

**Exhibit C**

**Aronson Declaration**

**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-\_\_\_\_ (\_\_\_\_)

Joint Administration Pending

**DECLARATION OF DANIEL ARONSON IN SUPPORT OF DEBTORS'  
MOTION FOR ENTRY OF AN ORDER APPROVING AND AUTHORIZING  
(A) BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF CERTAIN  
ASSETS OF THE DEBTORS ASSETS, (B) STALKING HORSE BID  
PROTECTIONS, (C) THE FORM AND MANNER OF NOTICE OF  
THE SALE HEARING AND (D) RELATED RELIEF**

I, Daniel Aronson, being duly sworn, state the following under penalty of perjury.

1. I am a Managing Director of Lazard Frères & Co. LLC ("**Lazard**") which has its principal office at 30 Rockefeller Plaza, New York, New York 10020.

2. I am authorized on behalf of Lazard to submit this declaration (the "**Declaration**") in support of the motion (the "**Motion**")<sup>2</sup> of the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**" or the "**Company**") in the above-captioned chapter 11 cases (the "**Chapter 11 Cases**"), seeking entry of an order approving and authorizing (a) bidding procedures in connection with the sale of substantially all of the assets of the Debtors, (b) stalking horse bid protections, (c) the form and manner of notice of the sale hearing and (d) other related relief.

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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 Motion.

3. Unless otherwise stated, all facts and circumstances set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Lazard team, discussions with Debtors' senior management, my review of relevant documents or my opinion based upon my experience and knowledge of financial restructuring. If I were called upon to testify, I could and would testify competently to the facts set forth herein.

### **Qualifications**

4. Lazard is the U.S. operating subsidiary of a preeminent international financial advisory and asset management firm. Lazard, together with its predecessors and affiliates, has been advising clients around the world for over 150 years. Lazard employs dedicated professionals who provide restructuring services to its clients.

5. Lazard is an investment banking firm focused on providing investment banking, financial advice, and transaction execution on behalf of its clients. Lazard's broad range of corporate advisory services includes general financial advice, corporate restructurings, domestic and cross-border mergers and acquisitions, divestitures, privatizations, special committee assignments, takeover defenses, and strategic partnerships/joint ventures.

6. The current managing directors, directors, vice presidents and associates of Lazard have extensive experience working with financially troubled companies in complex financial restructurings out-of-court and in Chapter 11 proceedings, and with sales of assets under Section 363 of title 11 of the United States Code (the "**Bankruptcy Code**"). Lazard and its principals have been involved as advisors to debtor, creditor and equity constituencies and government agencies in many reorganization cases. Since 1990, Lazard's professionals have been involved in over 250 restructurings, representing over \$1 trillion in debtor assets.

7. In March 2010, the Debtors engaged Lazard as their investment banker. Lazard has sought to be retained as the investment banker to the Debtors pursuant to the *Debtors' Application Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code for an Order Authorizing the Debtors to Retain and Employ Lazard Frères & Co. LLC as Investment Banker for the Debtors Nunc Pro Tunc to the Petition Date* filed concurrently herewith.

8. I am one of the principal managing directors at Lazard providing services to the Debtors. By virtue of such role, I am familiar with the business operations, assets and financial affairs of the Debtors and, in particular, with the Debtors' decision to sell all or substantially all of the assets of the Debtors. I actively participated, along with the Debtors' counsel and the other members of Lazard, in the formulation of the Bidding Procedures and Bidding Process which are the subject of the Motion. Furthermore, after the Bidding Procedures are approved by this Court, as part of its services to the Debtors, Lazard will, together with the Debtors and Debtors' counsel, continue the Sale process and conduct the Sale of the Debtors' assets.

9. I have extensive hands-on experience in matters relating to corporate restructuring, having worked as a restructuring professional for approximately twenty three years. Prior to joining Lazard in 2000, I was an Associate Director with Peter J. Solomon's Restructuring Practice. I joined Peter J. Solomon Company in 1999 from Ernst & Young, where I was a Partner in the Restructuring Practice. I began my career as a financial professional in 1988 with Ernst & Young Entrepreneurial Services Group, where I provided clients with audit, tax, and systems consulting. Over the course of my career as a financial professional, I have been involved in a broad range of financial advisory assignments and engagements.

### **The Prepetition Marketing Process and Selection of Stalking Horse Bidder**

10. Prior to filing these Chapter 11 Cases, the Debtors, with the assistance of Lazard and in consultation with certain of the Debtors' prepetition senior secured lenders, pursued a range of options to address the Debtors' concerns about their ability to service their debt going forward, including new financing, refinancing and the sale of certain or all of the Debtors' assets or business as a going concern. After exploring the strategic alternatives available to them, the Debtors have determined that the best way at this time to maximize the value of their assets for the benefit of their creditors is to seek a sale of substantially all of their assets pursuant to Section 363 of the Bankruptcy Code.

