

**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

Related Docket No. 12

**ORDER APPROVING AND AUTHORIZING (A) BIDDING PROCEDURES IN
CONNECTION WITH THE SALE OF CERTAIN ASSETS OF THE DEBTORS,
(B) STALKING HORSE BID PROTECTIONS, (C) FORM AND
MANNER OF NOTICE OF THE SALE HEARING AND (D) RELATED RELIEF**

Upon the portion of the motion (the “**Motion**”)² of Graceway Pharmaceuticals, LLC and its affiliates, as debtors and debtors-in-possession (collectively, the “**Debtors**”), for entry of an order approving and authorizing (a) bidding procedures, including stalking horse bidder protections, in connection with the receipt and analysis of competing bids for certain assets of the Debtors, (b) procedures for the assumption and assignment of executory contracts and unexpired leases in connection with the Sale, (c) the form and manner of notice of the Sale and scheduling the sale hearing and setting related dates and deadlines, and (d) other related relief, pursuant to sections 105(a), 363, 365, 503(b), 507 and, if applicable, 1146(a) of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Rules 2002-1, 6004-1 and 9006-1(b) of

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

the Local Bankruptcy Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”); and this Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and a hearing having been held on October 17, 2011 (the “**Bidding Procedures Hearing**”); and this Court having reviewed the Motion and the exhibits thereto and the arguments of counsel made and the evidence proffered or adduced, as applicable, at the Bidding Procedures Hearing; and this Court having determined that the legal and factual bases set forth in the Motion and at the Bidding Procedures Hearing establish just cause for the relief granted herein; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors and other parties in interest; and this Court having found the form and manner of notice of the Bidding Procedures Hearing is good, sufficient and appropriate under the circumstances and that no other or further notice need be provided or is necessary; and after due deliberation and sufficient cause appearing therefor, this Court FINDS AND DETERMINES THAT:³

² All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Motion.

³ The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

A. Bidding Procedures. The Debtors have articulated good and sufficient reasons for authorizing and approving the Bidding Procedures attached as **Exhibit 1** hereto (the "**Bidding Procedures**"), which are fair, reasonable and appropriate under the circumstances and represent the best method for maximizing the recovery on, and realizable value of, the Acquired Assets.

B. Stalking Horse Bid Protections. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Break-Up Fee and the Expense Reimbursement Amount and establishing the Initial Minimum Overbid Increment (collectively, the "**Bid Protections**") to the Stalking Horse Bidder under the circumstances, including, without limitation, that:

- i. the Bid Protections are the product of negotiations among the Debtors and the Stalking Horse Bidder conducted in good faith and at arm's-length, and the APA (including the Bid Protections) is the culmination of a process undertaken by the Debtors and their professionals to negotiate a transaction with a bidder who was prepared to pay the highest or otherwise best purchase price to date for the Acquired Assets in order to maximize the value of the Debtors' estates;
- ii. the Break-Up Fee and the Expense Reimbursement Amount are an actual and necessary cost and expense of preserving the respective Debtors' estates, within the meaning of Sections 503(b) and 507(a)(2) of the Bankruptcy Code;
- iii. the Bid Protections are fair, reasonable and appropriate in light of, among other things, the size and nature of the proposed Sale under the APA and comparable transactions, the substantial efforts that have been and will be expended by the Stalking Horse Bidder, notwithstanding that the proposed Sale is subject to higher or better offers, and the substantial benefits the Stalking Horse Bidder has provided to the Debtors, their estates and creditors and all parties in interest herein, including, among other things, by increasing the likelihood that the best possible price for the Acquired Assets will be received;
- iv. the protections afforded to the Stalking Horse Bidder by way of the Bid Protections were material inducements for, and express conditions of, the Stalking Horse Bidder's willingness to enter into, and to continue to be bound by, the APA, and were necessary to ensure that the Stalking Horse

Bidder would continue to pursue the proposed acquisition on terms acceptable to the Debtors in their sound business judgment, subject to competitive bidding; and

- v. the assurance of the payment of the Break-Up Fee and/or the Expense Reimbursement Amount, as applicable, (I) has promoted more competitive bidding by inducing the Stalking Horse Bidder's bid, which otherwise would not have been made, without which competitive bidding would be limited, and which may be the highest and best available offer for the Acquired Assets, and has induced the Stalking Horse Bidder to conduct due diligence with respect to the Debtors' business, assets, operations and liabilities, and propose the Sale contemplated by the APA, including, among other things, submission of a bid that will serve as a minimum or floor bid on which all other bidders can rely and (II) increases the likelihood that the final purchase price reflects the true value of the Acquired Assets.

C. Assumption Procedures. The Motion, this Order, and the Contract Notice are reasonably calculated to provide counterparties to the Assumed Contracts with proper notice of the intended assumption and assignment of their executory contracts or unexpired leases, any Cure Amounts relating thereto and the Assumption and Assignment Procedures.

D. Sale Notice. The Sale Notice is reasonably calculated to provide all interested parties with timely and proper notice of the proposed Sale, including, without limitation: (i) the date, time and place of the Auction (if one is held); (ii) the Bidding Procedures and the dates and deadlines related thereto; (iii) the objection deadline for the sale motion and the date, time and place of the Sale Hearing; (iv) reasonably specific identification of the Acquired Assets; (v) instructions for promptly obtaining a copy of the APA; (vi) representations describing the Sale as being free and clear of liens, claims, interests and other encumbrances, with all such liens, claims, interests and other encumbrances attaching with the same validity and priority to the sale proceeds; (vi) the commitment by the Stalking Horse Bidder to assume certain liabilities of the Debtors; and (vii) notice of the proposed assumption and assignment of contracts and leases to the Stalking Horse Bidder pursuant to the APA (or to another Successful Bidder arising

from the Auction, if any), the proposed cure amounts relating thereto and the right, procedures and deadlines for objecting thereto, and no other or further notice of the Sale shall be required.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is granted to the extent set forth herein.
2. All objections to the relief requested in the Motion that have not been withdrawn, waived or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled.

I. Important Dates and Deadlines

3. **Sale Hearing.** November 22, 2011, at 11:00 a.m. prevailing Eastern Time, is the date and time the sale hearing (the "**Sale Hearing**") will be held before the Honorable Judge Walsh, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at: 824 North Market Street, 6th Floor, Wilmington, Delaware 19801. At the Sale Hearing, the Debtors will seek the entry of an order of this Court approving and authorizing the Sale to the Stalking Horse Bidder or the Successful Bidder (if other than the Stalking Horse Bidder), as applicable. Any obligations of the Debtors set forth in the APA that are intended to be performed prior to the Sale Hearing and/or entry of the Sale Order pursuant to the APA are authorized as set forth herein and are fully enforceable as of the date of entry of this Order. **Please take notice that:** the Sale Hearing (or any portion thereof) may be adjourned by this Court or the Debtors from time to time without further notice other than by announcement in open court, on this Court's calendar or through the filing of a notice or other document on this Court's docket.

4. **Sale Objection Deadline.** November 4, 2011 at 4:00 p.m. prevailing Eastern Time, is the deadline to object to the relief requested in the Motion, including entry of the proposed Sale Order (the "**Sale Objection Deadline**"). Objections, if any, **must:** (i) be in

writing; (ii) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules; (iii) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (iv) be filed with this Court and served so actually received no later than the Sale Objection Deadline by the following parties (the “**Notice Parties**”):

Debtors	Counsel to Debtors
<p>Graceway Pharmaceuticals, LLC 340 Martin Luther King Jr. Blvd. Suite 500 Bristol, Tennessee 37620 Attn: John Bellamy (john.bellamy@gracewaypharma.com)</p>	<p>Latham & Watkins LLP 233 South Wacker Drive Chicago, IL 60606 Attn: Josef S. Athanas, Esq. and Matthew L. Warren, Esq. (josef.athanas@lw.com and matthew.warren@lw.com)</p> <p>Young Conaway Stargatt & Taylor, LLP 1000 West Street, 17th Floor Wilmington, Delaware 19801 Attn: Michael R. Nestor, Esq. and Kara Hammond Coyle, Esq. (mnestor@ycst.com and kcoyle@ycst.com)</p>
Special Bankruptcy and Restructuring Counsel to the Agent for the First Lien Lenders	United States Trustee
<p>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)</p> <p>DLA Piper LLP 919 North Market Street, 15th Floor Suite 1500 Wilmington, DE 19801 Attn: Stuart M. Brown, Esq. (stuart.brown@dlapiper.com)</p>	<p>Office of the United States Trustee for the District of Delaware 844 King Street J. Caleb Boggs Federal Building Room 2207, Lockbox 35 Wilmington, DE 19801 Attn: Juliet Sarkessian, Esq. (Juliet.M.Sarkessian@usdoj.gov)</p>
Financing Counsel to the Agent for the First Lien Lenders	Counsel to the Creditors' Committee
<p>Morgan Lewis 225 Franklin Street, 16th Floor Boston, Massachusetts 02110 Attn: Sula Fiszman, Esq. (sfiszman@morganlewis.com)</p>	<p>Lowenstein Sandler PC 65 Livingston Avenue Roseland, New Jersey 07068 Attn: S. Jason Teele, Esq. (steele@lowenstein.com)</p> <p>Elliott Greenleaf 1105 Market Street, Suite 1700 Wilmington, DE 19801 Attn: Rafael X. Zahralddin-Aravena (rxza@elliottgreenleaf.com)</p>

Counsel to the Agent for the Second Lien Lenders	Counsel to the Stalking Horse Bidder
Sidley Austin LLP One South Dearborn, Chicago, IL 60603 Attn: Larry Nyhan, Esq. (lnyhan@sidley.com)	Debevoise & Plimpton LLP 919 Third Avenue New York, NY 10022 Attn: My Chi To, Esq. and Kevin A. Rinker, Esq. (mcto@debevoise.com and karinker@debevoise.com) Morris, Nichols, Arsht & Tunnell LLP 1201 North Market Street, 18th Floor Wilmington, DE 19801 Attn: Gregory W. Werkheiser, Esq. (gwerkheiser@mnat.com)

Notwithstanding anything to the contrary in this paragraph 4, the Sale Objection Deadline may be extended by the Debtors in consultation with the Stalking Horse Bidder.

