

Objection Deadline: November 11, 2011 at 4:00 p.m. (EST)  
Hearing Date: November 22, 2011 at 11:00 a.m. (EST)

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

GRACEWAY PHARMACEUTICALS, LLC,  
*et al.*,

Debtor.

Chapter 11

Case No. 11-13036

Jointly Administered

**OBJECTION OF MCKESSON CORPORATION AND MCKESSON SPECIALTY  
ARIZONA, INC. TO DEBTORS' AMENDED NOTICE OF (I) CURE AMOUNT WITH  
RESPECT TO EXECUTORY CONTRACTS TO BE ASSUMED AND ASSIGNED AND  
(II) POTENTIAL ASSUMPTION AND ASSIGNMENT OF EXECUTORY  
CONTRACTS**

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McKesson Corporation and McKesson Specialty Arizona, Inc. (together, "McKesson"), by and through their undersigned counsel, hereby object to the amended cure amounts set forth on Exhibit 1 to the Amended Notice of (I) Cure Amount with respect to Executory Contracts to be Assumed and Assigned and (II) Potential Assumption and Assignment of Executory Contracts [Docket #148] (the "Cure Notice") filed by the above captioned debtors and debtors-in-possession (collectively, the "Debtors") as follows:

1. On September 29, 2011 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

2. Before the Petition Date, McKesson and the Debtors were parties to at least two contracts for pharmaceutical supplies and services. These contracts are referenced on Exhibit 1 of the Cure Notice with the following proposed cure amounts: (1) Channel Management Agreement (Counter-party #270 and Contract ID #334) – \$18,808.08; and (2) Services

Agreement (Counter-party #271 and Contract ID #479) – \$1,716,756.36 (together, the “Agreements”).

3. As of the Petition Date; however, the correct cure amounts are: (1) Channel Management Agreement – \$3,563,500; and (2) the Services Agreement – \$1,810,376.57 (the “Pre-Petition Balances”). In the event the Agreements are assumed by the Debtors, the Pre-Petition Balances must be cured per section 365(b)(1)(A) of the Bankruptcy Code.

4. In addition to the Pre-Petition Balances, the Debtors must cure any and all additional amounts incurred after the Petition Date that remain unpaid at the time the Debtors sell certain assets (the “Post-Petition Balances”), as proposed by the Debtors to the Bankruptcy Court [Docket #12] (the “Sale Motion”).

5. Section 365 of the Bankruptcy Code provides the standard for assuming executory contracts. All defaults, both pre-petition and post-petition, must be cured in connection with an assumption. In addition, a debtor must assume and assign *all* the terms of a contract—*i.e.*, a contract is assumed with all of its benefits and all of its burdens. *Leslie Fay Cos. v. Corporate Property Assocs.* 3, 166 B.R. 802, 808 (Bankr. S.D.N.Y. 1994).

#### **Debtors Motion to Honor Certain Pre-petition Obligations**

6. On the Petition Date, the Debtors filed a motion for orders authorizing them to honor certain prepetition obligations to McKesson and two other wholesalers [Docket #14] (“Wholesaler Motion”).

7. The Bankruptcy Court has since entered interim [Docket #51] and final [Docket #121] orders approving the Wholesaler Motion (the “Wholesaler Orders”), which allow the Debtors to settle by credit memo the Pre-Petition Balances through a Wholesaler Support Agreement (“Wholesaler Agreement”).

8. Per the Wholesaler Orders, McKesson and the Debtors are currently negotiating the final version of the Wholesaler Agreement. If the Wholesaler Agreement is finalized and executed then the Pre-Petition Balances will be paid in full. Thereupon, the Debtors will remain obligated to McKesson for the Post-Petition Balances as provided for in the Agreements. Any unpaid Post-Petition Balances due and owing as of the closing/assignment date will be included in McKesson's cure amounts.

9. Given the fluctuating amounts owed to McKesson on any given date, any potential purchaser of the Debtors' assets that wishes to assume the Agreements must contact the undersigned for updated cure amounts due and owing under the Agreements as of the closing/assignment date.

10. McKesson reserves the right to amend, supplement, or otherwise modify this Objection and otherwise object to any attempt by the Debtors to assume, or assume and assign, the Agreements if any requirement for such assumption and/or assignment set forth in section 365 has not been satisfied (including, without limitation, the right to object to such assumption and assignment unless and until the Debtors compensate McKesson for any actual pecuniary loss, including reasonable attorneys' fees and costs, resulting from the Debtors' defaults under the Agreements, as required by section 365(b)(1)(B) of the Bankruptcy Code).

Dated: November 11, 2011

By: /s/ Jeffrey K. Garfinkle

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