11. In April 2011, Lazard began an extensive marketing and sale process for the Debtors' assets, aggressively canvassing the marketplace to locate potential purchasers, including both strategic and financial buyers. Lazard contacted 60 potential investors in the first round of outreach, all of whom reviewed preliminary, non-confidential solicitation materials. Of those initially contacted, 21 executed confidentiality agreements with the Debtors and received access to an electronic data room to review confidential information and to serve as the basis for discussions towards potential bids (the "**Data Room Participants**"). Approximately 11 Data Room Participants responded with preliminary letters of interest (the "**Potential Purchasers**"). Of the 11 Potential Purchasers, seven (7) responded with preliminary letters of interest in which they expressed an interest in purchasing the entire Company, and the remaining four (4) responded with preliminary letters of interest in which they expressed an interest in purchasing specific assets of the Company.

12. The preliminary letters of interest came from a variety of Potential Purchasers with wide-ranging bids. After evaluating these preliminary letters of interest, as well as their

financial wherewithal and their ability to move expeditiously to consummate the transaction, the Debtors, in consultation with Lazard, opted to pursue further discussions with four of the Potential Purchasers. Each of these four Potential Purchasers received access to additional information in an electronic data room and also received a management presentation beginning on or about June 29, 2011. Following those presentations and initial diligence conducted by the Potential Purchasers, on August 5, 2011, the Debtors received one binding bid to purchase certain assets of the Company (the “**First Bid**”). Subsequently, on September 5, 2011, the Debtors received another binding bid to purchase certain assets of the Company (the “**Second Bid**”).

13. The Debtors engaged in arm’s-length, good faith negotiations with counsel and advisors to the each of the two parties that submitted a bid. In connection with these negotiations, I was tasked with leading, developing and implementing a strategy for evaluating the options presented to the Debtors and maximizing the value that the Debtors could receive pursuant to a sale.

14. From August 5, 2011 until September 5, 2011, the Debtors negotiated extensively with the bidder that submitted the First Bid regarding the terms and conditions of the proposed acquisition. Beginning on September 5, 2011, when the second bid was received, the Debtors, in consultation with their advisors, engaged in parallel, but individual, arm’s-length negotiations with each bidder and such bidder’s counsel and advisors. For three weeks following the receipt of the second bid, the Debtors and Lazard, along with the Debtors’ other advisors and counsel, continued extensive negotiations regarding the terms and conditions of both the First Bid and Second Bid, which ultimately resulted in materially improved contract terms for the Debtors.

15. Following these extensive negotiations regarding the terms and conditions of each offer, the Debtors, with the assistance of Lazard and their other advisors, conducted a final side-by-side analysis of the proposals and, ultimately, made the considered determination that the offer of the bidder that submitted the Second Bid, Galderma S.A., a Switzerland corporation, was the highest and/or best offer presented and was an acceptable offer to serve as the stalking horse bidder. On September 23, 2011, Lazard and the Debtors' other advisors attended both a meeting of the special committee of the Board of Managers of Graceway Holdings, LLC and of the full Board of Managers of Graceway Holdings, LLC (conducted concurrently with meetings of the boards of managers and directors of various subsidiaries and affiliates) and were asked to provide their advice regarding a potential transaction. At both meetings, on behalf of Lazard, I shared my opinion that the bid of the Second Bidder, Galderma S.A., should be accepted as the stalking horse bid. The special committee of the Board of Managers of Graceway Holdings, LLC recommended and ultimately the full Board of Managers (and the boards of managers and directors of various subsidiaries and affiliates) voted to select Galderma S.A. as the stalking horse bidder (the "**Stalking Horse Bidder**").

16. Thereafter, the Debtors and the Stalking Horse Bidder entered into the Asset Purchase Agreement dated September 27, 2011, among the Debtors, as sellers, and the Stalking Horse Bidder, as buyer (the "**APA**"). Pursuant to the APA: (i) the Stalking Horse Bidder agreed to pay \$275,000,000 (the "**Cash Purchase Price**"), and to assume certain assumed liabilities (together with the Cash Purchase Price, the "**Stalking Horse Bid**") for the Acquired Assets (as defined in the APA), subject to the outcome of the Auction, if one is needed, and Court approval; and (ii) the Debtors agreed to provide the Bid Protections (as described herein).

17. I believe that starting with its implementation of a robust marketing process and continuing through its shepherding the deal to consummation, Lazard created a dynamic and competitive bidding process that resulted in both a purchase price that I do not believe we could have exceeded under the current circumstances and contract terms that are more favorable to the Debtors than those initially proposed by either bidder.

### **Bidding Procedures**

18. Contemporaneously with the sale process discussed above, the Debtors, with the assistance of Lazard and their other advisors, developed the bidding procedures annexed as Exhibit 1 to the order approving the Motion (the “**Bidding Procedures**”) to facilitate the competitive bidding process during these Chapter 11 Cases. I believe the Bidding Procedures will streamline the acquisition process by providing an adequate basis by which to compare and evaluate bids and that the Bidding Procedures constitute a reasonable and effective method of maximizing a return on the Debtors’ assets through a competitive, fair and open sale process.