5. **The failure to timely file an objection in accordance with this Order shall forever bar the assertion of any objection to the Motion, entry of the Sale Order and/or consummation of the Sale, including the assumption and assignment of contracts and leases to the Successful Bidder pursuant to the APA, and shall be deemed to constitute any such party's consent to entry of the Sale Order and consummation of the Sale and all transactions related thereto.**

6. **Reply Deadline.** November 17, 2011 at 4:00 p.m. prevailing Eastern Time, is the deadline for the Debtors, the Stalking Horse Bidder and other parties in interest to file replies to any timely-filed objection to entry of the Sale Order with this Court; provided, that such deadline may be extended by agreement of the Debtors and the affected objecting party.

7. **Competitive Bidding.** The following dates and deadlines regarding competitive bidding are hereby established (subject to modification as needed):

- a. **Bid Deadline:** November 14, 2011 at 12:00 p.m. prevailing Eastern Time, is the deadline by which all "Qualified Bids" (as defined in the Bidding Procedures) must be actually received by the parties specified in the Bidding Procedures (the "**Bid Deadline**"); and

- b. **Auction:** November 17, 2011 at 1:00 p.m. prevailing Eastern Time, is the date and time of the Auction, if one is needed, will be held at the offices of counsel to the Debtors: Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022-4834.

II. Bidding Procedures and Related Relief

A. Bidding Procedures

8. The Bidding Procedures, substantially in the form annexed hereto as **Exhibit 1** and incorporated by reference as though fully set forth herein, are hereby approved in their entirety. The Bidding Procedures shall govern the submission, receipt and analysis of all bids relating to the proposed Sale, and any party desiring to submit a higher or better offer for the Acquired Assets shall do so strictly in accordance with the terms of the Bidding Procedures and this Order. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures.

9. The Bid Protections described in the Motion are hereby approved. The Debtors are authorized to pay any and all amounts owing to the Stalking Horse Bidder in accordance with the terms of the APA, including the Break-Up Fee and the Expense Reimbursement Amount, without further order of this Court, except as otherwise provided herein. The Debtors' obligation to pay the Bid Protections to the Stalking Horse Bidder shall constitute an administrative expense claim in accordance with Sections 105(a), 503 and 507 of the Bankruptcy Code.

10. No person or entity other than the Stalking Horse Bidder shall, pursuant to the Bidding Procedures or otherwise, be entitled to any expense reimbursement, break-up fees, "topping," termination or other similar fee or payment in connection with the sale of the Acquired Assets pursuant to the terms of this Order.

11. As described in the Bidding Procedures, if the Debtors do not receive any Qualified Bids other than from the Stalking Horse Bidder or if no Qualified Bidder other than the

Stalking Horse Bidder indicates its intent to participate in the Auction, the Debtors will not hold the Auction, the Stalking Horse Bidder will be named the Successful Bidder and the Debtors will seek approval of the APA at the Sale Hearing. If one or more Qualified Bids is timely received from a Qualified Bidder (other than the Stalking Horse Bidder) in accordance with the Bidding Procedures, the Debtors shall conduct the Auction as set forth herein.

12. If the Auction is conducted, each Qualified Bidder participating in the Auction shall be required to confirm that it has not engaged in any collusion with respect to the bidding process or the Sale, the Auction will be conducted openly and the Auction shall be transcribed or videotaped. Only the authorized representatives of each of the Qualified Bidders (as defined in the Bidding Procedures), the Debtors, the official committee of unsecured creditors appointed pursuant to Section 1102 of the Bankruptcy Code (the “**Committee**”), agent to the lenders party to the Debtors’ prepetition first lien credit agreement, a representative of the office of the United States Trustee and the Receiver (as defined in the Bidding Procedures) shall be permitted to attend the Auction; provided, however, that if a creditor of the Debtors did not receive the Motion then nothing herein shall prevent such creditor from petitioning this Court for the ability to attend the Auction.

13. Within one (1) day after the closing of the Auction, the Debtors shall file with the Bankruptcy Court and serve upon all Qualified Bidders and entities that have requested notice in the Bankruptcy Cases a notice identifying the Successful Bidder (the “**Notice of Successful Bidder**”), which notice shall also be posted on the website of the Debtors’ claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway. No later than 24 hours after the Successful Bidder is identified, the Debtors shall serve the Notice of Successful Bidder by fax or email on any party in interest that submits a written request for such

service to: (i) Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago, Illinois 60606, Attn: Josef Athanas and Matthew Warren (josef.athanas@lw.com and matthew.warren@lw.com) and (ii) Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Michael R. Nestor and Kara Hammond Coyle, mnestor@ycst.com and kcoyle@ycst.com.

III. Assumption Procedures

14. The following procedures regarding the assumption and assignment of certain executory contracts and unexpired leases in connection with the Sale are hereby approved to the extent set forth herein, and shall govern the assumption and assignment of all executory contracts and unexpired leases proposed to be assumed by the Debtors pursuant to Section 365(b) of the Bankruptcy Code and assigned to the Stalking Horse Bidder (or other Successful Bidder following the Auction, if any) pursuant to Section 365(f) of the Bankruptcy Code under the APA:

- a. **Designation Deadline.** On or before one day prior to the Sale Hearing, the Stalking Horse Bidder or other Successful Bidder shall have the right to (a) designate any Contract to be an Assigned Agreement by amending Schedule 1.1(a) to the APA (Assigned Agreements) to add such Contract and (b) designate any Contract to not be an Assigned Agreement by amending Schedule 1.1(a) to the APA (Assigned Agreements) to remove such Contract; provided that, following the conclusion of the Auction, the Stalking Horse Bidder or such other Successful Bidder (i) may designate any Contract to be an Assigned Agreement by amending Schedule 1.1(a) to add such Contract to Schedule 1.1(a) and (ii) may not remove any Contract that was on Schedule 1.1(a) as of the conclusion of the Auction from Schedule 1.1(a).
- b. **Notices for Assigned Agreements.** No later than five (5) days following the entry of this Order, the Debtors shall serve on all non-Debtor counterparties to any Contract (the "**Contract Notice Parties**") that may be assumed by the Debtors and assigned to the Successful Bidder, a "**Contract Notice**" in the form attached hereto as **Exhibit 3** that identifies, to the extent applicable (a) the Contract that may be an Assigned Agreement, (b) the name of the counterparty to such Contract, (c) any applicable cure amount for such Contract if it becomes an Assigned

Agreement, and (d) the deadline by which any such Contract counterparty must file a **“Contract Objection”** to the proposed assumption and assignment; provided, however, that the presence of a Contract on a Contract Notice does not constitute an admission that such Contract is an executory contract. As soon as practicable after the conclusion of the Auction, the Debtors shall file with the Court, post on the website of the Debtors’ claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway and serve on the Contract Notice Parties party to an Assigned Agreement identified by the Successful Bidder a further notice in the form attached hereto as **Exhibit 4** (the **“Assumption Notice”**) identifying the Successful Bidder and stating which Contracts will be Assigned Agreements, and no other or further notice will be required with respect to the Assigned Agreements. If the Successful Bidder designates any additional Contracts during the period between the Auction and the day prior to the Sale Hearing pursuant to subsection (a) above, the Debtors shall file with the Court and serve on such additionally affected Contract Notice Parties a revised Assumption Notice. The Contract Notice, substantially in the form attached hereto as **Exhibit 3**, is hereby approved. The Assumption Notice, substantially in the form attached hereto as **Exhibit 4**, is hereby approved.

- c. **Objections to Assumption of Contracts.** For all non-Debtor counterparties to an Assigned Agreement served with a Contract Notice in accordance with this Order within five (5) days following the entry of this Order, to which no Contract Objection was filed on or before November 11, 2011, and for all other non-Debtor counterparties to an Assigned Agreement served with a Contract Notice more than 14 days prior to the Sale Hearing, to which no Contract Objection was timely filed within 14 days after such Contract Notice was mailed, the counterparty to such Assigned Agreement shall be deemed to have waived and released any right to assert an objection to the assignment and assumption of such Assigned Agreement and to have otherwise consented to such assumption and assignment and cure amount, and the assignment will be deemed effective in accordance with the Sale Order. For all non-Debtor counterparties to an Assigned Agreement served with a Contract Notice 14 days or less prior to the Sale Hearing, if a timely filed Contract Objection is not received at or prior to the Sale Hearing, the counterparty to such Assigned Agreement shall be deemed to have waived and released any right to assert an objection to the assignment and assumption of such Assigned Agreement and to have otherwise consented to such assumption and assignment and cure amount, and the assignment will be deemed effective in accordance with the Sale Order. If any counterparty timely files a Contract Objection that cannot be resolved by the Debtors and the counterparty, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment shall be deemed effective in accordance with the Sale Order.

15. Any party failing to timely file a Contract Objection shall be forever barred and estopped from objecting thereto, including asserting against the Debtors or any of the Debtors' estates, the Stalking Horse Bidder or other Successful Bidder that any additional cure or default amounts are due or conditions to assumption and assignment must be satisfied under such executory contract(s) or unexpired lease(s), and shall be deemed to consent to the Sale and the assumption and assignment of such executory contract(s) or unexpired lease(s) effectuated in connection therewith; provided, however, that any objection to a Successful Bidder other than the Stalking Horse Bidder based solely on issues of adequate assurance concerning contracts to be assumed and assigned to such Stalking Horse Bidder may be filed at or prior to the Sale Hearing.

