

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

In re:

GRACEWAY PHARMACEUTICALS, LLC,  
*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Ref. Doc. Nos. 11 & 49, **133**

**FINAL ORDER (I) AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS  
TO (A) PAY PREPETITION EMPLOYEE OBLIGATIONS, AND (B) CONTINUE  
EMPLOYEE BENEFITS PLANS AND PROGRAMS POSTPETITION;  
(II) CONFIRMING THAT DEBTORS ARE ABLE TO PAY WITHHOLDING AND  
PAYROLL-RELATED TAXES; AND (III) DIRECTING ALL BANKS TO HONOR  
PREPETITION CHECKS FOR PAYMENT OF EMPLOYEE OBLIGATIONS**

**("Final Employee Obligations Order")**

Upon consideration of the motion (the "**Motion**")<sup>2</sup> of the Debtors for the entry of an order (the "**Order**") under 11 U.S.C. §§ 105, 363, 364, 507(a)(3), and 507(a)(4), (a) authorizing, but not directing, the Debtors to (i) pay or otherwise honor various employee-related prepetition obligations of the Debtors to, or for the benefit of, employees, and (ii) continue postpetition certain of the employee benefits plans and programs in effect immediately prior to the filing of these bankruptcy cases; (b) confirming that the Debtors are permitted to pay any and all local, state and federal withholding and payroll-related or similar taxes relating to prepetition periods;

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy). On October 4, 2011, Graceway Canada Company filed an application in the Ontario Superior Court of Justice (Commercial List) pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C. 43.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Motion.

and (c) directing all banks to honor prepetition checks for payment of the Debtors' prepetition employee obligations; and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice of the Motion and opportunity for objection having been given, with no objections or requests for hearing having been filed, or all objections having been overruled, as the case may be; and it appearing that no other notice need be given; and after due deliberation and sufficient cause therefore, it is hereby ORDERED, ADJUDGED, AND DECREED that:

1. The Motion is GRANTED on a final basis as set forth herein.

2. The Debtors are authorized, but not directed, to honor their Employee Obligations, including, without limitation, paying certain prepetition amounts owed to their Employees, in each case subject to the terms of, and limitations set forth in, the Motion, in an aggregate amount not to exceed \$840,000 with respect to Employee Obligations (excluding PTO Obligations, COBRA (as defined below) liabilities, and obligations under the Severance Plan) that arose prior to the Petition Date; provided, however, that any funds in excess of the amounts set forth in 11 U.S.C. §§ 507(a)(4) and 507(a)(5) owed to any Employee on account of prepetition Wage Obligations and prepetition obligations under the Sales Programs shall not be paid except with respect to a maximum of ten (10) Sales Employees who may be paid, in the aggregate, not more than \$25,000 in excess of the amounts set forth in 11 U.S.C. §§ 507(a)(4) and 507(a)(5).

3. The Debtors are authorized, but not directed, to pay prepetition Reimbursable Business Expenses, including Reimbursable Business Expenses owed to the Debtors' directors.

4. The Debtors are authorized, but not directed, to pay prepetition amounts owed to Independent Contractors in an amount not to exceed \$100,000 in the aggregate.

5. The Debtors are authorized, but not directed, to continue the Employee Benefits Plans described in the Motion and in effect immediately prior to the filing of these cases during the postpetition period in the ordinary course of business, including payment of prepetition obligations under the Employee Benefits Plans and payment of obligations under the Severance Plan, in each case subject to the terms of, and limitations set forth in, the Motion. The sum of any amounts paid by the Debtors (i) in respect of PTO Obligations, (ii) on account of liabilities under the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA") or any other similar state law and (iii) in respect of the Severance Plan, in each case on or after the Petition Date, shall not exceed \$2,616,007. The amounts paid to any insiders on account of obligations under the Severance Plan shall not exceed the limitations set forth in Section 503(c)(2) of the Bankruptcy Code.

6. The Debtors are authorized, but not directed, to forward the Miscellaneous Payroll Deductions, which include the amounts that the Debtors withhold from their Employees' paychecks to make payments on behalf of Employees for, among other things, state disability, automobile allowances, garnishments and charitable contributions, and other pre-tax and after-tax deductions payable pursuant to certain miscellaneous employee benefits plans, to the appropriate third-party recipients.

7. The Debtors are authorized, but not directed, to pay any and all accrued and unpaid Payroll Tax Obligations relating to prepetition periods, including but not limited to, all withholding taxes, Social Security taxes, Medicare taxes, and other Employee contributions,

whether withheld from Employees' wages or paid directly by the Debtors to governmental authorities, as set forth in the Motion.

8. Any party receiving payment from the Debtors is authorized and directed to rely upon the representations of the Debtors as to which payments are authorized by this Order.

9. The financial institutions upon which any checks are drawn in payment of the Employee Obligations, either before, on, or after the date on which the Debtors filed these Chapter 11 Cases, are hereby authorized and directed to (a) honor, upon presentation, any such checks and (b) rely upon the representations of the Debtors as to which checks are in payment of the Employee Obligations.

10. The Debtors shall be and hereby are authorized, but not directed, to reissue payment on account of the Employee Obligations to replace any inadvertently dishonored or rejected payments.

11. Nothing in the Motion or the requested relief (including any actions taken or payments made by the Debtors pursuant to the requested relief) shall (a) be construed as a request for authority to assume any executory contract under Section 365 of the Bankruptcy Code; (b) waive, affect, or impair any of the Debtors' rights, claims, or defenses including, but not limited to, those arising from Sections 365, 1113, and 1114 of the Bankruptcy Code, among others, other applicable law, and any agreement; (c) grant any additional rights to any third party; or (d) be enforceable by any third party.

12. Neither the provisions of this Order, nor any payments made by the Debtors pursuant to the Motion or this Order, shall be deemed to change the classification of any claim or to in any way change the rights or create new rights of any Employee or other person, including without limitation, the creation of any right to payment entitled to administrative expense priority

pursuant to Sections 503 and 507 of the Bankruptcy Code.

13. Authorizations given to the Debtors in this Order empower but do not direct the Debtors to effectuate the payments specified herein, said Debtors retaining the business judgment to make or not make said payments, and in all instances are subject to the condition that funds are available to effect any payment. In no event shall any person (Debtor, officer, director or otherwise) be personally liable for any amounts authorized for payment herein but not paid.

14. Notwithstanding anything to the contrary contained herein, any payment to be made, or authorization contained, hereunder shall be subject to the requirements imposed on the Debtors under any approved debtor-in-possession financing facility, or any order regarding the use of cash collateral.

15. All time periods set forth in this Order shall be calculated in accordance with Rule 9006(a) of the Federal Rules of Bankruptcy Procedure.

16. Notwithstanding the provisions of Bankruptcy Rule 6004 and Bankruptcy Rule 6006 or any applicable provisions of the Local Rules, this Order shall not be stayed for 14 days after the entry hereof, but shall be effective and enforceable immediately upon entry, and the 14 day stay provided in such rules is hereby expressly waived and shall not apply.

17. Service of the Motion as provided therein shall be deemed good and sufficient notice of such Motion.

18. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

19. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: Oct 19 2011

  
Peter J. Walsh  
United States Bankruptcy Judge