desire to be excluded from the Class, you must submit a request for exclusion **postmarked by _____, 2010**, in the manner and form explained in the detailed Notice referred

to above. All Members of the Class who have not timely and validly requested exclusion from the Class will be bound by any judgment entered in the Litigation pursuant to the Stipulation of Settlement.

Any objection to the settlement must be **received**, not simply postmarked, by each of the following recipients **no later than _____, 2010**:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION
EVERETT MCKINLEY DIRKSEN UNITED STATES
COURTHOUSE
219 South Dearborn Street
Chicago, IL 60604

Lead Counsel for Plaintiffs:

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
655 W. Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

WILSON SONSINI GOODRICH &
ROSATI, P.C.
DAVID S. STEUER
DYLAN LIDDIARD
650 Page Mill Road
Palo Alto, CA 94304

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. If you have any questions about the settlement, you may contact Lead Counsel at the address listed above.

DATED: _____, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

EXHIBIT B

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re NEOPHARM, INC. SECURITIES	)	Master File No. 02 C 2976
LITIGATION)	
_____	)	Judge Joan H. Lefkow
	)	Magistrate Judge Geraldine Soat Brown
This Document Relates To:)	
)	
ALL ACTIONS.)	
_____)	

[PROPOSED] FINAL JUDGMENT AND ORDER OF DISMISSAL WITH PREJUDICE

EXHIBIT B

This matter came before the Court for hearing pursuant to the Order Preliminarily Approving Settlement and Providing for Notice (“Order”) dated _____, 2010, on the application of the parties for approval of the settlement set forth in the Stipulation of Settlement dated as of October 25, 2010 (the “Stipulation”). Due and adequate notice having been given to the Class as required in said Order, and the Court having considered all papers filed and proceedings had herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all terms used herein shall have the same meanings as set forth in the Stipulation, unless otherwise set forth herein.

2. This Court has jurisdiction over the subject matter of the Litigation and over all parties to the Litigation, including all Members of the Class.

3. The Court hereby finally certifies a Class defined as: “all Persons (other than those Persons who timely and validly requested exclusion from the Class) who purchased or otherwise acquired the common stock of NeoPharm, Inc. during the period from January 14, 2002 to April 19, 2002, inclusive, excluding the Defendants, members of the immediate family of each of the Defendants, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any excluded party.”

4. Pursuant to Federal Rule of Civil Procedure 23, the Court hereby approves the settlement set forth in the Stipulation and finds that:

(a) said Stipulation and the settlement contained therein, are, in all respects, fair, reasonable, and adequate and in the best interest of the Class;

(b) there was no collusion in connection with the Stipulation;

(c) the Stipulation was the product of informed, arm's-length negotiations among competent, able counsel; and

(d) the record is sufficiently developed and complete to have enabled the Lead Plaintiff and the Defendants to have adequately evaluated and considered their positions.

5. Accordingly, the Court authorizes and directs implementation and performance of all the terms and provisions of the Stipulation, as well as the terms and provisions hereof. Except as to any individual claim of those Persons (identified in Exhibit 1 attached hereto) who have validly and timely requested exclusion from the Class, the Court hereby dismisses the Litigation and all Released Claims of the Class with prejudice. The Settling Parties are to bear their own costs, except as and to the extent provided in the Stipulation and herein.

6. Upon the Effective Date, the Lead Plaintiff shall, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims against the Released Persons, whether or not such Class Member executes and delivers the Proof of Claim and Release form or shares in the Settlement Fund. Claims to enforce the terms of the Stipulation are not released.

7. All Class Members are hereby forever barred and enjoined from prosecuting any of the Released Claims against any of the Released Persons.

8. Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Lead Plaintiff, each and all Class Members, and Lead Counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims. Claims to enforce the terms of the Stipulation are not released.

