

**EXHIBIT A - NOTICE PARTIES**

**Debtors**

Graceway Pharmaceuticals, LLC  
340 Martin Luther King Jr. Blvd., Suite 500  
Bristol, TN 37620  
Attn: John Bellamy

**Counsel to the Debtors**

Latham & Watkins LLP  
Suite 5800  
233 South Wacker Drive  
Chicago, IL 60606  
Attn: Josef S. Athanas

Young Conaway Stargatt & Taylor, LLP  
1000 West Street, 17<sup>th</sup> Floor  
Wilmington, DE 19801  
Attn: Michael R. Nestor

**Counsel for the Committee appointed by  
the Office of the United States Trustee**

Lowenstein Sandler PC  
65 Livingston Avenue  
Roseland, New Jersey 07068  
Attn: S. Jason Teele

Elliott Greenleaf  
1105 North Market Street, Suite 1700  
Wilmington, DE 19801  
Rafael X. Zahraiddin-Aravena

**The Office of the United States Trustee  
for the District of Delaware**

844 King Street  
Suite 2207  
Wilmington, Delaware 19801  
Attn: Juliet Sarkessian

**Counsel to the Administrative Agent for  
the Lenders under the Debtors' pre-  
petition first lien credit facility**

Wachtell, Lipton, Rosen & Katz  
51 West 52<sup>nd</sup> Street  
New York, NY 10019  
Attn: Scott K. Charles and Michael S. Benn

**EXHIBIT B**

**Engagement Letter**

LAZARD

LAZARD FRÈRES & Co, LLC  
190 S. LA SALLE ST.  
31ST FLOOR  
CHICAGO, IL 60608  
PHONE 312-407-8800  
FAX 312-407-8820  
www.lazard.com

March 12, 2010

Graceway Pharmaceuticals, LLC  
340 Martin Luther King Junior Boulevard  
Suite 500  
Bristol, TN 37620

Attention: Jefferson J. Gregory  
Chairman and Chief Executive Officer

Dear Mr. Gregory:

This letter agreement (the "Agreement") confirms the understanding and agreement between Lazard Frères & Co. LLC ("Lazard") and Graceway Pharmaceuticals, LLC ("Graceway") and its controlled subsidiaries (collectively with any entity formed or used for the purposes set forth herein, the "Company").

Assignment Scope:

The Company hereby retains Lazard as its investment banker for the purposes of providing Graceway with general restructuring advice and to advise it in connection with any Restructuring, any Designated Amendment and, if mutually agreed by the Company and Lazard, any Sale Transaction or Financing (each as defined below) on the terms and conditions set forth herein. As used in this Agreement, the term "Restructuring" shall mean, collectively, any restructuring, reorganization (whether or not pursuant to Chapter 11 of the United States Bankruptcy Code) and/or recapitalization of all or a substantial portion of the Company's outstanding indebtedness (including bank debt, mezzanine debt, and other on and off balance sheet indebtedness), trade claims or other liabilities (collectively, the "Existing Obligations") that is achieved, without limitation, through a solicitation of waivers and consents from the holders of Existing Obligations (collectively, the "Stakeholders"); rescheduling of the maturities of Existing Obligations; a change in interest rates, repurchase, settlement or forgiveness of Existing Obligations; conversion of Existing Obligations into equity; an exchange offer involving the issuance of new securities in exchange for Existing Obligations or other similar transaction or series of transactions. By signing this Agreement, we hereby accept our appointment as investment banker under the terms hereof.

Description of Services:

1. Lazard agrees, in consideration of the compensation provided in Section 2 below, to perform such of the following investment banking services as the Company may reasonably request, including, but not limited to:

PARIS LONDON NEW YORK AMSTERDAM ATLANTA BEIJING BERLIN CHICAGO FRANKFURT HAMBURG HONG KONG HOUSTON LOS ANGELES  
MADRID MILAN MINNEAPOLIS MONTREAL MUMBAI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

## LAZARD

- (a) Reviewing and analyzing the Company's business, operations and financial projections;
- (b) Evaluating the Company's potential debt capacity in light of its projected cash flows;
- (c) Assisting in the determination of an optimal capital structure for the Company;
- (d) Assisting in the determination of a range of values for the Company on a going concern basis;
- (e) Advising the Company on tactics and strategies for negotiating with the Stakeholders;
- (f) Rendering financial advice to the Company and participating in meetings or negotiations with the Stakeholders and/or rating agencies or other appropriate parties in connection with any Restructuring;
- (g) Advising the Company on the timing, nature, potential financial consequences and terms of new securities, other consideration or other inducements to be offered pursuant to any Restructuring;
- (h) If mutually agreed by the Company and Lazard, advising and assisting the Company in evaluating any potential Financing<sup>1</sup> transaction by the Company, and, subject to Lazard's agreement so to act and, if requested by Lazard, to execution of appropriate agreements, on behalf of the Company, contacting potential sources of capital as the Company may designate and assisting the Company in implementing such Financing (including, without limitation, providing customary assistance with the development and preparation of an offering or information memorandum, as appropriate);
- (i) Assisting the Company in evaluating any potential Designated Amendment and assisting with negotiations with respect thereto;
- (j) Assisting the Company in preparing documentation within our area of expertise that is required in connection with any Restructuring;
- (k) If mutually agreed by the Company and Lazard, assisting the Company in identifying and evaluating candidates for any potential Sale Transaction, advising the Company in connection with

<sup>1</sup> As used in this Agreement, the term "Financing" means any transaction or series of transactions involving the public or private issuance, sale, or placement of newly-issued (including securities held in treasury) equity, equity-linked or debt securities, instruments, or obligations of the Company, including any debtor-in-possession financing or exit financing in connection with a case under the Bankruptcy Code.

