

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

**NOTICE OF (A) CONFIRMATION HEARING, (B) OBJECTION AND
VOTING DEADLINES AND (C) SOLICITATION AND VOTING PROCEDURES**

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU MAY BE ENTITLED
TO VOTE ON THE PLAN. THEREFORE, YOU SHOULD READ THIS
NOTICE CAREFULLY AND DISCUSS IT WITH YOUR ATTORNEY. IF
YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.

**TO: ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN,
GRACEWAY PHARMACEUTICALS, LLC AND ITS AFFILIATED ENTITIES
AND ALL OTHER PARTIES-IN-INTEREST IN THE ABOVE-CAPTIONED
CHAPTER 11 CASES**

PLEASE TAKE NOTICE THAT:

On February 28, 2012, the above-captioned debtors and debtors-in-possession (the “**Debtors**”) filed their First Amended Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al. [Docket No. 551] (the “**Plan**”). On March 1, 2012, the Debtors filed their Disclosure Statement for the Plan [Docket No. 566] (the “**Disclosure Statement**”).² On March 1, 2012, the Bankruptcy Court entered an order (i) approving the Disclosure Statement as containing “adequate information” pursuant to Section 1125 of the Bankruptcy Code, (ii) establishing the Voting Record Date, Voting Deadline (defined below) and other dates, (iii) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan and (iv) approving the manner and forms of certain notices (the “**Disclosure Statement Order**”) [Docket No. 572].

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 400, Bristol, TN 37620 (Attn: John Bellamy). On October 4, 2011, Graceway Canada Company filed an application in the Ontario Superior Court of Justice (Commercial List) pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C. 43.

² Capitalized terms used but not otherwise defined herein will have the meanings set forth in the Plan, Disclosure Statement, and Motion of the Debtors for Entry of an Order (a) Approving the Disclosure Statement, (b) Establishing the Voting Record Date, Voting Deadline and Other dates, (c) Approving Procedures for Soliciting, Receiving and Tabulating Votes on the Plan and for Filing Objections to the Plan and (d) Approving the Manner and Forms of Notices and Other Related Documents [Docket No. 485] (the “**Disclosure Statement Motion**”), filed on January 25, 2012, as applicable.

The Debtors are soliciting acceptances of the Plan from holders of Claims and Interests who are entitled to vote on the Plan. The Bankruptcy Court can confirm the Plan and bind all holders of Claims and Interests if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims or Interests in each Impaired Class who vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) of the Bankruptcy Code. If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (a) provides fair and equitable treatment to, and does not unfairly discriminate against, each Class rejecting the Plan and (b) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code. If the Plan is confirmed by the Bankruptcy Court, it will be binding on all holders of Claims and Interests whether or not a particular holder voted or affirmatively voted to reject the Plan.

The Confirmation Hearing to consider confirmation of the Plan will commence at **2:00 p.m. prevailing Eastern Time on April 11, 2012**, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, 6th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on such parties as the Bankruptcy Court may order. Moreover, the Plan may be modified or amended, if necessary, pursuant to Section 1127 of the Bankruptcy Code, prior to, during or as a result of the Confirmation Hearing, without further notice to parties in interest.

CRITICAL INFORMATION REGARDING VOTING ON THE PLAN

1. In accordance with Sections 1122 and 1123 of the Bankruptcy Code, the Plan contemplates classifying holders of Claims and Interests into various Classes for all purposes, including with respect to voting on the Plan, as follows:

SUMMARY OF STATUS AND VOTING RIGHTS			
<u>Class</u>	<u>Claim/Interest</u>	<u>Status</u>	<u>Voting Rights</u>
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	First Lien Facility Claims	Impaired	Entitled to Vote
3	Second Lien Facility Claims	Impaired	Entitled to Vote
4	Other Secured Claims	Unimpaired	Deemed to Accept
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Claims	Impaired	Deemed to Reject
7	Old Equity	Impaired	Deemed to Reject
8	Old Equity Rights	Impaired	Deemed to Reject

2. Voting Record Date. The Voting Record Date is **March 1, 2012**. The Voting Record Date is the date by which it will be determined which holders of Claims and Interests in Classes 3, 4 and 5 are entitled to vote on the Plan.

3. Voting Deadline. The deadline for voting on the Plan is **4:00 p.m. prevailing Eastern Time on April 3, 2012 (the “Voting Deadline”)**. If you hold a Claim against or Interest in the Debtors as of the applicable Voting Record Date and are entitled to vote to accept or reject the Plan, you should have received a Ballot and corresponding voting instructions. For your vote to be counted, you must: (a) follow such voting instructions carefully, (b) complete all the required information on the Ballot; and (c) sign, date and return your completed Ballot, as applicable, so that it is **actually received** by the Voting and Claims Agent (defined below) according to and as set forth in detail in the voting instructions on or before the Voting Deadline. *A failure to follow such instructions may disqualify your vote.*

