

- (b) Identification of Executory Contracts and Leases to be Assumed. Qualified Bidders must submit by the Bid Deadline a comprehensive list of all executory contracts and leases that they will assume and the corresponding cure amounts associated with the assumption and assignment of such leases and contracts;
- (c) Irrevocable. A Bid must 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") unless such Bid is designated as the Back-Up Bid (defined below);
- (d) Contingencies. A Bid may not be conditioned on obtaining financing, regulatory contingencies (other than on the condition that any applicable waiting period under The Hart-Scott-Rodino Antitrust Improvements Act of 1976 (Public Law 94-435) be satisfied, which may occur subsequent to the date of the Bid Deadline), any internal approval or on the outcome or review of due diligence. Any other contingencies or conditions associated with a Bid may not be more burdensome taken as a whole than those set forth in the APA taken as a whole;
- (e) Financing Sources. A Bid must contain written evidence of a firm commitment for financing or other evidence of the financial wherewithal and ability to consummate the sale and which the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, reasonably believe to be sufficient to satisfy the standards to provide adequate assurance of future performance under Bankruptcy Code Section 365, with appropriate contact information for such financing sources;
- (f) No Fees Payable to Qualified Bidder. A Bid may not request or entitle the Qualified Bidder to any break-up fee, expense reimbursement fee or similar type of payment. Further, by submitting a Bid, a Bidder shall be deemed to waive its right to pursue a substantial contribution claim under Section 503 of the Bankruptcy Code or in any way related to the submission of its Bid or the Bidding Procedures;
- (g) Good-Faith Deposit. Each Bid must be accompanied by a deposit (the "Good Faith Deposit") in the form of a certified check or cash payable to the order of Graceway Pharmaceuticals, LLC in the amount of not less than \$27,500,000 to be held in escrow by the Debtors until the Termination Date;

- (h) Minimum Overbid. The consideration proposed by the Bid may include only cash and assumed liabilities. The aggregate consideration 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) (defined below), *plus* the cash amount of \$2,500,000 (the "Initial Minimum Overbid Increment");
- (i) Terms. A Bid must be on terms that, taken as a whole, are determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, not to be materially more burdensome or conditional than the terms of the APA taken as a whole; and
- (j) Purchase of Assets and Assumption of Liabilities. A Bid must provide for the purchase of all or a substantial portion of the Assets and payment or assumption of all or a substantial portion of the liabilities to be paid or assumed under the APA.

A Bid received from a Qualified Bidder before the Bid Deadline that meets the above requirements, and that satisfies the Bid Deadline requirement above, shall constitute a "Qualified Bid," if the Debtors believe, in their reasonable discretion (after consultation with special bankruptcy and restructuring counsel to the First Lien Agent, counsel to the Committee and the Receiver), that such Bid would be consummated if selected as the Successful Bid (as defined below). For purposes herein, the APA shall constitute a Qualified Bid. A Qualified Bid shall be considered such Qualified Bidder's "Baseline Bid."

If any Bid is determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, not to be a Qualified Bid, the Bidder shall be refunded its Good Faith Deposit and all accumulated interest thereon within three (3) business days after that determination.

Any Bid that is not deemed a Qualified Bid shall not be considered by the Debtors.

Auction

Only if a Qualified Bid (other than that of the Stalking Horse Bidder) is received by the Bid Deadline shall the Debtors conduct an auction (the "Auction") to determine the highest and/or best bid with respect to the Assets. The Auction shall commence on November 17, 2011, at 1:00 p.m. (Eastern Time) at the offices of Latham & Watkins, LLP, 885 Third Avenue, Suite 1000, New York, New York 10022-4834.

If no such Qualified Bid is received by the Bid Deadline, then (i) the Auction will not be held, (ii) the Stalking Horse Bidder will be deemed the Successful Bidder, (iii) the APA will be the Successful Bid, and (iv) at the Sale Hearing on **November 22, 2011** at 11:00 a.m. (Eastern Time), the Debtors will seek approval of and authority to consummate the proposed sale to the Stalking Horse Bidder as contemplated by the APA.

The Auction shall be conducted according to the following procedures:

(a) Participation At The Auction

Only a Qualified Bidder that has submitted a Qualified Bid is eligible to participate at the Auction. Only the authorized representatives of each of the Qualified Bidders, the Debtors, the Committee, the First Lien Agent, a representative of the United States Trustee and the Receiver shall be permitted to attend the Auction; provided, however, that if a creditor of the Debtors did not receive the Sale Motion then nothing herein shall prevent such creditor from petitioning the Bankruptcy Court for the ability to attend the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid (the "Opening Bid") and subsequently continue in minimum increments of at least \$2,500,000 (or such other amount the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to facilitate the Auction). At least two (2) business days prior to the Auction, each Qualified Bidder that has submitted a Qualified Bid must inform the Debtors and the Receiver whether it intends to participate at the Auction. The Debtors shall provide copies of the Opening Bid to the Stalking Horse Bidder and all Qualified Bidders that have indicated their intent to participate at the Auction at least one (1) business day prior to the Auction.

(b) The Debtors Shall Conduct The Auction

The Debtors and their professionals shall direct and preside over the Auction. The determination of which Qualified Bid constitutes the Opening Bid shall take into account any factors the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, reasonably deem relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities; (iii) the ability of the Qualified Bidder to close the proposed transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (v) any purchase-price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the APA, if any, contemplated by the contemplated transaction documents (the "Contemplated Transaction Documents"); (viii) the net after-tax consideration to be received by the Debtors' estates; and (ix) such other considerations the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, deem relevant in their reasonable discretion (collectively, the "Bid Assessment Criteria"). All Bids made thereafter shall be Overbids (as

defined below) and shall be made and received on an open basis, and all material terms of each Bid shall be fully disclosed to all other Qualified Bidders. The Debtors shall arrange for the actual bidding at the Auction to be transcribed or videotaped. Each Qualified Bidder participating in the Auction will be required to confirm that it has not engaged in any collusion regarding the Bidding Procedures, the Auction or the proposed transaction.

(c) Terms of Overbids

An "Overbid" is any Bid made at the Auction subsequent to the Debtors' announcement of the Opening Bid. To submit an Overbid for purposes of this Auction, a Qualified Bidder must comply with the following conditions:

(i) Minimum Overbid Increment

Any Overbid after the Opening Bid shall be made in increments of at least \$2,500,000 (or such other amount the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to facilitate the Auction).

(ii) Remaining Terms are the same as for Qualified Bids

Except as modified herein, an Overbid must comply with the conditions for a Qualified Bid set forth above, *provided, however*, that the Bid Deadline and the Initial Minimum Overbid Increment shall not apply. Any Overbid made by a Qualified Bidder must remain open and binding on the Qualified Bidder until and unless (A) the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, accept a higher Qualified Bid as an Overbid and (B) such Overbid is not selected as the Back-up Bid (as defined below).

To the extent not previously provided (which shall be determined by the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent), a Qualified Bidder submitting an Overbid must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent) demonstrating such Qualified Bidder's ability to close the transaction proposed by such Overbid.

(iii) Consideration of Overbids

The Debtors reserve the right, in their reasonable business judgment, to make, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Debtors, the Receiver and individual Qualified Bidders; (B) allow individual Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current highest and best Overbid at any given time during the Auction; and (D) give Qualified Bidders the opportunity to provide the Debtors and the Receiver with such additional evidence as the Debtors and the Receiver, in their reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Break-Up Fee will be taken into account in each round of bidding. For the avoidance of doubt, during the Auction, any bid by the Stalking Horse Bidder shall be deemed to be increased by the amount of the Break-Up Fee, *provided* that in the event that the Stalking Horse Bidder is the Successful Bidder and its Successful Bid includes the Break-Up Fee, the Stalking Horse Bidder shall be entitled to credit the amount of the Break-Up Fee against the purchase price.

(d) Additional Procedures

The Debtors, in their reasonable discretion and in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not inconsistent with any of the provisions of the Bidding Procedures, the Bidding Procedures Order or the Bankruptcy Code.

(e) Closing the Auction

Upon conclusion of the bidding, the Auction shall be closed, and the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall (i) immediately review the final Overbid of each Qualified Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identify the highest, best, and/or otherwise financially superior offer for the Assets (the "Successful Bid" and the entity submitting such Successful Bid, the "Successful Bidder"), which highest, best and/or otherwise financially superior offer will provide the greatest amount of net cash value to the Debtor, and the next highest or otherwise best offer after the Successful Bid (the "Back-up Bid"), and advise the Qualified Bidders and Notice Parties of such determination. No additional bids may be considered following the closing of the Auction. If the Stalking Horse Bidder's final Bid is deemed to be highest and best at the conclusion of the Auction, the Stalking Horse Bidder will be the Successful Bidder, and such Bid, the Successful Bid.

Within one (1) day after the closing of the Auction, the U.S. 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.

(f) Consent to Jurisdiction as Condition to Bid.

All Qualified Bidders at the Auction shall be deemed to have consented to the jurisdictions of the Bankruptcy Court and the Canadian Court and waived any right to a jury trial in connection with any disputes relating to the Auction, and the construction and enforcement of the Bidder's Contemplated Transaction Documents, as applicable.

(g) Terms of Break-Up Fee

If the APA terminates because the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, have accepted or selected, and the Bankruptcy Court and Canadian Court have each approved, the Bid or Bids (including a credit bid) of any Qualified Bidder(s) other than Stalking Horse Bidder to purchase all or a substantial portion of the Debtors' Assets, and such transaction or transactions contemplated by any such Bid or Bids has been consummated, the Debtors shall pay the Stalking Horse Bidder out of the proceeds of such transaction or transactions at the closing the "Break-Up Fee".

Acceptance of Successful Bid

The Debtors shall sell the Assets to the Successful Bidder upon the approval of the Successful Bid by the Bankruptcy Court and the Canadian Court. The Debtors' presentation of a particular Qualified Bid to the Bankruptcy Court and the Canadian Court for approval does not constitute the Debtors' acceptance of the Bid. The Debtors will be deemed to have accepted a Bid only when the Bid has been approved by the Bankruptcy Court and the Canadian Court.

Credit Bidding by First Lien Lenders

In the event the Bankruptcy Court permits the First Lien Lenders to credit bid, in addition to the requirements set forth in the section titled "Bid Requirements" above (other than with respect to clause (h) of such section), in order to be a Qualified Bid, a credit bid must provide for (a) the payment in cash at the closing of the Break-Up Fee, (b) payment in cash at closing of the Intercompany Loan (as defined in the Final DIP Order), (c) the payment in cash at closing and/or the assumption of the unpaid administrative expense claims of the Debtors owning such collateral (other than the Break-Up Fee, Intercompany Loan and the Lazard Success Fee (as defined in the Final DIP Order)) incurred from the Petition Date through and including

the date on which the closing of the sale occurs, (d) the payment in cash at closing of all claims that are senior to the claims of the First Lien Lenders pursuant to the Final DIP Order or otherwise, (e) a description of all assets to be purchased that are not subject to a valid and perfected security interest held by the agent for the First Lien Lenders, (f) payment in cash in an amount equal to the fair value of such unencumbered assets, which shall include without limitation the entire amount allocated to the assets of the Canadian Debtor (in a manner satisfactory to the Receiver acting reasonably) being acquired in the transaction and (g) payment in cash of the Lazard Success Fee. Notwithstanding any contained herein, in the event the agent for the First Lien Lenders submits a credit bid for all of its collateral pursuant to these Bidding Procedures at the Auction, the Debtors are prohibited from consulting with the agent for the First Lien Lenders with respect to any aspect of the Auction, including, without limitation, as to whether a Potential Bidder is a Qualified Bidder and the determination of the Successful Bid.

Credit Bidding by Second Lien Lenders

In the event that the Bankruptcy Court permits the Second Lien Lenders to credit bid, in addition to the requirements set forth in the section titled "Bid Requirements" above, in order to be a Qualified Bid, a credit bid by the Second Lien Lenders must provide for (a) the payment in cash at closing of the Break-Up Fee, (b) payment in cash at closing of the Intercompany Loan, (c) the payment in full in cash of all obligations owed to the First Lien Lenders and to other the holders of claims with claims senior to those of the Second Lien Lenders pursuant to the Final DIP Order or otherwise, (d) the payment in cash at closing and/or the assumption of the unpaid administrative expense claims of the Debtors owning such collateral (other than the Break-Up Fee, Intercompany Loan and the Lazard Success Fee) incurred from the Petition Date through and including the date on which the closing of the sale occurs, (e) a description of all assets to be purchased that are not subject to a valid and perfected first priority security interest held by the agent for the Second Lien Lenders, (f) payment in cash in an amount equal to the fair value of such unencumbered assets which shall include without limitation the entire amount allocated to the assets of the Canadian Debtor (in a manner satisfactory to the Receiver acting reasonably) being acquired in the transaction and (g) payment in cash of the Lazard Success Fee. In the event the agent for the Second Lien Lenders submits a credit bid for all of its collateral pursuant to these Bidding Procedures at the Auction, the Debtors are prohibited from consulting with the agent for the Second Lien Lenders with respect to any aspect of the Auction, including, without limitation, as to whether a Potential Bidder is a Qualified Bidder and the determination of the Successful Bid. Notwithstanding the right to credit bid afforded them in the Bidding Procedures, the Second Lien Agent and the Second Lien Lenders shall be deemed to have consented and waived any and all applicable rights under Bankruptcy Code Section 363(f).

"As Is, Where Is"

The sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their agents or

estates or the Receiver except to the extent set forth in the APA or the purchase agreement of another Successful Bidder. The Stalking Horse Bidder and each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Assets in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures and (a) as to the Stalking Horse Bidder, the terms of the sale of the Assets set forth in the APA, or (b) as to another Successful Bidder, the terms of the sale of the Assets set forth in the applicable purchase agreement.

Free Of Any And All Encumbrances

Except as otherwise provided in the APA or another Successful Bidder's purchase agreement, all of the Debtors' right, title, and interest in and to the Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "Encumbrances") in accordance with 11 U.S.C. § 363, with such Encumbrances to attach to the net proceeds of the sale of the Assets.

Sale Hearing

A hearing to approve the sale of the Assets to the Successful Bidder shall be conducted by the Bankruptcy Court on **November 22, 2011**, at 11:00 a.m. (Eastern Time), located at 824 North Market Street, 6th Floor, Courtroom No. 2 Wilmington, Delaware (the "Sale Hearing"). A hearing of the Canadian Sale Approval Motion will be held in conjunction with the Sale Hearing or not later than two (2) business days after the Sale Hearing. Following the approval of the sale of the Assets to the Successful Bidder at the Sale Hearing and at the hearing on the Canadian Sale Approval Motion, if such Successful Bidder fails to consummate an approved sale within fourteen (14) days after entry of order by the Bankruptcy Court approving the sale of the Assets and the granting of the Canadian Sale and Vesting Order authorized by the Canadian Court (except where the sole cause of any delay in closing is as a result of default by the Debtors), the Debtors, upon consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall be authorized, but not required, to deem the Back-up Bid, as disclosed at the Sale Hearing, the Successful Bid and the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such Back-up Bid without further notice or orders of the Bankruptcy Court or the Canadian Court. The Sale Hearing and the Canadian Sale Approval Motion may be adjourned or rescheduled without notice other than by announcement of the adjourned date at the Sale Hearing or the hearing on the Canadian Sale Approval Motion. If the Stalking Horse Bidder is not the Successful Bidder at the Auction but is designated as the bidder that has submitted the Back-Up Bid, then such Back-Up Bid must remain open until the earlier of the consummation of the transaction with the Successful Bidder

and 30 days after the conclusion of the Sale Hearing. If any other bidder submits the Back-Up Bid, such Back-Up Bid must remain open until the consummation of the Sale to the Successful Bidder.

Return of Good Faith Deposit

The Good Faith Deposit of the Successful Bidder shall be applied to the purchase price of such transaction at closing. Good Faith Deposits of all other Qualified Bidders shall be held by the Debtors until five (5) business days after closing of the transactions contemplated by the Successful Bid, and thereafter returned to the respective Qualified Bidders. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Debtors shall be entitled to retain the Good Faith Deposit as part of their damages resulting from the breach or failure to perform by the Successful Bidder. Notwithstanding anything herein to the contrary, the terms under which the Stalking Horse Bidder provided a Good Faith Deposit and the terms of its use, release and return to the Stalking Horse Bidder shall be governed by the APA.

Modifications and Reservations

The Debtors may, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, (a) determine which Qualified Bid, if any, is the highest, best, and/or otherwise financially superior offer; and (b) reject at any time before entry of orders of the Bankruptcy Court or the Canadian Court approving a Qualified Bid, any Bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the CJA, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Debtors, their estates and creditors.

At or before the Sale Hearing, the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may impose such other terms and conditions as the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may determine to be in the best interests of their estate and creditors and other parties in interest thereof that are not inconsistent with the Bidding Procedures Order, the Bidding Procedures, the Bankruptcy Code or the CJA.

The Bidding Procedures may be materially modified only upon the express written consent of the Debtors, the Receiver and the Stalking Horse Bidder (such consent not to be unreasonably withheld), or by orders of the Bankruptcy Court and the Canadian Court.

Reservation of Rights

Subject to the Bidding Procedures Order, the Debtors reserve the right as they may, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, determine to be in the best interests of their estates to: (a) determine which Potential Bidders are Qualified Bidders; (b) determine which Bids are Qualified Bids; (c) determine which Qualified Bid is the highest and best proposal and which is the next highest and best proposal; (d) reject any Bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bidding Procedures Order or the requirements of the Bankruptcy Code, the CJA or any other orders entered by the Bankruptcy Court or the Canadian Court, or (iii) contrary to the best interests of the Debtors and their estates or stakeholders, as applicable; (e) impose additional terms and conditions with respect to any or all Potential Bidders other than the Stalking Horse Bidder; (f) adjourn the Auction and/or Sale Hearing and/or the hearing on the Canadian Sale Approval Motion in open court without further notice; and (h) with the consent of the Stalking Horse Bidder, remove a portion of the Assets from the Auction. Without limiting the foregoing, the Debtors, in consultation with the Receiver, counsel to the Committee and special bankruptcy and restructuring counsel to the First Lien Agent, may determine to distribute or not distribute copies of other Qualified Bids to other Qualified Bidders prior to or during the Auction other than with respect to the distribution of the Opening Bid as set forth above.

IN THE MATTER OF THE RECEIVERSHIP OF GRACEWAY CANADA COMPANY

AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O.
1990. c. C.43, AS AMENDED

Court File No. CV-11-9411CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

BIDDING PROCEDURES ORDER

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
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Lawyers for the Applicant

CITATION: Graceway Canada Company (Re), 2011 ONSC 6403
COURT FILE NO.: CV-11-9411CL
DATE: 20111027

**SUPERIOR COURT OF JUSTICE - ONTARIO
COMMERCIAL LIST**

**RE: IN THE MATTER OF THE RECEIVERSHIP OF GRACEWAY CANADA
COMPANY, Applicant**

**AND IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O.
1990, c. C.43, AS AMENDED**

BEFORE: MORAWETZ J.

COUNSEL: Fred Myers, L. Joseph Latham and Caroline Descours, for the Applicant

J. Swartz, for RSM Richter Inc., Receiver

Mark Laugesen, for Galderma S.A., Stalking Horse Bidder

Jeffrey Levine, for the Bank of America

HEARD &

DETERMINED: October 17, 2011

REASONS

RELEASED: October 27, 2011

ENDORSEMENT

[1] On October 17, 2011, the motion was granted with reasons to follow. These are the reasons.

[2] In a joint hearing held on October 17, 2011, the Bidding Procedures were approved by the U.S. Bankruptcy Court and by this court. In granting this relief, the Applicant and Receiver were authorized and directed to conduct the Sales Process and auction as contemplated in the Bidding Procedures. I also authorized and approved the Asset Purchase Agreement among Galderma S.A., as purchaser and the Applicant, Graceway Pharmaceuticals LLC, and its U.S. affiliates (collectively with Graceway Pharmaceutical LLC, the "U.S. Debtors"), as sellers, as the Stalking Horse Agreement for the purposes of conducting a Stalking Horse auction (the "Stalking Horse Process").

[3] In granting this relief, I took into consideration that prior to the Chapter 11 filing, the Applicant and the U.S. Debtors (collectively, "Graceway") pursued a range of options to address Graceway's concern about its ability to service its debt going forward. Further, Graceway had determined that the best way to maximize the value of its assets for the benefit of creditors was to seek a sale of substantially all of its assets pursuant to s. 363 of the *United States Bankruptcy Code*.

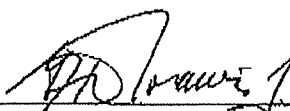
[4] I am satisfied that the Asset Purchase Agreement was negotiated at arm's length and that the purchase price payable represents a fair and reasonable price.

[5] An auction process will take place, followed by an application for court approval, both in this court and in the United States Bankruptcy Court.

[6] The Applicant is of the view that proceeding in this fashion will allow Graceway to continue operations with the least amount of disruption to its business operations, which will preserve the going concern value of the enterprise and maximize the potential recovery for creditors of both the Applicant and the U.S. Debtors. Graceway is of the view that it is in the best interests of its various estates, creditors and other stakeholders to move forward with the sales process as described in the motion record.

[7] I have been satisfied that it is appropriate to grant the requested relief. An order was signed in the form submitted approving the revised Bidding Procedures and the Asset Purchase Agreement.

[8] Finally, it is noted that the allocation of the purchase price between the Applicant and the U.S. Debtors is an outstanding issue. The Receiver, in its Report, advised that it is in discussions with the U.S. Debtors and its advisors in respect of this issue. It is expected that this issue will be resolved prior to the return of any motion to approve the sale of assets in question, which motion is currently scheduled for November 22, 2011.


MORAWETZ J.