## LAZARD

negotiations and aiding in the consummation of any Sale Transaction<sup>2</sup>;

- (l) Attending meetings or participating in calls of the Board of Directors of Graceway with respect to matters on which we have been engaged to advise hereunder as requested by the Company;
- (m) Providing testimony, as necessary, with respect to matters on which we have been engaged to advise hereunder in any proceeding before the Bankruptcy Court; and
- (n) Providing the Company with other financial restructuring advice.

### Fees:

2. As consideration for the services to be provided in Section 1 above, the Company shall pay Lazard the following fees:

- (a) A monthly fee of \$175,000 (the "Monthly Fee") payable on the fifteenth day of each month (with the first such payment due upon execution) until the earlier of the completion of the Restructuring or the termination of Lazard's engagement pursuant to Section 10; provided that one half of any Monthly Fee paid following the sixth payment made hereunder (*i.e.*, in excess of \$1,050,000) shall be credited against any amounts subsequently due under Section 2(b) or 2(c) hereof.
- (b) A fee equal to \$4,000,000, payable upon the consummation of a Restructuring (the "Restructuring Fee"); provided, however, that if a Restructuring is to be completed through a "pre-packaged" or "pre-arranged" plan of reorganization, the Restructuring Fee shall be earned and shall be payable upon the earlier of (i) execution of definitive agreements with respect to such plan and (ii) delivery of binding consents to such plan by a sufficient number of creditors and/or bondholders, as the case may be, to bind the creditors or bondholders, as the case may be to the plan; provided, further, that in the event that Lazard is paid a fee in connection with a "pre-packaged" or "pre-arranged" plan and a plan of reorganization is not consummated, Lazard shall return such fee to the Company; provided, still further, that if a Restructuring is consummated

<sup>2</sup> As used in this Agreement, the term "Sale Transaction" means any transaction or series of transactions for the purpose of a Restructuring involving (a) an acquisition, merger, consolidation, or other business combination pursuant to which the business or assets of the Company are, directly or indirectly, combined with another company; (b) the acquisition, directly or indirectly, by a buyer or buyers (which term shall include a "group" of persons as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended), of equity interests or options, or any combination thereof constituting a majority of the then outstanding stock of the Company or possessing a majority of the then outstanding voting power of the Company (except as may occur with current Stakeholders as a result of a Restructuring); and (c) any other purchase or acquisition, directly or indirectly, by a buyer or buyers of significant (constituting no less than a majority) assets, securities or other interests of the Company that involves a sale or transfer of a controlling interest in the Company. For purposes hereof, any sale of newly issued securities (including securities held in treasury) shall be deemed a Financing and not a Sale Transaction.

## LAZARD

solely through an amendment to the Company's First Lien Credit Agreement dated May 3, 2007 and amended on August 7, 2009 (and as further amended prior to the date hereof, the "First Lien Credit Agreement"), the Company's Second Lien Credit Agreement dated as of May 3, 2007 (as amended prior to the date hereof, the "Second Lien Credit Agreement") and the Company's Mezzanine Credit Agreement dated as of May 3, 2007 (as amended prior to the date hereof, the "Mezzanine Credit Agreement" and collectively with the First Lien Credit Agreement and the Second Lien Credit Agreement, the "Credit Agreements"), the Restructuring fee shall be equal to \$2,000,000 and shall be payable upon the execution of such amendment.

- (c) If the Company has requested and Lazard has agreed to provide services in respect of a Sale Transaction, then if, whether in connection with the consummation of a Restructuring or otherwise, the Company consummates a Sale Transaction incorporating all or a majority of the assets or all or a majority or controlling interest in the equity securities of the Company, Lazard shall be paid a fee (the "Sale Transaction Fee") equal to \$4,000,000; provided that if a Sale Transaction is consummated through a Restructuring only the Sale Transaction Fee (and not the Restructuring Fee) shall be payable. Any Sale Transaction Fee shall be payable upon consummation of the applicable Sale Transaction.
- (d) If the Company has requested and Lazard has agreed to provide services in respect of a Financing, a fee, payable upon consummation of a Financing, equal to the amount set forth in Schedule I (the "Financing Fee"). One-half of any Financing Fee(s) paid shall be credited against any Restructuring Fee or Sale Transaction Fee subsequently payable.
- (e) A fee of \$250,000 (a "Designated Amendment Fee"), payable upon receipt or effectiveness of any waiver, consent, forbearance or similar arrangement with respect to any covenant contained in the Company's Credit Agreements or an amendment that provides the Company with temporary relief from any covenant in the Credit Agreement (each, a "Designated Amendment"); provided, that it is expressly understood and agreed that any such transaction, arrangement or agreement that has more than a short-term effect, or that occurs in connection with any chapter 11 proceedings, shall be deemed a Restructuring, and not a Designated Amendment, for purposes hereof. Any Designated Amendment Fee paid shall be credited against any Restructuring Fee, Sale Transaction Fee or Financing Fee payable.