19. Among other things, the Bidding Procedures require prospective purchasers (other than the Stalking Horse Bidder) to deliver on or before the Bid Deadline (as defined below): (i) documentation identifying the potential bidder and any principals and representatives authorized to appear and act on the potential bidder’s behalf, (ii) written evidence of corporate approval of the contemplated transaction, (iii) an executed confidentiality agreement in form and substance acceptable to the Debtors and their counsel, and (iv) written evidence upon which the Debtors 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. If a potential bidder submits such documentation and the Debtors determine, in their reasonable determination and with assistance



from their advisors, counsel to the Official Committee of Unsecured Creditors and counsel to certain of the Debtors' prepetition secured lenders, that such potential bidder 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 is able to consummate a sale within the approximate overall time frame contemplated by the APA, the potential bidder will be deemed a "**Qualified Bidder**" consistent with the Bidding Procedures.

20. The Bidding Procedures provide that Qualified Bidders are eligible to receive due-diligence access and additional non-public information about the Debtors' assets, and must comply with all requests for additional information and due-diligence access by the Debtors or their advisors. Qualified Bidders, in their discretion, may submit binding offers through and until the bid deadline specified in the Bidding Procedures (the "**Bid Deadline**"). To participate in the auction, all Qualified Bidders (with the exception of the Stalking Horse Bidder) must deliver to the Debtors a Bid that must, among other things:

- include only cash and assumed liabilities and 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), plus the cash amount of \$2,500,000 (the "**Initial Minimum Overbid Increment**");
- not be conditioned on obtaining financing or any internal approval or on the outcome or review of due diligence and any other contingencies associated with a Bid may not be more burdensome than those set forth in the APA;
- 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**");
- be accompanied by a blackline of the APA reflecting the Qualified Bidder's proposed changes to the APA, and a written commitment that the Qualified Bidder intends to close on the terms and conditions set forth therein;
- include a comprehensive list of all executory contracts and leases that the Qualified Bidder will assume and the corresponding cure amounts associated with the assumption and assignment of such leases and contracts; and

- include a deposit in the form of a certified check or cash in the amount of note less than \$27,500,000 to be held in escrow by the Debtors until the Termination Date.
- be on terms that, taken as a whole, are determined by the Debtors not to be materially more burdensome or conditional than the terms of the APA taken as a whole.

21. In my opinion, the Bidding Procedures establish reasonable “ground rules” to ensure orderly yet competitive bidding by financially capable parties to maximize sale value in as expeditious a manner as possible, while respecting the Debtors’ fiduciary obligations to their estates. Given the extensive pre-petition marketing process and competitive process by which the Stalking Horse Bidder was selected, the Bidding Procedures were necessary and appropriate under the circumstances. I also believe the Bidding Procedures are consistent with those regularly approved by bankruptcy courts in comparable situations and will streamline the sale process by providing an adequate basis by which to compare and evaluate bids and setting a floor for the purchase of the assets.

#### **Stalking Horse Bid Protections**

22. Pursuant to the Stalking Horse Bid, the Debtors have agreed to pay the Stalking Horse Bidder (a) a break-up fee equal to 3 percent (3%) of the Cash Purchase Price (the “**Break-Up Fee**”) which is equal to \$8,250,000 and (b) an expense reimbursement to reimburse the Stalking Horse Bidder for its reasonable out-of-pocket costs and expenses incurred in connection with the Sale up to a \$1,500,000 cap, if certain conditions are satisfied, which, if the Break-Up Fee is subsequently determined to be payable, shall reduce the Break-Up Fee by the amount paid the Stalking Horse Bidder (together with the Break-Up Fee, the “**Bid Protections**”). The Break-Up Fee is only due and payable in the event that an Alternative Transaction (as defined in the APA) is approved by the bankruptcy court and consummated, and is payable directly from the proceeds of such Alternative Transaction. On balance, I believe the amounts of the Bid

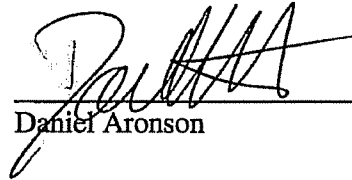
Protections ultimately agreed to by the parties appropriately balance the benefits realized by the Debtors from having the Stalking Horse Bid and the risks faced by, and costs of, the Stalking Horse Bidder in making such a commitment.

23. Importantly, the Bid Protections were material inducements for, and conditions of, the Stalking Horse Bidder's agreement to enter into the APA. The Stalking Horse Bidder would not have expended the extensive efforts necessary to evaluate the Debtors' businesses and related assets and enter into the APA, subject to higher and better offers, without being able to recover its out-of-pocket costs in the event another bidder ultimately prevails.

24. Moreover, it is my opinion that the Bid Protections are reasonable relative to the size and complexity of this transaction are appropriate and warranted under the circumstances present and are comparable to terms approved by courts in this district generally. Finally, I believe that the Debtors' entry into the APA on the terms and conditions set forth therein, including the Bid Protections, will maximize value for all creditors in these Chapter 11 Cases.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 29<sup>th</sup> day of September, 2011



A handwritten signature in black ink, appearing to read 'Daniel Aronson', is written over a solid horizontal line.

Daniel Aronson