A. Sale Hearing Notice and Related Relief

16. The Sale Notice, substantially in the form annexed hereto as **Exhibit 2**, is hereby approved. Within three (3) business days of the entry of this Order or as soon thereafter as practicable, the Debtors shall cause the Sale Notice to be served upon, without limitation, (i) the U.S. Trustee; (ii) counsel to the Committee; (iii) financing counsel to the agent for the First Lien Lenders; (iv) special bankruptcy and restructuring counsel to the agent for the First Lien Lenders; (v) local counsel to the agent for the First Lien Lenders, (vi) counsel to the agent for the Second Lien Lenders, (vii) the attorneys general for each of the States in which the Debtors conduct operations; (viii) all taxing authorities having jurisdiction over any of the Acquired Assets, including the Internal Revenue Service; (ix) the Environmental Protection Agency; (x) the Tennessee Environmental Protection Agency, (xi) the Pension Benefit Guaranty Corporation; (xii) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002; (xiii) all parties that are known or reasonably believed to have expressed an interest in acquiring all or a substantial portion of the Acquired Assets; (xiv) all parties that

are known or reasonably believed to have asserted any lien, encumbrance, claim or other interest in the Acquired Assets; (xv) all governmental agencies that are an interested party with respect to the Sale and transactions proposed thereunder; (xvi) all non-Debtor parties to the Assigned Agreements and (xvii) all other known creditors of the Debtors.

17. Within five (5) business days of the entry of this Order or as soon as practicable thereafter, the Debtors shall publish the Sale Notice once in *The Wall Street Journal*, and such publication notice shall be deemed proper notice to any other interested parties whose identities are unknown to the Debtors.

18. Compliance with the foregoing notice provisions shall constitute sufficient notice to all parties in interest, including those whose identities are unknown to the Debtors, of the Sale of the Acquired Assets, the contemplated assumption and assignment of the Assigned Agreements and the cure amounts, and no additional notice of such contemplated transactions need be given.

19. The Debtors are authorized to execute and deliver all instruments and documents, and take such other action as may be necessary or appropriate to implement and effectuate the transactions contemplated by this Order.

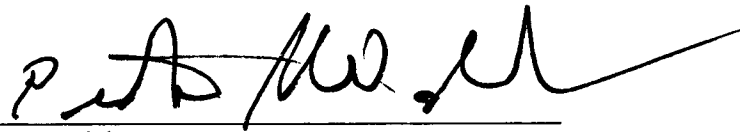
20. The Court finds that the requirements set forth in Local Rules 6004-1 and 9013-1 are hereby satisfied or waived.

21. Notwithstanding any applicability of Bankruptcy Rule 6004(h), 6006(d), 7062 or 9014, the terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

22. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from, based upon or related to this Order.

Date:

Oct 17, 2011
Wilmington, Delaware



Peter J. Walsh
United States Bankruptcy Judge

EXHIBIT 1

Bidding Procedures

BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to the potential sale (the "Sale") of certain assets (the "Assets") of Graceway Pharmaceuticals, LLC, and certain of its U.S. subsidiaries, as debtors and debtors-in-possession (collectively, the "U.S. Debtors"), in jointly administered case no. 11-13036 under chapter 11 of the Bankruptcy Code pending in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), and Graceway Canada Company (the "Canadian Debtor") and together with the U.S. Debtors, the "Debtors") who made an application to the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") under the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the "CJA") for the appointment of a receiver (the "Canadian Proceedings"). RSM Richter Inc. was appointed as receiver (the "Receiver") of the Canadian Debtor in the Canadian Proceedings. Pursuant to the Bidding Procedures Orders (defined below), the Bankruptcy Court and the Canadian Court have approved Galderma S.A. or its assignee(s) or designee(s) as the stalking horse bidder (the "Stalking Horse Bidder") for the Assets as set forth more fully in that certain Asset Purchase Agreement among Galderma S.A., the U.S. Debtors and the Canadian Debtor, dated as of September 27, 2011 (the "APA").

On September 29, 2011, the U.S. Debtors filed a motion pursuant to 11 U.S.C. §§ 105(A), 363, 365, 503, and 507 and Federal Bankruptcy Rules 2002, 6004, 6006, and 9014: (a) approving and authorizing (i) bidding procedures in connection with the sale of certain assets of the Debtors; (ii) stalking horse bid protections; (iii) form and manner of notice of the sale hearing (the "Sale Notice") and (iv) related relief; and (b) authorizing (i) the sale of such assets free and clear of all claims, liens, liabilities, rights, interests and encumbrances; (ii) the U.S. Debtors to enter into and perform their obligations under the APA; (iii) the U.S. Debtors to assume and assign certain executory contracts; and (iv) related relief. On [October 17], 2011 the Bankruptcy Court entered an order approving the Bidding Procedures set forth herein (the "Bidding Procedures Order"). The Bidding Procedures Order also set November 22, 2011 as the date the Bankruptcy Court will conduct the Sale Hearing (as defined below). At the Sale Hearing, the U.S. Debtors may seek entry of an order from the Bankruptcy Court authorizing and approving the Sale of the Assets to the Stalking Horse Bidder or another Qualified Bidder (as defined below) that the Debtors determine to have made the highest or best offer for the Assets.

On [____], 2011, the Canadian Debtor was granted an order by the Canadian Court approving (a) execution and delivery of the APA by the Canadian Debtor; and (b) the Bidding Procedures (the "Canadian Bidding Procedures Order", and together with the Bidding Procedure Order, the "Bidding Procedures Orders"). As promptly as possible, but in no event later than two (2) business days following entry of the order from the Bankruptcy Court authorizing and approving the Sale of the Assets to the Successful Bidder, the Canadian Debtor shall seek entry of an order (the "Canadian Sale Approval Motion") by the Canadian Court authorizing and approving the Sale of the Assets of the Canadian Debtor to the Successful Bidder (such order, as approved, the "Canadian Sale and Vesting Order").

Assets to be Sold

The Debtors are offering to sell in one or more transactions the Assets and Qualified Bidders may submit bids for all or substantially all of the Assets. The Debtors shall retain all rights to the Assets that are not subject to a bid accepted by the Debtors and approved by the Bankruptcy Court at the Sale Hearing and by the Canadian Court at the hearing on the Canadian Sale Approval Motion.

Bid Deadline

All offers, solicitations, or proposals (each, a "Bid") must be submitted in writing so that they are actually received no later than 12:00 p.m. (Eastern Time) on **November 14, 2011** (the "Bid Deadline"). Prior to the Bid Deadline, a Qualified Bidder that wants to make a Bid shall deliver written copies of its Bid to investment bankers for the Debtors, Lazard Freres & Co., LLC ("Lazard"), 190 South LaSalle Street, 31st Floor, Chicago, Illinois 60603, Attn: Daniel Aronson, Daniel.aronson@lazard.com and Sachin Lulla, sachin.lulla@lazard.com, and Lazard will promptly (and in no event later than twenty-four (24) hours of receipt) deliver such Bid to: (a) the Debtors, c/o Graceway Holdings, LLC, 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, Tennessee 37620, Attn: John Bellamy, john.bellamy@gracewaypharma.com; (b) co-counsel to the Debtors, (i) Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago, Illinois 60606, Attn: David Heller, Josef Athanas, and Zak Judd, david.heller@lw.com, josef.athanas@lw.com, zachary.judd@lw.com; (ii) Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Michael R. Nestor and Kara Hammond Coyle, mnestor@ycst.com and kcoyle@ycst.com; and (iii) Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7, (Attn: L. Joseph Latham); (c) co-counsel to the Stalking Horse Bidder, (i) Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022, Attn: Kevin Rinker and My Chi To, karinker@debevoise.com and mcto@debevoise.com; (ii) Morris, Nichols, Arsht & Tunnell LLP, 1201 North Market Street, 18th Floor, Wilmington, DE 19801, Attn: Gregory W. Werkheiser, gwerkheiser@mnat.com; and (iii) Bennett Jones, 3400 One First Canadian Place, P.O. Box 130, Toronto, ON M5X 1A4 (Attn: Mark Laugesen) (d) financing counsel to the agent (the "First Lien Agent") to the lenders party to the Debtors' prepetition first lien credit agreement (the "First Lien Lenders"), Morgan Lewis, 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110, Attn: Sula Fiszman, sfiszman@morganlewis.com; (e) special bankruptcy and restructuring counsel to the First Lien Agent, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, Attn: Scott K. Charles and Michael S. Benn, SKCharles@wlrk.com and MSBenn@wlrk.com; (f) counsel to the agent (the "Second Lien Agent") to the lenders party to the Debtors' prepetition second lien credit agreement (the "Second Lien Lenders"), Sidley Austin LLP, One South Dearborn, Chicago, IL 60603, Attn: Larry Nyhan, lnyhan@sidley.com; (g) local counsel to the First Lien Agent, DLA Piper LLP, 919 North Market Street, 15th Floor, Suite 1500, Wilmington, Delaware 19801, Attn: Stuart M. Brown, stuart.brown@dlapiper.com; (h) counsel to the Official Committee of Unsecured Creditors (the "Committee"), (i) Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey 07068, Attn: S. Jason Teele, Esq., steele@lowenstein.com; and (ii) Elliott Greenleaf, 1105 Market Street, Suite 1700, Wilmington, DE 19801, Attn: Rafael X.