## LAZARD

- (f) For the avoidance of any doubt, more than one fee may be payable pursuant to each of clauses (b), (c), (d) and (e) above; provided that in no case shall a fee be payable pursuant to both clauses (b) and (c).
- (g) In addition to any fees that may be payable to Lazard and, regardless of whether any transaction occurs, the Company shall promptly reimburse Lazard for all reasonable expenses incurred by Lazard (including travel and lodging, data processing and communications charges, courier services and other expenditures) and the reasonable fees and expenses of counsel, if any, retained by Lazard, but excluding charges for in-house legal or back-office personnel.
- (h) As part of the compensation payable to Lazard hereunder, the Company agrees to the indemnification, contribution and related provisions (the "Indemnification Letter") attached to this Agreement as Addendum A and incorporated herein in their entirety.
- (i) All amounts referenced hereunder reflect United States currency and shall be paid promptly in cash after such amounts accrue hereunder.

### Retention in Chapter 11 Proceedings:

3. In the event of the commencement of chapter 11 proceedings, the Company agrees that it will use its commercially reasonable efforts to obtain an authorization from the Bankruptcy Court to retain Lazard on the terms and conditions set forth in this Agreement under the provisions of Section 328(a) of the Bankruptcy Code. Subject to being so retained, Lazard agrees that during the pendency of any such proceedings, it shall continue to perform its obligations under this Agreement and that it shall file interim and final applications for allowance of the fees and expenses payable to it under the terms of this Agreement pursuant to the applicable Federal Rules of Bankruptcy Procedure and the local rules and order of the Bankruptcy Court. The Company shall supply Lazard with a draft of the application and proposed retention order authorizing Lazard's retention reasonably in advance of the filing of such application and proposed order to enable Lazard and its counsel to review and comment thereon. Lazard shall be under no obligation to provide any services under this Agreement in the event that the Company becomes a debtor under the Bankruptcy Code unless Lazard's retention under the terms of this Agreement is approved under section 328(a) of the Bankruptcy Code by final order of the Bankruptcy Court, which order is acceptable to Lazard. The retention application shall note that in so agreeing to seek Lazard's retention under Section 328(a) of the Bankruptcy Code, the Company acknowledges that it believes that Lazard's general restructuring experience and expertise, its knowledge of the capital markets and its merger and acquisition capabilities will inure to the benefit of the Company in pursuing any Restructuring, Sale Transaction or Financing, that the value to the Company

## LAZARD

of Lazard's services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the deferred fees, including the Restructuring Fee, Sale Transaction Fee and Financing Fee is reasonable regardless of the number of hours to be expended by Lazard's professionals in the performance of the services to be provided hereunder, and that the deferred fees shall not be considered to be "bonuses" or fee enhancements under applicable law.

### Other:

4. No fee payable to any third party, by the Company or any other person or entity, shall reduce or otherwise affect any fee payable hereunder to us.

5. The Company will furnish or cause to be furnished to Lazard such current and historical financial information and other information regarding the business of the Company as Lazard may request in connection with this engagement. The Company represents and warrants to Lazard that, to the best of its knowledge, all of the foregoing information will be accurate and complete in all material respects at the time it is furnished, and agrees to keep Lazard advised of all developments materially affecting the Company or its financial position. In performing its services pursuant to this Agreement, Lazard shall be entitled to rely upon information furnished to it by the Company or any third party and information that is publicly available, may assume the accuracy and completeness of such information and shall not assume any responsibility for independent verification of any such information. Lazard will not, as part of its engagement, undertake any independent valuation or appraisal of any of the assets or liabilities of the Company (as differentiated from a valuation analysis involving the Company or its assets as a whole) or of any third party.

6. In performing its services pursuant to this Agreement, Lazard is not assuming any responsibility for the decision of the Company or any other party to pursue (or not to pursue) any business strategy or to effect (or not to effect) any Restructuring, Sale Transaction, Financing or other transaction. Lazard shall not have any obligation or responsibility to provide "crisis management" for or business consultant services to the Company, and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements; nor shall Lazard be responsible for providing or deemed to have provided any tax, accounting, actuarial, legal or other specialist advice.

7. It is understood and agreed that nothing contained in this Agreement shall constitute an express or implied commitment by Lazard or Lazard Capital Markets LLC or any of their respective affiliates to underwrite, place or purchase any securities in a financing or otherwise, which commitment shall only be set forth in a separate underwriting, placement agency or purchase agreement, as applicable, relating to the financing.



## LAZARD

8. Simultaneously herewith, the parties hereto are entering into the Indemnification Letter. The Indemnification Letter shall survive any termination or expiration of our engagement hereunder.