Date: October 27, 2011

TAB D

Appendix "D"

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

Hearing Date: November 7, 2011 at 4:00 p.m. (ET)

Obj. Deadline: October 31, 2011 at 4:00 p.m. (ET)

NOTICE OF MOTION

TO: (A) THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (B) FINANCING COUNSEL TO THE ADMINISTRATIVE AGENT FOR THE LENDERS UNDER THE DEBTORS' PREPETITION FIRST LIEN CREDIT FACILITY; (C) SPECIAL RESTRUCTURING AND BANKRUPTCY COUNSEL TO THE ADMINISTRATIVE AGENT FOR THE LENDERS UNDER THE DEBTORS' PREPETITION FIRST LIEN CREDIT FACILITY; (D) COUNSEL TO THE ADMINISTRATIVE AGENT FOR THE LENDERS UNDER THE DEBTORS' PREPETITION SECOND LIEN CREDIT FACILITY; (E) THE ADMINISTRATIVE AGENT FOR THE LENDERS UNDER THE DEBTORS' PREPETITION UNSECURED MEZZANINE CREDIT FACILITY; (F) THE COMMITTEE; (G) THE CREDITORS LISTED ON THE DEBTORS' CONSOLIDATED LIST OF 30 LARGEST UNSECURED CREDITORS, AS FILED WITH THE DEBTORS' CHAPTER 11 PETITIONS; (H) THE FOOD AND DRUG ADMINISTRATION; (I) THE INTERNAL REVENUE SERVICE; (J) GRACEWAY CANADA; (K) COUNSEL TO GRACEWAY CANADA; (L) THE RECEIVER; (M) COUNSEL TO THE RECEIVER; AND (N) ALL PARTIES REQUESTING NOTICE PURSUANT TO BANKRUPTCY RULE 2002

PLEASE TAKE NOTICE that the above-captioned debtors and debtors-in-possession (collectively, the "Debtors") have filed the attached Debtors' Motion for Entry of an Order Determining the Value of the Assets of Graceway Canada Company Proposed to be Purchased Under The Stalking Horse Asset Purchase Agreement (the "Motion") with the United States Bankruptcy Court for the District of Delaware.

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.

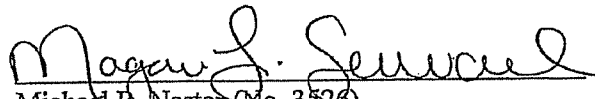
PLEASE TAKE FURTHER NOTICE that objections to the Motion, if any, must be filed on or before **October 31, 2011 at 4:00 p.m. (ET)** (the "Objection Deadline") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must also serve a copy of the response upon the undersigned counsel to the Debtors so that the response is received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD NOVEMBER 7, 2011 AT 4:00 P.M. (ET), BEFORE THE HONORABLE PETER J. WALSH, IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 6TH FLOOR, COURTROOM NO. 2, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THIS COURT MAY GRANT THE RELIEF REQUESTED BY THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: October 17, 2011
Wilmington, Delaware

Respectfully Submitted,



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**PROPOSED ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION**

**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

Hearing Date: November 7, 2011 at 4:00 p.m. (ET)

Obj. Deadline: October 31, 2011 at 4:00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF AN ORDER DETERMINING THE VALUE OF
THE ASSETS OF GRACEWAY CANADA COMPANY
PROPOSED TO BE PURCHASED UNDER THE
STALKING HORSE ASSET PURCHASE AGREEMENT**

The above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"), hereby move this Court (the "**Motion**") for entry of an order (the "**Order**"), in substantially the form attached hereto as **Exhibit A**, determining the value of the assets of Graceway Canada Company ("**Graceway Canada**"), a non-debtor affiliate of the Debtors, for purposes of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada (other than cash and accounts receivable) to the Stalking Horse Bidder (as defined below) or any higher bidder. In support of this Motion, the Debtors submit the *Declaration of Daniel Aronson in Support of the Debtors' Motion for Entry of an Order Determining the Value of the Assets of Graceway Canada Company Proposed to be Purchased*

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.

Under the Stalking-Horse Asset Purchase Agreement (the "Aronson Declaration"), attached hereto as Exhibit B and also respectfully state as follows:

Jurisdiction

1. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are Sections 105(a) and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code").

Background

A. The Debtors

3. On September 29, 2011 (the "Petition Date"), each of the Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code (collectively, the "Chapter 11 Cases"). The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. On September 30, 2011, the Court entered an order consolidating these Chapter 11 Cases for procedural purposes only [Docket No. 42]. On October 11, 2011, the Office of the United States Trustee appointed an official committee of unsecured creditors pursuant to Section 1102 of the Bankruptcy Code (the "Committee").

4. A description of the Debtors' business, the reasons for commencing these Chapter 11 Cases, and the relief sought from this Court to allow for a smooth transition into chapter 11 are set forth in the Declaration of Gregory C. Jones in Support of Chapter 11 Petitions and First Day Motions [Docket No. 3] (the "First Day Declaration").

5. Prior to the Petition Date, Graceway Pharmaceuticals, LLC ("Graceway Pharma") entered into (a) that certain First Lien Credit Agreement dated as of May 3, 2007 (as

amended, restated, supplemented or otherwise modified from time to time, the "First Lien Credit Agreement"), among, inter alia, Graceway Holdings, LLC, Graceway Pharma, the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent, and (b) that certain Second Lien Credit Agreement dated as of May 3, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Second Lien Credit Agreement" and, together with the First Lien Credit Agreement, the "Prepetition Credit Agreements"), among, inter alia, Graceway Holdings, LLC, Graceway Pharma, the lenders party thereto, and Deutsche Bank Trust Company Americas, as administrative agent and collateral agent. See First Day Declaration, ¶¶ 29-36.

6. The obligations (the "Prepetition Obligations") of Graceway Holdings, LLC, Graceway Pharma, and the Debtors other than Graceway Pharma Holding Corp. as guarantors under the Prepetition Credit Agreements are secured by, among other things, a first priority continuing security interest in substantially all of the Debtors' assets and property (other than Graceway Pharma Holding Corp.'s assets and property). See First Day Declaration, ¶¶ 29-36.

7. Additionally, the Prepetition Obligations are secured by 65% of the common stock of Graceway Canada pursuant to that certain First Lien Pledge Agreement, dated as of May 3, 2007, among, inter alia, Graceway Holdings, LLC, Graceway Pharma, the other loan parties thereto, and Bank of America, N.A., as collateral agent, and that certain Second Lien Pledge Agreement, dated as of May 3, 2007, among, inter alia, Graceway Holdings, LLC, Graceway Pharma, the other loan parties thereto, and Deutsche Bank Trust Company Americas, as collateral agent.

B. Graceway Canada

8. As set forth in the First Day Declaration, Graceway Canada is a non-debtor subsidiary of the Debtors that is located in Toronto, Ontario and operates exclusively in Canada.

See First Day Declaration, ¶ 19. Graceway Canada is a wholly owned subsidiary of debtor Graceway Canada Holdings, Inc. See Aronson Declaration, ¶ 11. Graceway Canada operates largely independently from the Debtors; however, the Debtors provide certain operational and overhead support, as well as intellectual property rights pursuant to the License Agreement (as defined below). Approximately 47 individuals are employed by Graceway Canada. See First Day Declaration, ¶ 19. Aside from asset specific leases of vehicles and the like, the assets of Graceway Canada are not encumbered by any liens or other security interests other than the liens created in connection with the Canadian Proceeding, which relate to the fees and expenses of the Receiver (as defined below) and the Receiver's counsel.

9. Pursuant to that certain Fully Paid and Royalty Free Exclusive License Agreement between Graceway Pharma and Graceway Canada, dated as of December 29, 2006 (as amended; the "License Agreement"), Graceway Pharma licensed to Graceway Canada certain patent rights, trademarks, service marks and know-how in Canada. See Aronson Declaration, ¶ 15. The License Agreement, including the First Amendment to Fully Paid and Royalty Free Exclusive License Agreement, is attached hereto as Exhibit C.

10. Pursuant to the License Agreement, Graceway Canada is not required to make (and never has made) any payments to Graceway Pharma in exchange for the license. See Aronson Declaration, ¶ 16. However, the vast majority of revenue generated by Graceway Canada is directly attributable to the intellectual property rights provided under the License Agreement. See id. ¶ 16. Without the rights provided under the License Agreement, Graceway Canada would have essentially no product to sell and would not be able to continue operating. See id. ¶ 16. Under Section 8(c) of the License Agreement, Graceway Pharma has the option to, in its discretion and without cause, terminate the License Agreement in its entirety provided that

Graceway Pharma provides Graceway Canada with at least three months prior written notice.

See License Agreement, § 8(c); Aronson Declaration, ¶ 17.

11. Graceway Canada is also the Debtors' post-petition lender. On September 30, 2011, the Court entered the *Interim Order (I) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364; (III) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. § 364 and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001* [Docket No. 52] which authorized senior secured postpetition financing in the aggregate principal amount of \$6,000,000 to be provided by Graceway Canada.

12. On October 3, 2011, Graceway Canada filed an application in the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") seeking the appointment of a receiver to oversee the sale of certain assets of Graceway Canada (the "Canadian Proceeding") pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the "CJA"). On October 4, 2011, the Canadian Court issued an order pursuant to which it, *inter alia*, appointed RSM Richter Inc. as the receiver (the "Receiver") in the Canadian Proceeding, imposed a stay of all proceedings against Graceway Canada and its property in Canada, created certain liens,² and set forth certain other limitations and procedures for all parties-in-interest in the Canadian Proceeding. The Honourable Justice Morawetz presides over the Canadian Proceeding.

C. The Sale of Substantially All of the Assets of the Debtors and Graceway Canada

13. As set forth in detail in the *Debtors' Motion for Entry of (I) an Order Approving and Authorizing (a) Bidding Procedures in Connection with the Sale of Certain Assets of the*

² The Canadian Court's order grants to the Receiver and the Receiver's counsel a lien on Graceway Canada's assets in the amount of \$300,000, as security for their fees and expenses related to the Canadian Proceeding.

Debtors, (b) *Stalking Horse Bid Protections*, (c) *the Form and Manner of Notice of the Sale Hearing*, and (d) *Related Relief*; and (II) *an Order Authorizing (a) the Sale of Certain Assets of the Debtors Free and Clear of All Claims, Liens, Liabilities, Rights, Interests and Encumbrances; (b) the Debtors to Enter into and Perform Their Obligations Under the Asset Purchase Agreement; (c) the Debtors to Assume and Assign Certain Executory Contracts and Unexpired Leases; and (d) Granting Related Relief* (the "Sale Motion") [Docket No. 12], the Debtors are seeking to sell substantially all of their assets (the "Sale"). The proposed Sale also contemplates the sale of the Canadian Acquired Assets (as defined below). See Aronson Declaration, ¶ 11. The Debtors believe that they will maximize the value of their assets by selling the Debtors' assets together with the Canadian Acquired Assets. See id. ¶ 11.

14. Prior to the commencement of these Chapter 11 Cases and the Canadian Proceeding, the Debtors' investment banker, Lazard Frères & Co. LLC ("Lazard"), conducted an extensive marketing and sales process, aggressively canvassing the marketplace to locate potential purchasers for the assets of the Debtors and Graceway Canada. See *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 of the Debtors' Assets, (B) Stalking Horse Bid Protections, (C) the Form and Manner of Notice of the Sale Hearing, and (D) Related Relief*, attached as Exhibit C to the Sale Motion (the "Sale Declaration"), ¶ 11. Lazard contacted 60 potential investors in the first round of outreach, all of whom reviewed preliminary, non-confidential solicitation materials. See id. 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"). See id. Approximately 11 Data Room

Participants responded with preliminary letters of interest (the "**Potential Purchasers**"). See id. 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. See id.

15. Two (2) of the preliminary non-binding letters of interest proposed a purchase of only the assets of Graceway Canada (the "**Canadian LOIs**"). See Aronson Declaration, ¶ 13. The Canadian LOIs included a proposed value range for the assets of Graceway Canada of between \$60 and \$90 million for the exclusive right to distribute the Debtors product(s) in Canada. See id., ¶ 13. According to the Canadian LOIs, this value range was calculated by applying a multiplier ranging from 2.0 to 3.0x to either the annual net sales or net revenue of Graceway Canada. See id., ¶ 13. The Canadian LOIs were provided prior to any due diligence and do not take into account that the License Agreement may be terminated by the Debtors at any time on three months notice. Accordingly, as discussed below, the Canadian LOIs are not relevant to determining the value of the assets of Graceway Canada because they assume the continued use of the intellectual property covered by the License Agreement and the continued revenue stream generated by the License Agreement beyond three months.

16. After evaluating the preliminary letters of interest, the Debtors, in consultation with Lazard, opted to pursue further discussions with four of the Potential Purchasers. See Sale Declaration, ¶ 12. 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. See id. 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. See id. Subsequently, on September 5, 2011, the Debtors received another binding bid to purchase certain assets of the Company (the "**Second Bid**"). See id.

17. The Debtors ultimately selected the bidder who submitted the Second Bid as the stalking horse bidder (the "**Stalking Horse Bidder**"). See Sale Declaration, ¶ 15. 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**").³ See id. ¶ 16. 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 for certain acquired assets, 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 defined in the Sale Motion). See id.

18. As set forth in greater detail in Section 2 of the APA, the Stalking Horse Bidder proposed to purchase certain assets of Graceway Canada (the "**Canadian Acquired Assets**"), while excluding others, such as cash and accounts receivable. See APA, § 2. However, the APA does not allocate the Cash Purchase Price between the Canadian Acquired Assets and the assets of the Debtors.⁴ See Aronson Declaration, ¶ 14.

D. The Purchase Price Must Be Allocated Between the Debtors and Graceway Canada

19. Because the Sale will involve the assets of both the Debtors and Graceway Canada and the portion of the Cash Purchase Price relating to the Canadian Acquired Assets must be paid directly to Graceway Canada at the closing of the Sale, the purchase price received

³ A copy of the APA is attached to the Sale Motion as Exhibit D.

⁴ Allocation of the purchase price solely for tax purposes shall be in accordance with Section 3.5 of the APA, which establishes certain procedures for the buyer and the Debtors to make such an allocation for tax purposes.

in the Sale must be allocated between the value of the Debtors' assets and the value of the Canadian Acquired Assets.

20. In accordance with that certain Sale Support Agreement, dated as of September 28, 2011, entered into by and among the Debtors, Graceway Canada, and the first lien lenders party thereto (the "Sale Support Agreement"),⁵ on the closing date of the Sale, the portion of the Cash Purchase Price that is related to the Canadian Acquired Assets must be paid by the Stalking Horse Bidder or other successful purchaser at the auction directly to the Receiver.⁶ See Sale Support Agreement, § 4(e). The Receiver will then distribute such portion of the Cash Purchase Price to Graceway Canada's creditors in accordance with applicable law. Id. Other than a potential equity distribution from Graceway Canada, the Debtors will not have any interests in or rights to the portion of the Cash Purchase Price allocated to the Canadian Acquired Assets. See Aronson Declaration, ¶ 14. However, after Graceway Canada has paid its creditors in full in accordance with applicable law, any remaining funds will be distributed to the Debtors as an equity distribution on account of the Debtors' equity interests in Graceway Canada. See Sale Support Agreement, § 4(e).

21. As discussed in greater detail below, Lazard valued the Canadian Acquired Assets as the sum of the value of such assets as reflected on Graceway Canada's balance sheet plus three months of Graceway Canada's average EBITDA based on the twelve months prior to the Petition Date, which is the maximum amount of time Graceway Canada could operate following termination of the License Agreement. See Aronson Declaration, ¶ 18. The resulting value is \$4,452,570.95. Id. ¶ 21.

⁵ A copy of the Sale Support Agreement is attached as Annex 1 to each of the Debtors' petitions.

⁶ The postpetition financing provided to the Debtors by Graceway Canada will be repaid separately from the portion of the purchase price allocated to the assets of the Debtors. See Sale Support Agreement, § 4(e).

22. The value of the Canadian Acquired Assets is readily determinable from information currently available and does not require the ultimate conclusion of the sale and auction process. See Aronson Declaration, ¶ 22. As a result, there is no reason to delay a determination of the value of the Canadian Acquired Assets.

Relief Requested

23. By this Motion, the Debtors seek an order, in substantially the form attached hereto as Exhibit A, determining the value of the Canadian Acquired Assets for the purpose of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada (other than cash and accounts receivable) to the Stalking Horse Bidder or any higher bidder.⁷

Basis for Relief

24. There are many different approaches to valuation. In re Exide Techs., 303 B.R. 48, 65 (Bankr. D. Del. 2003). Indeed, value “gathers its meaning in a particular situation from the purpose for which a valuation is being made.” Id. (internal quotations omitted). Courts in the Third Circuit therefore “must consider both the purpose of the valuation as well as the property to be valued.” Hechinger Liquidation Trust v. BankBoston Retail Fin. Inc. (In re Hechinger Inv. Co.), 2004 U.S. Dist. LEXIS, at *14 (D. Del. Mar. 28, 2004) (citing Amerada Hess Corp. v. Comm’r, 517 F.2d 75 (3d Cir. 1975)).

25. In certain contexts there is precedent to support the use of a particular valuation methodology. See, e.g., In re PWS Holding Co., 228 F.3d 224 (3d Cir. 2000) (valuation of a business enterprise for purposes of determining solvency under state fraudulent transfer law).

⁷ In the event that a bidder other than the Stalking Horse Bidder is ultimately selected by the Debtors as the successful bidder and that bidder elects to purchase assets of Graceway Canada that differ from the Canadian Acquired Assets, the valuation described herein will be adjusted to reflect the assets actually being acquired. Such adjustment will be made by the Debtors in consultation with the Receiver and the Receiver’s professionals, and will be subject to Court approval with notice and an opportunity for parties in interest to object.

Given that Graceway Canada's business may be terminated by the Debtors at any time upon three months notice, the methodology applied by Lazard is the most appropriate. Lazard valued Graceway Canada as a going concern for three months, but at liquidation value thereafter. See In re Lason, Inc., 300 B.R. 227, 231-36 (Bankr. D. Del. 2003) (concluding that a liquidation valuation is appropriate where the debtors' business could not be sold as a going concern, but noting that a going concern valuation would be appropriate if the debtors' business could have been sold as a going concern).

A. The Value of the Canadian Acquired Assets Should Be Determined by Combining the Value of the Canadian Acquired Assets on Graceway Canada's Balance Sheet with Three Months of Projected EBITDA

26. A balance sheet for Graceway Canada, dated as of September 30, 2011, is attached as Exhibit A to the Aronson Declaration (the "Canadian Balance Sheet"). The Canadian Balance Sheet reflects the value of the assets of Graceway Canada. However, the Stalking Horse Bidder is only purchasing certain of the assets reflected on the Canadian Balance Sheet. The Canadian Balance Sheet reflects the following with respect to the Canadian Acquired Assets: (a) Graceway Canada currently has "inventories" totaling approximately \$1,445,824.22; (b) Graceway Canada currently has "prepaid expenses" totaling approximately \$288,682.68; and (c) Graceway Canada currently has "product samples" totaling \$518,064.07. The combined value of these three asset categories is \$2,252,570.95 (the "Balance Sheet Total"). These three asset categories are the only categories of assets that are being acquired under the APA. The APA specifically excludes "any Tax refunds" as well as "Equipment" and "Accounts Receivable" from the Canadian Acquired Assets. See APA, § 2.2.⁸

⁸ Additionally, as discussed below, Graceway Canada has no going concern value beyond the three month termination period contained in the License, and, as a result, "Goodwill" is not a Canadian Acquired Asset and was excluded from the calculation of the Balance Sheet Total.

27. The Debtors currently provide Graceway Canada with a license to certain of their intellectual property. This License Agreement is terminable at the discretion of the Debtors upon three months notice to Graceway Canada. The Debtors have the absolute right to terminate the License Agreement – there are no conditions that are required to be satisfied prior to such termination. See License Agreement, § 8(c). The intellectual property provided to Graceway Canada under the License Agreement is property of the Debtors and merely licensed to Graceway Canada. Absent the License Agreement, Graceway Canada would not have rights to any intellectual property and, consequently, would not have any product to sell. Therefore, for purpose of valuing the Canadian Acquired Assets separate and apart from the assets of the Debtors, it is appropriate to use three months of Graceway Canada's projected EBITDA, as this is a fair and reasonable estimate of EBITDA that Graceway Canada could have if the Debtors' terminated the License Agreement.

28. As set forth on Exhibit B to the Aronson Declaration, Graceway Canada's average monthly EBITDA, based on the twelve months prior to the Filing Date, is approximately \$734,000. Thus, three months of projected EBITDA is approximately \$2,200,000.

29. The sum of the Balance Sheet Total plus three months of Graceway Canada's projected EBITDA equals approximately \$4,452,570.95 (the "Graceway Canada Value"). The Graceway Canada Value determined by Lazard reflects the fairest and most reasonable estimate of value attributable to the Canadian Acquired Assets. As a result, this Court should establish the Graceway Canada Value as the value to be used for the purpose of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada to the Stalking Horse Bidder or any higher bidder.

B. The Canadian LOIs Are Not Relevant to Determining the Value of the Canadian Acquired Assets

30. As noted above, the royalty-free License Agreement granting Graceway Canada the right to use the Debtors' intellectual property may be terminated by the Debtors at any time upon three months notice. The non-binding Canadian LOIs proposed a value range for the assets of Graceway Canada of between \$60 and \$90 million that was calculated by applying a multiplier ranging from 2.0 to 3.0x to either annual net sales or net revenue. Because the value ranges contained in the Canadian LOIs are based on annual net sales or net revenue, which assume continued operations and use of the intellectual property rights granted under the License Agreement for longer than three months, the Canadian LOIs are not relevant to the valuation of the Canadian Acquired Assets.

Conclusion

31. The proposed Sale will involve the assets of both the Debtors and Graceway Canada, and the portion of the Cash Purchase Price relating to the Canadian Acquired Assets must be paid directly to Graceway Canada at the closing of the Sale. Consequently, the purchase price received in the Sale must be allocated between the value of the Debtors' assets and the value of the Canadian Acquired Assets. Because the value of the Canadian Acquired Assets is readily determinable from evidence currently available, there is no need to delay the hearing on the value of the Canadian Acquired Assets until the ultimate conclusion of the sale and auction process.

Notice

32. The Debtors have provided notice of this Motion to: (a) the United States Trustee for the District of Delaware; (b) financing counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (c) special restructuring and bankruptcy

counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (d) counsel to the administrative agent for the lenders under the Debtors' prepetition second lien credit facility; (e) the administrative agent for the lenders under the Debtors' prepetition unsecured mezzanine credit facility; (f) the Committee; (g) the creditors listed on the Debtors' consolidated list of 30 largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (h) the Food and Drug Administration; (i) the Internal Revenue Service; (j) Graceway Canada; (k) counsel to Graceway Canada; (l) the Receiver; (m) counsel to the Receiver; and (n) all parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors submit that no further notice is required or needed under the circumstances.

33. A copy of the Motion is available on the Court's website: www.deb.uscourts.gov. Additional copies of the Motion are available for free on the website of the Debtors' claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 (310) 321-5555 if calling from outside the United States.

WHEREFORE, the Debtors respectfully request that this Court enter the Order, substantially in the form attached hereto, (a) determining the value of the Canadian Acquired Assets, and (b) granting such other and further relief as this Court deems appropriate.