Zahraiddin-Aravena, rxza@elliottgreenleaf.com (i) the Receiver, RSM Richter Inc., 200 King Street West, Suite 1100, Toronto, ON M5H 3T4, (Attn: Robert Kofman, bkofman@rsmrichter.com); and (i) counsel to the Receiver, Davies Ward Phillips & Vineberg LLP, 1 First Canadian Place, Suite 4400, Toronto, ON M5X 1B1 (Attn: Jay Swartz, jswartz@dwvpv.com) (collectively, the "Notice Parties"), by the Bid Deadline. A Bid received after the Bid Deadline shall not constitute a Qualified Bid (as defined below). A Bid shall be delivered to all Notice Parties at the same time. Interested bidders requesting information about the qualification process, including a form asset purchase agreement, and information in connection with their due diligence, should contact Sachin Lulla, Lazard Freres & Co., LLC, 190 South LaSalle Street, 31st Floor, Chicago, Illinois 60603, (312) 407-6626, Sachin.Lulla@lazard.com.

Participant Requirements

To participate in the process detailed by the Bidding Procedures and to otherwise be considered for any purpose hereunder, each Bid and each bidder submitting a Bid (a "Potential Bidder") must be determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, to have satisfactorily provided the Debtors and the Receiver with each of the following (unless such requirement other than the "Confidentiality Agreement requirement set forth in clause (c) below is waived by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent) on or before the Bid Deadline (the "Participant Requirements"):

- (a) Identification of Potential Bidder. Identification of the Potential Bidder and any Principals (defined below), and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated transaction;
- (b) Corporate Authority. Written evidence of the Potential Bidder's chief executive officer or other appropriate senior executive's approval of the contemplated transaction and acceptance of the terms set forth in the Bidding Procedures; *provided, however*, that, if the Potential Bidder is an entity specially formed for the purpose of effectuating the contemplated transaction (an "Acquisition Entity"), then the Potential Bidder must furnish written evidence reasonably acceptable to the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, of the approval of the contemplated transaction by the equity holder(s) of such Potential Bidder (the "Principals");

- (c) Confidentiality Agreement. An executed confidentiality agreement (the "Confidentiality Agreement") in form and substance reasonably acceptable to the Debtors and their counsel;
- (d) Proof of Financial Ability to Perform. Written evidence upon which the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may reasonably conclude that the Potential Bidder has the necessary financial ability to close the contemplated transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:
 - (i) the Potential Bidder's or, in the case of an Acquisition Entity, the Principals', current financial statements (audited if they exist);
 - (ii) contact names and numbers for verification of financing sources;
 - (iii) evidence of the Potential Bidder's or Principals' internal resources and written evidence of a commitment for debt or equity funding that is needed to close the contemplated transaction; and
 - (iv) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors demonstrating that such Potential Bidder has the ability to close the contemplated transaction; provided, however, that the Debtors shall determine, in their reasonable discretion, in consultation with their advisors and the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, whether the written evidence of such financial wherewithal is reasonably acceptable, and shall not unreasonably withhold acceptance of a Potential Bidder's financial qualifications.

Designation as Qualified Bidder

A "Qualified Bidder" is a Potential Bidder (or combination of Potential Bidders whose Bids for the Assets do not overlap and who agreed to have their Bids combined for purposes of the determination of whether such Potential Bidders together constitute a Qualified Bidder, and who shall also be referred to herein as a single Qualified Bidder) that delivers the documents described in paragraphs (a) through (d) above, and that the Debtors in their reasonable determination and with assistance from their advisors (after consultation with special

bankruptcy and restructuring counsel to the First Lien Agent, counsel to the Committee and the Receiver) determine is reasonably likely to submit a bona fide offer that would result in greater cash value being received for the benefit of the Debtors' creditors than under the APA and to be able to consummate a sale if selected as a Successful Bidder (defined below) within the approximate overall time frame contemplated by the APA.

Upon the receipt from a Potential Bidder of the information required under paragraphs (a) through (d) above, as soon as is practicable, the Debtors shall, in consultation with special bankruptcy and restructuring counsel to the First Lien Agent, counsel to the Committee and the Receiver, determine and notify the Potential Bidder with respect to whether such Potential Bidder is a Qualified Bidder.

The Stalking Horse Bidder is a Qualified Bidder.

Access to Due Diligence Materials

Only Potential Bidders that execute the Confidentiality Agreement are eligible to receive due-diligence access or additional non-public information; provided, however, if the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine in their reasonable discretion that a Potential Bidder who has satisfied the Participant Requirements does not constitute a Qualified Bidder, then such Potential Bidder's right to receive due-diligence access or additional non-public information shall terminate. The Debtors will designate an employee or other representative to coordinate all reasonable requests for additional information and due-diligence access from such Qualified Bidders. The Debtors shall not be obligated to furnish any due diligence information after the Bid Deadline. The Debtors are not responsible for, and will bear no liability with respect to, any information obtained by Qualified Bidders in connection with the sale of the Assets. If the Debtors furnish any material information related to the Debtors not theretofore given to the Stalking Horse Bidder, then the Debtors shall place such information in one of the data rooms. To the extent the Debtors do not provide due-diligence to any Potential Bidder, the Debtors shall inform a representative of the office of the United States Trustee, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent of the identity of such Potential Bidder and the Information that was not provided.

Due Diligence From Bidders

Each Potential Bidder and Qualified Bidder (collectively, a “Bidder”) shall comply with all reasonable requests for additional information and due-diligence access by the Debtors, their advisors or the Receiver regarding such Bidder and its contemplated transaction. Failure by a Potential Bidder to comply with requests for additional information and due-diligence access will be a basis for the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, to determine that the Potential Bidder is not a Qualified Bidder. Failure by a Qualified Bidder to comply with requests for additional information and due-diligence access will be a basis for the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, to determine that a Bid made by a Qualified Bidder is not a Qualified Bid. Any documents or information provided by any Qualified Bidder to the Debtors shall be provided by the Debtors to the counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent.

Bidding Process

The Debtors and their advisors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall: (a) determine whether a Potential Bidder is a Qualified Bidder; (b) coordinate the efforts of Bidders in conducting their due-diligence investigations, as permitted by the provisions herein; (c) receive offers from Qualified Bidders; and (d) negotiate any offers made to purchase the Assets. Subject to the Bidding Procedures Order, the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein), that, in the Debtors’ reasonable discretion, will better promote the goals of the Bidding Process.

Bid Requirements

To participate in the Auction (as defined below), each Bid (including any credit bid by the First Lien Agent (other than with respect to clause (h) below) or the Second Lien Agent) and Qualified Bidder submitting such a Bid must be determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, to satisfy each of the following conditions:

- (a) Written Submission of APA and Commitment to Close. Qualified Bidders must submit by the Bid Deadline a blackline of the APA reflecting their proposed changes, and a written commitment that they intend to close on the terms and conditions set forth therein;

- (b) Identification of Executory Contracts and Leases to be Assumed. Qualified Bidders must submit by the Bid Deadline a comprehensive list of all executory contracts and leases that they will assume and the corresponding cure amounts associated with the assumption and assignment of such leases and contracts;
- (c) Irrevocable. A Bid must be irrevocable until five (5) business days after the Assets have been sold pursuant to the closing of the sale or sales approved by the Bankruptcy Court in a final, non-appealable order (the "Termination Date") unless such Bid is designated as the Back-Up Bid (defined below);
- (d) Contingencies. A Bid may not be conditioned on obtaining financing, regulatory contingencies (other than on the condition that any applicable waiting period under The Hart-Scott-Rodino Antitrust Improvements Act of 1976 (Public Law 94-435) be satisfied, which may occur subsequent to the date of the Bid Deadline), any internal approval or on the outcome or review of due diligence. Any other contingencies or conditions associated with a Bid may not be more burdensome taken as a whole than those set forth in the APA taken as a whole;
- (e) Financing Sources. A Bid must contain written evidence of a firm commitment for financing or other evidence of the financial wherewithal and ability to consummate the sale and which the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, reasonably believe to be sufficient to satisfy the standards to provide adequate assurance of future performance under Bankruptcy Code Section 365, with appropriate contact information for such financing sources;
- (f) No Fees Payable to Qualified Bidder. A Bid may not request or entitle the Qualified Bidder to any break-up fee, expense reimbursement fee or similar type of payment. Further, by submitting a Bid, a Bidder shall be deemed to waive its right to pursue a substantial contribution claim under Section 503 of the Bankruptcy Code or in any way related to the submission of its Bid or the Bidding Procedures;
- (g) Good-Faith Deposit. Each Bid must be accompanied by a deposit (the "Good Faith Deposit") in the form of a certified check or cash payable to the order of Graceway Pharmaceuticals, LLC in the amount of not less than \$27,500,000 to be held in escrow by the Debtors until the Termination Date;

- (h) Minimum Overbid. The consideration proposed by the Bid may include only cash and assumed liabilities. The aggregate consideration must equal or exceed the sum of the cash "Purchase Price" and assumed liabilities provided for under the APA, in the aggregate, plus the cash amount of the Break-Up Fee (\$8,250,000) (defined below), *plus* the cash amount of \$2,500,000 (the "Initial Minimum Overbid Increment");
- (i) Terms. A Bid must be on terms that, taken as a whole, are determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, not to be materially more burdensome or conditional than the terms of the APA taken as a whole; and
- (j) Purchase of Assets and Assumption of Liabilities. A Bid must provide for the purchase of all or a substantial portion of the Assets and payment or assumption of all or a substantial portion of the liabilities to be paid or assumed under the APA.

A Bid received from a Qualified Bidder before the Bid Deadline that meets the above requirements, and that satisfies the Bid Deadline requirement above, shall constitute a "Qualified Bid," if the Debtors believe, in their reasonable discretion (after consultation with special bankruptcy and restructuring counsel to the First Lien Agent, counsel to the Committee and the Receiver), that such Bid would be consummated if selected as the Successful Bid (as defined below). For purposes herein, the APA shall constitute a Qualified Bid. A Qualified Bid shall be considered such Qualified Bidder's "Baseline Bid."