9. In order to coordinate our efforts on behalf of the Company during the period of our engagement hereunder, the Company will promptly inform Lazard of any discussions, negotiations, or inquiries regarding a potential Restructuring, Sale Transaction, Designated Amendment and, if applicable, Financing, including any such discussions or inquiries that have occurred during the six month period prior to the date of this Agreement. In the event that Lazard receives an inquiry concerning any transaction, we will promptly inform the Company of such inquiry.

10. Our engagement hereunder will automatically expire on consummation of a Restructuring and may be earlier terminated by Graceway or us at any time without liability or continuing obligation to the Company or us, except that (a) following any termination or expiration of our engagement we shall remain entitled to any fees accrued pursuant to Section 2 but not yet paid prior to such termination or expiration, as the case may be, and to reimbursement of expenses pursuant to Section 2(g) incurred prior to such termination or expiration, as the case may be, and (b) in the case of termination by Graceway (other than due to our gross negligence or willful misconduct) or any expiration of our engagement, we shall remain entitled to full payment of all fees contemplated by Section 2 hereof in respect of any Restructuring, any Sale Transaction, any Designated Amendment and any Financing announced in respect of which an agreement in principle is entered into during the period from the date hereof until one year following such termination or expiration, as the case may be; provided that in no event shall we be entitled to a Sale Transaction Fee following the termination or expiration if a Restructuring Fee was previously paid.

11. Lazard has been retained under this Agreement as an independent contractor to Graceway, and nothing herein is intended to confer any rights or remedies as against Lazard upon any person (including the management, Board of Directors, employees, securityholders and creditors of the Company) other than Graceway. In addition, it is understood and agreed that this Agreement and our engagement do not create a fiduciary relationship between Lazard and any person, including the Company or its management, Board of Directors, employees, securityholders and creditors. No one, other than senior management or the Board of Directors of Graceway (in their capacities as such) is authorized to rely upon the Company's engagement of Lazard or any statements, advice, opinions or conduct by Lazard. Without limiting the foregoing, any advice, written or oral, rendered in the course of the Company's engagement of Lazard are solely for the purpose of assisting senior management or the Board of Directors of Graceway (in their capacities as such) in evaluating the relevant Restructuring, Sale Transaction, Designated Amendment or Financing and does not constitute a recommendation to any stakeholder of the Company that such stakeholder might or should take in connection with any Restructuring, Sale Transaction, Designated Amendment or Financing. The Company agrees that, notwithstanding any termination or expiration of our engagement, any advice, written or oral, rendered by Lazard and the terms of our engagement thereunder may not be disclosed publicly or made available to third parties without the prior written consent

## LAZARD

of Lazard (it being agreed that the Company can disclose the terms of our engagement to the extent required in its financial statements after consultation with Lazard). Notwithstanding the foregoing, nothing herein shall prohibit the Company from disclosing to any and all persons the tax treatment and tax structure of any transaction and the portions of any materials that relate to such tax treatment or tax structure.

12. Unless otherwise agreed to by the Company, Lazard will treat as confidential all information it receives from the Company (the "Confidential Information") in connection with this engagement, whether oral or written, except for information (i) already in Lazard's possession on a non-confidential basis prior to its receipt from the Company, (ii) which Lazard obtained from a person (other than the Company or any representative of the Company) who, insofar as is known to Lazard, is not prohibited from transmitting the information to Lazard by a contractual, legal or fiduciary obligation to the Company, (iii) that is already or becomes public, (iv) that the Company agrees may be disclosed or (v) that Lazard or its agents are required to disclose by applicable law, regulation or legal process; provided that Lazard agrees to provide the Company (to the extent reasonably practicable and permitted by law or regulation) with prompt written notice of such requirement and agrees to reasonably cooperate with the Company, at the Company's request and expense, to seek an appropriate protective order, minimize the required disclosure and/or obtain reasonable assurance that the information so disclosed will be accorded confidential treatment. Lazard may disclose Confidential Information to its counsel and other agents who need to know such information in connection with Lazard's engagement hereunder.

13. In connection with the services to be provided hereunder, Lazard may employ the services of its affiliates and Lazard Capital Markets LLC and may share with any such entity any information concerning the Company, provided that Lazard and such entities shall hold any nonpublic information confidential in accordance with their respective customary policies relating to nonpublic information. Any such entity so employed shall be entitled to all of the benefits afforded to Lazard hereunder and under the Indemnification Letter and shall be entitled to be reimbursed for its expenses on the same basis as Lazard.

14. The provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the Company, Lazard and any other person entitled to indemnity under the Indemnification Letter. The Company's obligations pursuant to this Agreement shall be joint and several. This Agreement and the related Indemnification Letter embody the entire agreement and understanding among the parties hereto and supersede any and all prior agreements, arrangements, and understandings, related to the matters provided for herein. No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party to be bound thereby.

15. This Agreement and any claim related directly or indirectly to this Agreement (including any claim concerning advice provided pursuant to our engagement hereunder) shall be governed by and construed in accordance with the laws of the State of New York without regard to the principle of conflicts of law. No such claim shall be commenced, prosecuted or continued in any forum other than the courts of the State of New York located in the City and County of New York or the United States District Court for the

## LAZARD

Southern District of New York, and each of the parties hereby submits to the jurisdiction of such courts. Each of Lazard and the Company hereby waives on behalf of itself and its successors and assigns any and all right to argue that the choice of forum provision is or has become unreasonable in any legal proceeding. Each of Lazard and the Company waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of this Agreement or the engagement of Lazard pursuant to, or the performance by Lazard of the services contemplated by, this Agreement.