Dated: October 17, 2011
Wilmington, Delaware

Respectfully Submitted,



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PROPOSED ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION

Exhibit A.

Proposed Order

**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

Docket Ref. No. _____

**ORDER DETERMINING THE VALUE OF THE ASSETS OF GRACEWAY CANADA
COMPANY PROPOSED TO BE PURCHASED UNDER THE STALKING HORSE
ASSET PURCHASE AGREEMENT**

Upon consideration of the motion (the "Motion")² of the Debtors for entry of an order determining the value of the assets of Graceway Canada Company ("Graceway Canada") for purposes of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada to the Stalking Horse Bidder or any higher bidder; 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;

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 Motion.

and after due deliberation and sufficient cause therefore, it is hereby ORDERED, ADJUDGED, . . .

AND DECREED that:

1. The Motion is GRANTED.
2. For the purpose of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada to the Stalking Horse Bidder or any other bidder, the value of the Canadian Acquired Assets proposed to be purchased by the Stalking Horse Bidder or any other bidder shall be \$4,452,570.95.³
3. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.
4. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2011
Wilmington, Delaware

Peter J. Walsh
United States Bankruptcy Judge

³ In the event that a bidder other than the Stalking Horse Bidder is ultimately selected by the Debtors as the successful bidder and that bidder elects to purchase assets of Graceway Canada that differ from the Canadian Acquired Assets, the valuation determined herein shall be adjusted to reflect the assets actually being acquired. Such adjustment will be made by the Debtors in consultation with the Receiver and the Receiver's professionals, and shall be subject to Court approval with notice and an opportunity for parties in interest to object.

Exhibit B.

Aronson Declaration

**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

**DECLARATION OF DANIEL ARONSON IN SUPPORT OF DEBTORS' MOTION FOR
ENTRY OF AN ORDER DETERMINING THE VALUE OF THE ASSETS OF
GRACEWAY CANADA COMPANY PROPOSED TO BE PURCHASED UNDER THE
STALKING HORSE ASSET PURCHASE AGREEMENT**

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")² 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 determining the value of the assets of Graceway Canada Company ("Graceway Canada"), a non-debtor affiliate of the Debtors, for purposes of allocating the value to be received in a sale of substantially all of the

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 All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Motion.

assets of the Debtors and Graceway Canada (other than cash and accounts receivable) to the Stalking Horse Bidder (as defined below) or any higher bidder.

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* [Docket No. 27] (the "Lazard Retention Application"), filed on September 29, 2011 (the "Petition Date").

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, as well as those of Graceway Canada.

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.

Graceway Canada and the Sale

10. As set forth in detail in the *Debtors' Motion for Entry of (1) an Order Approving and Authorizing (a) Bidding Procedures in Connection with the Sale of Certain Assets of the Debtors, (b) Stalking Horse Bid Protections, (c) the Form and Manner of Notice of the Sale*

~~Hearing, and (d) Related Relief; and (II) an Order Authorizing (a) the Sale of Certain Assets of the Debtors Free and Clear of All Claims, Liens, Liabilities, Rights, Interests and Encumbrances; (b) the Debtors to Enter into and Perform Their Obligations Under the Asset Purchase Agreement; (c) the Debtors to Assume and Assign Certain Executory Contracts and Unexpired Leases; and (d) Granting Related Relief (the "Sale Motion") [Docket No. 12], the Debtors are seeking to sell substantially all of their assets (the "Sale").~~

11. The proposed Sale also contemplates the sale of certain assets of Graceway Canada. Graceway Canada is a wholly owned subsidiary of Debtor Graceway Canada Holdings, Inc. that is located in Toronto, Ontario and operates exclusively in Canada. The Debtors believe that they will maximize the value of their assets by selling the Debtors' assets together with the Canadian Acquired Assets (as defined below).

12. As I stated in the *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 of the Debtors' Assets, (B) Stalking Horse Bid Protections, (C) the Form and Manner of Notice of the Sale Hearing, and (D) Related Relief*, attached as Exhibit C to the Sale Motion (the "Sale Declaration"), the Debtors received seven (7) preliminary letters of interest during the prepetition marketing and sale process. Sale Declaration, ¶ 11.

13. Of those seven (7) preliminary non-binding letters of interest, two (2) proposed a purchase of only the assets of Graceway Canada (the "Canadian LOIs"). The Canadian LOIs included a proposed value range for the assets of Graceway Canada of between \$60 and \$90 million for the exclusive right to distribute the Debtors' product(s) in Canada. According to the Canadian LOIs, this value range was calculated by applying a multiplier ranging from 2.0 to 3.0x to either the annual net sales or net revenue of Graceway Canada.

14. As further set forth in my Sale Declaration, on September 27, 2011, the Debtors and the Stalking Horse Bidder entered into the Asset Purchase Agreement, among the Debtors, as sellers, and the Stalking Horse Bidder, as buyer (the "APA"). Sale Declaration, ¶ 16. Pursuant to Section 2 of the APA, the Stalking Horse Bidder proposed to purchase certain assets of Graceway Canada (the "Canadian Acquired Assets"), while excluding others, such as cash and accounts receivable. See APA, § 2. However, the APA does not allocate the Cash Purchase Price between the Canadian Acquired Assets and the assets of the Debtors.³ Other than an a potential equity distribution from Graceway Canada, the Debtors will not have any interests in or rights to the portion of the Cash Purchase Price allocated to the Canadian Acquired Assets.

The License Agreement

15. Pursuant to that certain Fully Paid and Royalty Free Exclusive License Agreement between Graceway Pharma and Graceway Canada, dated as of December 29, 2006 (as amended, the "License Agreement"), Debtor Graceway Pharmaceuticals, LLC ("Graceway Pharma") licensed to Graceway Canada certain patent rights, trademarks, service marks and know-how in Canada. The License Agreement is attached to the Motion as Exhibit C.

16. Pursuant to the License Agreement, Graceway Canada is not required to make (and never has made) any payments to Graceway Pharma in exchange for the license. However, the vast majority of revenue generated by Graceway Canada is directly attributable to the intellectual property rights provided under the License Agreement. Without the rights provided under the License Agreement, Graceway Canada would have essentially no product to sell and would not be able to continue operating.

³ Allocation of the purchase price solely for tax purposes shall be in accordance with Section 3.5 of the APA, which establishes certain procedures for the buyer and the Debtors to make such an allocation for tax purposes.

17. Under Section 8(c) of the License Agreement, Graceway Pharma has the option to, in its discretion and without cause, terminate the License Agreement in its entirety provided that Graceway Pharma provides Graceway Canada with at least three months prior written notice. See License Agreement, § 8(c).

Valuation of the Canadian Acquired Assets

18. The value of the Canadian Assets can be calculated by adding the value of such assets as reflected on Graceway Canada's balance sheet to three months of Graceway Canada's average EBITDA, based on the twelve months prior to the Petition Date, which is the maximum amount of time Graceway Canada could operate following termination of the License Agreement.

19. A balance sheet for Graceway Canada, dated as of September 30, 2011, is attached hereto as Exhibit A (the "Canadian Balance Sheet"). The Canadian Balance Sheet reflects the value of the assets of Graceway Canada. However, the Stalking Horse Bidder is purchasing only certain of the assets reflected on the Canadian Balance Sheet. The Canadian Balance Sheet reflects the following with respect to the Canadian Acquired Assets: (a) Graceway Canada currently has "inventories" totaling approximately \$1,445,824.22; (b) Graceway Canada currently has "prepaid expenses" totaling approximately \$288,682.68; and (c) Graceway Canada currently has "product samples" totaling \$518,064.07. The combined value of these three asset categories is \$2,252,570.95 (the "Balance Sheet Total"). These three asset categories are the only categories of assets that are being acquired under the APA. The APA specifically excludes

... "any Tax refunds" as well as "Equipment" and "Accounts Receivable" from the Canadian ...

Acquired Assets. See APA, § 2.2.⁴

20. As set forth on Exhibit B hereto, Graceway Canada's average monthly EBITDA, based on the twelve months prior to the Petition Date, is approximately \$734,000. Thus, three months of projected EBITDA is approximately \$2,200,000. This is a fair and reasonable estimate of EBITDA that Graceway Canada could have if the Debtors' terminated the License Agreement.

21. The sum of the Balance Sheet Total plus three months of Graceway Canada's projected EBITDA equals approximately \$4,452,570.95 (the "Graceway Canada Value"). The Graceway Canada Value reflects the fairest and most reasonable estimate of value attributable to the Canadian Acquired Assets.

22. As discussed above, the value of the Canadian Acquired Assets is readily determinable from information currently available and does not require the ultimate conclusion of the sale and auction process.

⁴ Graceway Canada has no going concern value beyond the three month termination period contained in the License Agreement, and, as a result, "Goodwill" is not a Canadian Acquired Asset and was excluded from the calculation of the Balance Sheet Total.

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

Executed this 17th day of October, 2011



Daniel Aronson

Exhibit A

Canadian Balance Sheet

CH1306328.1

Graceway Canada Company
As of: September 30, 2011
Amounts in USD

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 4,051,099.56
Accounts Receivable, net of allowance	3,158,323.47
Intercompany Receivable	5,405.43
Other Receivables	6,326,577.36
Inventories	1,445,824.22
Prepaid Expenses	288,682.68
Product Samples	518,064.07
Total Current Assets	<u>15,793,976.79</u>

Long Term Assets

Property Plant and Equipment, Net	311,033.18
Goodwill	18,291,983.64
Long Term Deferred Tax Asset	1,143,092.58
Total Long Term Assets	<u>19,746,109.40</u>

Total Assets

\$ 35,540,086.19

LIABILITIES

Current Liabilities

Accounts Payable	\$ (94,533.52)
Accrued Expenses	(2,259,781.15)
Taxes Payable	558,849.07
Total Current Liabilities	<u>(1,795,465.60)</u>

Deferred Tax Liability

Total Liabilities

(1,522,879.50)
(3,318,345.10)

MEMBER DEFICIT

Member's Common Units	(19,906,498.69)
Member's Deficit	(5,775,528.60)
Profit / (Loss) Current Year	(3,102,359.52)
Accumulated Other Comprehensive Income	(3,437,354.28)
Total Member's Deficit	<u>(32,221,741.09)</u>

Total Liabilities and Member's Deficit

\$ (35,540,086.19)

Exhibit B

Average Monthly EBITDA

Canadian Value Allocation

(US\$ in millions)

AMERICAN CANADIAN EBITDA	
Date	Monthly EBITDA
Sep-11	(\$665)
Aug-11	335
Jul-11	909
Jun-11	(37)
May-11	716
Apr-11	710
Mar-11	1,460
Feb-11	534
Jan-11	913
Dec-10	964
Nov-10	2,281
Oct-10	687
Average Monthly EBITDA	
	\$734

LAZARD

Exhibit C

License Agreement

FULLY PAID AND ROYALTY FREE EXCLUSIVE LICENSE AGREEMENT

This LICENSE AGREEMENT (this "License Agreement") is entered into as of 29 December, 2006 (the "Effective Date"), by and between Graceway Pharmaceuticals, LLC, a limited liability company organized under the laws of the state of Delaware (the "Licensor"), and Graceway Canada Company, a company organized under the laws of Canada ("Licensee"). Licensor and Licensee are hereinafter referred to collectively as the "Parties" and each may be referred to individually as a "Party".

RECITALS

WHEREAS, Licensor, on even date herewith, has acquired various rights and interests in and to the pharmaceutical products listed on Exhibit A (collectively, the "Products") from 3M Company and certain of its Affiliates (collectively "3M") pursuant to the terms and provisions of the 3M Agreements (as defined below in Section 2(d)); and

WHEREAS, Licensor in connection with the acquisition of the pharmaceutical products from 3M, merged Chester Valley Pharmaceuticals, Inc. into Licensor and Chester Valley owns certain of the various rights and interests listed on Exhibit A; and

WHEREAS, Licensor executed the 3M Agreements in partial reliance on and in consideration for Licensee's execution of this License Agreement; and WHEREAS, Licensee's ability to market, use, sell, and distribute the Products is integral to Licensor's willingness to enter into and execute the 3M Agreements; and

WHEREAS, Licensor owns or has the right to license or sublicense in the territory listed on Exhibit B ("Territory") the use of certain patent rights, trademarks, service marks and know-how; and

WHEREAS, Licensee, an Affiliate of Licensor, wishes to obtain the right to use such patent rights, trademarks, service marks and know-how in the Territory in connection with the manufacture, distribution, marketing and sale in the Territory of the pharmaceutical products listed on Exhibit A (collectively, the "Products"); and

WHEREAS, the Parties desire to enter into this License Agreement;

NOW, THEREFORE, in consideration of the foregoing, the respective undertakings of the Parties herein and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties hereby agree as follows:

1. Defined and Other Terms.

- (a) "Affiliate" of a specified Person means a Person that directly or indirectly Controls, is Controlled by, or is under common Control with the Person specified.
- (b) "Claim" has the meaning set forth in Section 10(b).
- (c) "Confidential Information" has the meaning set forth in Section 6(a).

(d) "Control", "Controlling", or "Controlled" shall mean, with respect to any Person, any circumstance in which such Person is directly or indirectly controlled by another Person by virtue of the latter Person having the power to cause the direction of the management and policies of such other Person or the power to elect, suspend or dismiss, or cause the election, suspension or dismissal of (whether by way of voting securities, by contract, or otherwise), the majority of the members of the board of directors, the administrators or a similar corporate body of such other Person.

(e) "Disputes" has the meaning set forth in Section 9.

(f) "Force Majeure Event" has the meaning set forth in Section 13.

(g) "Governmental Entity" means any national, provincial, state, local, foreign, international or multinational entity or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government.

(h) "Improvements" has the meaning set forth in Section 2(e).

(i) "Licensed Intellectual Property" shall mean the Licensed Marks, the Licensed Know-How and the Licensed Patent Rights, in each case solely to the extent Licensor has the right to license such rights to Licensee.

(j) "Licensed Know-How" shall refer to the trade secrets, business or technical knowledge, and other confidential and proprietary information currently used or to be used by Licensor in connection with the manufacture, marketing, sale and offering for sale of Products, in each instance only to the extent Licensor both (i) has the rights to sublicense such items and (ii) elects, in its sole discretion, to disclose the same to Licensee in accordance with Section 3.

(k) "Licensed Marks" means those certain trade names, trademarks, service marks, design marks and other names, characters, devices, symbols, three-dimensional shapes or combinations thereof listed on Exhibit A (as applicable). In the event that any application by Licensor for registration of any of the Marks is rejected on the basis of pre-existing third party rights, or if Licensor is otherwise unable to obtain or maintain the right to use (and license hereunder) any such trade names, trademarks, service marks, design marks and other names, characters, devices, symbols, three-dimensional shapes or combinations thereof, then such unavailable marks, names, characters, devices, symbols, three-dimensional shapes or combinations thereof shall be excluded from the definition of "Licensed Marks" herein and shall not be licensed hereunder.

(l) "Licensed Patent Rights" means those patents and patent applications listed on Exhibit A (as applicable) hereto and the patents issuing from such pending applications, and any continuations, continuations-in-part, divisionals, provisionals, re-examinations, reissues, pending applications, supplemental protection certificates or extensions of any of the foregoing patents.

(m) "Licensor Indemnified Parties" has the meaning set forth in Section 10(a).

(n) "Losses" means claims, liabilities, damages, losses, costs, expenses (including settlements, judgments, court costs, and regardless of whether legal proceedings are instituted, reasonable attorneys' fees), fines or penalties.

(o) "Original Term" has the meaning set forth in Section 8(a).

(p) "Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, Governmental Entity or other entity.

(q) "Renewal Term" has the meaning set forth in Section 8(a).

(r) "Representatives" has the meaning set forth in Section 6(b).

(s) "Term" has the meaning set forth in Section 8(a).

Any reference in this License Agreement to a statute shall be to such statute, as amended from time to time, and to the cabinet orders, ministerial ordinances, rules and regulations promulgated thereunder.

Any reference to "including" or "include" means "including, without limitation" or "include, without limitation," respectively.

Defined words may be used in the singular or plural form, as the context requires.

2. Grant of License.

(a) Exclusive License. Subject to the terms and conditions established herein, Licensor hereby grants to Licensee an exclusive, fully paid royalty-free license under the Licensed Intellectual Property to use, offer for sale, sell, market and distribute the Products in the Territory.

(b) Ownership. Licensee recognizes that Licensor either (i) owns all right, title and interest in and to the Licensed Intellectual Property or (ii) has valid license rights superior to the rights of Licensee in and to the Licensed Intellectual Property. All use of the Licensed Intellectual Property by Licensee shall inure to the benefit of Licensor. As between the Parties, ownership of the Licensed Intellectual Property shall remain exclusively with Licensor, and no provision of this License Agreement shall be interpreted as conferring upon Licensee any proprietary interest in or with respect to the Licensed Intellectual Property. Licensee acknowledges the rights, title and interests licensed are only licensed to the extent Licensor and Chester Valley own those rights, title and interests.

(c) Improvements. All improvements and other modifications to, and derivative works of, the Licensed Intellectual Property by (i) Licensee, and (ii) Licensor at the request of Licensee (the "Improvements"), if any, shall inure to the benefit of, and ownership thereof shall vest in, Licensor, with a non-exclusive license of such Improvements to Licensee in accordance with the terms of this License Agreement; provided, however, that in the event and only to the extent that ownership of any such Improvements is deemed under applicable law to

vest in Licensee, Licensor shall be deemed to have an exclusive license to use such Improvements outside of the Territory and a non-exclusive license to use such Improvements in the Territory.

(d) Additional Restrictions. Licensee acknowledges that certain of the Licensed Intellectual Property was licensed or acquired pursuant to that certain Asset Purchase Agreement among Licensor (as successor to Graceway Pharmaceuticals, Inc.) and 3M dated November 8, 2006, as amended, that certain Intellectual Property License Agreement between Licensor and 3M dated December 29, 2006, and that certain Technology Access, Development Option and License Agreement between Licensor and 3M dated December 29, 2006 (collectively the "3M Agreements"). All such Licensed Intellectual Property is licensed hereunder subject to any restrictions, limitations, obligations or other provisions set forth in the 3M Agreements, and, Licensee agrees to comply with all applicable provisions in such agreements that relate to Licensee's use of such Licensed Intellectual Property.

3. Disclosure of Licensed Know-How.

(a) Method of Disclosure. The Licensed Know-How shall be disclosed, from time to time in the Licensor's sole discretion, partially in written form and through other tangible media and partially through training courses made available by Licensor for Licensee's personnel as contemplated in Section 3(b). The Licensed Know-How shall be disclosed in the English language and, to the extent embodied in written materials or other tangible media, in such form and on such media as Licensor customarily uses in the United States. Licensor and Licensee will jointly determine how the Licensed Know-How will be provided over time such that the Licensee is able to make use of the Licensed Know-How.

(b) Training. Licensor and Licensee shall consult and agree upon the number and selection of Licensee's personnel who shall receive instruction and participate in training courses organized by Licensor at locations designated by Licensor in the United States, or otherwise, and the scheduling of such training courses. All expenses incurred by Licensee's personnel in connection with such training shall be for the sole account of Licensee. Neither Licensor nor any of Licensor's personnel who perform training services hereunder shall be liable to Licensee or its personnel for direct or indirect damages, Losses or injuries sustained by Licensee's personnel during the course of their training and related travel.

(c) Limitations on Disclosure. Licensor and Licensee also may disclose and disseminate the Licensed Know-How through the exchange of information and ideas solely among personnel of Licensor and Licensee, including by means of visits, telephone, facsimile, e-mail and other communications. Nothing contained herein shall obligate Licensor to disclose to Licensee any Licensed Know-How. The disclosure of Confidential Information within the Licensed Know-How shall also be limited as specified in Section 6.

4. Licensee's Responsibilities.

(a) Use of Licensed Marks. Licensee shall use the Licensed Marks only in connection with Products and in accordance with the specifications and instructions given to Licensee from time to time by Licensor. Licensee shall use the Licensed Marks, if registered,

only in the style as registered or otherwise approved in writing by Licensor and, if not registered, as used or approved in writing by Licensor. Any variation from such style shall require Licensor's prior written consent.

(b) Marking Requirement. Licensee shall comply with all applicable laws, rules and regulations, as well as Licensor's requirements, regarding notices of ownership and registration of the Licensed Intellectual Property, including the Licensed Marks and the Licensed Patent Rights.

(c) No Modification. Unless authorized by Licensor in writing, Licensee shall not (i) adopt or use, as its own trade name, trademark, service mark or design, or (ii) otherwise adopt or use, any mark, name, character, device, symbol, three-dimensional shape or combination thereof, that includes or is similar to any of the Licensed Marks or any abbreviation, contraction, transliteration or translation thereof, or combine the Licensed Marks with another name or mark.

(d) Quality Standards. Licensee will provide Products connection with the Licensed Marks that are of the highest standard to protect and enhance the prestige, goodwill and reputation of Licensor and the Licensed Marks and the goodwill pertaining thereto. The Products shall be provided at least at a level of quality currently associated with the Licensed Marks provided by Licensor. The Licensed Marks shall not be used in connection with any material or message, or in any form or manner, that is pornographic, illegal, slanderous, libelous, defamatory or disparaging. Licensor shall have the right to conduct, at any reasonable time, an inspection of Licensee's facilities, promotional and sales materials, and any other use of the Licensed Marks to determine compliance with this License Agreement. If, in the reasonable opinion of Licensor, Licensee's use of the Licensed Marks fails to conform to the requirements of this Section 4(d) or any other provision of this License Agreement, Licensor shall so notify Licensee. Upon such notification, Licensee shall immediately cease using the non-conforming promotional and sales materials or making the non-conforming use of the Licensed Marks without claim against or liability of Licensor for any resulting Loss, damage, expense or cost, until the use or promotional and sales materials are, to the reasonable satisfaction of the Licensor, in conformance with this Section 5(d) and any other provision of this License Agreement.

5. Representations and Warranties.

(a) Representations and Warranties of the Licensee. Licensee hereby represents and warrants to Licensor that: (i) Licensee is a legal entity duly organized and validly existing under the laws of Canada; (ii) Licensee has the requisite corporate power and authority to execute and deliver this License Agreement and perform its obligations hereunder; and (iii) this License Agreement constitutes a valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms, subject to the applicable laws of bankruptcy, corporate reorganization, civil rehabilitation or other laws affecting the rights of creditors generally.