If any Bid is determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, not to be a Qualified Bid, the Bidder shall be refunded its Good Faith Deposit and all accumulated interest thereon within three (3) business days after that determination.

Any Bid that is not deemed a Qualified Bid shall not be considered by the Debtors.

Auction

Only if a Qualified Bid (other than that of the Stalking Horse Bidder) is received by the Bid Deadline shall the Debtors conduct an auction (the "Auction") to determine the highest and/or best bid with respect to the Assets. The Auction shall commence on November 17, 2011, at 1:00 p.m. (Eastern Time) at the offices of Latham & Watkins, LLP, 885 Third Avenue, Suite 1000, New York, New York 10022-4834.

If no such Qualified Bid is received by the Bid Deadline, then (i) the Auction will not be held, (ii) the Stalking Horse Bidder will be deemed the Successful Bidder, (iii) the APA will be the Successful Bid, and (iv) at the Sale Hearing on **November 22, 2011** at 11:00 a.m. (Eastern Time), the Debtors will seek approval of and authority to consummate the proposed sale to the Stalking Horse Bidder as contemplated by the APA.

The Auction shall be conducted according to the following procedures:

(a) *Participation At The Auction*

Only a Qualified Bidder that has submitted a Qualified Bid is eligible to participate at the Auction. Only the authorized representatives of each of the Qualified Bidders, the Debtors, the Committee, the First Lien Agent, a representative of the United States Trustee and the Receiver shall be permitted to attend the Auction; provided, however, that if a creditor of the Debtors did not receive the Sale Motion then nothing herein shall prevent such creditor from petitioning the Bankruptcy Court for the ability to attend the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid (the "Opening Bid") and subsequently continue in minimum increments of at least \$2,500,000 (or such other amount the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to facilitate the Auction). At least two (2) business days prior to the Auction, each Qualified Bidder that has submitted a Qualified Bid must inform the Debtors and the Receiver whether it intends to participate at the Auction. The Debtors shall provide copies of the Opening Bid to the Stalking Horse Bidder and all Qualified Bidders that have indicated their intent to participate at the Auction at least one (1) business day prior to the Auction.

(b) *The Debtors Shall Conduct The Auction*

The Debtors and their professionals shall direct and preside over the Auction. The determination of which Qualified Bid constitutes the Opening Bid shall take into account any factors the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, reasonably deem relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities; (iii) the ability of the Qualified Bidder to close the proposed transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (v) any purchase-price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the APA, if any, contemplated by the contemplated transaction documents (the "Contemplated Transaction Documents"); (viii) the net after-tax consideration to be received by the Debtors' estates; and (ix) such other considerations the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, deem relevant in their reasonable discretion (collectively, the "Bid Assessment Criteria"). All Bids made thereafter shall be Overbids (as

defined below) and shall be made and received on an open basis, and all material terms of each Bid shall be fully disclosed to all other Qualified Bidders. The Debtors shall arrange for the actual bidding at the Auction to be transcribed or videotaped. Each Qualified Bidder participating in the Auction will be required to confirm that it has not engaged in any collusion regarding the Bidding Procedures, the Auction or the proposed transaction.

(c) Terms of Overbids

An "Overbid" is any Bid made at the Auction subsequent to the Debtors' announcement of the Opening Bid. To submit an Overbid for purposes of this Auction, a Qualified Bidder must comply with the following conditions:

(i) Minimum Overbid Increment

Any Overbid after the Opening Bid shall be made in increments of at least \$2,500,000 (or such other amount the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to facilitate the Auction).

(ii) Remaining Terms are the same as for Qualified Bids

Except as modified herein, an Overbid must comply with the conditions for a Qualified Bid set forth above, *provided, however*, that the Bid Deadline and the Initial Minimum Overbid Increment shall not apply. Any Overbid made by a Qualified Bidder must remain open and binding on the Qualified Bidder until and unless (A) the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, accept a higher Qualified Bid as an Overbid and (B) such Overbid is not selected as the Back-up Bid (as defined below).

To the extent not previously provided (which shall be determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent), a Qualified Bidder submitting an Overbid must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent) demonstrating such Qualified Bidder's ability to close the transaction proposed by such Overbid.

(iii) Consideration of Overbids

The Debtors reserve the right, in their reasonable business judgment, to make, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Debtors, the Receiver and individual Qualified Bidders; (B) allow individual Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current highest and best Overbid at any given time during the Auction; and (D) give Qualified Bidders the opportunity to provide the Debtors and the Receiver with such additional evidence as the Debtors and the Receiver, in their reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Break-Up Fee will be taken into account in each round of bidding. For the avoidance of doubt, during the Auction, any bid by the Stalking Horse Bidder shall be deemed to be increased by the amount of the Break-Up Fee, *provided* that in the event that the Stalking Horse Bidder is the Successful Bidder and its Successful Bid includes the Break-Up Fee, the Stalking Horse Bidder shall be entitled to credit the amount of the Break-Up Fee against the purchase price.

(d) Additional Procedures

The Debtors, in their reasonable discretion and in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not inconsistent with any of the provisions of the Bidding Procedures, the Bidding Procedures Order or the Bankruptcy Code.

(e) Closing the Auction

Upon conclusion of the bidding, the Auction shall be closed, and the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall (i) immediately review the final Overbid of each Qualified Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identify the highest, best, and/or otherwise financially superior offer for the Assets (the "Successful Bid" and the entity submitting such Successful Bid, the "Successful Bidder"), which highest, best and/or otherwise financially superior offer will provide the greatest amount of net cash value to the Debtor, and the next highest or otherwise best offer after the Successful Bid (the "Back-up Bid"), and advise the Qualified Bidders and Notice Parties of such determination. No additional bids may be considered following the closing of the Auction. If the Stalking Horse Bidder's final Bid is deemed to be highest and best at the conclusion of the Auction, the Stalking Horse Bidder will be the Successful Bidder, and such Bid, the Successful Bid.

Within one (1) day after the closing of the Auction, the U.S. Debtors shall file with the Bankruptcy Court and serve upon all Qualified Bidders and entities that have requested notice in the Bankruptcy Cases a notice identifying the Successful Bidder.

(f) Consent to Jurisdiction as Condition to Bid.

All Qualified Bidders at the Auction shall be deemed to have consented to the jurisdictions of the Bankruptcy Court and the Canadian Court and waived any right to a jury trial in connection with any disputes relating to the Auction, and the construction and enforcement of the Bidder's Contemplated Transaction Documents, as applicable.

(g) Terms of Break-Up Fee

If the APA terminates because the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, have accepted or selected, and the Bankruptcy Court and Canadian Court have each approved, the Bid or Bids (including a credit bid) of any Qualified Bidder(s) other than Stalking Horse Bidder to purchase all or a substantial portion of the Debtors' Assets, and such transaction or transactions contemplated by any such Bid or Bids has been consummated, the Debtors shall pay the Stalking Horse Bidder out of the proceeds of such transaction or transactions at the closing the "Break-Up Fee".

Acceptance of Successful Bid

The Debtors shall sell the Assets to the Successful Bidder upon the approval of the Successful Bid by the Bankruptcy Court and the Canadian Court. The Debtors' presentation of a particular Qualified Bid to the Bankruptcy Court and the Canadian Court for approval does not constitute the Debtors' acceptance of the Bid. The Debtors will be deemed to have accepted a Bid only when the Bid has been approved by the Bankruptcy Court and the Canadian Court.

Credit Bidding by First Lien Lenders

In the event the Bankruptcy Court permits the First Lien Lenders to credit bid, in addition to the requirements set forth in the section titled "Bid Requirements" above (other than with respect to clause (h) of such section), in order to be a Qualified Bid, a credit bid must provide for (a) the payment in cash at the closing of the Break-Up Fee, (b) payment in cash at closing of the Intercompany Loan (as defined in the Final DIP Order), (c) the payment in cash at closing and/or the assumption of the unpaid administrative expense claims of the Debtors owning such collateral (other than the Break-Up Fee, Intercompany Loan and the Lazard Success Fee (as defined in the Final DIP Order)) incurred from the Petition Date through and including

the date on which the closing of the sale occurs, (d) the payment in cash at closing of all claims that are senior to the claims of the First Lien Lenders pursuant to the Final DIP Order or otherwise, (e) a description of all assets to be purchased that are not subject to a valid and perfected security interest held by the agent for the First Lien Lenders, (f) payment in cash in an amount equal to the fair value of such unencumbered assets, which shall include without limitation the entire amount allocated to the assets of the Canadian Debtor (in a manner satisfactory to the Receiver acting reasonably) being acquired in the transaction and (g) payment in cash of the Lazard Success Fee. Notwithstanding any contained herein, in the event the agent for the First Lien Lenders submits a credit bid for all of its collateral pursuant to these Bidding Procedures at the Auction, the Debtors are prohibited from consulting with the agent for the First Lien Lenders with respect to any aspect of the Auction, including, without limitation, as to whether a Potential Bidder is a Qualified Bidder and the determination of the Successful Bid.