9. The Notice of Pendency and Proposed Settlement of Class Action given to the Class was the best notice practicable under the circumstances, including the individual notice to all Members of the Class who could be identified through reasonable effort. Said notice provided the best notice practicable under the circumstances of those proceedings and of the matters set forth therein, including the proposed settlement set forth in the Stipulation, to all Persons entitled to such notice, and said notice fully satisfied the requirements of Federal Rule of Civil Procedure 23 and the requirements of due process.

10. Any Plan of Allocation submitted by Lead Counsel or any order entered regarding any attorneys' fee and expense application shall in no way disturb or affect this Final Judgment and shall be considered separate from this Final Judgment.

11. Neither the Stipulation nor the settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Defendants or their respective Related Parties, or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Defendants or their respective Related Parties in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. The Defendants and/or their respective Related Parties may file the Stipulation and/or the Judgment from this action in any other action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any theory of claim preclusion or issue preclusion or similar defense or counterclaim.

12. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over: (a) implementation of this settlement and any award or distribution of the Settlement Fund, including interest earned thereon; (b) disposition of the Settlement Fund;

(c) hearing and determining applications for attorneys' fees, interest, and expenses in the Litigation; and (d) all parties hereto for the purpose of construing, enforcing, and administering the Stipulation.

13. The Court finds that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

14. In the event that the settlement does not become effective in accordance with the terms of the Stipulation, or the Effective Date does not occur, or in the event that the Settlement Fund, or any portion thereof, is returned to the Defendants' insurers, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation.

15. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE JOAN H. LEFKOW
UNITED STATES DISTRICT JUDGE

Submitted by:

LASKY & RIFKIND, LTD.
NORMAN RIFKIND (6191038)
350 North LaSalle Street, Suite 1320
Chicago, IL 60610
Telephone: 312/634-0057
312/634-0059 (fax)

Liaison Counsel

ROBBINS GELLER RUDMAN
& DOWD LLP
KEITH F. PARK
STEVEN W. PEPICH
JOHN J. RICE
X. JAY ALVAREZ
DARRYL J. ALVARADO

KEITH F. PARK

655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify that on November 8, 2010, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I caused to be mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Manual Notice List.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on November 8, 2010.

s/ Keith F. Park

KEITH F. PARK

ROBBINS GELLER RUDMAN
& DOWD LLP

655 West Broadway, Suite 1900

San Diego, CA 92101-3301

Telephone: 619/231-1058

619/231-7423 (fax)

E-mail: KeithP@rgrdlaw.com

Mailing Information for a Case 1:02-cv-02976

Electronic Mail Notice List

The following are those who are currently on the list to receive e-mail notices for this case.

- **X. Jay Alvarez**
jaya@rgrdlaw.com,e_file_sd@rgrdlaw.com
- **Leigh R. Lasky**
lasky@laskyrifkind.com
- **Dylan J Liddiard**
dliddiard@wsgr.com,pmarquez@wsgr.com,15305.501ecf.palib1@atters.wsgr.com
- **Luke Liss**
lliss@wsgr.com
- **Stephen Ryan Meinertzhagen**
smeinertzhagen@burkelaw.com,sbecchino@burkelaw.com,ECFNotices@burkelaw.com,jpowell@burkelaw.com
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newton@laskyrifkind.com
- **Keith F. Park**
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- **Steven W Pepich**
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jrice@rgrdlaw.com,tholindrake@rgrdlaw.com
- **Norman Rifkind**
rifkind@laskyrifkind.com
- **Christopher B Sanchez**
csanchez@caffertyfaucher.com,snyland@caffertyfaucher.com,docket@caffertyfaucher.com

Manual Notice List

The following is the list of attorneys who are **not** on the list to receive e-mail notices for this case (who therefore require manual noticing). You may wish to use your mouse to select and copy this list into your word processing program in order to create notices or labels for these recipients.

Eric Belfi
Murray, Frank & Sailer LLP
275 Madison Avenue
#801
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Helen J Hodges
Robbins Geller Rudman & Dowd LLP
655 West Broadway
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San Diego, CA 92101

Joel P Laitman
Schoengold and Sporn, P.C.
19 Fulton Street
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