

**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

**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**")<sup>2</sup>, 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 September 29, 2011, the Debtors filed a motion [Docket No. 12] (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 October 17, 2011, the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") entered an order [Docket No. 119] (the "**Bidding Procedures Order**") approving the bidding procedures (the "**Bidding Procedures**"), which set the key dates and times related to the Sale. All interested

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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); 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).

<sup>2</sup> 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](http://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](http://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](mailto:josef.athanas@lw.com) and [matthew.warren@lw.com](mailto: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](mailto:mnestor@ycst.com) and [kcoyle@ycst.com](mailto: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, 6<sup>th</sup> 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:

<b>Debtors</b>	<b>Counsel to Debtors</b>
<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 &amp; 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 &amp; 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>
<b>Special Bankruptcy and Restructuring Counsel to the Agent for the First Lien Lenders</b>	<b>United States Trustee</b>
<p>Wachtell, Lipton, Rosen &amp; Katz            51 West 52<sup>nd</sup> 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, 15<sup>th</sup> 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>

<b>Financing Counsel to the Agent for the First Lien Lenders</b>	<b>Counsel to the Creditors' Committee</b>
<p>Morgan Lewis  225 Franklin Street, 16<sup>th</sup> 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. Zahraiddin-Aravena  (rxza@elliottgreenleaf.com)</p>
<b>Counsel to the Agent for the Second Lien Lenders</b>	<b>Counsel to the Stalking Horse Bidder</b>
<p>Sidley Austin LLP  One South Dearborn,  Chicago, IL 60603  Attn: Larry Nyhan, Esq. (lnyhan@sidley.com)</p>	<p>Debevoise &amp; 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 &amp; 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**