Credit Bidding by Second Lien Lenders

In the event that the Bankruptcy Court permits the Second Lien Lenders to credit bid, in addition to the requirements set forth in the section titled "Bid Requirements" above, in order to be a Qualified Bid, a credit bid by the Second Lien Lenders must provide for (a) the payment in cash at closing of the Break-Up Fee, (b) payment in cash at closing of the Intercompany Loan, (c) the payment in full in cash of all obligations owed to the First Lien Lenders and to other the holders of claims with claims senior to those of the Second Lien Lenders pursuant to the Final DIP Order or otherwise, (d) the payment in cash at closing and/or the assumption of the unpaid administrative expense claims of the Debtors owning such collateral (other than the Break-Up Fee, Intercompany Loan and the Lazard Success Fee) incurred from the Petition Date through and including the date on which the closing of the sale occurs, (e) a description of all assets to be purchased that are not subject to a valid and perfected first priority security interest held by the agent for the Second Lien Lenders, (f) payment in cash in an amount equal to the fair value of such unencumbered assets which shall include without limitation the entire amount allocated to the assets of the Canadian Debtor (in a manner satisfactory to the Receiver acting reasonably) being acquired in the transaction and (g) payment in cash of the Lazard Success Fee. In the event the agent for the Second Lien Lenders submits a credit bid for all of its collateral pursuant to these Bidding Procedures at the Auction, the Debtors are prohibited from consulting with the agent for the Second Lien Lenders with respect to any aspect of the Auction, including, without limitation, as to whether a Potential Bidder is a Qualified Bidder and the determination of the Successful Bid. Notwithstanding the right to credit bid afforded them in the Bidding Procedures, the Second Lien Agent and the Second Lien Lenders shall be deemed to have consented and waived any and all applicable rights under Bankruptcy Code Section 363(f).

"As Is, Where Is"

The sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their agents or

estates or the Receiver except to the extent set forth in the APA or the purchase agreement of another Successful Bidder. The Stalking Horse Bidder and each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Assets in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures and (a) as to the Stalking Horse Bidder, the terms of the sale of the Assets set forth in the APA, or (b) as to another Successful Bidder, the terms of the sale of the Assets set forth in the applicable purchase agreement.

Free Of Any And All Encumbrances

Except as otherwise provided in the APA or another Successful Bidder's purchase agreement, all of the Debtors' right, title, and interest in and to the Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "Encumbrances") in accordance with 11 U.S.C. § 363, with such Encumbrances to attach to the net proceeds of the sale of the Assets.

Sale Hearing

A hearing to approve the sale of the Assets to the Successful Bidder shall be conducted by the Bankruptcy Court on **November 22, 2011**, at 11:00 a.m. (Eastern Time), located at 824 North Market Street, 6th Floor, Courtroom No. 2 Wilmington, Delaware (the "Sale Hearing"). A hearing of the Canadian Sale Approval Motion will be held in conjunction with the Sale Hearing or not later than two (2) business days after the Sale Hearing. Following the approval of the sale of the Assets to the Successful Bidder at the Sale Hearing and at the hearing on the Canadian Sale Approval Motion, if such Successful Bidder fails to consummate an approved sale within fourteen (14) days after entry of order by the Bankruptcy Court approving the sale of the Assets and the granting of the Canadian Sale and Vesting Order authorized by the Canadian Court (except where the sole cause of any delay in closing is as a result of default by the Debtors), the Debtors, upon consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall be authorized, but not required, to deem the Back-up Bid, as disclosed at the Sale Hearing, the Successful Bid and the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such Back-up Bid without further notice or orders of the Bankruptcy Court or the Canadian Court. The Sale Hearing and the Canadian Sale Approval Motion may be adjourned or rescheduled without notice other than by announcement of the adjourned date at the Sale Hearing or the hearing on the Canadian Sale Approval Motion. If the Stalking Horse Bidder is not the Successful Bidder at the Auction but is designated as the bidder that has submitted the Back-Up Bid, then such Back-Up Bid must remain open until the earlier of the consummation of the transaction with the Successful Bidder

and 30 days after the conclusion of the Sale Hearing. If any other bidder submits the Back-Up Bid, such Back-Up Bid must remain open until the consummation of the Sale to the Successful Bidder.

Return of Good Faith Deposit

The Good Faith Deposit of the Successful Bidder shall be applied to the purchase price of such transaction at closing. Good Faith Deposits of all other Qualified Bidders shall be held by the Debtors until five (5) business days after closing of the transactions contemplated by the Successful Bid, and thereafter returned to the respective Qualified Bidders. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Debtors shall be entitled to retain the Good Faith Deposit as part of their damages resulting from the breach or failure to perform by the Successful Bidder. Notwithstanding anything herein to the contrary, the terms under which the Stalking Horse Bidder provided a Good Faith Deposit and the terms of its use, release and return to the Stalking Horse Bidder shall be governed by the APA.

Modifications and Reservations

The Debtors may, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, (a) determine which Qualified Bid, if any, is the highest, best, and/or otherwise financially superior offer; and (b) reject at any time before entry of orders of the Bankruptcy Court or the Canadian Court approving a Qualified Bid, any Bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the CJA, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Debtors, their estates and creditors.

At or before the Sale Hearing, the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may impose such other terms and conditions as the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may determine to be in the best interests of their estate and creditors and other parties in interest thereof that are not inconsistent with the Bidding Procedures Order, the Bidding Procedures, the Bankruptcy Code or the CJA.

The Bidding Procedures may be materially modified only upon the express written consent of the Debtors, the Receiver and the Stalking Horse Bidder (such consent not to be unreasonably withheld), or by orders of the Bankruptcy Court and the Canadian Court.

Reservation of Rights

Subject to the Bidding Procedures Order, the Debtors reserve the right as they may, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to be in the best interests of their estates to: (a) determine which Potential Bidders are Qualified Bidders; (b) determine which Bids are Qualified Bids; (c) determine which Qualified Bid is the highest and best proposal and which is the next highest and best proposal; (d) reject any Bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bidding Procedures Order or the requirements of the Bankruptcy Code, the CJA or any other orders entered by the Bankruptcy Court or the Canadian Court, or (iii) contrary to the best interests of the Debtors and their estates or stakeholders, as applicable; (e) impose additional terms and conditions with respect to any or all Potential Bidders other than the Stalking Horse Bidder; (f) adjourn the Auction and/or Sale Hearing and/or the hearing on the Canadian Sale Approval Motion in open court without further notice; and (h) with the consent of the Stalking Horse Bidder, remove a portion of the Assets from the Auction. Without limiting the foregoing, the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may determine to distribute or not distribute copies of other Qualified Bids to other Qualified Bidders prior to or during the Auction other than with respect to the distribution of the Opening Bid as set forth above.

EXHIBIT 2

Sale Notice

**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

Sale Hearing: November 22, 2011 at 11 a.m.
(ET)

Objection Deadline: November 4, 2011 at
4:00 p.m. (ET)

NOTICE OF PUBLIC AUCTION AND SALE HEARING

(“Sale Notice”)

PLEASE TAKE NOTICE that the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”), have entered into an asset purchase agreement, dated September 27, 2011 (the “**APA**”)², with Galderma S.A., a Switzerland Corporation (the “**Stalking Horse Bidder**”) to sell certain assets of the Debtors free and clear of all liens, claims, encumbrances and other interests to the Stalking Horse Bidder, subject to the submission of higher or better offers in an auction process (the “**Auction**”).

PLEASE TAKE FURTHER NOTICE that in connection with the proposed sale (the “**Sale**”) to the Stalking Horse Bidder, on [____], 2011, the Debtors filed a motion [Docket No. ____] (the “**Motion**”) seeking a court order for approval and authorization of, among other things, (a) bidding procedures governing the Sale, (b) payment of a break-up fee and reimbursable expenses to the Stalking Horse Bidder in certain instances under the terms and conditions set forth in the APA, including if the Stalking Horse Bidder is not the successful bidder at the Auction, (c) the form and manner of notices related to the Sale, and (d) procedures related to the assumption and assignment of executory contracts and unexpired leases in connection with the Sale.

PLEASE TAKE FURTHER NOTICE that, on [____], 2011, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) entered an order [Docket No. ____] (the “**Bidding Procedures Order**”) approving the bidding procedures (the “**Bidding Procedures**”), which set the key dates and times related to the Sale. All interested

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

² All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the APA.

bidders should carefully read the Bidding Procedures. The summary of the Bidding Procedures contained in this Sale Notice is provided for convenience only. To the extent that there are any inconsistencies between the Bidding Procedures and the summary description in this Sale Notice, the terms of the Bidding Procedures shall control. The deadline by which all "Qualified Bids" (as defined in the Bidding Procedures) must be actually received by the parties specified in the Bidding Procedures is November 14, 2011 at 12:00 p.m. prevailing Eastern Time.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, Bidding Procedures and Bidding Procedures Order, as well as all related exhibits including the APA, are available on the website of the Court-appointed claims, noticing soliciting and balloting agent for the Debtors' chapter 11 cases, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 310 321 5555 from outside the United States.

PLEASE TAKE FURTHER NOTICE that, if the Debtors receive one or more qualified competing bids that satisfy the requirements and time frame specified by the Bidding Procedures, the Debtors will conduct the Auction to determine the highest or otherwise best bid for the purchased assets on November 17, 2011 at 1:00 p.m. prevailing Eastern Time at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022, or at any such other location as the Debtors may hereafter designate (with notice of such alternate location given to all qualified bidders under the Bidding Procedures).

PLEASE TAKE FURTHER NOTICE that within one (1) day after the closing of the Auction, the Debtors shall file with the Bankruptcy Court and serve upon all Qualified Bidders and entities that have requested notice in the Bankruptcy Cases a notice identifying the Successful Bidder (the "**Notice of Successful Bidder**"), which notice shall also be posted on the website of the Debtors' claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway. No later than 24 hours after the Successful Bidder is identified, the Debtors shall serve the Notice of Successful Bidder by fax or email on any party in interest that submits a written request for such service to: (i) Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago, Illinois 60606, Attn: Josef Athanas and Matthew Warren (josef.athanas@lw.com and matthew.warren@lw.com) and (ii) Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Michael R. Nestor and Kara Hammond Coyle, mnestor@ycst.com and kcoyle@ycst.com.