LAZARD

If the foregoing Agreement is in accordance with your understanding of the terms of our engagement, please sign and return to us the enclosed duplicate hereof.

Very truly yours,

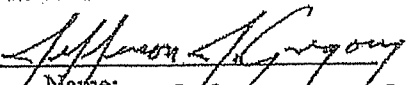
LAZARD FRERES & CO. LLC

By: 

Daniel Aronson  
Managing Director

AGREED TO AND ACCEPTED  
as of the date first written above:

GRACEWAY PHARMACEUTICALS, LLC, on behalf of itself  
and its controlled subsidiaries

By:  03/19/10  
Name: Jefferson J. Gregory  
Title: CEO & chairman

# LAZARD

## SCHEDULE I

### Fees for Financings

The following table outlines the Financing Fees. The total Financing Fee shall be calculated by multiplying the applicable fee percentage by the total gross proceeds raised in each Financing.

<u>Funds Raised</u>	<u>Fee %</u>
Senior Secured Debt	1.50%
Senior Debt	3.00%
Subordinated Debt	3.50%
Convertible Debt	3.75%
Convertible Preferred Stock	5.00%
Common Stock	6.00%

**EXHIBIT C**

**Retention Order**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

GRACEWAY PHARMACEUTICALS, LLC,  
*et al.*<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Ref. Docket No. 27

ORDER PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE  
BANKRUPTCY CODE AUTHORIZING THE DEBTORS TO RETAIN  
AND EMPLOY LAZARD FRERES & CO. LLC AS INVESTMENT BANKER FOR THE  
DEBTORS NUNC PRO TUNC TO THE PETITION DATE

(“Lazard Retention Order”)

Upon the application (the “Application”)<sup>2</sup> of the above-captioned debtors (collectively, the “Debtors”) for entry of an order pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code, Bankruptcy Rules 2014 and 2016 and Local Rule 2014-1 authorizing the Debtors to employ and retain Lazard Frères & Co. LLC (“Lazard”) as investment banker to the Debtors *nunc pro tunc* to the Petition Date on the terms set forth in the engagement letter between Debtors and Lazard, dated as of March 12, 2010 (the “Engagement Letter”), and the related indemnification agreement (the “Indemnity Agreement” and, together with the Engagement

<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), 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.

<sup>2</sup> Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Application.

Letter, the "Lazard Agreement"); and upon consideration of the Declaration of Daniel M. Aronson, a Managing Director of Lazard in support of the Application; and the Court being satisfied that the relief requested herein and the employment of Lazard is necessary and in the best interests of the Debtors' estates, their creditors, and other parties in interest; and the Court being satisfied that the terms of the Lazard Agreement are reasonable terms for purposes of Section 328(a) of the Bankruptcy Code; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue of this proceeding is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court being satisfied that notice of this Application and opportunity for a hearing on this Application was appropriate under the particular circumstances and that no other or further notice need be given; and the Court being satisfied that Lazard neither holds nor represents any interest adverse to the Debtors' estates; and the Court being satisfied that Lazard is a "disinterested person," as that term is defined in Bankruptcy Code Section 101(14) of the Bankruptcy Code; and after due deliberation and sufficient cause appearing therefore, it is hereby ORDERED, ADJUDGED, AND DECREED that:

1. The Application is GRANTED, as modified herein.
2. In accordance with Bankruptcy Code Sections 327(a) and 328(a), Bankruptcy Rules 2014 and 2016, and Local Rule 2014-1, the Debtors are authorized to employ and retain Lazard in accordance with the terms and conditions set forth in the Lazard Agreement, as modified herein, effective *nunc pro tunc* to the Petition Date.
3. All of Lazard's compensation as set forth in the Lazard Agreement, including, without limitation, the Monthly Fee, the Restructuring Fee, the Sale Transaction Fee, the



Financing Fee and the Designated Amendment Fee (each as defined in the Lazard Agreement), are approved pursuant to Bankruptcy Code Section 328(a).

4. Lazard shall file fee applications for monthly, interim and final allowance of compensation and reimbursement of expenses pursuant to the procedures set forth in Bankruptcy Code Sections 330 and 331, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court; provided, however, that Lazard shall be compensated and reimbursed pursuant to Bankruptcy Code Section 328(a) and that Lazard's fees and expenses shall not be evaluated under the standard set forth in Bankruptcy Code Section 330, except as set forth in paragraph 5 below.

5. Notwithstanding anything in this Order to the contrary, the United States Trustee for the District of Delaware shall retain all rights to object to any Monthly Fee, Restructuring Fee, Sale Transaction Fee, Financing Fee or Designated Amendment Fee requested by Lazard based on the reasonableness standard provided for in Section 330 of the Bankruptcy Code.