4. Temporary Allowance of Claims and Interests for Voting Purposes. Any holder of a Claim or Interest against the Debtors for which the Debtors have filed an objection, whether such objection related to the entire Claim or Interest or a portion thereof, shall not be entitled to vote on the Plan and shall not be counted in determining whether the requirements of Section 1126(c) of the Bankruptcy Code have been met with respect to the Plan. If any such holder described in this paragraph 4 disagrees with the Debtors' classification or status of its Claim or Interest, then such holder MUST file with the Bankruptcy Court and serve upon the Notice Parties (defined and listed below) on or before **4:00 p.m. prevailing Eastern Time on March 20, 2012** (the "**Rule 3018(a) Motion Deadline**"), a motion requesting temporary allowance of its Claim or Interest solely for voting purposes in accordance with Bankruptcy Rule 3018 (such motion, the "**Rule 3018(a) Motion**"). No later than four (4) days after the filing and service of such Rule 3018(a) Motion, the Voting and Claims Agent will send such holder a Solicitation Package,³ including the appropriate Ballot and a pre-addressed, postage pre-paid envelope. Such holder must then return its Ballot according to the instructions attached thereto so that the Ballot is **actually received** by the Voting and Claims Agent on or before the Voting Deadline. If, and to the extent that, the Debtors and such party are unable to resolve the issues raised by the Rule 3018(a) Motion prior to the Voting Deadline, then at the Confirmation Hearing this Court shall determine whether the provisional Ballot should be counted as a vote on the Plan. Please be advised that the Debtors reserve all of their rights and objections regarding any and all Rule 3018(a) Motions that may be filed with the Bankruptcy Court and that the distribution of a Solicitation Package is not and shall not constitute a waiver or release of such rights and objections.

CRITICAL INFORMATION REGARDING OBJECTING TO THE PLAN

ARTICLE XII OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

5. Plan Objection Deadline. The deadline for filing objections to the Plan is **April 3, 2012 at 4:00 p.m. prevailing Eastern Time** (the "**Confirmation Objection Deadline**").

6. Objections to the Plan. Any objection to the Plan must: (i) be in writing; (ii) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Practice and Procedures of the United States Bankruptcy Court for the District of Delaware; (iii) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (iv) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** no later than the Confirmation Objection Deadline by the parties listed below (the "**Notice Parties**"). CONFIRMATION OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH HEREIN MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED WITHOUT FURTHER NOTICE.

Notice Parties

- a) Counsel to the Debtors, Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago, IL 60606 (Attn: Josef S. Athanas, Esq. and Matthew L. Warren, Esq.) (josef.athanas@lw.com and matthew.warren@lw.com) (fax: 312-993-9767) and Young Conaway Stargatt & Taylor LLP, Rodney Square, 1000 North King Street,

³ The Solicitation Package (as defined in the Disclosure Statement Motion) includes, among other things, a copy of the Plan and Disclosure Statement.

Wilmington, DE 19801 (Attn: Michael R. Nestor, Esq. and Kara Hammond Coyle, Esq.) (mnestor@ycst.com and kcoyle@ycst.com) (fax: 302-576-3472);

- b) Counsel to the Creditors' Committee, Elliott Greenleaf, 1105 North Market Street, Suite 1700, P.O. Box 2327, Wilmington, DE 19801 (Attn: Rafael Xavier Zahraiddin-Aravena) (rxza@elliottgreenleaf.com) (fax: 302-384-9399) and Lowenstein Sandler, 919 65 Livingston Avenue, Roseland, NJ 07068 (Attn: S. Jason Teele, Esq.) (steele@lowenstein.com) (fax: 973-597-2347);
- c) Special Bankruptcy and Restructuring Counsel to the Agent for the First Lien Lenders, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY 10019 (Attn: Scott K. Charles, Esq. and Michael S. Benn, Esq.) (SKCharles@wlrk.com and MSBenn@wlrk.com) (fax: 212-403-2158) and DLA Piper LLP, 919 North Market Street, 15th Floor, Suite 1500, Wilmington, DE 19801 (Attn: Stuart M. Brown, Esq.) (stuart.brown@dlapiper.com) (fax: 302-778-7913);
- d) Financing Counsel to the Agent for the First Lien Lenders, Morgan Lewis, 225 Franklin Street, 16th Floor, Boston, MA 02110 (Attn: Sula Fiszman, Esq.) (sfiszman@morganlewis.com) (fax: 617-341-7701);
- e) Counsel to the Agent for the Second Lien Lenders, Sidley Austin LLP, One South Dearborn, Chicago, IL 60603 (Attn: Larry Nyhan, Esq. and Jeffrey E. Bjork, Esq.) (lnyhan@sidley.com and jbjork@sidley.com) (fax: 213-896-6600);
- f) Agent for the Mezzanine Lenders, Goldman Sachs Credit Partners L.P., 30 Hudson Street, 5th Floor, Jersey City, NJ 07302 (Attn: Michelle Latzoni) (gsd.link@gs.com) (fax: 212-357-4597);
- g) Receiver for Graceway Canada Company, Duff & Phelps Canada Restructuring Inc., 200 King Street West, Suite 1002, Toronto, ON M5H 3T4 (Attn: Robert Kofman and David Sieradzki) (bobby.kofman@duffandphelps.com and david.sieradzki@duffandphelps.com) (fax: 647-497-9490);
- h) Counsel to the Receiver for Graceway Canada Company, Davies Ward Phillips & Vineberg LLP, 1 First Canadian Place, Suite 4400, P.O. Box 63, Toronto, ON M5X 1B1 (Attn: Jay Swartz) (jswartz@dwpv.com) (fax: 416-863-0871);
- i) Counsel to Graceway Canada Company, Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7 (Attn: Fred Myers, Joe Latham, and Caroline Descours) (fmyers@goodmans.ca, jlatham@goodmans.ca, and cdescours@goodmans.ca) (fax: 416-979-1234);