(b) Representations and Warranties of Licensor. Licensor hereby represents and warrants to Licensee that: (i) Licensor is a legal entity duly organized and validly existing under the laws of the State of Delaware; (ii) Licensor has the requisite corporate power and authority to execute and deliver this License Agreement and perform its obligations hereunder;

and (iii) this License Agreement constitutes a valid and binding obligation of Licensor, enforceable against Licensor in accordance with its terms, subject to the applicable laws of bankruptcy, corporate reorganization, civil rehabilitation or other laws affecting the rights of creditors generally.

(c) Disclaimer. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 5 AND SECTION 3, ALL WARRANTIES, CONDITIONS, REPRESENTATIONS, INDEMNITIES AND GUARANTEES WITH RESPECT TO LICENSED INTELLECTUAL PROPERTY AND THE PRODUCTS, WHETHER EXPRESS OR IMPLIED, ARISING BY LAW, CUSTOM, PRIOR ORAL OR WRITTEN STATEMENTS BY LICENSOR OR OTHERWISE (INCLUDING ANY WARRANTY OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT) ARE HEREBY OVERRIDDEN, EXCLUDED AND DISCLAIMED BY LICENSOR.

6. Confidential Information.

(a) Scope. For purposes of this License Agreement, "Confidential Information" means all non-public information owned or used by a Party and supplied to or obtained by the other Party, whether in oral or documentary form, during the course of performing its obligations under this License Agreement, including trade secrets, proprietary technology, Licensed Know-How or other non-public or proprietary business or technical information. Confidential Information shall not include information that (i) at the time of disclosure or thereafter is generally available to the public (other than as a result of a disclosure in violation of this License Agreement directly or indirectly by a receiving Party or its Representatives (defined below)), (ii) was available to the receiving Party on a non-confidential basis from a source other than the disclosing Party or its Representatives, provided that such source was not known by the receiving Party to be bound by a confidentiality agreement regarding the disclosing Party, or (iii) can be shown by clear and convincing evidence to have been independently acquired or developed by the receiving Party without violating any of the receiving Party's obligations.

(b) Use. Each receiving Party shall use Confidential Information solely for the purpose of performing its obligations under this License Agreement, and shall not disclose Confidential Information of a disclosing Party except to its directors, officers and employees and legal, financial or other advisors who need to know such information solely for the purpose of allowing the receiving Party to perform its obligations under this License Agreement (the Persons to whom such disclosure is permissible being collectively called "Representatives"). Before disclosing Confidential Information of the disclosing Party to its Representatives, the receiving Party shall inform its Representatives of the confidential nature of the Confidential Information and shall direct its Representatives to comply with the terms of this Section 6. Each Party agrees to be responsible for any breach of this Section 6 by its Representatives.

(c) Certain Disclosures. In the event that a receiving Party or its Representative becomes legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose Confidential Information of a disclosing Party, the receiving Party shall provide the disclosing Party with prompt prior written

notice of such requirements so that the disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Section 6. In the event that such protective order or other remedy is not obtained, the receiving Party shall furnish only that portion of the Confidential Information of the disclosing Party that is legally required and shall exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information.

(d) Destruction or Return. Each receiving Party shall, and shall cause its Representatives to, at the request of the disclosing Party, destroy or return the Confidential Information without retaining copies if and when this License Agreement is terminated or expires.

(e) Survival of Obligations. The provisions of this Section 6 shall survive the termination of this License Agreement.

7. Infringement Actions Related to the Licensed Intellectual Property.

(a) Notice. Each of the Parties shall notify the other in a timely manner of (i) any lawsuit, claim or legal action of which it becomes aware that seeks to nullify, cancel or any way invalidate the Licensed Marks or Licensed Patent Rights in the Territory, (ii) any known or reasonably suspected or anticipated action that threatens to jeopardize the confidentiality of the Confidential Information, and (iii) any violation, infringement or act of unfair competition on the part of any Person with respect to the Licensed Intellectual Property in the Territory. Additionally, Licensee shall promptly notify Licensor of any use or application by any Person of any trade name, trademark, service mark or design similar to the Licensed Marks in the Territory that comes to the attention of Licensee and which Licensee has reason to believe could be an unauthorized use of the Licensed Marks. In any event, Licensee shall notify Licensor of any such actions within the time frame required under any applicable 3M Agreement.

(b) Intellectual Property Litigation. Licensor shall have the exclusive right to initiate legal and administrative proceedings with respect to the conditions described in Section 7(a) or with respect to other actions that are known or reasonably suspected to result in the infringement, invalidation, dilution, tarnishment or other harm to the Licensed Intellectual Property. If Licensor so requests, Licensee shall join the Licensor as a party in such proceedings. Licensor, at its option, may authorize Licensee to bring legal or administrative actions against third parties under Licensor's direction. In such case, Licensee will initially bear all of the costs of such proceedings (provided the Parties shall agree upon and observe a budget and monthly reporting requirements) and will subsequently share, in such equitable proportion as the Parties may agree, in any recovery as a result thereof. Licensee will lend Licensor all assistance and cooperation reasonably requested by Licensor in connection with any action for infringement. Licensor is entitled to be represented in any litigation at its own expense.

(c) Enforcement. Subject only to Licensor's obligations set forth in Section 10(b), Licensor does not represent or warrant that it will commence legal actions against third parties infringing the Licensed Intellectual Property or that it will defend against any declaratory action alleging invalidity of any of the Licensed Intellectual Property.

8. Term and Termination.

(a) Term. The term of this License Agreement shall commence on the Effective Date and shall continue in full force and effect, unless terminated pursuant to this Section 8, until the expiration of ten (10) years from the Effective Date (the "Original Term"), and thereafter may be renewed by Licensor, in its sole discretion, for successive two (2) year periods (each, a "Renewal Term"; the Original Term and each Renewal Term shall be collectively referred to as the "Term"); provided that Licensor shall deliver to Licensee, not less than three (3) months prior to the expiration of the Original Term or the Renewal Term, as the case may be, written notice of its election to renew this License Agreement, in which case this License Agreement shall be renewed for an additional two (2) year period commencing as of the expiration of the Original Term or Renewal Term. Notwithstanding anything in this License Agreement to the contrary, the compensation payable to Licensor pursuant to Section 4 shall be determined, at the commencement of each Renewal Term, to be an amount that is commensurate with the value realized by Licensee attributable to the use of Licensed Intellectual Property by reference to the arms-length standards of inter-company pricing promulgated by the United States.

(b) Termination for Cause.

(i) Either Party shall have the option, but not the obligation, to terminate this License Agreement in its entirety for cause immediately effective upon delivery of notice to the other Party:

(A) if the other Party materially breaches any of its obligations or fails to perform its responsibilities under this License Agreement and either (I) the breaching Party fails to cure such breach or failure within thirty (30) days after receipt of written notice thereof or (II) such breach or failure is not reasonably curable within thirty (30) days after receipt of notice thereof; or

(B) if the other Party repeatedly breaches its obligations or fails to perform its responsibilities under this License Agreement and such pattern of repeated breaches or failures constitutes a material breach of this License Agreement even though the individual breaches or failures have been cured pursuant to this Section 8.

(ii) Licensee hereby waives any rights it may have under this License Agreement, at law or in equity, to terminate this License Agreement for any reason other than that set forth in clause (b)(i) above and Section 8(d) and Section 13.

(c) Termination at the Option of the Licensor. Licensor shall have the option, but not the obligation, to terminate this License Agreement in its entirety provided Licensor shall provide Licensee at least three (3) months prior written notice.

(d) Termination for Insolvency. Either Party shall have the option, but not the obligation, to terminate this License Agreement in its entirety without cause if the other Party (i) becomes insolvent or is unable to meet its debts as they mature, (ii) files a voluntary petition in bankruptcy or seeks reorganization or to effect a plan or other arrangement with creditors generally, (iii) files an answer or other pleading admitting, or fails to deny or contest, the material

allegations of an involuntary petition filed against it pursuant to any act of any Governmental Entity relating to bankruptcy, arrangement or reorganization, (iv) shall be adjudicated bankrupt or shall make an assignment for the benefit of its creditors generally, (v) shall apply for, consent to or acquiesce in the appointment of any receiver or trustee for all or a substantial part of its property, (vi) is appointed a receiver or trustee that is not discharged within thirty (30) days after the date of such appointment, (vii) is ordered to suspend business or commence liquidation procedures, (viii) files or has filed against it a petition for private arrangement, bankruptcy, special liquidation, civil rehabilitation, corporate arrangement or corporate reorganization, or (ix) has filed against it a petition for attachment, provisional attachment or provisional disposition, or procedures for the commencement of compulsory execution or disposition of tax and public dues and does not contest same. A Party may exercise its termination option pursuant to this Section 8(d) by delivering to the other Party prior written notice of such termination specifying the termination date, and such termination shall be effective as of such specified termination date.

(e) Effect of Expiration or Termination. All obligations of Licensor under this License Agreement to license the Licensed Intellectual Property, and all rights of Licensee under this License Agreement with respect to the Licensed Intellectual Property, shall cease upon expiration or termination of this License Agreement. Licensor shall not be required to provide or make available any termination or transition assistance, or buy back or facilitate the liquidation of equipment, inventory or other assets for the benefit of Licensee. Termination of this License Agreement for any reason under this Section 8 shall not affect or limit, except as expressly provided in this License Agreement, any (i) liabilities or obligations of either Party arising before such termination or out of the events causing such termination, or (ii) damages or other remedies to which a Party may be entitled under this License Agreement, at law or in equity, arising from any breaches of such liabilities or obligations. Licensee shall (A) not be entitled to claim any indemnification or other compensation as a consequence of termination of this License Agreement by Licensor in accordance with the terms hereof, except and only to the extent expressly provided herein and (B) at the request of Licensor, execute and deliver to Licensor a full waiver and release of any and all claims Licensee may have as against Licensor which would arise at law or in equity as a result of the expiration or termination of this License Agreement in accordance with the terms hereof; provided, however, that such waiver shall not apply to any claims or damages described in clause (i) and (ii) of this Section 8(e).

(f) Non-Use of Confidential Information and Licensed Intellectual Property. Other than as provided for hereunder, after termination or expiration of this License Agreement, Licensee shall not use, or permit any third party to use, Licensor's Confidential Information and Licensed Intellectual Property. Licensee acknowledges that it would be difficult for Licensor to ascertain whether or not Licensee has discontinued its use of Licensor's Confidential Information and Licensed Intellectual Property subsequent to the expiration or termination of this License Agreement. After the Term, Licensor shall have the right, at Licensor's expense, to audit Licensee's software and operations to determine Licensee's compliance with this Section 8(f). Licensee hereby acknowledges and agrees that it shall cooperate with any such audit and shall use its best efforts to provide any information reasonably requested by Licensor or its representatives in connection with such audit.

9. Dispute Resolution. In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the existence, interpretation, performance, nonperformance,

validity or breach of this License Agreement or otherwise arising out of, or in any way related to this License Agreement or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution (collectively, "Disputes"), the Parties shall negotiate in good faith for a reasonable period of time to settle such Dispute prior to instituting any proceedings.

10. Indemnification.

(a) Indemnification of Licensors Indemnified Parties. Licensee shall indemnify and hold harmless Licensor, its Affiliates, and the officers, directors, employees, shareholders, partners, Representatives, consultants and agents of Licensor and its Affiliates (the "Licensors Indemnified Parties"), from and against any Losses that any of Licensors Indemnified Parties may sustain or incur arising or allegedly arising in connection with or related to this License Agreement, except to the extent such Losses arose out of the gross negligence or willful misconduct of the Licensors Indemnified Parties in the performance or nonperformance of this License Agreement.

(b) Indemnification of Licensee. Licensor shall indemnify and hold Licensee harmless from and against any and all claims, damages, liabilities, costs or expenses, including attorneys' fees and litigation costs, arising out of a claim by a third party that the Licensed Intellectual Property infringes the intellectual property rights of any third party in the Territory, except to the extent such claim arose out of the gross negligence or willful misconduct of Licensee or its sublicensee; provided that (i) Licensee's use is in accordance with and during the term of this License Agreement, (ii) the Licensed Marks in question were not excluded from the definition of "Licensed Marks" herein, and the License Patents in question had not expired, before such claim arose, and (iii) the Licensed Intellectual Property in question was not used in violation of any export, trade or import law or regulation..

(c) Notice of Claim. In the event that a Licensors Indemnified Party or Licensee is made a defendant in or party to any action or proceeding, judicial or administrative, instituted by any third party for the liability or the costs or expenses of any Losses (any such third party action or proceeding being referred to as a "Claim"), the Party seeking indemnification shall give the other Party prompt notice thereof. The failure to give such notice shall not affect any indemnified Party's rights unless such failure has materially and adversely affected the indemnifying Party's ability to defend successfully a Claim. Except as otherwise provided below, the indemnifying Party shall be entitled to contest and defend such Claim; provided, that the indemnifying Party (i) has a reasonable basis for concluding that such defense may be successful and (ii) diligently contests and defends such Claim. Notice of the intention to contest and defend shall be given by the indemnifying Party to the indemnified Party within twenty (20) business days after the indemnified Party's notice of such Claim (but, in all events, at least five (5) business days prior to the date that an answer to such Claim is due to be filed). Such contest and defense shall be conducted by reputable attorneys employed by the indemnifying Party.

(d) Contesting Claims. Each indemnified Party shall be entitled at any time, at its own cost and expense (which expense shall not constitute a Loss unless the indemnified Party reasonably determines that the indemnifying Party is not adequately representing or, because of a conflict of interest, may not adequately represent, any interests of the indemnified Party, and only to the extent that such expenses are reasonable), to participate in such contest and

defense and to be represented by attorneys of its or their own choosing. If the indemnified Party elects to participate in such defense, the indemnified Party will cooperate with the indemnifying Party in the conduct of such defense.

(e) Compromise of Claims. None of the Licensor Indemnified Parties or Licensee may concede, settle or compromise any Claim without the consent of both of the Parties. Notwithstanding the foregoing, (i) if a Claim seeks equitable relief or (ii) if the subject matter of a Claim relates to the ongoing business of the indemnified Party, which Claim, if decided against any of the indemnified Party, would materially adversely affect the ongoing business or reputation of any of the indemnified Party, then, in each such case, the indemnified Party alone shall be entitled to contest, defend and settle such Claim in the first instance and, if the indemnified Party does not contest, defend or settle such Claim, the indemnifying Party shall then have the right to contest and defend (but not settle) such Claim.

(f) Other Claims. In the event any Licensor Indemnified Party should have a right of indemnification against Licensee that does not involve a Claim, the Licensor Indemnified Party shall deliver a written notice of such claim with reasonable promptness to Licensee. If Licensee notifies the Licensor Indemnified Party in writing that it does not dispute the claim described in such notice, the Loss in the amount specified in the Licensor Indemnified Party's notice will be conclusively deemed a liability of Licensee and Licensee shall pay the amount of such Loss to the Licensor Indemnified Party on demand in immediately available funds. If Licensee has not so notified the Licensor Indemnified Party within thirty (30) days after delivery of the said notice by the Licensor Indemnified Party, the Parties shall cause the appropriately designated Persons of each of Licensee and the Licensor Indemnified Party to negotiate in good faith a resolution of such dispute for at least thirty (30) prior to instituting any proceedings.

11. Consequential and Other Damages. EXCEPT WITH RESPECT TO A BREACH OF SECTION 2, 4 OR 6, NO PARTY SHALL BE LIABLE TO THE OTHER PARTY, OR TO ANY OFFICER, DIRECTOR, EMPLOYEE, SHAREHOLDER, PARTNER, REPRESENTATIVE, CONSULTANT OR AGENT OF THE OTHER PARTY, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR ANY SPECIAL, INDIRECT, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER, WHICH IN ANY WAY ARISE OUT OF, RELATE TO, OR ARE A CONSEQUENCE OF ANY CLAIM OR LOSS INDEMNIFIABLE UNDER THIS LICENSE AGREEMENT.

12. Limitation of Liability. OTHER THAN WITH RESPECT TO ANY THIRD PARTY CLAIM OF INFRINGEMENT UPON OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS PURSUANT TO SECTION 10(B), LICENSOR SHALL NOT BE LIABLE TO LICENSEE FOR ANY LOSSES ARISING OUT OF ANY ACTUAL OR ALLEGED INJURY, LOSS OR DAMAGE OF ANY NATURE WHATSOEVER IN PROVIDING, OR MAKING AVAILABLE, THE LICENSED INTELLECTUAL PROPERTY TO LICENSEE, EXCEPT TO THE EXTENT DUE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LICENSOR IN THE PERFORMANCE OR NON-PERFORMANCE OF THIS LICENSE AGREEMENT. IN NO EVENT SHALL THE LICENSOR'S LIABILITY TO THE LICENSEE EXCEED AN AMOUNT EQUAL TO THE

AGGREGATE ROYALTY PAYMENTS MADE TO LICENSOR DURING THE SIX (6) MONTHS PRIOR TO THE DATE OF SUCH LOSS.

13. Excused Performance. Neither Party will be deemed to be in default hereunder, or will be liable to the other, for failure to perform any of its non-monetary obligations under this License Agreement for any period and to the extent that such failure results from any event or circumstance beyond that Party's reasonable control, including acts or omissions of the other Party or third parties, natural disasters, riots, war, acts of terrorism, civil disorder, court orders, acts or regulations of Governmental Entities, labor disputes or failures or fluctuations in electrical power, heat, light, air conditioning or telecommunications equipment or lines, and which a Party could not have prevented by reasonable precautions or could not have remedied by the exercise of reasonable efforts (each, a "Force Majeure Event"). Notwithstanding the foregoing, if a Party cannot perform under this License Agreement for an aggregate of ninety (90) days during any calendar period during the Term due to such event or circumstance, the other Party may deliver notice to the non-performing Party describing the effect on it and providing notice of its intention to terminate this License Agreement.

14. General Provisions.

(a) Governing Law. This License Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of New York without regard to any rule or principle of conflict of laws therein contained.

(b) Compliance with Applicable Law. The Parties shall comply with all applicable laws, rules and regulations, including the Foreign Corrupt Practices Act of the U.S.A.

(c) English Language. This License Agreement has been drafted, negotiated and executed in the English language. If Licensee has this License Agreement translated into any other language, such translation shall be at Licensee's own expense and with the understanding that the original English version of this License Agreement shall govern. Any document required to be delivered by Licensee pursuant to this License Agreement, unless otherwise agreed between the Parties, shall be in the English language.

(d) Severability. If any provision of this License Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the provisions of this License Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. A provision that is valid, legal and enforceable shall be substituted for the severed provision and such substitute provision shall be determined in accordance with the economic intent of the parties.

(e) General Assignment. This License Agreement and the rights and obligations hereunder shall not be assigned by either Party to any other Person; provided, however, that Licensor may assign any or all of its rights and obligations under this License Agreement to an Affiliate of Licensor without notice to or consent of Licensee. This License Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

(f) Amendment and Waiver. This License Agreement may not be amended or waived except in a writing executed by the Party against which such amendment or waiver is sought to be enforced. No course of dealing between or among any Persons having any interest in this License Agreement will be deemed effective to modify or amend any part of this License Agreement or any rights or obligations of any Person under or by reason of this License Agreement.

(g) Specific Performance, Injunctive Relief. Notwithstanding anything to the contrary in this License Agreement, the Parties hereto acknowledge that each Party will be irreparably harmed and that there will be no adequate remedy at law for a violation of any of the covenants or agreements of the other Party set forth herein. Therefore, it is agreed that, in addition to any other remedies that may be available to either Party upon any such violation, the other Party shall have the right to enforce such covenants and agreements by specific performance, injunctive relief or by any other means available to such Party at law or in equity.

(h) Notices. All notices, consents, waivers and other communications required or permitted by this License Agreement shall be in writing, in English, and shall be deemed given to a Party when (i) delivered to the appropriate address by hand or by internationally recognized overnight courier service (costs prepaid); (ii) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; or (iii) received or rejected by the addressee, if sent by certified mail, return receipt requested; in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number, e-mail address or Person as a Party may designate by notice to the other Party):

Notices to the Licensor:

Graceway Pharmaceuticals, LLC
340 Edgemont Avenue, Suite 500
Bristol, TN 37620
Fax no.: (423) 274-2199
Attention: General Counsel

with a copy to (which copy shall not constitute notice):

Hogan & Hartson L.L.P.
8300 Greensboro Drive
Suite 1100
McLean, VA 22102
Attention: Tom Repke
Fax no.: (703) 610-6200
E-mail address: TEREpk@HHlaw.com

and an additional copy to (which copy shall not constitute notice):

Notices to the Licensee:
Graceway Canada Company
Attention: General Manager
252 Pall Mall Street
Suite 302
London, Ontario
N6A 5P6
Phone: 519-432-7373
Facsimile: 519-432-8097

(i) Entire Agreement. This License Agreement contains the entire understanding of the Parties in respect of the subject matter hereof, and supersedes all prior negotiations and understandings among the Parties, whether written or oral, with respect to the subject matter hereof and constitutes a complete and exclusive statement of the terms of the agreement between the Parties with respect to the subject matter hereof.

(j) Counterparts. This License Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this License Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this License Agreement and of signature pages by facsimile or e-mail transmission shall constitute effective execution and delivery of this License Agreement as to the Parties and may be used in lieu of the original License Agreement for all purposes. Signatures of the Parties transmitted by facsimile or e-mail shall be deemed to be their original signatures for all purposes.

(k) Effect of Headings. The section headings herein are for convenience only and shall not affect the construction or interpretation of this License Agreement.

(l) Further Assurances. The Parties agree (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents and (iii) to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this License Agreement and the documents referred to in this License Agreement, including Licensee's cooperation to enable Licensor or its Affiliates to make the necessary filings in the Territory or otherwise (if any) in connection with this License Agreement.

(m) Incorporation of Exhibits. The exhibits identified in this License Agreement are incorporated herein by reference and made a part hereof.

(n) Export Laws. Each Party agrees to comply with all relevant export laws and regulations of the U.S.A. to assure that no product or service is exported, directly or indirectly, in violation of such export laws.

(o) Third Party Beneficiaries. The Parties hereby expressly agree and consent to this License Agreement being entered into for the benefit of all of the Licensor Indemnified

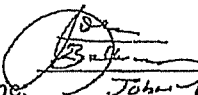
Parties for the purposes described herein. Licensee further agrees that any duty or obligation to the Licensor Indemnified Parties stated therein shall, to the fullest extent permitted by law, inure to the benefit of and be deemed to be a duty and obligation to each of the Licensor Indemnified Parties, which benefit shall be fully enforceable by each of those parties.

(p) Disclaimer of Agency; Independent Contractor. This License Agreement shall not be deemed to constitute either Party to be the agent of the other. Licensee and Licensor acknowledge that Licensor is an independent contractor and shall perform this License Agreement solely as an independent contractor. Neither Party has any authority to make any statement, representation, or commitment of any kind or to take any action binding upon the other Party without the other Party's written consent.

