Pharmacy Owners Got $16M in Final Months

JAY LINDSAY,Associated Press

BOSTON (AP) — The owners of a pharmacy linked to a fatal meningitis outbreak received more than $16 million in wages and payments as the company grew increasingly prosperous in its final months.

The four family members, who served as the New England Compounding Center's directors, received the money between late December 2011 and late November 2012, according to a bankruptcy court filing. The largest payout went to the firm's majority shareholder, Carla Conigliaro, who received $8.7 million.

The vast majority of the money paid to the owners was distributed before the outbreak of meningitis, an inflammation of the lining of the brain and spinal cord, was discovered in Tennessee in September. But an attorney for unsecured creditors in the case, including victims who received tainted injections of a drug made by the NECC, said it's distressing that the company had the money to clean up the conditions that led to the outbreak but never did it.

"There was a substantial amount of cash available that could have been used to clean things up, to make things right, and instead was being taken by insiders," said attorney David Molton, of Brown Rudnick LLP, which represents the Official Committee of Unsecured Creditors.

A company spokesman didn't respond to a request for comment Tuesday.

The NECC filing late Friday also showed that before it shut down in early October, its net sales were on pace to double over just two years. The pharmacy had increased its net sales from about $20 million in 2010 to $32 million in 2012, before it closed with a quarter of the year remaining.

The firm filed for Chapter 11 bankruptcy on Dec. 21.

The pharmacy produced a contaminated steroid, used mainly to treat back pain, that is blamed for a fungal meningitis outbreak that has killed 44 people and sickened more than 600.

State inspectors at the company's Framingham facility have flagged unsanitary conditions and said the company shipped out drug batches suspected in the outbreak before tests had confirmed their sterility.

Friday's filing indicates that between December 2011 and November 2012, co-founder Barry Cadden, the company's chief pharmacist, received $3.2 million, including a bi-weekly salary of about $17,900. His wife, Lisa Cadden, received about $2.8 million, mainly in shareholder payments.

Co-founder Greg Conigliaro, Lisa Cadden's brother, received about $1.6 million. Carla Conigliaro, recipient of the $8.7 million payment, is the wife of Doug Conigliaro, Greg's and Lisa's brother.

The filing also shows more than $90,000 in purchases on a company American Express card by Barry and Lisa Cadden and Carla Conigliaro. The three kept using the card after the company shut down in early October, though less frequently and mainly for expenses such as gas, parking or food at stores including Panera Bread.

The firm now lists assets of about $1.6 million and liabilities of $885,000 from its unsecured creditors, not including any court judgments against it.

In its initial bankruptcy filing in December, the firm reported that 130 people had filed lawsuits, and it has told attorneys that it won't have sufficient funds to adequately compensate victims. The company said the purpose of its Chapter 11 filing was to set up a fund to fairly pay victims.

A hearing is scheduled Thursday in U.S. Bankruptcy Court in Springfield on a request for an independent trustee to replace an accountant hired by the NECC to lead it through Chapter 11 proceedings.

On Tuesday, the creditors represented by Brown Rudnick backed the request in a court filing, saying it's "beyond all reasonable expectations of the human condition" for people whose family members have died due to an NECC-made drug to trust its hand-picked choice to set up the compensation fund.

The company has said appointing an independent trustee would delay progress toward establishing the fund.

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