PLEASE TAKE FURTHER NOTICE that only the authorized representatives of each of the Qualified Bidders (as defined in the Bidding Procedures), the Debtors, the official committee of unsecured creditors appointed pursuant to Section 1102 of the Bankruptcy Code (the "**Committee**"), agent to the lenders party to the Debtors' prepetition first lien credit agreement, a representative of the United States Trustee and the Receiver (as defined in the Bidding Procedures) shall be permitted to attend the Auction; provided, however, that if a creditor of the Debtors did not receive the Motion then nothing herein shall prevent such creditor from petitioning this Court for the ability to attend the Auction.

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale before the Honorable Judge Walsh, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at: 824 North Market Street, 6th Floor, Wilmington, Delaware 19801, on November 22, 2011 at 11:00 a.m. prevailing Eastern Time.

PLEASE TAKE FURTHER NOTICE that objections to the Motion if any, **must**: (i) be in writing; (ii) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the District of Delaware; (iii) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (iv) be filed with the Court and served so **actually received** no later than November 4, 2011 at 4:00 p.m. prevailing Eastern Time by the following parties:

Debtors	Counsel to Debtors
<p>Graceway Pharmaceuticals, LLC 340 Martin Luther King Jr. Blvd. Suite 500 Bristol, Tennessee 37620 Attn: John Bellamy (john.bellamy@gracewaypharma.com)</p>	<p>Latham & Watkins LLP 233 South Wacker Drive Chicago, IL 60606 Attn: Josef S. Athanas, Esq. and Matthew L. Warren, Esq. (josef.athanas@lw.com and matthew.warren@lw.com)</p> <p>Young Conaway Stargatt & Taylor, LLP 1000 West Street, 17th Floor Wilmington, Delaware 19801 Attn: Michael R. Nestor, Esq. and Kara Hammond Coyle, Esq. (mnestor@ycst.com and kcoyle@ycst.com)</p>
Special Bankruptcy and Restructuring Counsel to the Agent for the First Lien Lenders	United States Trustee
<p>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)</p> <p>DLA Piper LLP 919 North Market Street, 15th Floor Suite 1500 Wilmington, DE 19801 Attn: Stuart M. Brown, Esq. (stuart.brown@dlapiper.com)</p>	<p>Office of the United States Trustee for the District of Delaware 844 King Street J. Caleb Boggs Federal Building Room 2207, Lockbox 35 Wilmington, DE 19801 Attn: Juliet Sarkessian, Esq. (Juliet.M.Sarkessian@usdoj.gov)</p>

Financing Counsel to the Agent for the First Lien Lenders	Counsel to the Creditors' Committee
<p>Morgan Lewis 225 Franklin Street, 16th Floor Boston, Massachusetts 02110 Attn: Sula Fiszman, Esq. (sfiszman@morganlewis.com)</p>	<p>Lowenstein Sandler PC 65 Livingston Avenue Roseland, New Jersey 07068 Attn: S. Jason Teele, Esq. (steele@lowenstein.com)</p> <p>Elliott Greenleaf 1105 Market Street, Suite 1700 Wilmington, DE 19801 Attn: Rafael X. Zahralddin-Aravena (rxza@elliottgreenleaf.com)</p>
Counsel to the Agent for the Second Lien Lenders	Counsel to the Stalking Horse Bidder
<p>Sidley Austin LLP One South Dearborn, Chicago, IL 60603 Attn: Larry Nyhan, Esq. (lnyhan@sidley.com)</p>	<p>Debevoise & Plimpton LLP 919 Third Avenue New York, NY 10022 Attn: My Chi To, Esq. and Kevin A. Rinker, Esq. (mcto@debevoise.com and karinker@debevoise.com)</p> <p>Morris, Nichols, Arsht & Tunnell LLP 1201 North Market Street, 18th Floor Wilmington, DE 19801 Attn: Gregory W. Werkheiser, Esq. (gwerkheiser@mnat.com)</p>

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY PARTY OR ENTITY WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE SALE ON OR BEFORE THE OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE SALE, INCLUDING WITH RESPECT TO THE TRANSFER OF THE PROPERTY FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS AFFECTED THEREUNDER.

NO SUCCESSOR OR TRANSFEREE LIABILITY

The proposed Sale Order provides that the purchaser in the Sale (the "**Purchaser**") will have no responsibility for, and the assets will be sold free and clear of, any successor liability, including the following:

To the greatest extent allowable by applicable law, the Purchaser shall not be deemed, as a result of any action taken in connection with the APA, the consummation of the Transactions (as defined in the Sale Order) contemplated by the APA, or the transfer or operation of the Acquired Assets, to (a) be a legal successor, or otherwise be deemed a successor to the Debtors (other than, for the Purchaser, with respect to any obligations as an assignee under the Assigned Agreements arising after the Closing); (b) have, *de facto* or otherwise, merged with or into the Debtors; or (c) be an alter ego or mere continuation or substantial continuation of the Debtors including, without limitation, within the meaning of any foreign, federal, state or local revenue law, pension law, the Employee Retirement Income Security Act, the Consolidated Omnibus Budget Reconciliation Act, the WARN Act (29 U.S.C. §§ 2101 et seq., the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**"), the Fair Labor Standard Act, Title VII of the Civil Rights Act of 1964 (as amended), the Age Discrimination and Employment Act of 1967 (as amended), the Federal Rehabilitation Act of 1973 (as amended), the National Labor Relations Act, 29 U.S.C. § 151, et seq., environmental liabilities, debts, claims or obligations arising from conditions first existing on or prior to Closing (including, without limitation, the presence of hazardous, toxic, polluting, or contaminating substances or wastes), which may be asserted on any basis, including, without limitation, under CERCLA, any liabilities, debts or obligations of or required to be paid by the Debtors for any taxes of any kind for any period, labor, employment, or other law, rule or regulation (including without limitation filing requirements under any such laws, rules or regulations), or under any products liability law or doctrine with respect to the Debtors' liability under such law, rule or regulation or doctrine. Other than as expressly set forth in the APA with respect to Assumed Liabilities, the Purchaser shall not have any responsibility for (a) any liability or other obligation of the Debtors or related to the Acquired Assets or (b) any remaining Claims (as defined in the Sale Order) against the Debtors or any of their predecessors or affiliates. To the greatest extent allowed by applicable law, the Purchaser shall have no liability whatsoever with respect to the Debtors' (or their predecessors' or affiliates') respective businesses or operations or any of the Debtors' (or their predecessors' or affiliates') obligations based, in whole or part, directly or indirectly, on any theory of successor or vicarious liability of any kind or character, or based upon any theory of antitrust, environmental, successor or transferee liability, *de facto* merger or substantial continuity, labor and employment or products liability, whether known or unknown as of the Closing, now existing or hereafter arising, asserted or unasserted, fixed or contingent, liquidated or unliquidated, including liabilities on account of any taxes arising, accruing or payable under, out of, in connection with, or in any way relating to the operation of the Acquired Assets prior to the Closing.

**IF YOU HAVE ANY QUESTIONS REGARDING THIS SALE NOTICE,
PLEASE CONTACT THE RESTRUCTURING HOTLINE ESTABLISHED IN
CONNECTION WITH THE DEBTORS' CHAPTER 11 CASES AT (888) 909-0100
FROM WITHIN THE UNITED STATES OR +1 310 321 5555
FROM OUTSIDE THE UNITED STATES**

EXHIBIT 3

Contract Notice

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

Sale Hearing: November 22, 2011 at 11 a.m.
(ET)

Objection Deadline: November 4, 2011 at
4:00 p.m. (ET)

**NOTICE OF (I) CURE AMOUNT WITH RESPECT TO EXECUTORY CONTRACTS
TO BE ASSUMED AND ASSIGNED AND (II) POTENTIAL ASSUMPTION AND
ASSIGNMENT OF EXECUTORY CONTRACTS**

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. Pursuant to the *Order Approving and Authorizing (A) Bidding Procedures in Connection with the Sale of Certain Assets of the Debtors, (B) Stalking Horse Bid Protections, (C) Form and Manner of Notice of the Sale Hearing and (D) Related Relief* [Docket No. ____] (the “**Bidding Procedures Order**”) entered by the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) on [____], 2011, the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) hereby provide notice that they are a party to various executory contracts and unexpired leases as set forth on Exhibit 1 attached hereto (individually, a “**Contract**”, collectively the “**Contracts**”) and they intend to seek to assume and assign some or all of the Contracts (individually, a “**Potentially Assumed**

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

Contract", collectively, the "**Potentially Assumed Contracts**") to the Successful Bidder² in connection with the proposed sale of certain of the Debtors' assets.

2. You have been identified as a party to a Potentially Assumed Contract. If your Contract is **actually** to be assumed or assigned, a separate notice of such assumption and assignment will be provided.

3. The Potentially Assumed Contract with respect to which you have been identified as a non-Debtor counterparty, and the corresponding proposed amount the Debtors' records reflect is owing to cure any and all defaults under such Potentially Assumed Contract so as to permit the assumption and assignment of such Potentially Assumed Contract (if designated for assumption and assignment by the Successful Bidder) pursuant to 11 U.S.C. § 365 (the "**Cure Amount**"), have been set forth on Exhibit 1, as attached hereto. The Debtors' records reflect, as of the date hereof, that all postpetition amounts owing under your Potentially Assumed Contract have been paid and will continue to be paid and that there are no other defaults under the Potentially Assumed Contract. Amounts due and owing under the Contracts with respect to the period after the petition date and after the closing date of the Sale are not included in the calculation of the Cure Amounts.