[Reminder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed and delivered this License Agreement as of the Effective Date.

GRACEWAY PHARMACEUTICALS, LLC

By: 
Name: John Ballam
Title: V.P. & General Counsel

GRACEWAY CANADA COMPANY

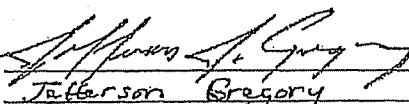
By: 
Name: Patterson Gregory
Title: CEO

EXHIBIT A TO LICENSE AGREEMENT

PRODUCTS

Exhibit B to Schedule 8(a)
Patents and Trademarks

EXECUTION COPY

See items 1-4 on Schedule 7.02 to Credit Agreement for Liens with respect to certain Patents and Trademarks listed below..

See items 1-4 on Schedule 5.17 to Credit Agreement for potential conflicts with respect to rights in certain Patents and Trademarks below.

UNITED STATES PATENTS¹:

Registrations:

OWNER	REGISTRATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	4689338	Aldara (Imiquimod)
Graceway Pharmaceuticals, LLC	4988815	Aldara (Process)
Graceway Pharmaceuticals, LLC	5578727	Aldara (Process)
Graceway Pharmaceuticals, LLC	5602256	Aldara (Process)
Graceway Pharmaceuticals, LLC	5367076	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	5175296	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	5395937	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	5741908	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	5998619	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6150523	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6437131	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6534654	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6613902	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6624305	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	6897314	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	7026482	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	5736553	Aldara (Aldara formulation)
Graceway Pharmaceuticals, LLC	5238944	Aldara (Aldara formulation)
Graceway Pharmaceuticals, LLC	5840744	Metrogel/Zidovul (low pH formulation)
Graceway Pharmaceuticals, LLC	5536743	Metrogel/Zidovul (low pH formulation)
Graceway Pharmaceuticals, LLC	4938966	Tambocor and Tabocor CR (CR formulation)
Graceway Pharmaceuticals, LLC	5741909	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	5977366	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	5389640	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	5605899	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	6348462	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	6465654	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	6608201	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	6686472	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	6790961	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	5939090	Resiquimod Gel formulation
Graceway Pharmaceuticals, LLC	6365166	Resiquimod Gel formulation
Graceway Pharmaceuticals, LLC	6797716**	Solirimod (850) compound
Graceway Pharmaceuticals, LLC	6894165**	Solirimod (850) compound
Graceway Pharmaceuticals, LLC	6949646**	Solirimod (850) compound
Graceway Pharmaceuticals, LLC	7038051**	Solirimod (850) compound

¹ Cancelled, abandoned, and unfiled patents have not been included.

OWNER	REGISTRATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	6541485**	Alkyl Ureas (S-32913 and S-33005 asthma compounds)
Graceway Pharmaceuticals, LLC	6573273**	Alkyl Ureas (S-32913 and S-33005 asthma compounds)
Graceway Pharmaceuticals, LLC	6780873**	Alkyl Ureas (S-32913 and S-33005 asthma compounds)
Graceway Pharmaceuticals, LLC	6784188**	Alkyl Ureas (S-32913 and S-33005 asthma compounds)

Applications:

OWNER	APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	11/530935	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	60/807669 ²	Aldara (Aldara foam)
Graceway Pharmaceuticals, LLC	10/808004	Aldara (treatment of RCC)
Graceway Pharmaceuticals, LLC	11/276074**	Sotrimod (850) compound
Chester Valley Pharmaceuticals, LLC	60/746075	Composition comprising corticosteroid and glycyrrhiza related substance and method for treating Dermatoses
Chester Valley Pharmaceuticals, LLC	11/551984	Topical composition comprising benzoyl peroxide in a hydrating complex
Graceway Pharmaceuticals, LLC	60/900,550	Methods Of Treating Dermatological Disorders And Inducing Interferon Biosynthesis With Shorter Durations Of Imiquimod Therapy
Graceway Pharmaceuticals, LLC	60/896,792	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,805	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,811	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,815	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,817	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,830	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders

² Provisional application dated July 18, 2006.

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OWNER	APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	60/896,835	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,838	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,844	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,846	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,850	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,870	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,871	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,873	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,875	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,876	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,879	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,881	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,882	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,885	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,887	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,889	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,890	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders

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OWNER	APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	60/896,891	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders
Graceway Pharmaceuticals, LLC	60/896,892	Method And Packages To Enhance Safety When Using Imiquimod To Treat Children Diagnosed With Skin Disorders

Licenses:

LICENSEE	LICENSOR	REGISTRATION/ APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6624172**	Sotirmod (850) compound
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6693113**	Sotirmod (850) compound
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5511540	caged spring
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6245776	Fatty Acid/Carbomer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6486168	Fatty Acid/Carbomer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/306019 (Application #)	Family (AK II creams)
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/598824 (Application #)	Sorbic Acid/BHT formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	7030129	Method of treating UV immunosuppression
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	11/358017 (Application #)	Method of treating UV immunosuppression
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/799960 (Application #)	Tattoo removal
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/799999 (Application #)	Skin rejuvenation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	11/091037 (Application #)	Skin rejuvenation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/799997 (Application #)	Diagnosis of skin lesions
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	11/001979 (Application #)	Combination with antiinflammatory
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	11/142045 (Application #)	Combination with antiinflammatory
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6039969	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6200592	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6610319	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6696076	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5720940*	Case 10 134a formulations

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LICENSEE	LICENSOR	REGISTRATION/ APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5776434*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5766573*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6352684*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5225183*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5695743*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5439670*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5605674*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5674473*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5681545*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5683677*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6126919*	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	6416742*	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	10/078805* (Application #)	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5725841*	Ester -, amide -, or mercaptoester derived dispersing aid
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	5569450 (Application #)	Ester -, amide -, or mercaptoester derived dispersing aid
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	11/276324* (Application #)	alternative formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	60/820876* (Application #)	sterile Aldara
Chester Valley Pharmaceuticals, LLC	Sinclair Pharmaceuticals Ltd. ³	10/963,848 (Application #)	Atopiclair
Chester Valley Pharmaceuticals, LLC	Sinclair Pharmaceuticals Ltd. ⁴	11/358,747 (Application #)	Atopiclair

OTHER PATENTS:

Registrations:

³ Not under jurisdiction of Edwards Angell Palmer & Dodge LLP. A licensed patent under the Sinclair License Agreement.

⁴ Not under jurisdiction of Edwards Angell Palmer & Dodge LLP. A licensed patent under the Sinclair License Agreement.

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OWNER	REGISTRATION NUMBER	COUNTRY/ STATE	DESCRIPTION
Graceway Pharmaceuticals, LLC	PI1100396-0*****	Brazil	Aldara (Imiquimod)
Graceway Pharmaceuticals, LLC	1271477	Canada	Aldara (Imiquimod)
Graceway Pharmaceuticals, LLC	177242	Mexico	Aldara (Imiquimod)
Graceway Pharmaceuticals, LLC	251755	Argentina	Aldara (Process)
Graceway Pharmaceuticals, LLC	255497	Argentina	Aldara (Process)
Graceway Pharmaceuticals, LLC	2027245	Canada	Aldara (Process)
Graceway Pharmaceuticals, LLC	176827	Mexico	Aldara (Process)
Graceway Pharmaceuticals, LLC	2093132	Canada	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	2104781	Canada	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	213533	Mexico	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	PI1100347-2	Brazil	Aldara (Aldara formulation)
Graceway Pharmaceuticals, LLC	2004597	Canada	Aldara (Aldara formulation)
Graceway Pharmaceuticals, LLC	1337279	Canada	Metrogel/Zidoval (low pH formulation)
Graceway Pharmaceuticals, LLC	179375	Mexico	Metrogel/Zidoval (low pH formulation)
Graceway Pharmaceuticals, LLC	1273871	Canada	Minitrin (formulation)
Graceway Pharmaceuticals, LLC	2002337	Canada	Tambacor and Tabacor CR (CR formulation)
Graceway Pharmaceuticals, LLC	PI1100338-3	Brazil	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	PI1100465-7	Brazil	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	2104782	Canada	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	2289219	Canada	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	182563	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	204526	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	208160	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	208161	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	208162	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	2273094	Canada	Resiquimod Gel formulation
Graceway Pharmaceuticals, LLC	204562	Mexico	Resiquimod Gel formulation

*****Status unclear, because expired, but application requesting extension is listed as being on appeal. The judgment session is scheduled for 24 April 2007.

Applications:

OWNER	APPLICATION NUMBER	COUNTRY/ STATE	DESCRIPTION
Graceway Pharmaceuticals, LLC	2257846	Canada	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	2002012021	Mexico	Aldara (Alternative synthetic process)
Graceway Pharmaceuticals, LLC	2001012037	Mexico	Resiquimod (848) Compound
Graceway Pharmaceuticals, LLC	PI9713677-8	Brazil	Resiquimod Gel formulation
Graceway Pharmaceuticals, LLC	PI0011448-0**	Brazil	Alkyl Ureas (S-32913 and S-33005 asthma compounds)
Graceway Pharmaceuticals, LLC	2376296**	Canada	Alkyl Ureas (S-32913 and S-33005 asthma compounds)
Graceway Pharmaceuticals, LLC	2001012598**	Mexico	Alkyl Ureas (S-32913 and S-33005 asthma compounds)

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OWNER	APPLICATION NUMBER	COUNTRY/ STATE	DESCRIPTION
Graceway Pharmaceuticals, LLC	Divisional of PI9814275-5	Brazil	Sotirmod (850) compound
Graceway Pharmaceuticals, LLC	MX/a/2007/0001 65 (Divisional of 005684)	Mexico	Sotirmod (850) compound
Graceway Pharmaceuticals, LLC	070100013	Argentina	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	SP-270009	Bolivia	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	2-2007	Chile	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC		Dominican Republic	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	P2007-0003 87120	Panama	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	25.2007	Peru	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	2007-000047	Venezuela	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	US2006/049518	PCT	Aldara (Alternative packaging)
Graceway Pharmaceuticals, LLC	070100012	Argentina	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	SP-270010	Bolivia	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	3-2007	Chile	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	P2007-0002	Dominican Republic	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	87120-01	Panama	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	23.2007	Peru	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	2007-000048	Venezuela	Immune Response Modifier Formulations Containing Oleic Acid And Methods
Graceway Pharmaceuticals, LLC	US2006/49517	PCT	Immune Response Modifier Formulations Containing Oleic Acid And Methods

Licenses:****

LICENSEE	LICENSOR	COUNTRY/ STATE	REGISTRATION/ APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2004598	HFA 134a formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2303601 (Application #)	HFA 134a formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	174127	HFA 134a formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Brazil	PI1100339-1	BDP formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2094266	BDP formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	179563	BDP formulation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2098727	1085 gasket material

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LICENSEE	LICENSOR	COUNTRY/ STATE	REGISTRATION/ APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2161632	dual seal
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Brazil	PI0007435-7 (Application #)	Fatty acid/Carbomer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2361936 (Application #)	Fatty acid/Carbomer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	240097	Fatty acid/Carbomer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Brazil	PI0214566-9 (Application #)	AK II creams
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2467828 (Application #)	AK II creams
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	2004005023 (Application #)	AK II creams
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	US2005-008576 (Application #)	Sorbic/BHT formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Brazil	PI0307788-8 (Application #)	Method of treating UV immunosuppression
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2475595 (Application #)	Method of treating UV immunosuppression
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	2004008023 (Application #)	Method of treating UV immunosuppression
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2518445 (Application #)	Tattoo removal
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Brazil	PI0408476-4 (Application #)	Skin rejuvenation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2518282 (Application #)	Skin rejuvenation
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2518082 (Application #)	Diagnosis of skin lesions
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2268957 (Application #)	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	212449	TH2-mediated diseases, including asthma
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2004598*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2303601* (Application #)	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	174127*	Case 10 134a formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2279522* (Application #)	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	239177*	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	2004012521* (Application #)	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Mexico	2004012525* (Application #)	Biocompatible polymer formulations
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2156408*	Ester -, amide -, or mercaptoester derived dispersing aid

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LICENSEE	LICENSOR	COUNTRY/ STATE	REGISTRATION/ APPLICATION NUMBER	DESCRIPTION
Graceway Pharmaceuticals, LLC	3M Innovative Properties Company	Canada	2470520* (Application #)	Functionalized PEG formulations

* Upon full and final payment pursuant to the Technology Access, Development Option and License Agreement dated as of the Closing Date among 3M Company, 3M Innovative Properties Company, Riker Laboratories, Inc., and Graceway Pharmaceuticals, Inc., ownership of this patent will transfer to Graceway Pharmaceuticals, LLC.


** Continuations, divisionals, etc. excluded pursuant to Patents Assignment dated as of the Closing Date among 3M Company, 3M Innovative Properties Company, and Riker Laboratories, Inc. for the benefit of Graceway Pharmaceuticals, Inc.

***Not specifically listed in the licensing schedules reviewed, but verification of assignment from inventors to 3M Innovative Properties Company is still under investigation. Patent assignment states that each buyer has the right to file national phase applications in countries within its respective region on the following 3M PCT applications:

PCT/US2006/008868	PCT	AK II dosing regimen
PCT/US2005/047375	PCT	Process for making 850

UNITED STATES TRADEMARKS:


Registrations:

OWNER	REGISTRATION NUMBER	TRADEMARK
Graceway Pharmaceuticals, LLC	2053136	ALDARA
Graceway Pharmaceuticals, LLC	962509	ALU-CAP
Graceway Pharmaceuticals, LLC	2181399	
Graceway Pharmaceuticals, LLC	1523151	MAXAIR
Graceway Pharmaceuticals, LLC	3208459	MAXAIR
Graceway Pharmaceuticals, LLC	1540056	MINITRAN
Graceway Pharmaceuticals, LLC	697028	NORFLEX
Graceway Pharmaceuticals, LLC	771046	NORGESTIC
Graceway Pharmaceuticals, LLC	1202505	TAMBOCOR

Applications:

OWNER	APPLICATION NUMBER	TRADEMARK
Graceway Pharmaceuticals, LLC*	78/930,572	GRACEWAY
Graceway Pharmaceuticals, LLC*	78/930,569	GRACEWAY PHARMACEUTICALS

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OWNER	APPLICATION NUMBER	TRADEMARK
Graceway Pharmaceuticals, LLC*	77/116,783	G GRACEWAY PHARMACEUTICALS, LLC & Design
Graceway Pharmaceuticals, LLC*	77/116,781	G GRACEWAY PHARMACEUTICALS & Design
Graceway Pharmaceuticals, LLC*	77/116,780	G GRACEWAY PHARMACEUTICALS, LLC & Design
Graceway Pharmaceuticals, LLC*	77/116,778	G GRACEWAY PHARMACEUTICALS & Design
Chester Valley Pharmaceuticals, Inc.	78/893274	
Chester Valley Pharmaceuticals, Inc.	78/651054	BENZELLE
Chester Valley Pharmaceuticals, Inc.	78/647931	BENZIQ

*Marks not filed or maintained by Edwards Angell Palmer & Dodge LLP.

Licenses:

LICENSEE	LICENSOR	REGISTRATION/ APPLICATION NUMBER	TRADEMARK
Graceway Pharmaceuticals, LLC	3M Company	856085	AUTOHALER
Graceway Pharmaceuticals, LLC	3M Company	78-855455 (Application #)	AUTOHALER
Chester Valley Pharmaceuticals, Inc.	Sinclair Pharmaceuticals Ltd.	3126272	ATOPICLAIR
Chester Valley Pharmaceuticals, Inc.	Sinclair Pharmaceuticals Ltd.	76/421,556*	ATOPICLAIR and Design
Chester Valley Pharmaceuticals, Inc.	Sinclair Pharmaceuticals Ltd.	3123302	SEBCLAIR
Chester Valley Pharmaceuticals, Inc.	Sinclair Pharmaceuticals, Ltd.	76/421,554**	SEBCLAIR and Design
Chester Valley Pharmaceuticals, LLC	Astellas US LLC ⁵	1024480	CYCLOCORT
Chester Valley Pharmaceuticals, LLC	Astellas US LLC ⁶	1226422	ARISTOCORT A

⁵ If the purchase option is not exercised before December 31, 2007, this license will expire on that date pursuant to the Trademark License and Purchase Agreement by and between Astellas US LLC and Chester Valley Pharmaceuticals, Inc. effective as of July 31, 2006.

⁶ See footnote 5.

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LICENSEE	LICENSOR	REGISTRATION/ APPLICATION NUMBER	TRADEMARK
Chester Valley Pharmaceuticals, LLC	Astellas US LLC ⁷	1143876	ARISTOCORT A

*Abandoned on March 26, 2006 for failure to file a Statement of Use after Notice of Allowance issued.

**Abandoned on April 15, 2006 for failure to file a Statement of Use after Notice of Allowance issued.

OTHER TRADEMARKS:

Registrations:

OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	1652712	Argentina	ACUPAN
Graceway Pharmaceuticals, LLC	1232/63 15291	Brazil	ACUPAN
Graceway Pharmaceuticals, LLC	49950	Costa Rica	ACUPAN
Graceway Pharmaceuticals, LLC	22/88	El Salvador	ACUPAN
Graceway Pharmaceuticals, LLC	31256/366/77	Guatemala	ACUPAN
Graceway Pharmaceuticals, LLC	10190A	Guyana	ACUPAN
Graceway Pharmaceuticals, LLC	17140	Jamaica	ACUPAN
Graceway Pharmaceuticals, LLC	683767	Mexico	ACUPAN
Graceway Pharmaceuticals, LLC	81007	Panama	ACUPAN
Graceway Pharmaceuticals, LLC	40182	Peru	ACUPAN
Graceway Pharmaceuticals, LLC	9001	Trinidad and Tobago	ACUPAN
Graceway Pharmaceuticals, LLC	16214	Bahamas	AEROBEC
Graceway Pharmaceuticals, LLC	81/8447	Barbados	AEROBEC
Graceway Pharmaceuticals, LLC	429675	Canada	AEROBEC
Graceway Pharmaceuticals, LLC	76150	Costa Rica	AEROBEC
Graceway Pharmaceuticals, LLC	76151	Costa Rica	AEROBEC
Graceway Pharmaceuticals, LLC	550/90	Ecuador	AEROBEC
Graceway Pharmaceuticals, LLC	66676/28/145	Guatemala	AEROBEC
Graceway Pharmaceuticals, LLC	53961	Honduras	AEROBEC
Graceway Pharmaceuticals, LLC	24134	Jamaica	AEROBEC
Graceway Pharmaceuticals, LLC	25876	Jamaica	AEROBEC
Graceway Pharmaceuticals, LLC	395872	Mexico	AEROBEC
Graceway Pharmaceuticals, LLC	146627	Paraguay	AEROBEC
Graceway Pharmaceuticals, LLC	231777	Paraguay	AEROBEC
Graceway Pharmaceuticals, LLC	19580	Trinidad and Tobago	AEROBEC
Graceway Pharmaceuticals, LLC	19589	Trinidad and Tobago	AEROBEC
Graceway Pharmaceuticals, LLC	344184	Uruguay	AEROBEC
Graceway Pharmaceuticals, LLC	1585658	Argentina	AIROMIR
Graceway Pharmaceuticals, LLC	16075	Bahamas	AIROMIR
Graceway Pharmaceuticals, LLC	81/7893	Barbados	AIROMIR

⁷ See footnote 5.