6. The Debtors are authorized to pay Lazard's fees and to reimburse Lazard for its costs and expenses as provided in the Lazard Agreement, in accordance with the monthly, interim and final fee application process approved by this Court, and none of the fees payable to Lazard shall constitute a "bonus" or fee enhancement under applicable law.

7. Lazard shall apply any retainer remaining at the time of its final fee application in satisfaction of compensation and reimbursement awarded with respect to such application, and promptly pay to the Debtors' estates any retainer remaining after such application.

8. Notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court, or any guidelines regarding submission and approval of fee applications, in light of services to be provided by Lazard and the structure of

Lazard's compensation pursuant to the Engagement Letter, Lazard and its professionals shall be granted a limited waiver of the information requirements set forth in Local Rule 2016-2 and the United States Trustee Fee Guidelines in connection with the services to be rendered pursuant to the Engagement Letter, to keep and submit time records in one-half hour increments.

9. Lazard shall not be entitled to be reimbursed for fees and expenses of its outside counsel for any retention application and/or fee application matters. Additionally, in the event that, during the pendency of the Chapter 11 Cases, Lazard seeks reimbursement for any other attorneys' fees and/or expenses, the invoices and supporting time records from such attorneys shall be included in Lazard's own application (interim or final, as the case may be) and such invoices and time records shall be subject to the U.S. Trustee's guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court under the standards of sections 330 and 331 of the Bankruptcy Code without regard to whether such attorney has been retained under section 327 of the Bankruptcy Code and without regard to whether such attorney's services satisfy section 330(a)(3)(C) of the Bankruptcy Code.

10. Paragraph 4 of the Engagement Letter shall not preclude this Court from ordering appropriate remedies in the event that the Chapter 11 Cases are found to be administratively insolvent.

11. During the pendency of the Chapter 11 Cases, the second sentence of paragraph 11 of the Engagement Letter, relating to fiduciary duty, shall have no force or effect.

12. Nothing in the Application, the Aronson Declaration or this Order shall be construed to authorize the sharing of compensation in contravention of Bankruptcy Code Section 504. Further, nothing in paragraph 13 of the Engagement Letter permits Lazard to employ the services of any of its affiliates (other than affiliates providing less than 25 hours per month or

150 hours in the aggregate) absent such affiliate conducting a conflicts check and filing a declaration of disinterestedness, subject to the foregoing restriction on the sharing of compensation.

13. The provisions set forth in the Indemnity Agreement are approved, subject during the pendency of these cases to the following:

- a. subject to the provisions of subparagraph (d), *infra*, the Debtors are authorized to indemnify, and to provide contribution and reimbursement to, and shall indemnify, and provide contribution and reimbursement to, the Indemnified Persons (as defined in the Indemnity Agreement) in accordance with the Indemnity Agreement for any claim arising from, related to, or in connection with the services provided for in the Engagement Letter;
- b. notwithstanding any provisions of the Indemnity Agreement to the contrary, the Debtors shall have no obligation to indemnify Lazard or provide contribution or reimbursement to Lazard (i) for any claim or expense that is judicially determined (the determination having become final) to have arisen from Lazard's bad faith, self-dealing, breach of fiduciary duty (if any), willful misconduct or gross negligence, (ii) for a contractual dispute in which the Debtors allege the breach of Lazard's contractual obligations if the Court determines that indemnification, contribution, or reimbursement would not be permissible pursuant to In re United Artists Theatre Company, et. al., 315 F.3d 217 (3d Cir. 2003), or (iii) for any claim or expense that is settled prior to a judicial determination as to the exclusions set forth in clauses (i) and (ii) above, but determined by the Court, after notice and a hearing pursuant to subparagraph (d), *infra*, to be a claim or expense for which Lazard should not receive indemnity, contribution or reimbursement under the terms of the Indemnification Letter, as modified by this Order;
- c. if, during the pendency of the Debtors' cases, the indemnification is held unenforceable by reason of the exclusions set forth in subparagraph (b) above and Lazard makes a claim for the payment of any amounts by the Debtors on account of the Debtors' contribution obligations, then the proviso set forth in the second sentence of the contribution provisions in the second paragraph of the Indemnity Agreement shall not apply; and
- d. if, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these cases (that order having become a final order no longer subject to appeal), and (ii) the entry of an order closing these cases, Lazard

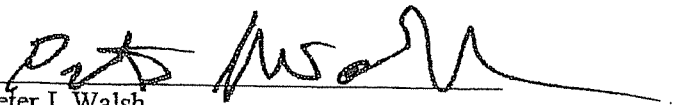
believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution, and/or reimbursement obligations under the Indemnity Agreement, as modified by this Order, including without limitation the advancement of defense costs, Lazard must file an application therefor in this Court, and the Debtors may not pay any such amounts to Lazard before the entry of an order by this Court approving the payment. This subparagraph (d) is intended only to specify the period of time during which the Court shall have jurisdiction over any request for compensation and expenses by Lazard for indemnification, contribution, or reimbursement and is not a provision limiting the duration of the Debtors' obligation to indemnify Lazard.

14. The defined term "Sale Transaction" stated in footnote 2 of the Engagement Letter, attached as Exhibit B to the Application, is modified to remove the phrase "for the purpose of a Restructuring" from the introductory clause of the definition.