- j) The Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2213, Lockbox 35, Wilmington, DE 19801 (Attn: Juliet Sarkessian, Esq.) (Juliet.M.Sarkessian@usdoj.gov) (fax: 302-573-6497).

ADDITIONAL INFORMATION

7. Obtaining Solicitation Materials. If you would like to obtain a Solicitation Package (excluding Ballots) or if you have questions regarding the procedures and requirements for objecting to the Plan, you may contact BMC Group, Inc., the voting and claims agent retained by the Debtors in these Chapter 11 Cases (the “**Voting and Claims Agent**”), by: (i) calling the BMC Call Center at (888) 909-0100; (ii) visiting BMC’s website at: www.bmcgroup.com/graceway and/or (iii) writing to BMC Group, Inc., Attn: Graceway Pharmaceuticals Solicitation Requests, PO Box 3020, Chanhassen, MN 55317-3020. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee at: <http://www.deb.uscourts.gov> or free of charge at www.bmcgroup.com/graceway.

8. Injunction. Except as otherwise specifically provided in the Plan or the Confirmation Order, all Entities or Persons who have held, hold or may hold Claims, rights, causes of action, liabilities or any equity interests based upon any act or omission, transaction or other activity of any kind or nature related to the Debtors, the Liquidating Trust or the Chapter 11 Cases that occurred prior to the Effective Date, other than as expressly provided in the Plan or the Confirmation Order, regardless of the filing, lack of filing, allowance or disallowance of such a Claim or Interest and regardless of whether such Entity has voted to accept the Plan, and any successors, assigns or representatives of such Entities shall be precluded and permanently enjoined on and after the Effective Date from (a) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order with respect to any Claim, Interest or any other right or claim against the Debtors, the Liquidating Trust, the Liquidating Trust or any Assets of the Debtors or the Liquidating Trust which such Entities possessed or may possess prior to the Effective Date, (b) the creation, perfection or enforcement of any encumbrance of any kind with respect to any Claim, Interest or any other right or claim against the Debtors, the Liquidating Trust, the Liquidating Trust or any assets of the Debtors or the Liquidating Trust which they possessed or may possess prior to the Effective Date, and (c) the assertion of any Claims that are released by the Plan and Confirmation Order.

9. Releases by Debtors. Except as expressly provided in the Plan, upon the Effective Date, each of the Debtors hereby (i) remises, acquits, waives, releases and forever discharges each of the Debtor Releasees from, and (ii) covenants and agrees never to institute or cause to be instituted any suit or other form of action or proceeding of any kind or nature whatsoever against any of the Debtor Releasees based upon, any claims, demands, indebtedness, agreements, promises, Causes of Action, obligations, damages or liabilities of any nature whatsoever (other than rights to enforce obligations of the Debtor Releasees under any Order of the Bankruptcy Court, the Plan and all contracts, instruments, releases and other agreements delivered in connection therewith), in law or in equity, whether or not known, suspected or claimed, that the Debtors or the Estates ever had, claimed to have, has, or may have or claim to have against the Debtor Releasees, or any of them, by reason of any matter, cause, thing, act or omission of the Debtor Releasees, or any of them, in each case related to the Debtors, the Chapter 11 Cases, the 363 Sale or the Plan, except fraud, willful misconduct or gross negligence as determined by a Final Order.

10. Releases by Holders of Claims and Interests. As of the Effective Date, to the fullest extent permitted under applicable law, in consideration for the obligations under the Plan and the Cash, securities, contracts, instruments, releases and other agreements or documents to be delivered in connection with the Plan, and the benefits provided by the Creditor Releasees in the Plan and in the Chapter 11 Cases, each present and former holder of a Claim or Interest will be deemed to release forever, waive and discharge any and all Claims, obligations, suits,

judgments, damages, demands, debts, rights, causes of action and liabilities (other than the rights to enforce the Debtors' obligations under any Order of the Bankruptcy Court, the Asset Purchase Agreement, the Plan and the securities, contracts, instruments, releases and other agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the 363 Sale, or the Plan against any Creditor Releasee, except fraud, willful misconduct or gross negligence as determined by a Final Order.

THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, PLEASE CONTACT THE VOTING AND CLAIMS AGENT AT THE NUMBER OR ADDRESS SPECIFIED ABOVE.

NO PERSON, INCLUDING THE VOTING AND CLAIMS AGENT, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, INCLUDING LEGAL ADVICE, OR TO MAKE ANY REPRESENTATION, REGARDING THE DEBTORS OR THIS PLAN.

Wilmington, Delaware
March 1, 2012

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