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	8285	Belize	AIROMIR
Graceway Pharmaceuticals, LLC	25794	Bermuda	AIROMIR
Graceway Pharmaceuticals, LLC	58219-C	Bolivia	AIROMIR
Graceway Pharmaceuticals, LLC	817437380	Brazil	AIROMIR
Graceway Pharmaceuticals, LLC	495773	Canada	AIROMIR
Graceway Pharmaceuticals, LLC	687051	Chile	AIROMIR
Graceway Pharmaceuticals, LLC	153215	Colombia	AIROMIR
Graceway Pharmaceuticals, LLC	85976	Costa Rica	AIROMIR
Graceway Pharmaceuticals, LLC	130026	Cuba	AIROMIR
Graceway Pharmaceuticals, LLC	Acknowledge	Dominican Republic	AIROMIR
Graceway Pharmaceuticals, LLC	3036-94	Ecuador	AIROMIR
Graceway Pharmaceuticals, LLC	74530	Guatemala	AIROMIR
Graceway Pharmaceuticals, LLC	59610	Honduras	AIROMIR
Graceway Pharmaceuticals, LLC	33351	Jamaica	AIROMIR
Graceway Pharmaceuticals, LLC	4313	Netherlands Antilles	AIROMIR
Graceway Pharmaceuticals, LLC	27250CC	Nicaragua	AIROMIR
Graceway Pharmaceuticals, LLC	77662	Panama	AIROMIR
Graceway Pharmaceuticals, LLC	4424	Peru	AIROMIR
Graceway Pharmaceuticals, LLC	21850	Trinidad and Tobago	AIROMIR
Graceway Pharmaceuticals, LLC	264213	Uruguay	AIROMIR
Graceway Pharmaceuticals, LLC	1704770	Argentina	ALDARA
Graceway Pharmaceuticals, LLC	17205	Bahamas	ALDARA
Graceway Pharmaceuticals, LLC	81/10041	Barbados	ALDARA
Graceway Pharmaceuticals, LLC	8286	Belize	ALDARA
Graceway Pharmaceuticals, LLC	26874	Bermuda	ALDARA
Graceway Pharmaceuticals, LLC	63968-C	Bolivia	ALDARA
Graceway Pharmaceuticals, LLC	818383550	Brazil	ALDARA
Graceway Pharmaceuticals, LLC	520368	Canada	ALDARA
Graceway Pharmaceuticals, LLC	456995	Chile	ALDARA
Graceway Pharmaceuticals, LLC	211344	Colombia	ALDARA
Graceway Pharmaceuticals, LLC	Acknowledge	Costa Rica	ALDARA
Graceway Pharmaceuticals, LLC	130024	Cuba	ALDARA
Graceway Pharmaceuticals, LLC	77782	Dominican Republic	ALDARA
Graceway Pharmaceuticals, LLC	1836/96	Ecuador	ALDARA
Graceway Pharmaceuticals, LLC	220/57	El Salvador	ALDARA
Graceway Pharmaceuticals, LLC	86051	Guatemala	ALDARA
Graceway Pharmaceuticals, LLC	76884	Honduras	ALDARA
Graceway Pharmaceuticals, LLC	27344	Jamaica	ALDARA
Graceway Pharmaceuticals, LLC	499497	Mexico	ALDARA
Graceway Pharmaceuticals, LLC	8684	Netherlands Antilles	ALDARA
Graceway Pharmaceuticals, LLC	3109CC	Nicaragua	ALDARA
Graceway Pharmaceuticals, LLC	75082	Panama	ALDARA
Graceway Pharmaceuticals, LLC	275683	Paraguay	ALDARA
Graceway Pharmaceuticals, LLC	17291	Peru	ALDARA
Graceway Pharmaceuticals, LLC	23874	Trinidad and Tobago	ALDARA
Graceway Pharmaceuticals, LLC	P/189722	Venezuela	ALDARA
Graceway Pharmaceuticals, LLC	2883	Virgin Islands (British)	ALDARA
Graceway Pharmaceuticals, LLC	208956	Canada	ALU-TAB
Graceway Pharmaceuticals, LLC	1862771	Argentina	ARISILON
Graceway Pharmaceuticals, LLC	75418	Honduras	ARISILON

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	248310	Uruguay	ARISILON
Graceway Pharmaceuticals, LLC	301372	Uruguay	ARISILON
Graceway Pharmaceuticals, LLC	P/217122	Venezuela	ARISILON
Graceway Pharmaceuticals, LLC	595083	Chile	CORO-NITRO
Graceway Pharmaceuticals, LLC	24708	Jamaica	CORO-NITRO
Graceway Pharmaceuticals, LLC	1671508	Argentina	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	19694	Bahamas	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	81/7858	Barbados	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	331105	Belize	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	28604	Bermuda	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	70579-C	Bolivia	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	819891363	Brazil	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	526478	Canada	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	49442	Chile	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	249556	Colombia	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	103939	Costa Rica	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	90323	Dominican Republic	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	12635/01	Ecuador	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	94/99	El Salvador	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	91098	Guatemala	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	69587	Honduras	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	B30296	Jamaica	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	558371	Mexico	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	4314	Netherlands Antilles	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	35502	Nicaragua	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	86852	Panama	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	205481	Paraguay	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	36192	Peru	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	26593	Trinidad and Tobago	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	294302	Uruguay	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	P-236507	Venezuela	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	16215	Bahamas	DIFFLAM
Graceway Pharmaceuticals, LLC	81/8293	Barbados	DIFFLAM
Graceway Pharmaceuticals, LLC	664711	Chile	DIFFLAM
Graceway Pharmaceuticals, LLC	14278A	Guyana	DIFFLAM
Graceway Pharmaceuticals, LLC	28345	Jamaica	DIFFLAM
Graceway Pharmaceuticals, LLC	22259	Trinidad and Tobago	DIFFLAM
Graceway Pharmaceuticals, LLC	53265	Costa Rica	DUROMINE
Graceway Pharmaceuticals, LLC	26871	Dominican Republic	DUROMINE
Graceway Pharmaceuticals, LLC	2985/93	Ecuador	DUROMINE
Graceway Pharmaceuticals, LLC	159	El Salvador	DUROMINE
Graceway Pharmaceuticals, LLC	100953	Guatemala	DUROMINE
Graceway Pharmaceuticals, LLC	25477	Honduras	DUROMINE
Graceway Pharmaceuticals, LLC	28396	Jamaica	DUROMINE
Graceway Pharmaceuticals, LLC	38456	Nicaragua	DUROMINE
Graceway Pharmaceuticals, LLC	126218	Paraguay	DUROMINE
Graceway Pharmaceuticals, LLC	22262	Trinidad and Tobago	DUROMINE
Graceway Pharmaceuticals, LLC	486886	Chile	EPAQ
Graceway Pharmaceuticals, LLC	224/37	El Salvador	EPAQ
Graceway Pharmaceuticals, LLC	84464	Guatemala	EPAQ

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	114290	Guatemala	EPAQ
Graceway Pharmaceuticals, LLC	61488	Honduras	EPAQ
Graceway Pharmaceuticals, LLC	86386	Honduras	EPAQ
Graceway Pharmaceuticals, LLC	488967	Mexico	EPAQ
Graceway Pharmaceuticals, LLC	648124	Mexico	EPAQ
Graceway Pharmaceuticals, LLC	72529	Panama	EPAQ
Graceway Pharmaceuticals, LLC	22828	Trinidad and Tobago	EPAQ
Graceway Pharmaceuticals, LLC	81/8294	Barbados	FILAIR
Graceway Pharmaceuticals, LLC	6910	Belize	FILAIR
Graceway Pharmaceuticals, LLC	518169	Chile	FILAIR
Graceway Pharmaceuticals, LLC	164286	Colombia	FILAIR
Graceway Pharmaceuticals, LLC	1859-95	Ecuador	FILAIR
Graceway Pharmaceuticals, LLC	89913	Guatemala	FILAIR
Graceway Pharmaceuticals, LLC	60130	Honduras	FILAIR
Graceway Pharmaceuticals, LLC	72030	Panama	FILAIR
Graceway Pharmaceuticals, LLC	6296	Peru	FILAIR
Graceway Pharmaceuticals, LLC	22260	Trinidad and Tobago	FILAIR
Graceway Pharmaceuticals, LLC	126080	Colombia	FLECAINE
Graceway Pharmaceuticals, LLC	17292	Nicaragua	FLECAINE
Graceway Pharmaceuticals, LLC	364961	Chile	HIPREX
Graceway Pharmaceuticals, LLC	38145/13047	Costa Rica	HIPREX
Graceway Pharmaceuticals, LLC	17018	Dominican Republic	HIPREX
Graceway Pharmaceuticals, LLC	536/77	Ecuador	HIPREX
Graceway Pharmaceuticals, LLC	196 Book 52	El Salvador	HIPREX
Graceway Pharmaceuticals, LLC	20335	Guatemala	HIPREX
Graceway Pharmaceuticals, LLC	17406	Honduras	HIPREX
Graceway Pharmaceuticals, LLC	133558	Mexico	HIPREX
Graceway Pharmaceuticals, LLC	39923	Nicaragua	HIPREX
Graceway Pharmaceuticals, LLC	314061	Uruguay	HIPREX
Graceway Pharmaceuticals, LLC	61630	Venezuela	HIPREX
Graceway Pharmaceuticals, LLC	152636	Canada	HIP-REX
Graceway Pharmaceuticals, LLC	1928093	Argentina	LUXIRM
Graceway Pharmaceuticals, LLC	81/16607	Barbados	LUXIRM
Graceway Pharmaceuticals, LLC	642035	Chile	LUXIRM
Graceway Pharmaceuticals, LLC	137886	Costa Rica	LUXIRM
Graceway Pharmaceuticals, LLC	242 Book 182	El Salvador	LUXIRM
Graceway Pharmaceuticals, LLC	119490	Guatemala	LUXIRM
Graceway Pharmaceuticals, LLC	42129	Jamaica	LUXIRM
Graceway Pharmaceuticals, LLC	763112	Mexico	LUXIRM
Graceway Pharmaceuticals, LLC	121794	Panama	LUXIRM
Graceway Pharmaceuticals, LLC	338373	Uruguay	LUXIRM
Graceway Pharmaceuticals, LLC	1345403	Argentina	MAXAIR
Graceway Pharmaceuticals, LLC	81/7928	Barbados	MAXAIR
Graceway Pharmaceuticals, LLC	385308	Canada	MAXAIR
Graceway Pharmaceuticals, LLC	345544	Chile	MAXAIR
Graceway Pharmaceuticals, LLC	71994	Costa Rica	MAXAIR
Graceway Pharmaceuticals, LLC	73007	Costa Rica	MAXAIR
Graceway Pharmaceuticals, LLC	2604/97	Ecuador	MAXAIR
Graceway Pharmaceuticals, LLC	2704/91	Ecuador	MAXAIR
Graceway Pharmaceuticals, LLC	83/4	El Salvador	MAXAIR
Graceway Pharmaceuticals, LLC	19/5	El Salvador	MAXAIR

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	61833	Guatemala	MAXAIR
Graceway Pharmaceuticals, LLC	62683/43/137	Guatemala	MAXAIR
Graceway Pharmaceuticals, LLC	51630	Honduras	MAXAIR
Graceway Pharmaceuticals, LLC	24990	Jamaica	MAXAIR
Graceway Pharmaceuticals, LLC	24072	Jamaica	MAXAIR
Graceway Pharmaceuticals, LLC	54174	Panama	MAXAIR
Graceway Pharmaceuticals, LLC	231603	Paraguay	MAXAIR
Graceway Pharmaceuticals, LLC	231604	Paraguay	MAXAIR
Graceway Pharmaceuticals, LLC	82127	Peru	MAXAIR
Graceway Pharmaceuticals, LLC	317421	Uruguay	MAXAIR
Graceway Pharmaceuticals, LLC	1668489	Argentina	MEDIHALER
Graceway Pharmaceuticals, LLC	467454	Chile	MEDIHALER
Graceway Pharmaceuticals, LLC	238580	Colombia	MEDIHALER
Graceway Pharmaceuticals, LLC	128581	Guatemala	MEDIHALER
Graceway Pharmaceuticals, LLC	5755A	Guyana	MEDIHALER
Graceway Pharmaceuticals, LLC	48274	Honduras	MEDIHALER
Graceway Pharmaceuticals, LLC	2598	Trinidad and Tobago	MEDIHALER
Graceway Pharmaceuticals, LLC	39706F	Venezuela	MEDIHALER
Graceway Pharmaceuticals, LLC	40387F	Venezuela	MEDIHALER
Graceway Pharmaceuticals, LLC	1893529	Argentina	MINITRAN
Graceway Pharmaceuticals, LLC	815432313	Brazil	MINITRAN
Graceway Pharmaceuticals, LLC	385307	Canada	MINITRAN
Graceway Pharmaceuticals, LLC	71633	Costa Rica	MINITRAN
Graceway Pharmaceuticals, LLC	130442	Cuba	MINITRAN
Graceway Pharmaceuticals, LLC	47863	Dominican Republic	MINITRAN
Graceway Pharmaceuticals, LLC	2827/90	Ecuador	MINITRAN
Graceway Pharmaceuticals, LLC	31/S	El Salvador	MINITRAN
Graceway Pharmaceuticals, LLC	62361	Guatemala	MINITRAN
Graceway Pharmaceuticals, LLC	73763	Honduras	MINITRAN
Graceway Pharmaceuticals, LLC	24813	Jamaica	MINITRAN
Graceway Pharmaceuticals, LLC	414494	Mexico	MINITRAN
Graceway Pharmaceuticals, LLC	39160	Nicaragua	MINITRAN
Graceway Pharmaceuticals, LLC	53174	Panama	MINITRAN
Graceway Pharmaceuticals, LLC	142473	Paraguay	MINITRAN
Graceway Pharmaceuticals, LLC	95254	Peru	MINITRAN
Graceway Pharmaceuticals, LLC	18105	Trinidad and Tobago	MINITRAN
Graceway Pharmaceuticals, LLC	316787	Uruguay	MINITRAN
Graceway Pharmaceuticals, LLC	441631	Canada	NIDAGEL
Graceway Pharmaceuticals, LLC	639347	Chile	NITROCOR
Graceway Pharmaceuticals, LLC	398178	Mexico	NITROCOR
Graceway Pharmaceuticals, LLC	1804757	Argentina	NORFLEX
Graceway Pharmaceuticals, LLC	48013A	Bolivia	NORFLEX
Graceway Pharmaceuticals, LLC	119001	Canada	NORFLEX
Graceway Pharmaceuticals, LLC	749208	Chile	NORFLEX
Graceway Pharmaceuticals, LLC	27630/21291	Costa Rica	NORFLEX
Graceway Pharmaceuticals, LLC	130025	Cuba	NORFLEX
Graceway Pharmaceuticals, LLC	70759	Dominican Republic	NORFLEX
Graceway Pharmaceuticals, LLC	506777	Ecuador	NORFLEX
Graceway Pharmaceuticals, LLC	101/43	El Salvador	NORFLEX
Graceway Pharmaceuticals, LLC	30984/90/77	Guatemala	NORFLEX
Graceway Pharmaceuticals, LLC	60105	Honduras	NORFLEX

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	869724	Mexico	NORFLEX
Graceway Pharmaceuticals, LLC	38698CC	Nicaragua	NORFLEX
Graceway Pharmaceuticals, LLC	11877	Panama	NORFLEX
Graceway Pharmaceuticals, LLC	28274	Peru	NORFLEX
Graceway Pharmaceuticals, LLC	51488-F	Venezuela	NORFLEX
Graceway Pharmaceuticals, LLC	1739641	Argentina	NORGESIC
Graceway Pharmaceuticals, LLC	Acknowledge	Belize	NORGESIC
Graceway Pharmaceuticals, LLC	48015A	Bolivia	NORGESIC
Graceway Pharmaceuticals, LLC	148694	Canada	NORGESIC
Graceway Pharmaceuticals, LLC	482297	Chile	NORGESIC
Graceway Pharmaceuticals, LLC	27854/21437	Costa Rica	NORGESIC
Graceway Pharmaceuticals, LLC	130027	Cuba	NORGESIC
Graceway Pharmaceuticals, LLC	70756	Dominican Republic	NORGESIC
Graceway Pharmaceuticals, LLC	507/77	Ecuador	NORGESIC
Graceway Pharmaceuticals, LLC	84/44	El Salvador	NORGESIC
Graceway Pharmaceuticals, LLC	31354/466/77	Guatemala	NORGESIC
Graceway Pharmaceuticals, LLC	22811	Honduras	NORGESIC
Graceway Pharmaceuticals, LLC	27305	Jamaica	NORGESIC
Graceway Pharmaceuticals, LLC	373717	Mexico	NORGESIC
Graceway Pharmaceuticals, LLC	38699CC	Nicaragua	NORGESIC
Graceway Pharmaceuticals, LLC	16837	Panama	NORGESIC
Graceway Pharmaceuticals, LLC	29534	Peru	NORGESIC
Graceway Pharmaceuticals, LLC	22261	Trinidad and Tobago	NORGESIC
Graceway Pharmaceuticals, LLC	343312	Uruguay	NORGESIC
Graceway Pharmaceuticals, LLC	51492-F	Venezuela	NORGESIC
Graceway Pharmaceuticals, LLC	283278	Uruguay	NORGESIC RIKER
Graceway Pharmaceuticals, LLC	Acknowledge	Belize	NUELIN
Graceway Pharmaceuticals, LLC	87129-C	Bolivia	NUELIN
Graceway Pharmaceuticals, LLC	221890	Canada	NUELIN
Graceway Pharmaceuticals, LLC	114536	Columbia	NUELIN
Graceway Pharmaceuticals, LLC	54315/21624	Costa Rica	NUELIN
Graceway Pharmaceuticals, LLC	26765	Dominican Republic	NUELIN
Graceway Pharmaceuticals, LLC	99/84	El Salvador	NUELIN
Graceway Pharmaceuticals, LLC	40283	Guatemala	NUELIN
Graceway Pharmaceuticals, LLC	14287A	Guyana	NUELIN
Graceway Pharmaceuticals, LLC	28862	Honduras	NUELIN
Graceway Pharmaceuticals, LLC	21285	Jamaica	NUELIN
Graceway Pharmaceuticals, LLC	11453	Nicaragua	NUELIN
Graceway Pharmaceuticals, LLC	22710	Panama	NUELIN
Graceway Pharmaceuticals, LLC	126223	Paraguay	NUELIN
Graceway Pharmaceuticals, LLC	13403	Trinidad and Tobago	NUELIN
Graceway Pharmaceuticals, LLC	499687	Chile	PLENOX
Graceway Pharmaceuticals, LLC	1541223	Argentina	QVAR
Graceway Pharmaceuticals, LLC	81/9288	Barbados	QVAR
Graceway Pharmaceuticals, LLC	26168	Bermuda	QVAR
Graceway Pharmaceuticals, LLC	60309-C	Bolivia	QVAR
Graceway Pharmaceuticals, LLC	817794689	Brazil	QVAR
Graceway Pharmaceuticals, LLC	545041	Canada	QVAR
Graceway Pharmaceuticals, LLC	439730	Chile	QVAR
Graceway Pharmaceuticals, LLC	162686	Colombia	QVAR
Graceway Pharmaceuticals, LLC	129734	Cuba	QVAR

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	79246	Dominican Republic	QVAR
Graceway Pharmaceuticals, LLC	2016-95	Ecuador	QVAR
Graceway Pharmaceuticals, LLC	79157	Guatemala	QVAR
Graceway Pharmaceuticals, LLC	65559	Honduras	QVAR
Graceway Pharmaceuticals, LLC	27126	Jamaica	QVAR
Graceway Pharmaceuticals, LLC	488965	Mexico	QVAR
Graceway Pharmaceuticals, LLC	39924	Nicaragua	QVAR
Graceway Pharmaceuticals, LLC	72528	Panama	QVAR
Graceway Pharmaceuticals, LLC	9019	Peru	QVAR
Graceway Pharmaceuticals, LLC	22826	Trinidad and Tobago	QVAR
Graceway Pharmaceuticals, LLC	P-184071	Venezuela	QVAR
Graceway Pharmaceuticals, LLC	2942	Virgin Islands (British)	QVAR
Graceway Pharmaceuticals, LLC	507495	Chile	RESPOLIN
Graceway Pharmaceuticals, LLC	125400	Colombia	RESPOLIN
Graceway Pharmaceuticals, LLC	75206	Peru	RESPOLIN
Graceway Pharmaceuticals, LLC	350491	Uruguay	RESPOLIN
Graceway Pharmaceuticals, LLC	1963-88 ^B	Venezuela	RESPOLIN
Graceway Pharmaceuticals, LLC	146142	Venezuela	RESPOLIN
Graceway Pharmaceuticals, LLC	1571996	Argentina	SALBULIN
Graceway Pharmaceuticals, LLC	16197	Bahamas	SALBULIN
Graceway Pharmaceuticals, LLC	817915	Barbados	SALBULIN
Graceway Pharmaceuticals, LLC	6916	Belize	SALBULIN
Graceway Pharmaceuticals, LLC	813359570	Brazil	SALBULIN
Graceway Pharmaceuticals, LLC	67452	Costa Rica	SALBULIN
Graceway Pharmaceuticals, LLC	47 Book 119	El Salvador	SALBULIN
Graceway Pharmaceuticals, LLC	65	El Salvador	SALBULIN
Graceway Pharmaceuticals, LLC	53369/248/118	Guatemala	SALBULIN
Graceway Pharmaceuticals, LLC	53372	Guatemala	SALBULIN
Graceway Pharmaceuticals, LLC	14288A	Guyana	SALBULIN
Graceway Pharmaceuticals, LLC	47086	Honduras	SALBULIN
Graceway Pharmaceuticals, LLC	22765	Jamaica	SALBULIN
Graceway Pharmaceuticals, LLC	39161	Nicaragua	SALBULIN
Graceway Pharmaceuticals, LLC	50978	Panama	SALBULIN
Graceway Pharmaceuticals, LLC	138899	Paraguay	SALBULIN
Graceway Pharmaceuticals, LLC	214171	Paraguay	SALBULIN
Graceway Pharmaceuticals, LLC	16253	Trinidad and Tobago	SALBULIN
Graceway Pharmaceuticals, LLC	1928124	Argentina	SUNPAIR
Graceway Pharmaceuticals, LLC	81/16610	Barbados	SUNPAIR
Graceway Pharmaceuticals, LLC	137849	Costa Rica	SUNPAIR
Graceway Pharmaceuticals, LLC	130 Book 182	El Salvador	SUNPAIR
Graceway Pharmaceuticals, LLC	119473	Guatemala	SUNPAIR
Graceway Pharmaceuticals, LLC	42130	Jamaica	SUNPAIR
Graceway Pharmaceuticals, LLC	760833	Mexico	SUNPAIR
Graceway Pharmaceuticals, LLC	121793	Panama	SUNPAIR

^B Application number - No registration number available.