15. The Debtors are authorized, empowered and directed to take all actions necessary to implement the relief granted pursuant to this Order.

16. Notwithstanding anything to the contrary in the Application, the Aronson Declaration or the Engagement Letter, during the pendency of these cases, this Court shall retain exclusive jurisdiction with respect to all matters arising from or related to the implementation of this Order, and the execution or interpretation of the Engagement Letter.

Dated: Oct 17, 2011  
Wilmington, Delaware

  
Peter J. Walsh  
United States Bankruptcy Judge

**EXHIBIT D**

**Details of Hours Expended**

Graceway Pharmaceuticals

Lazard Frères & Co. LLC

October 1, 2011 - October 31, 2011

Summary of Services Rendered by Project

<u>Project #</u>	<u>Project Description</u>	<u>October</u>
1	Interface with Professionals, Official Committees, and Other Parties-In-Interest	12.0
2	Business Operations Planning, Monitoring, Reporting and Analysis, and Projections	6.5
3	Preparation and/or Review of Court Filings	4.5
4	Court Testimony/Deposition and Preparation	0.0
5	Valuation Analysis	21.0
6	Capital Structure Review and Analysis	0.0
7	Merger & Acquisition Activity	51.0
8	Financing Including DIP and Exit Financing	0.0
9	General Corporate Finance, Research and Analysis, and Other Due Diligence	3.0
10	Fee Application, Engagement	2.0
11	Employee Retention Program	0.0
<b>TOTAL</b>		<b>100.0</b>

Summary of Services Rendered by Professional

<u>Name</u>	<u>October</u>
Sachin Lulla, Vice President	26.5
Jordan Klein, Vice President	23.5
Philip Nguyen, Analyst	50.0
<b>TOTAL</b>	<b>100.0</b>

Graceway Pharmaceuticals  
Time Detail  
Lazard Frères & Co. LLC  
Sachin Lulla - Vice President

Date:	Description of Work:	Hours:	Code
10/02/11	Discussions with prospective bidders	0.5	7
10/03/11	Discussions with prospective bidders	1.0	7
10/04/11	Discussions with prospective bidders	1.0	7
10/07/11	Discussions with prospective bidders	1.0	7
10/07/11	Call with Latham re: Canadian value allocation	0.5	5
10/10/11	Discussions with prospective bidders	1.0	7
10/11/11	Call with Receiver	0.5	5
10/12/11	Discussions with prospective bidders	1.0	7
10/12/11	Discussions with prospective bidders	1.0	7
10/12/11	Call with Company and Latham re: litigation	0.5	1
10/13/11	Discussions with prospective bidders	1.0	7
10/13/11	Review of Canadian value allocation motion	1.0	3
10/14/11	Conference calls with Counsel and Receiver re: Canadian value allocation	1.0	5
10/14/11	Review of Canadian value allocation analysis	0.5	5
10/14/11	Discussions with prospective bidders	1.0	7
10/14/11	Attention to matters re: retention application	0.5	10
10/17/11	Call with UCC F/A re: sale process	0.5	7
10/18/11	Call with Company, Counsel and Latham re: case status	0.5	1
10/18/11	Discussions with prospective bidders	1.0	7
10/19/11	Document review for HSR filing	1.0	7
10/19/11	Diligence call with prospective bidder	0.5	7
10/21/11	Call with FTI re: sale process	1.0	7
10/21/11	Call with Latham re: Canadian value allocation	1.0	5
10/21/11	Call with Receiver re: Canadian value allocation	1.0	5
10/24/11	Review of Canadian valuation motion	1.0	3
10/25/11	Call with 1st Lien Counsel re: sale process	1.0	7
10/26/11	Graceway Board Meeting	1.5	2
10/26/11	Diligence call with prospective bidder	1.0	7
10/27/11	Diligence call with prospective bidder	1.0	7
10/27/11	Calls with Company and counsel re: operations	1.0	2
10/31/11	Call with Counsel re: Canada	0.5	5
<b>October Hours</b>		<b>26.5</b>	

Graceway Pharmaceuticals  
Time Detail  
Lazard Frères & Co. LLC  
Jordan Klein - Vice President

Date:	Description of Work:	Hours:	Code
10/02/11	Discussions with prospective bidders	0.5	7
10/03/11	Discussions with prospective bidders	1.0	7
10/04/11	Discussions with prospective bidders	1.0	7
10/07/11	Discussions with prospective bidders	1.0	7
10/07/11	Call with Latham re: Canadian value allocation	0.5	5
10/10/11	Discussions with prospective bidders	1.0	7
10/12/11	Discussions with prospective bidders	1.0	7
10/12/11	Discussions with prospective bidders	1.0	7
10/12/11	Call with Company and Latham re: litigation	0.5	1
10/13/11	Discussions with prospective bidders	1.0	7
10/14/11	Conference calls with Counsel and Receiver re: Canadian value allocation	1.0	5
10/14/11	Discussions with prospective bidders	1.0	7
10/17/11	Call with UCC FA re: sale process	0.5	7
10/18/11	Call with Company, Counsel and Latham re: case status	0.5	1
10/18/11	Discussions with prospective bidders	1.0	7
10/19/11	Diligence call with prospective bidder	0.5	7
10/21/11	Call with FTI re: sale process	1.0	7
10/21/11	Call with IP Counsel	0.5	7
10/21/11	Call with Latham re: Canadian value allocation	1.0	5
10/21/11	Call with Receiver re: Canadian value allocation	1.0	5
10/25/11	Call with Company re: Inventory	0.5	2
10/25/11	Discussion with prospective bidder	0.5	7
10/25/11	Call with 1st Lien Counsel re: sale process	1.0	7
10/26/11	Graceway Board Meeting	1.5	2
10/26/11	Discussion with prospective bidder	0.5	7
10/26/11	Diligence call with prospective bidder	1.0	7
10/27/11	Diligence call with prospective bidder	1.0	7
10/27/11	Calls with Company and counsel re: operations	1.0	2
<b>October Hours</b>		<b>23.5</b>	