4. Objections, if any, to the proposed Cure Amount, or to the possible assumption and assignment of any Potentially Assumed Contract, must be made in writing, filed with the United States Bankruptcy Court for the District of Delaware, at: 824 North Market Street, 6th Floor, Wilmington, Delaware 19801, and served so as to be **actually received** on or before 4:00 p.m. on November 11, 2011 (the "**Objection Deadline**"). Service should be made by mail to:

² Capitalized terms not otherwise defined in this notice shall have the meanings set forth in the Bidding

Debtors	Counsel to Debtors
<p>Graceway Pharmaceuticals, LLC 340 Martin Luther King Jr. Blvd. Suite 500 Bristol, Tennessee 37620 Attn: John Bellamy (john.bellamy@gracewaypharma.com)</p>	<p>Latham & Watkins LLP 233 South Wacker Drive Chicago, IL 60606 Attn: Josef S. Athanas, Esq. and Matthew L. Warren, Esq. (josef.athanas@lw.com and matthew.warren@lw.com)</p> <p>Young Conaway Stargatt & Taylor, LLP 1000 West Street, 17th Floor Wilmington, Delaware 19801 Attn: Michael R. Nestor, Esq. and Kara Hammond Coyle, Esq. (mnestor@ycst.com and kcoyle@ycst.com)</p>
Special Bankruptcy and Restructuring Counsel to the Agent for the First Lien Lenders	United States Trustee
<p>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)</p> <p>DLA Piper LLP 919 North Market Street, 15th Floor Suite 1500 Wilmington, DE 19801 Attn: Stuart M. Brown, Esq. (stuart.brown@dlapiper.com)</p>	<p>Office of the United States Trustee for the District of Delaware 844 King Street J. Caleb Boggs Federal Building Room 2207, Lockbox 35 Wilmington, DE 19801 Attn: Juliet Sarkessian, Esq. (Juliet.M.Sarkessian@usdoj.gov)</p>
Financing Counsel to the Agent for the First Lien Lenders	Counsel to the Creditors' Committee
<p>Morgan Lewis 225 Franklin Street, 16th Floor Boston, Massachusetts 02110 Attn: Sula Fiszman, Esq. (sfiszman@morganlewis.com)</p>	<p>Lowenstein Sandler PC 65 Livingston Avenue Roseland, New Jersey 07068 Attn: S. Jason Teele, Esq. (steele@lowenstein.com)</p> <p>Elliott Greenleaf 1105 Market Street, Suite 1700 Wilmington, DE 19801 Attn: Rafael X. Zahralddin-Aravena (rxza@elliottgreenleaf.com)</p>
Counsel to the Agent for the Second Lien Lenders	Counsel to the Stalking Horse Bidder

Procedures approved as part of the Bidding Procedures Order.

<p>Sidley Austin LLP One South Dearborn, Chicago, IL 60603 Attn: Larry Nyhan, Esq. (lnyhan@sidley.com)</p>	<p>Debevoise & Plimpton LLP 919 Third Avenue New York, NY 10022 Attn: My Chi To, Esq. and Kevin A. Rinker, Esq. (mcto@debevoise.com and karinker@debevoise.com)</p> <p>Morris, Nichols, Arsht & Tunnell LLP 1201 North Market Street, 18th Floor Wilmington, DE 19801 Attn: Gregory W. Werkheiser, Esq. (gwerkheiser@mnat.com)</p>
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5. An objection to any Cure Amount must (i) be in writing; (ii) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the District of Delaware; and (iii) state with particularity the legal and factual basis for the objection and the specific grounds therefor.

6. If an objection to the Cure Amount, or the possible assumption and assignment, is timely filed and cannot be resolved by the Debtors and the counterparty to the Potentially Assumed Contract, a hearing with respect to the objection will be held before the Honorable Judge Walsh, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at: 824 North Market Street, 6th Floor, Wilmington, Delaware 19801, on November 22, 2011 at 4:00 p.m. prevailing Eastern Time or at a later hearing, as determined by the Debtors. A hearing regarding objections to a Cure Amount, if any, may be continued at the sole discretion of the Debtors.

7. Regardless of whether a Potentially Assumed Contract will be assumed and assigned at the closing of the Sale as provided for in the APA, unless a non-debtor party to any Potentially Assumed Contract files an objection to the Cure Amount or the assumption and assignment of the Potentially Assumed Contract by the Objection Deadline, then such counterparty shall be (i) forever barred from objecting to the Cure Amount or the assumption and assignment of such Potentially Assumed Contract; and (ii) forever barred and estopped from

asserting or claiming any amounts under the Contracts outstanding as of the effective date of assumption and assignment to the Successful Bidder, other than the Cure Amount on Exhibit 1, against the Debtors, any Successful Bidder or any other assignee of the relevant contract; provided, however, that any objection to a Successful Bidder other than the Stalking Horse Bidder based solely on issues of adequate assurance concerning contracts to be assumed and assigned to such Stalking Horse Bidder may be filed at or prior to the Sale Hearing.

8. The Debtors will file and serve a further notice that identifies any Successful Bidder and provides notice of the particular Potentially Assumed Contracts that the Debtors will seek to assume and assign at the Sale Hearing (the “**Assumption Notice**”).

9. Within one (1) day after the closing of the Auction, the Debtors shall file with the Bankruptcy Court and serve upon all Qualified Bidders and entities that have requested notice in the Bankruptcy Cases a notice identifying the Successful Bidder (the “**Notice of Successful Bidder**”), which notice shall also be posted on the website of the Debtors’ claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway. No later than 24 hours after the Successful Bidder is identified, the Debtors shall serve the Notice of Successful Bidder by fax or email on any party in interest that submits a written request for such service to: (i) Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago, Illinois 60606, Attn: Josef Athanas and Matthew Warren (josef.athanas@lw.com and matthew.warren@lw.com) and (ii) Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Michael R. Nestor and Kara Hammond Coyle, mnestor@ycst.com and kcoyle@ycst.com.

10. At the Sale Hearing, the Debtors shall present evidence necessary to demonstrate adequate assurance of future performance by the Successful Bidder. At the Sale Hearing, you

will have the opportunity to evaluate and, if necessary, challenge, the ability of the Successful Bidder to provide adequate assurance of future performance under the Assumed Contracts.

11. The presence of a contract, lease or other agreement on Exhibit 1, as attached hereto, does not constitute an admission that such contract, lease or other agreement is an executory contract or unexpired lease or that such contract or lease will be assumed by the Debtors and assigned to any Successful Bidder. The Debtors reserve all of their rights, claims and causes of action with respect to the contracts, leases and other agreements listed on Exhibit 1, as attached hereto.

12. All documents filed with this Court in connection with these Chapter 11 Cases, including orders of this Court, are available for free on the website of the Court-appointed claims, noticing, soliciting and balloting agent in these Chapter 11 Cases, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 310 321 5555 from outside the United States.

Dated: _____, 2011
Wilmington, Delaware

Respectfully Submitted,

Michael R. Nestor (No. 3526)
Kara Hammond Coyle (No. 4410)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Telephone: (302) 571-6600

Facsimile: (302) 571-1253

-and-

David S. Heller
Josef S. Athanas
Matthew L. Warren
LATHAM & WATKINS LLP
Suite 5800
233 South Wacker Drive
Chicago, IL 60606
Telephone: (312) 876-7700
Facsimile: (312) 993-9767

PROPOSED ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION

EXHIBIT 4

Assumption Notice

**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-____ (____)

Jointly Administered

Hearing Date: [____], 2011 at [____] [a.m.
(ET)]

NOTICE OF ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On [____], 2011, the United States Bankruptcy Court for the District of Delaware (this "**Court**") entered the *Order Approving and Authorizing (A) Bidding Procedures in Connection with the Sale of Certain Assets of the Debtors, (B) Stalking Horse Bid Protections, (C) Form and Manner of Notice of the Sale Hearing and (D) Related Relief* [Docket No. ____] (the "**Bidding Procedures Order**").

2. Pursuant to the Bidding Procedures Order, the Debtors have accepted the bid of [____] (the "**Successful Bidder**") for the purchase of certain of the assets (the "**Assets**") related to the Debtors' business (the "**Sale**"). The terms of the bid are set forth in that certain asset purchase agreement (the "**APA**"), dated as of [____], 2011 among the Debtors and the Successful Bidder, as filed with the Court [Docket No. ____].

3. The Bidding Procedures Order, among other things, authorized procedures for the Debtors to assume and assign certain executory contracts and unexpired leases (the "**Assumed**

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

Contracts”) to the Successful Bidder. Attached hereto as Exhibit 1 is a list of the Assumed Contracts that the Debtors will assign to the Successful Bidder in connection with the closing of the Sale and the cure amount, if any, with respect to each Assumed Contract.

4. As set forth in the Bidding Procedures Order, the hearing to approve the Sale will be held on [____], 2011, at [____] [].m. prevailing Eastern Time before the Honorable [____], United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at: 824 North Market Street, []th Floor, Wilmington, Delaware 19801.

5. All documents filed with this Court in connection with these Chapter 11 Cases, including orders of this Court, are available for free on the website of the Court-appointed claims, noticing, soliciting and balloting agent in these Chapter 11 Cases, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 310 321 5555 from outside the United States.

Dated: _____, 2011
Wilmington, Delaware

Respectfully Submitted,

Michael R. Nestor (No. 3526)
Kara Hammond Coyle (No. 4410)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

-and-

David S. Heller
Josef S. Athanas
Matthew L. Warren
LATHAM & WATKINS LLP
Suite 5800
233 South Wacker Drive
Chicago, IL 60606
Telephone: (312) 876-7700
Facsimile: (312) 993-9767

PROPOSED ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION

EXHIBIT 1

ASSUMED CONTRACTS