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	32766	Trinidad and Tobago	SUNPAIR
Graceway Pharmaceuticals, LLC	338372	Uruguay	SUNPAIR
Graceway Pharmaceuticals, LLC	1866989	Argentina	TAMBOCOR
Graceway Pharmaceuticals, LLC	87168-C	Bolivia	TAMBOCOR
Graceway Pharmaceuticals, LLC	810109018	Brazil	TAMBOCOR
Graceway Pharmaceuticals, LLC	278005	Canada	TAMBOCOR
Graceway Pharmaceuticals, LLC	667190	Chile	TAMBOCOR
Graceway Pharmaceuticals, LLC	160516	Colombia	TAMBOCOR
Graceway Pharmaceuticals, LLC	59932/3070	Costa Rica	TAMBOCOR
Graceway Pharmaceuticals, LLC	130023	Cuba	TAMBOCOR
Graceway Pharmaceuticals, LLC	75 Book 95	El Salvador	TAMBOCOR
Graceway Pharmaceuticals, LLC	43247	Guatemala	TAMBOCOR
Graceway Pharmaceuticals, LLC	58940	Honduras	TAMBOCOR
Graceway Pharmaceuticals, LLC	20582	Jamaica	TAMBOCOR
Graceway Pharmaceuticals, LLC	308780	Mexico	TAMBOCOR
Graceway Pharmaceuticals, LLC	50886	Nicaragua	TAMBOCOR
Graceway Pharmaceuticals, LLC	245451	Paraguay	TAMBOCOR
Graceway Pharmaceuticals, LLC	71965	Peru	TAMBOCOR
Graceway Pharmaceuticals, LLC	12647	Trinidad and Tobago	TAMBOCOR
Graceway Pharmaceuticals, LLC	249672	Uruguay	TAMBOCOR
Graceway Pharmaceuticals, LLC	109732F	Venezuela	TAMBOCOR
Graceway Pharmaceuticals, LLC	371181	Canada	TANTUM
Graceway Pharmaceuticals, LLC	1587841	Argentina	THEOLAIR
Graceway Pharmaceuticals, LLC	800373448	Brazil	THEOLAIR
Graceway Pharmaceuticals, LLC	239113	Canada	THEOLAIR
Graceway Pharmaceuticals, LLC	639348	Chile	THEOLAIR
Graceway Pharmaceuticals, LLC	168878	Colombia	THEOLAIR
Graceway Pharmaceuticals, LLC	35401	Peru	THEOLAIR
Graceway Pharmaceuticals, LLC	263599	Uruguay	THEOLAIR
Graceway Pharmaceuticals, LLC	133136	Canada	ULONE
Graceway Pharmaceuticals, LLC	10223A	Guyana	UREX
Graceway Pharmaceuticals, LLC	18259	Jamaica	UREX
Graceway Pharmaceuticals, LLC	1697774	Argentina	ZARTRA
Graceway Pharmaceuticals, LLC	17479	Bahamas	ZARTRA
Graceway Pharmaceuticals, LLC	Acknowledge	Bahamas	ZARTRA
Graceway Pharmaceuticals, LLC	81/10231	Barbados	ZARTRA
Graceway Pharmaceuticals, LLC	81/18942	Barbados	ZARTRA
Graceway Pharmaceuticals, LLC	26932	Bermuda	ZARTRA
Graceway Pharmaceuticals, LLC	63777-C	Bolivia	ZARTRA
Graceway Pharmaceuticals, LLC	818559993	Brazil	ZARTRA
Graceway Pharmaceuticals, LLC	549193	Chile	ZARTRA
Graceway Pharmaceuticals, LLC	94494	Costa Rica	ZARTRA
Graceway Pharmaceuticals, LLC	81396	Dominican Republic	ZARTRA
Graceway Pharmaceuticals, LLC	111370	Dominican Republic	ZARTRA
Graceway Pharmaceuticals, LLC	2863-96	Ecuador	ZARTRA
Graceway Pharmaceuticals, LLC	84/99	El Salvador	ZARTRA
Graceway Pharmaceuticals, LLC	106725	Guatemala	ZARTRA
Graceway Pharmaceuticals, LLC	136115	Guatemala	ZARTRA
Graceway Pharmaceuticals, LLC	27337	Jamaica	ZARTRA
Graceway Pharmaceuticals, LLC	44950	Jamaica	ZARTRA
Graceway Pharmaceuticals, LLC	509254	Mexico	ZARTRA

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OWNER*	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	713067	Mexico	ZARTRA
Graceway Pharmaceuticals, LLC	862171	Mexico	ZARTRA
Graceway Pharmaceuticals, LLC	31079CC	Nicaragua	ZARTRA
Graceway Pharmaceuticals, LLC	76034	Panama	ZARTRA
Graceway Pharmaceuticals, LLC	220837	Paraguay	ZARTRA
Graceway Pharmaceuticals, LLC	31394	Peru	ZARTRA
Graceway Pharmaceuticals, LLC	102673	Peru	ZARTRA
Graceway Pharmaceuticals, LLC	24278	Trinidad and Tobago	ZARTRA
Graceway Pharmaceuticals, LLC	34988	Trinidad and Tobago	ZARTRA
Graceway Pharmaceuticals, LLC	P/191087	Venezuela	ZARTRA
Graceway Pharmaceuticals, LLC	281668	Paraguay	ZARTRA (UNDERLINED)
Graceway Pharmaceuticals, LLC	1913	Antigua and Barbuda	ZIDOVAL
Graceway Pharmaceuticals, LLC	81/7947	Barbados	ZIDOVAL
Graceway Pharmaceuticals, LLC	8024	Belize	ZIDOVAL
Graceway Pharmaceuticals, LLC	819894192	Brazil	ZIDOVAL
Graceway Pharmaceuticals, LLC	2129374	Cayman Islands	ZIDOVAL
Graceway Pharmaceuticals, LLC	4181-7978	Costa Rica	ZIDOVAL
Graceway Pharmaceuticals, LLC	4665/2000	Ecuador	ZIDOVAL
Graceway Pharmaceuticals, LLC	108 Book 177	El Salvador	ZIDOVAL
Graceway Pharmaceuticals, LLC	92408	Guatemala	ZIDOVAL
Graceway Pharmaceuticals, LLC	548179	Mexico	ZIDOVAL
Graceway Pharmaceuticals, LLC	87210	Panama	ZIDOVAL
Graceway Pharmaceuticals, LLC	206527	Paraguay	ZIDOVAL
Graceway Pharmaceuticals, LLC	26859	Trinidad and Tobago	ZIDOVAL
Graceway Pharmaceuticals, LLC	294504	Uruguay	ZIDOVAL

*The schedule of International trademarks only includes trademarks filed or maintained by Edwards Angell Palmer & Dodge LLP.

Applications:

OWNER	APPLICATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	None	El Salvador	AIROMIR
Graceway Pharmaceuticals, LLC	None	Belize	DESIGN (LEAF)
Graceway Pharmaceuticals, LLC	309997	Mexico	IBUFLAM
Graceway Pharmaceuticals, LLC	25013	Bahamas	LUXIRM
Graceway Pharmaceuticals, LLC	824437519	Brazil	LUXIRM
Graceway Pharmaceuticals, LLC	1134498	Canada	LUXIRM
Graceway Pharmaceuticals, LLC	5536-89	Venezuela	MINITRAN
Graceway Pharmaceuticals, LLC	None	Costa Rica	QVAR
Graceway Pharmaceuticals, LLC	None	El Salvador	QVAR
Graceway Pharmaceuticals, LLC	269602	Uruguay	QVAR
Graceway Pharmaceuticals, LLC	2002-7457	Costa Rica	SALBULIN
Graceway Pharmaceuticals, LLC	25012	Bahamas	SUNPAIR
Graceway Pharmaceuticals, LLC	824437500	Brazil	SUNPAIR

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OWNER	APPLICATION NUMBER	COUNTRY/STATE	TRADEMARK
Graceway Pharmaceuticals, LLC	1134497	Canada	SUNPAIR
Graceway Pharmaceuticals, LLC	561562	Chile	SUNPAIR
Graceway Pharmaceuticals, LLC	None	Belize	ZARTRA
Graceway Pharmaceuticals, LLC	41008	Bermuda	ZARTRA
Graceway Pharmaceuticals, LLC	826298346	Brazil	ZARTRA
Graceway Pharmaceuticals, LLC	1210406	Canada	ZARTRA
Graceway Pharmaceuticals, LLC	3109415	Colombia	ZARTRA
Graceway Pharmaceuticals, LLC	99/016699	Venezuela	ZARTRA
Graceway Pharmaceuticals, LLC	4248/97 ⁹	Honduras	ZIDOVAL
Chester Valley Pharmaceuticals, LLC	1281210	Canada	BENZIQU
Chester Valley Pharmaceuticals, LLC	1281124	Canada	BENZELLE
Chester Valley Pharmaceuticals, LLC	(allowed)		
Chester Valley Pharmaceuticals, LLC	1324983	Canada	CVP (stylized and/or with design)

Licenses:

LICENSEE	LICENSOR	COUNTRY/ STATE	REGISTRATION/ APPLICATION NUMBER	TRADEMARK
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Argentina	1735651	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Bahamas	16198	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Barbados	81/8104	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Bolivia	77901-C	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Brazil	814608680	AUTHOHALER
Graceway Pharmaceuticals, LLC	3M Company	Canada	171495	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Chile	543332	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Colombia	152629	AUTHOHALER

⁹ Opposed.

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LICENSEE	LICENSOR	COUNTRY/ STATE	REGISTRATION/ APPLICATION NUMBER	TRADEMARK
LLC				
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Costa Rica	73590	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Dominican Republic	47191	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Ecuador	777/90	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	El Salvador	198/5	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Guatemala	62053	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Honduras	50549	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Jamaica	24071	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Mexico	383978	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Panama	50588	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Peru	79440	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Uruguay	227019	AUTHOHALER
Graceway Pharmaceuticals, LLC	Riker Laboratories, Inc.	Venezuela	151977	AUTHOHALER

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EXHIBIT B TO LICENSE AGREEMENT

TERRITORY

CANADA

**FIRST AMENDMENT TO FULLY PAID AND ROYALTY FREE EXCLUSIVE
LICENSE AGREEMENT**

This FIRST AMENDMENT TO FULLY PAID AND ROYALTY FREE EXCLUSIVE LICENSE AGREEMENT (the "Amendment") is executed by and between Graceway Pharmaceuticals, LLC, a limited liability company organized under the laws of the state of Delaware (the "Licensor"), and Graceway Canada Company, a company organized under the laws of Canada (the "Licensee"), Licensor and Licensee are hereinafter referred to collectively as the "Parties" and each may be referred to individually as a "Party".

RECITALS

WHEREAS, the Parties executed a Fully Paid and Royalty Free Exclusive License Agreement on or around December 29, 2006 (the "Agreement") whereby Licensor licensed certain patent rights, trademarks, service marks and know-how in the Territory (as defined in the Agreement) in connection with the manufacture, distribution, marketing and sale in the Territory of the pharmaceutical products listed in the Agreement; and

WHEREAS, the Parties desire to add certain additional patent rights to the Agreement; and

WHEREAS, Licensor desires to license to Licensee certain patent rights and clarify the inclusion of those patent rights in the Agreement.

NOW, THEREFORE, for and in consideration of the foregoing, the respective undertakings of the Parties herein and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties agree as follows:

Exhibit A is amended to add the following patent application:

<u>OWNER</u>	<u>APP. NUMBER</u>	<u>COUNTRY</u>	<u>DESCRIPTION</u>
Graceway Pharmaceuticals, LLC	2,649,893	Canada	LDS Imiquimod (AK)

The remainder of the Agreement not altered by the terms of this FIRST AMENDMENT TO FULLY PAID AND ROYALTY FREE EXCLUSIVE LICENSE AGREEMENT shall remain in full force and effect.

REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK

SIGNATURE PAGE ONLY TO FOLLOW

IN WITNESS WHEREOF, the Parties have executed and delivered this First Amendment to Fully Paid and Royalty Free Exclusive License Agreement on this the 27th day of July, 2010.

GRACEWAY PHARMACEUTICALS, LLC

By: [Signature]
Name: JOHN C. BOWLES
Title: VICE PRESIDENT

GRACEWAY CANADA COMPANY

By: [Signature]
Name: John Bertram
Title: CEO & General Counsel

TAB E

Appendix "E"

**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

Hearing Date: November 7, 2011 at 2:00 p.m. (ET)

Obj. Deadline: October 31, 2011 at 4:00 p.m. (ET)

**SUPPLEMENT TO DEBTORS' MOTION FOR ENTRY OF AN ORDER
DETERMINING THE VALUE OF THE ASSETS OF GRACEWAY CANADA
COMPANY PROPOSED TO BE PURCHASED UNDER THE
STALKING HORSE ASSET PURCHASE AGREEMENT**

The above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**") hereby submit this supplement (the "**Supplement**") to the *Debtors' Motion for Entry of an Order Determining the Value of the Assets of Graceway Canada Company Proposed to Be Purchased Under the Stalking Horse Asset Purchase Agreement* [Docket No. 134] (the "**Motion**").² In support of this Supplement, the Debtors respectfully state as follows:

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 Motion.

Discussions with the Receiver for Graceway Canada

1. In the Motion, the Debtors' requested that this Court establish the amount of \$4,452,570.95 as the Graceway Canada Value.³ Prior to filing the Motion, the Debtors and the Receiver for Graceway Canada discussed the Debtors' determination of the Graceway Canada Value, but the Receiver had not completed its diligence and made its own determination of the Graceway Canada Value or the appropriate methodology to calculate such value.

2. Subsequent to filing the Motion, the Receiver completed its review of the Debtors' determination of the Graceway Canada Value, and the Debtors and the Receiver entered into discussions regarding an agreed Graceway Canada Value and the methodology to calculate such value. Based on those discussions, the Debtors and the Receiver agreed that it was appropriate to (i) adjust the Graceway Canada Value and (ii) propose a mechanism (as set forth in sections B and C below, the "**Finalization Mechanism**") for determining the final Graceway Canada Value (the "**Final Graceway Canada Value**") in the context of a Sale to the Stalking Horse Bidder or other successful purchaser that elects to purchase assets of Graceway Canada that do not differ materially from the Canadian Acquired Assets. The Receiver supports the adjusted Graceway Canada Value and the Finalization Mechanism.

A. Value of Graceway Canada's Inventory Should Be Increased

3. As set forth in the Motion, the Canadian Balance Sheet reflects that Graceway Canada has "inventories" totaling approximately \$1,445,824.22. Motion, ¶ 26. However, after reviewing supporting documentation underlying the Canadian Balance Sheet, the Receiver discovered a mathematical error in Graceway Canada's calculation of an inventory reserve that

³ The Graceway Canada Value is defined in the Motion to be the sum of (a) the value of the Canadian Acquired Assets, \$2,252,570.95 ("inventories" totaling approximately \$1,445,824.22 plus "prepaid expenses" totaling approximately \$288,682.68 plus "product samples" totaling \$518,064.07) and (b) three months of projected EBITDA based on an average of the previous 12 months, \$2,200,000.

resulted in an inaccurate calculation of the book value of "inventories" on the Canadian Balance Sheet. The Receiver informed the Debtors' investment banker of this mathematical error, and the Debtors and the Receiver agreed that the error resulted in an understatement of \$206,805.70 of Graceway Canada's inventory as reflected on the Canadian Balance Sheet. Accordingly, the Balance Sheet Total should be adjusted to \$2,459,376.65, which reflects an increase of \$206,805.70 in the amount of inventory owned by Graceway Canada as of September 30, 2011.

B. Inventory True-Up

4. The Receiver was further concerned with possible fluctuations in the book value of inventory that could occur between September 30, 2011 (i.e., the most recent internal balance sheet of Graceway Canada available at this time) and the closing of the Sale that would not be captured in the Graceway Canada Value as set forth in the Motion. To account for fluctuations in inventory, the Receiver requested that the Debtors and Graceway Canada conduct a "true-up" with respect to Graceway Canada's inventory that adjusts the Graceway Canada Value in the event that Graceway Canada has more (or less) inventory as of the date of the closing of the Sale as compared to the inventory on its balance sheet as of September 30, 2011.

5. The Debtors and the Receiver have agreed that the Debtors will conduct a true-up for inventory prior to the closing of the Sale and adjust the Graceway Canada Value accordingly. Seven days prior to the expected closing of the Sale, the Debtors will provide the Receiver and its counsel with the book value for the then-existing inventory of Graceway Canada, along with any supporting documentation. Additionally, to ensure the accuracy of those figures, Graceway Canada will not purchase or pick-up any inventory during the seven-day period prior to the closing of the Sale. Except with respect to the foregoing, Graceway Canada and the Debtors have agreed that Graceway Canada will manage, purchase and account for inventory in the

ordinary course and consistent with, and based on, historical practices. The Debtors do not anticipate the adjustment to the Graceway Canada Value based on the true-up of inventory will be material.

C. Adjustments to Mechanism to Calculate Projected EBITDA

6. As described in the Motion, for the purpose of determining the Graceway Canada Value, it is appropriate to use three months of Graceway Canada's projected EBITDA because this is a fair and reasonable estimate of EBITDA that Graceway Canada would have if the Debtors' terminated the License Agreement pursuant to which the Debtors provide Graceway Canada with the use of the Debtors' intellectual property on a royalty-free basis, but which the Debtors may terminate at any time upon three months' notice. Motion, ¶ 28. As further described in the Motion, the Debtors used Graceway Canada's average monthly EBITDA, based on the twelve months prior to the Filing Date, for purposes of calculating Graceway Canada's projected EBITDA for the three month period (the "**Original Three Month EBITDA Calculation**").

7. Although the Debtors respectfully submit that the Original Three Month EBITDA Calculation is both fair and reasonable, the Receiver requested that the Debtors use a different mechanism to calculate Graceway Canada's EBITDA. The Receiver suggested that the Debtors take the three year average of EBITDA for the three month period following the closing of the Sale, adjusted to exclude extraordinary or non-recurring gains and/or losses (the "**Revised Three Month EBITDA Calculation**"). For example, if the Sale closes in December of 2011, the Debtors will calculate the average EBITDA for January, February and March in 2011, 2010 and 2009, adjusted to exclude extraordinary or non-recurring gains and/or losses. The Debtors do not anticipate that using the Revised Three Month EBITDA Calculation (as opposed to the Original Three Month EBITDA Calculation) will result in a material adjustment to the Graceway Canada

Value, but agreed with the Receiver to use the Revised Three Month EBITDA Calculation instead of the Original Three Month EBITDA Calculation. Accordingly, assuming a closing in December 2011, the Graceway Canada Value should be adjusted to \$4,404,683.65, which reflects the Revised Three Month EBITDA Calculation of \$1,945,307 plus the adjusted Balance Sheet Total.

D. Notification of Final EBITDA Calculation

8. In order to apprise parties in interest of the Final Graceway Canada Value, no later than 5 days before the closing of the Sale, the Debtors will file and post on their bankruptcy website, at www.bmcgroup.com/Graceway, a notice (the "Graceway Canada Value Notice") that details (i) the Final Graceway Canada Value, (ii) the final amount of the inventory of Graceway Canada based on the results of the true-up and (iii) the Revised Three Month EBITDA Calculation. The Debtors will also share the documentation supporting each of the calculations contained in the Graceway Canada Value Notice with the Office of the United States Trustee, the counsel to the Unsecured Creditors' Committee, the special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility, the counsel to Graceway Canada and the Receiver and its counsel. If any party in interest objects to the final amount of the inventory of Graceway Canada based on the results of the true-up and/or the Revised Three Month EBITDA Calculation, then such party may request an emergency hearing before the Court on shortened notice to be heard prior to the closing of the Sale; provided, however, that no other portion of the Final Graceway Canada Value may be contested at such time.

9. Attached hereto as Exhibit A is a proposed order which reflects the adjusted Graceway Canada Value and the Finalization Mechanism (the "Order").

Notice

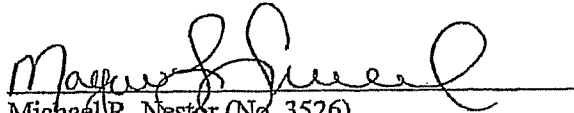
10. The Debtors have provided notice of this Supplement to: (a) the United States Trustee for the District of Delaware; (b) financing counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (c) special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (d) counsel to the administrative agent for the lenders under the Debtors' prepetition second lien credit facility; (e) the administrative agent for the lenders under the Debtors' prepetition unsecured mezzanine credit facility; (f) counsel to the Committee; (g) the creditors listed on the Debtors' consolidated list of 30 largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (h) the Food and Drug Administration; (i) the Internal Revenue Service; (j) Graceway Canada; (k) counsel to Graceway Canada; (l) the Receiver; (m) counsel to the Receiver; and (n) all parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors submit that no further notice is required or needed under the circumstances.

11. Copies of the Motion and Supplement are available on the Court's website: www.deb.uscourts.gov. Additional copies of the Motion and Supplement are available for free on the website of the Debtors' claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 (310) 321-5555 if calling from outside the United States.

WHEREFORE, the Debtors respectfully request that this Court enter the Order, substantially in the form attached hereto as Exhibit A, (a) determining the value of the Canadian Acquired Assets and establishing the Finalization Mechanism, and (b) granting such other and further relief as this Court deems appropriate.

Dated: October 25, 2011
Wilmington, Delaware

Respectfully Submitted,



Michael R. Nestor (No. 3526)
Kara Hammond Coyle (No. 4410)
Morgan L. Seward (No. 5388)
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Facsimile: (312) 993-9767

PROPOSED ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION

Exhibit A
Proposed Order

CH1308339.7

**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

Docket Ref. No. ____

**ORDER DETERMINING THE VALUE OF THE ASSETS OF GRACEWAY CANADA
COMPANY PROPOSED TO BE PURCHASED UNDER THE STALKING HORSE
ASSET PURCHASE AGREEMENT**

Upon consideration of the motion (the "Motion")² of the Debtors for entry of an order determining the value of the assets of Graceway Canada Company ("Graceway Canada") for purposes of allocating the value to be received in a sale of substantially all of the assets of the Debtors and Graceway Canada to the Stalking Horse Bidder or any higher bidder, and the supplement thereto (the "Supplement"); 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 the Supplement and opportunity for objection having been given, with no

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 Motion and/or the Supplement.

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 (as supplemented by the Supplement) is GRANTED.
2. For the purpose of allocating the value to be received in a sale of substantially all of the assets of the Debtors and certain assets of Graceway Canada to the Stalking Horse Bidder or any other bidder that elects to purchase assets of Graceway Canada that do not differ materially from the Canadian Acquired Assets, the value of the Canadian Acquired Assets proposed to be purchased by the Stalking Horse Bidder or other bidder shall be \$4,404,683.65, subject to the Finalization Mechanism.
3. In the event that a bidder other than the Stalking Horse Bidder is ultimately selected by the Debtors as the successful bidder and that bidder elects to purchase assets of Graceway Canada that differ materially from the Canadian Acquired Assets, the valuation determined herein shall be adjusted to reflect the assets actually being acquired. Such adjustment will be made by the Debtors in consultation with the Receiver and the Receiver's professionals, and shall be subject to Court approval with notice and an opportunity for parties in interest to object.
4. Seven days prior to the expected closing of the Sale, the Debtors shall provide the Receiver and its counsel with the book value for the then-existing inventory of Graceway Canada, along with any supporting documentation. Graceway Canada shall not purchase or pick-up any inventory during the seven-day period prior to the closing of the Sale.

5. Except as set forth in paragraph 4 above, Graceway Canada shall manage, purchase and account for inventory in the ordinary course consistent with, and based on, historical practices.

6. No later than 5 days prior to the closing of the Sale, the Debtors shall file and post on their bankruptcy website, at www.bmcgroup.com/Graceway, a notice that details (i) the Final Graceway Canada Value, (ii) the final amount of the inventory of Graceway Canada based on the results of the true-up described in the Supplement and (iii) the Revised Three Month EBITDA Calculation (for the avoidance of doubt, adjusted to exclude extraordinary or non-recurring gains and/or losses). No later than 5 days prior to the closing of the Sale, the Debtors shall share the documentation supporting each of the calculations contained in the Graceway Canada Value Notice with the Office of the United States Trustee, the Unsecured Creditors' Committee, the special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility, the counsel to Graceway Canada and the Receiver and its counsel. To the extent that any party in interest objects to the final amount of the inventory of Graceway Canada based on the results of the true-up and/or the Revised Three Month EBITDA Calculation (for the avoidance of doubt, adjusted to exclude extraordinary or non-recurring gains and/or losses), such party may request an emergency hearing before this Court on shortened notice to be heard prior to the closing of the Sale; provided, however, that no other portion of the Final Graceway Canada Value may be contested at such time.

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

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

Dated: _____, 2011
Wilmington, Delaware

Peter J. Walsh
United States Bankruptcy Judge

TAB F

Appendix "F"

RSM Richter

First Report of RSM Richter Inc. as Receiver of Graceway Canada Company

RSM Richter Inc.
Toronto, October 13, 2011

RSM Richter is an independent member firm of RSM International,
an affiliation of independent accounting and consulting firms.

