

**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

Ref. Doc. No. 21, 128

**SUPPLEMENTAL DECLARATION OF JOSEF S. ATHANAS IN SUPPORT OF
DEBTORS' APPLICATION FOR AN ORDER PURSUANT TO SECTIONS 327(a) AND
328(a) OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS TO RETAIN
AND EMPLOY LATHAM & WATKINS LLP AS ATTORNEYS FOR THE DEBTORS
NUNC PRO TUNC TO THE PETITION DATE**

I, Josef S. Athanas, being duly sworn, state the following under penalty of perjury.

1. I am a partner in the law firm of Latham & Watkins LLP ("L&W"),² an international law firm with offices across the United States, Europe and Asia. Except as otherwise indicated, all facts set forth in this supplemental declaration (the "Supplemental Declaration") are based upon my personal knowledge, information supplied to me by other L&W professionals or paraprofessionals, or learned from my review of relevant documents. To the extent any information disclosed herein requires amendment or modification upon L&W's completion of further review or as additional party in interest information becomes available to

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 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.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Application.

L&W, an additional supplemental declaration will be submitted to this Court reflecting such amended or modified information.

2. I submit this Supplemental Declaration to supplement my prior Declaration, filed in the above-captioned cases on September 29, 2011 [Docket No. 21] (the "**Original Declaration**"), in support of the *Debtors' Application for an Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing the Debtors to Retain and Employ Latham & Watkins LLP as Attorneys for the Debtors Nunc Pro Tunc to the Petition Date* [Docket No. 21] (the "**Application**").

Disinterestedness

3. As stated in the Original Declaration, L&W and certain of its partners, counsel, and associates may have in the past represented, may currently represent and likely in the future will represent parties in interest in these Chapter 11 Cases other than the Debtors in connection with matters unrelated to the Debtors and these Chapter 11 Cases. In the ordinary course of business, L&W maintains a detailed computer database that contains nearly every name of all past and current L&W clients and certain related parties. L&W utilizes an administrative department staffed by conflict specialists to maintain and use that database.

4. L&W has continued to monitor its databases for parties in interest listed in the Original Declaration whom L&W or its attorneys may represent or have represented. Additionally, L&W has searched its databases for parties in interest whose names L&W obtained after the filing of the Original Declaration. The names L&W has obtained since filing the Original Declaration are set forth on Exhibit A hereto (together with the Potential Parties in Interest set forth in the Original Declaration, the "**Potential Parties in Interest**"). L&W conflict specialists entered the names of the Potential Parties in Interest into L&W's computer database. This exercise revealed the following: (1) Lowenstein Sandler has been a client of L&W in the

past on matters unrelated to the Debtors and these Chapter 11 Cases; and (2) one of the founding members of Value Recovery Capital, LLC has been a client of L&W in the past on matters unrelated to the Debtors and these Chapter 11 Cases.

5. While L&W has undertaken, and continues to undertake, extensive efforts to identify connections with the Debtors and other Potential Parties in Interest, it is possible that connections with some Potential Parties in Interest have not yet been identified. L&W's investigation and research of the Potential Parties in Interest has thus far failed to eliminate the possibility that Potential Parties in Interest other than those listed on either Appendix II to the Original Declaration or set forth herein may be current or former clients of L&W because (a) the names of the Potential Parties in Interest are similar to, but not identical to, current or former L&W clients or (b) the names of the Potential Parties in Interest are common names that appeared on our conflict search results, but do not appear to be the same individuals or entities that are parties in interest herein.

6. L&W will periodically review its relationships with parties that appear in these Chapter 11 Cases to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new material and relevant facts or relationships are discovered or arise, L&W will use reasonable efforts to identify such further developments and will promptly file a supplemental declaration, as required by Bankruptcy Rule 2014(a).

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

Executed this 18th day of October, 2011.

A handwritten signature in black ink, appearing to read 'Josef S. Athanas', written over a horizontal line.

Josef S. Athanas
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Exhibit A

Esther Gonzales

Lori Kasner

Brenda Morris

David L. Cohen

John Park

Steve Paquette

Amanda Pacquette

Belal Dalai

Manya Moreland

Ryan Bazler

Lowenstein Sandler

Value Recovery Capital, LLC