Graceway Pharmaceuticals  
Time Detail  
Lazard Frères & Co. LLC  
Philip Nguyen - Analyst

<u>Date:</u>	<u>Description of Work:</u>	<u>Hours:</u>	<u>Code</u>
10/02/11	Creation of log for parties contacted regarding auction and bankruptcy hours log	0.5	10
10/02/11	Buyer diligence	0.5	9
10/03/11	Internal call with L&W	0.5	1
10/07/11	Call with Medicis to discuss bidding process	1.0	7
10/11/11	Call with Canadian Receiver	1.0	1
10/14/11	Preparation for Canadian Receiver call	1.0	5
10/14/11	Call with Canadian Receiver	1.0	1
10/14/11	Preparation and analysis of Canadian value allocation	2.0	5
10/14/11	Attention to matters re: retention application	1.0	10
10/17/11	Call with FTI (UCC financial adviser)	1.0	1
10/17/11	Diligence items for FTI	1.0	9
10/18/11	Internal call regarding post-filing update	1.0	1
10/19/11	HSR work	1.0	7
10/19/11	Data room management and diligence requests from potential bidders	3.0	7
10/20/11	Data room management and diligence requests from potential bidders	3.0	7
10/20/11	Preparation and analysis of Canadian value allocation	2.0	5
10/20/11	Due diligence on other potential bidders	1.0	7
10/21/11	Update call re: sale process with FTI (UCC financial adviser)	1.0	1
10/21/11	Data room management and diligence requests from potential bidders	2.0	7
10/21/11	Preparation and analysis of Canadian value allocation	3.0	5
10/22/11	Review of Supplement to Canadian Valuation Motion	1.0	3
10/23/11	Review of Supplement to Canadian Valuation Motion	1.0	3
10/23/11	Preparation and analysis of Canadian value allocation	2.0	5
10/24/11	Review of Canadian Receiver Markup of Supplement to Canadian Valuation Motion	0.5	3
10/24/11	Call with Canadian Receiver to discuss markup of Supplement	1.0	1
10/24/11	Data room management and diligence requests from potential bidders	2.0	7
10/24/11	Call with Company to discuss Canada historical financials	1.0	9
10/24/11	Preparation and analysis of Canadian value allocation	2.0	5
10/24/11	Review of Canadian materials for FTI	0.5	9
10/25/11	Data room management re: contracts and diligence requests from potential bidders	2.0	7
10/26/11	Due diligence call with potential bidder	1.0	7
10/26/11	Data room management and diligence requests from potential bidders	2.0	7
10/26/11	Graceway Board Meeting	1.5	1
10/27/11	Due diligence call with potential bidder re: manufacturing	1.0	7
10/27/11	Calls with Company and counsel re: operations	1.0	2
10/28/11	Update call re: sale process with FTI (UCC financial adviser)	1.0	1
10/28/11	Data room management and diligence requests from potential bidders	0.5	7
10/31/11	Internal Canada regulatory call	1.0	1
10/31/11	Preparation and analysis of Canadian value allocation	0.5	5
<b>October Hours</b>		<b>50.0</b>	

**EXHIBIT E**

**Fee Calculation  
& Details of Expenses**

**Graceway Pharmaceuticals, LLC  
Monthly Fee Statement  
Lazard Frères & Co. LLC**

**September 29, 2011 - October 31, 2011**

**Fee Calculation**

<u>Item</u>	<u>Amount Incurred</u>
Monthly Fees: September 29, 2011 - October 31, 2011	\$87,500.00 <sup>(1)</sup>
<b>TOTAL</b>	<b><u><u>\$87,500.00</u></u></b>

**Summary of Out-of-Pocket Expenses**

<u>Item</u>	<u>Amount Incurred</u>
<b>TOTAL</b>	<b><u><u>\$0.00</u></u></b>

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<sup>(1)</sup> Lazard's engagement letter provides for a Monthly Fee of \$175,000 payable on the 15th day of each month. Prior to the Petition Date, Lazard was paid its Monthly Fee for the period from September 15, 2011 through October 14, 2011. The Monthly Fee requested herein is for half of one month in order to conform the Lazard billing period to a calendar month per the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and represents the Monthly Fee for the period from October 15, 2011 through October 31, 2011.