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Receivership Order and Endorsement dated October 4, 2011	"A"
Affidavit of Robert J. Moccia sworn on October 3, 2011	"B"
US Bidding Procedures Motion dated September 29, 2011 (without exhibits).....	"C"
Asset Purchase Agreement dated September 27, 2011 (without schedules)	"D"
Bidding Procedures.....	"E"

**ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST -**

**IN THE MATTER OF THE RECEIVERSHIP OF
GRACEWAY CANADA COMPANY**

**AND IN THE MATTER OF THE COURTS OF JUSTICE ACT,
R.S.O. 1990, C.43, AS AMENDED**

October 13, 2011

1. INTRODUCTION

Pursuant to an order of the Ontario Superior Court of Justice (the "Court") made on October 4, 2011 (the "Receivership Order"), Graceway Canada Company (the "Company") was placed in receivership pursuant to the *Courts of Justice Act, R.S.O. 1990, c. C.43* and RSM Richter Inc. ("Richter") was appointed the receiver ("Receiver") in these proceedings (the "Receivership Proceedings") with a mandate to oversee the sale process for the assets of the Company and certain related matters. Copies of the Receivership Order and the Endorsement of this Honourable Court dated October 4, 2011 are attached as Appendix "A".

This report ("Report") is filed by Richter in its capacity as Receiver.

On September 29, 2011, Graceway Pharma Holding Corp., the Company's US based parent, and certain other US affiliates (collectively, "Graceway US"), commenced reorganization cases under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "US Court") (the "Chapter 11 Proceedings"). The Company is not subject to the Chapter 11 Proceedings. (Graceway US and the Company are collectively referred to herein as the "Graceway Group"). (The Receivership Proceedings and the Chapter 11 Proceedings are referred to as the "Restructuring Proceedings".)

The primary purpose of the Restructuring Proceedings is to allow the Graceway Group the opportunity to maximize the value of its business and assets pursuant to a unified, court-supervised "stalking horse" sale process. The Receivership Order provides for, *inter alia*, the appointment of Richter, as Receiver "in respect only of the possible sale of certain of the assets of the Debtor in coordination with the Chapter 11 Proceedings, including all proceeds of any such sale".

1.1 Purposes of this Report

The purposes of this Report are to:

- a) Provide background information about the Company, including the pre-filing marketing efforts carried out by the Graceway Group with the assistance of Lazard Frères & Co. LLC ("Lazard"), an investment banking firm retained to assist the Graceway Group to canvass the marketplace to identify investors and potential purchasers;
- b) Summarize the "stalking horse" offer submitted by Galderma S.A. ("Galderma") to purchase substantially all of the assets, property and undertaking of Graceway US, including certain of the Company's assets (the "Stalking Horse Offer");
- c) Summarize the proposed sale process pursuant to which the business and assets of the Graceway Group would be further marketed for sale ("Sale Process"), including the bidding procedures to be used in connection with the Sale Process (the "Bidding Procedures");
- d) Summarize the status of the allocation of the purchase price between the business and assets of Graceway US and the Company; and
- e) Recommend, subject to the approval of the US Court in the Chapter 11 Proceedings, that this Honourable Court make an order:
 - Approving the Stalking Horse Offer; and
 - Approving the Sale Process, including the Bidding Procedures, and authorizing and directing the Company and the Receiver to conduct the Sale Process on the basis detailed herein, provided that the Receiver has the consultative rights set out in the Bidding Procedures.

1.2 Currency

Unless otherwise noted, all currency references in this Report are to US dollars.

2. BACKGROUND

Graceway US and the Company are specialty pharmaceutical companies focused on developing, licensing and acquiring branded prescription products primarily in the areas of dermatology, respirology and women's health.

The Company sells Graceway products in Canada pursuant to an exclusive and royalty-free intercompany license agreement between Graceway Pharmaceuticals LLC ("Graceway Pharmaceuticals") and the Company (the "Intercompany License Agreement"). According to the Affidavit of Robert J. Moccia, the President and a director of the Company, sworn on October 3, 2011 ("Affidavit"), the Company has no independent business apart from the sale of Graceway products pursuant to the Intercompany License Agreement. All of the intellectual property associated with the Company's business is owned by Graceway Pharmaceuticals. The Company's license to use the intellectual property cannot be assigned or transferred by the Company without the consent of Graceway Pharmaceuticals and Graceway Pharmaceuticals can terminate the Intercompany License Agreement on three months' notice. In addition, the Affidavit states that the Company relies on Graceway US in all aspects of its operations, including technology support, legal, financial, regulatory and intellectual property advisory services, human resource functions and other central functions.

Further information concerning the Company is provided in the Affidavit. A copy of the Affidavit is attached as Appendix "B".

3. PRE-FILING MARKETING EFFORTS

Lazard was retained in March, 2010 by the Graceway Group to assist the Graceway Group to address its financial challenges, including exploring potential financing and restructuring alternatives.

The Graceway Group, with the assistance of Lazard, pursued a range of options, including new financing, refinancing and the sale of certain or all of the Graceway Group's business or assets. After exploring its options, the Graceway Group determined that the best way to maximize the value of the business was to pursue a sale of substantially all of the assets of Graceway US, as well as certain of the Company's assets, in the context of a formal restructuring process.

Lazard's marketing materials for the Graceway Group's business and assets included the Company's business and assets as part of the package being offered for sale. The Company was not marketed as an independent business given its reliance on Graceway US in all aspects of its operations and on the Intercompany License Agreement.

The pre-filing marketing process is detailed in the Affidavit as well as the US motion materials filed by Graceway US for approval by the US Court of the Sale Process and Bidding Procedures (the "US Bidding Procedures Motion"). A copy of the US Bidding Procedures Motion, is attached as Appendix "C", without exhibits. Based on the Receiver's review of these materials and on discussions with Lazard, a summary of the marketing process and its results is as follows:

- 60 potential investors were identified and contacted;
- Approximately 21 of these parties executed a confidentiality agreement ("CA") and were provided with access to an electronic data room (the "Interested Parties");

RSM Richter

- 11 Interested Parties responded with preliminary letters of interest (the "Potential Purchasers"), of which seven expressed an interest in purchasing the entire Graceway Group and four were interested in certain assets only;
- After evaluating the preliminary letters of interest, the Graceway Group, in consultation with Lazard, continued discussions with four of the Potential Purchasers;
- The four Potential Purchasers received additional information and attended management presentations in June and July, 2011; and
- Galderma and one other party submitted "fully diligenced" bids to purchase substantially all of the assets of the Graceway Group.

A special committee of the Board of Directors of Graceway US ("Special Committee") was established to evaluate the offers submitted in the process. Following negotiations with each bidder it was determined by the Special Committee that pursuing a transaction with Galderma was in the best interests of the Graceway Group. The steering committee of the "First Lien Lenders" of Graceway US also supported the offer submitted by Galderma as the Stalking Horse Offer. The terms of support are detailed in a "Sale Support Agreement" entered into immediately preceding the commencement of the Chapter 11 Proceedings by the First Lien Lenders and the Graceway Group.

4. THE STALKING HORSE OFFER

On September 27, 2011, Graceway US and the Company entered into an asset purchase agreement with Galderma (the "Stalking Horse APA"), a copy of which is attached as Appendix "D" (without schedules). The Stalking Horse APA is summarized as follows:

- Galderma has offered to purchase substantially all of the assets, property and undertaking of Graceway US on an "as is, where is" basis, including certain of the Company's assets, for a cash purchase price of US\$275 million plus the assumption of certain Assumed Liabilities (as defined in the Stalking Horse APA).
- The Stalking Horse APA excludes certain assets of the Company, including cash, equipment, accounts receivable, employees and related benefit plans.

- Upon execution of an escrow agreement, a deposit equal to 10% of the cash consideration (US\$27.5 million) is to be paid by Galderma.
- Galderma is not assuming the liabilities incurred by the Graceway Group for product returns, government rebates, commercial rebates and obligations arising under any patient coupon program with respect to product sold prior to the closing date.
- The Stalking Horse APA is subject to the approval of the US Court and the Ontario Court.
- The Stalking Horse APA contemplates that the Sale Process would be carried in the Restructuring Proceedings. The attributes of the Sale Process and the related timelines are described in Section "5" of this Report.
- In the event that Galderma is not the successful purchaser, it is entitled to a breakup fee payable by Graceway US of US\$8.25 million (the "Breakup Fee"). Galderma would also be entitled to be reimbursed for its expenses associated with its offer up to a maximum of US\$1.5 million (the "Expense Reimbursement"). If the Breakup Fee is later determined to be payable, it is reduced by the Expense Reimbursement received by Galderma.
- The Stalking Horse APA includes "Termination Events", which include a provision for the failure to obtain certain approvals by a specified time period. A Termination Event would allow Galderma to terminate the Stalking Horse APA and to be repaid its deposit in full.

The Stalking Horse APA does not allocate the purchase price between Graceway US and the Company. This issue is discussed in Section "5.1" of this Report.

As noted in the Affidavit, the transaction contemplated by the Stalking Horse APA is likely to result in the termination of the Company's operations. The process to wind-down the Company and to dispose of its remaining assets is to be determined following the completion of the Sale Process.

5. SALE PROCESS AND BIDDING PROCEDURES

The Stalking Horse APA contemplates approval of certain bidding procedures. The version appended to the Stalking Horse APA was concluded quite expeditiously and did not provide for consultation rights for the Receiver. However, counsel for the Company and counsel for Graceway US worked together to amend the form of bidding procedures to provide for such consultation rights such that the form of bidding procedures now sought to be approved by this Honourable Court and the US Court is attached as Appendix "E". As noted in the Receiver's "pre-filing" report, Graceway US filed a "first day motion" seeking approval of the Stalking Horse Offer and attaching the original form of the bidding procedures. The Company, with the support of the Receiver, and Graceway US are all seeking approval from this Honourable Court and the US Court of the revised version of the Bidding Procedures, attached as Appendix "E" and which are detailed below.

- Each bid and each bidder submitting a bid (a "Potential Bidder") must, on or before November 14, 2011, deliver *inter alia*: (i) identification of the Potential Bidder; (ii) written evidence of an appropriate senior executive's approval of the contemplated transaction and acceptance of terms in the Bidding Procedures; (iii) an executed CA; and (iv) written evidence to determine whether the party has the financial wherewithal to complete the contemplated transaction.
- A "Qualified Bidder" is a Potential Bidder that delivers the above documents and is determined by the Graceway Group, in consultation with, among other parties, the Receiver, that it is reasonably likely to submit a bona fide offer that would result in greater cash value being received for the benefit of the Graceway Group's creditors than under the Stalking Horse APA.
- The Bidding Procedures provide that the Stalking Horse bidder is a Qualified Bidder. The determination of whether a Potential Bidder meets the criteria of a Qualified Bidder shall be made by the Graceway Group, in consultation with the special bankruptcy and restructuring counsel to the First Lien Agent, counsel to the Official Committee of Unsecured Creditors and the Receiver.
- The deadline for Qualified Bidders to submit a bid is 12:00 p.m. EST on November 14, 2011 (the "Bid Deadline").

- For a bid to be a "Qualified Bid", it must meet certain criteria established by the Bidding Procedures, including: (i) a purchase price equal to or greater than the purchase price and assumed liabilities in the Stalking Horse APA plus the Breakup Fee (US\$8.25 million) and the Initial Minimum Overbid Increment of US\$2.5 million; (ii) the purchase of all or a substantial portion of the purchased assets under the Stalking Horse APA and the assumption of all or a substantial portion of the liabilities contemplated under the Stalking Horse APA; (iii) an executed asset purchase agreement with marked revisions to the Stalking Horse APA; (iv) a cash deposit of not less than US\$27.5 million; (v) it must not contemplate a breakup fee, expense reimbursement provision or the like; (vi) it must identify executory contracts and leases that will be assumed and the corresponding cure amounts associated with the assumption and assignment of the leases and contracts; (vii) it cannot be subject to any diligence, internal approval, financing or regulatory conditions; and (viii) certain other requirements provided for in the Bidding Procedures.
- The Bidding Procedures allow for the "First Lien Lenders" and "Second Lien Lenders" to credit bid, subject to the approval of the US Court. In order for a credit bid to be a Qualified Bid, there are additional requirements dealing with, *inter alia*, the portion of the bid required to be paid in cash. The Bidding Procedures provide that, even if there is to be a credit bid by the secured creditors, the portion of the purchase price allocable to the Company's assets must be paid in cash.
- If no Qualified Bids are submitted by the Bid Deadline, the Stalking Horse APA shall be accepted.
- If Qualified Bids are received by the Bid Deadline, the Graceway Group shall conduct an auction on November 17, 2011 at 1:00 pm EST ("Auction") to determine the highest and/or best bid with respect to the assets.
- Bidding at the Auction shall begin initially with the highest Qualified Bid and continue in minimum increments of at least US\$2.5 million. The Graceway Group and their professionals shall direct and preside over the Auction. The Bidding Procedures provide the Receiver with consultative rights with respect to the determination of which Qualified Bid constitutes the Opening Bid at the Auction.

The Sale Process contemplates, *inter alia*, a sale approval motion to be heard before the US Court on November 22, 2011. The Company is to bring a sale approval motion concurrent with or within two days of the US sale hearing.

5.1 Allocation

The allocation of the purchase price between the Company and Graceway US is an outstanding issue. The Receiver is currently in discussions with Graceway US and its advisors regarding their preliminary proposed allocation. The Receiver is in the process of obtaining further information which the Receiver requires to assess the reasonableness of that allocation. There is presently a hearing scheduled for November 7, 2011 (referred to as the "Canada Allocation Hearing"), the purpose of which is to address the allocation issue. As noted in its "pre-filing" report, in considering the question of purchase price allocation, the Receiver is cognizant of the reliance of the Company on Graceway US for operational purposes and on the Intercompany License Agreement, and that absent either or both of these attributes, value could be impaired.

5.2 Recommendation

The Receiver believes that the proposed Sale Process and Bidding Procedures are reasonable in the circumstances for the following reasons:

- As part of a strategic process, the Graceway Group has marketed its business and assets since April, 2011 with the assistance of a leading investment bank, Lazard;
- In the Receiver's view, the Sale Process is commercially reasonable and the Bidding Procedures and Auction, if required, provide an opportunity for a result superior to the transaction contemplated by the Stalking Horse APA;
- The Bidding Procedures provide consultative and other rights to the Receiver so that it can carry out its obligations under the Receivership Order and the process provides for full transparency and accountability in the Canadian proceedings in accordance with the Endorsement of this Honourable Court dated October 4, 2011;

- The use of a "stalking horse" offer, together with a breakup fee and expense reimbursement mechanism, is commonly used in US insolvency proceedings and has been used on many occasions in Canadian insolvency proceedings. The Breakup Fee and Expense Reimbursement fee do not appear to be excessive in the circumstances; they are consistent (as a percentage) with other Canadian insolvency proceedings. In the Receiver's view, the Breakup Fee and the Expense Reimbursement are not so large as to discourage a third party from submitting an offer that is superior to the Stalking Horse Offer;
- The Sale Process and Bidding Procedures are consistent with the cross-border insolvency protocol approved by this Honourable Court as part of the Receivership Order; and
- Given the Company's reliance on Graceway US for, *inter alia*, the use of the intellectual property owned by Graceway US and operational support provided by Graceway US, it does not appear that an independent sale of the Company is feasible. The sale of the assets of Graceway US without a coordinated process for the sale of the assets of the Company would, in all likelihood, result in a termination of the Intercompany License Agreement with significant adverse consequences for the Company and its stakeholders. Accordingly, subject to appropriately addressing the value allocation issue, including the Company's business and assets in a "joint" Sale Process appears to be appropriate.

6. CONCLUSION AND RECOMMENDATION

Based on the foregoing, the Receiver respectfully recommends that this Honourable Court issue the Order sought by the Company.

* * *

All of which is respectfully submitted,

RSM Richter INC.

**RSM RICHTER INC.
IN ITS CAPACITY AS RECEIVER OF
GRACEWAY CANADA COMPANY
AND NOT IN ITS PERSONAL CAPACITY**

RSM Richter

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)
)
JUSTICE) 22nd DAY OF NOVEMBER, 2011

**IN THE MATTER OF THE RECEIVERSHIP OF
GRACEWAY CANADA COMPANY**

**AND IN THE MATTER OF
THE COURTS OF JUSTICE ACT, R.S.O. 1990. c. C.43, AS AMENDED
GRACEWAY CANADA COMPANY**

Applicant

ORDER

THIS MOTION, made by the Applicant, Graceway Canada Company (the "**Debtor**"), for an order amending the Receivership Order granted by this Court on October 4, 2011 (the "**Receivership Order**"), was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the first report of RSM Richter Inc., in its capacity as the Court-appointed receiver of the Debtor (the "**Receiver**") dated October 13, 2011 (the "**First Report**") and the second report of the Receiver dated November 18, 2011 (the "**Second Report**"), and on hearing the submissions of counsel for the Receiver, the Debtor, ☉ (the "**Purchaser**") and ☉, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of ☉ sworn November ☉, 2011, filed,

1. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Receivership Order.

2. THIS COURT ORDERS that, upon the filing with this Court of a Receiver's certificate substantially in the form attached as Schedule A hereto, the amendments to the Receivership Order set out in paragraphs 3 to 10 of this Order shall come into force:

3. THIS COURT ORDERS that paragraph 3 of the Receivership Order shall be deleted and replaced with the following:

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to act exclusively on behalf of the Debtor in connection with negotiating the terms of a sale of certain of the assets of the Debtor in these proceedings on a co-ordinated basis with the sale of certain of the assets of the U.S. Debtors in the Chapter 11 Proceedings (collectively, the "**Transaction**"), including, without limitation, negotiating and agreeing upon any allocation of the proceeds of the Transaction as between the Debtor and the U.S. Debtors;
- (b) to apply for any sale approval and vesting order or other orders necessary to give effect to the Transaction and convey the Property or any part to a purchaser or purchasers, free and clear of any liens or encumbrances affecting such Property;
- (c) to complete the Transaction as may be approved by this Honourable Court and to receive and hold the proceeds of the Transaction;
- (d) to take possession of and exercise control over all of the Debtor's Property remaining after the closing of the Transaction (such

remaining Property, including cash and proceeds of the Transaction, are hereinafter the "Property") and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (e) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (f) to cease to carry on any part of the business of the Debtor and to cease to perform any contracts of the Debtor;
- (g) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (h) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (i) to settle, extend or compromise any indebtedness owing to the Debtor;
- (j) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

- (k) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (l) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate, to the extent not contrary to or otherwise inconsistent with the Transaction;
- (m) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, to the extent not contrary to or otherwise inconsistent with the Transaction,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share

information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have, to the extent not contrary to or otherwise inconsistent with the Transaction; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtor, and without interference from any other Person.

4. THIS COURT ORDERS that the words "and shall deliver all such Property to the Receiver upon the Receiver's request" are added after the final words of paragraph 4 of the Receivership Order.

5. THIS COURT ORDERS that the words "or the Receiver" are added after the words "the Debtor" in each of subparagraphs 9(i) and 9(ii) of the Receivership Order.

6. THIS COURT ORDERS that the words "or the written consent of the Receiver" are added after the final words of paragraph 10 of the Receivership Order.

7. THIS COURT ORDERS that the words "the Debtor" are replaced by the words "the Receiver" the first two times used in the 7th line, in the 10th line and in the last line of paragraph 11 of the Receivership Order.

8. THIS COURT ORDERS that paragraph 12 of the Receivership Order is deleted.

9. THIS COURT ORDERS that paragraph 13 of the Receivership Order is amended by adding the following words before the words "the purchase price" at the opening of the paragraph:

"all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation, the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence and"

10. THIS COURT ORDERS that paragraph 14 of the receivership Order is deleted and replaced with the following:

"THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*."

11. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

Schedule A – Form of Receiver’s Certificate

Court File No. CV-11-9411CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE RECEIVERSHIP OF
GRACEWAY CANADA COMPANY**

**AND IN THE MATTER OF
THE COURTS OF JUSTICE ACT, R.S.O. 1990. c. C.43, AS AMENDED**

GRACEWAY CANADA COMPANY

Applicant

RECEIVER’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Morawetz of the Ontario Superior Court of Justice (the “**Court**”) dated October 4, 2011, RSM Richter Inc. was appointed as the receiver (the “**Receiver**”) of Graceway Canada Company (the “**Debtor**”).

B. Pursuant to an Order of the Court dated November 22, 2011, the Court approved the asset purchase agreement made as of November 9, 2011 (the “**Asset Purchase Agreement**”) among 9, as the purchaser, the Debtor, Graceway Pharmaceuticals, LLC and its U.S. affiliates signatory thereto and provided for the vesting in 9 (the “**Purchaser**”) of the Debtor’s right, title and interest in and to the Canadian Assets, which vesting is to be effective with respect to the Canadian Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Canadian Assets; (ii) that the conditions to Closing as set out in section 9 of the Asset Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Asset Purchase Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Canadian Assets payable on the Closing Date pursuant to the Asset Purchase Agreement;
2. The conditions to Closing as set out in section • of the Asset Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at • on •, 2011.

**RSM Richter Inc., in its capacity as Receiver
of Graceway Canada Company, and not in its
personal capacity**

Per: _____

Name:

Title:

**IN THE MATTER OF THE RECEIVERSHIP OF GRACEWAY CANADA COMPANY
AND IN THE MATTER OF SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O.
1990. c. C.43, AS AMENDED**

Court File No. CV-11-9411CL

	<p>ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST</p> <p>Proceeding commenced at Toronto</p> <p>ORDER</p> <p>GOODMANS LLP Barristers & Solicitors Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7</p> <p>Fred Myers LSUC#: 26301A L. Joseph Latham LSUC#: 32326A Caroline Descours LSUC#: 58251A</p> <p>Tel: 416.979.2211 Fax: 416.979.1234</p> <p>Lawyers for the Applicant</p>
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**IN THE MATTER OF THE RECEIVERSHIP OF GRACEWAY CANADA COMPANY
AND IN THE MATTER OF SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O.
1990 c. C.43, AS AMENDED**

Court File No. CV-11-9411CL

	<p>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>Proceeding commenced at Toronto</p>
	<p>SUPPLEMENTAL MOTION RECORD (Returnable November 22, 2011)</p>
	<p>GOODMANS LLP Barristers & Solicitors Bay Adelaide Centre 333 Bay St., Suite 3400 Toronto, Ontario M5H 2S7</p> <p>Fred Myers LSUC#: 26301A L. Joseph Latham LSUC#: 32326A Caroline Descours LSUC#: 58251A</p> <p>Tel: (416) 979.2211 Fax: (416) 979.1234</p> <p>Lawyers for the Applicant</p>