

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

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

Debtors.

METAPHOR, INC.

Plaintiff,

v.

GRACEWAY PHARMACEUTICALS, LLC,  
*et al.*

Defendants.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Related Docket No. 334, 422

Adv. Proc. No.: 11-53855 (PJW)

RE: Docket No. 4, 8

**ORDER AUTHORIZING THE DEBTORS TO ENTER INTO A  
SETTLEMENT AGREEMENT WITH METAPHOR, INC.**

Upon consideration of the motion (the "Motion")<sup>2</sup> the above-captioned debtors and debtors in possession in these chapter 11 cases (collectively, the "Debtors"), seeking entry of an order pursuant to Sections 105(a) and 363(b) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), and Rule 9019(a) of the Federal Rules of

<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 but not defined herein shall have the same meanings ascribed to them in the Motion or the Settlement Agreement, as applicable.

Bankruptcy Procedure (the “**Bankruptcy Rules**”), to enter a Settlement Agreement by and between the Debtors and Metaphor, Inc. (“**Metaphor**”); and the Court being satisfied based on the representations made in the Motion and the Settlement Agreement; and it appearing that the Settlement Agreement and the relief requested in the Motion are in the best interests of the Debtors, their creditors and estates; and it appearing that proper and adequate notice has been given and that no other or further notice is required; and upon the record herein; and after due deliberation thereon; and sufficient cause appearing therefore; it is hereby ORDERED that:

1. The Motion is GRANTED.
2. The Debtors and the Metaphor are hereby authorized and directed to perform their obligations under the Settlement Agreement.
3. The Settlement Agreement, attached as Exhibit B to the Motion, is approved pursuant to Sections 105 and 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019(a).<sup>3</sup>
4. Waiver of Rights to Appeal. Metaphor hereby waives any and all rights to appeal the Sale Order, including, without limitation, the Court’s decision therein to overrule the Limited Objection.
5. Filing of Dismissal Stipulation. On the Settlement Effective Date, Metaphor and the Debtors shall file with the Court a joint stipulation in the form attached to the Settlement Agreement as Exhibit A for the dismissal with prejudice of the Adversary Proceeding (the “**Dismissal Stipulation**”). The Debtors and Metaphor shall cooperate with one another and promptly take any and all further steps necessary to secure dismissal of all claims in the Complaint with prejudice.

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<sup>3</sup> Reference is made to the Settlement Agreement for a complete description of its terms. To the extent any summaries and/or descriptions of the terms of the Settlement Agreement contained in the Motion differ in any way from that contained in the Settlement Agreement, the Settlement Agreement shall govern.

6. No Appeal of Order. Neither the Debtors nor Metaphor shall appeal, or support any other person in appealing, this Order.

7. Payment to Metaphor. On the Settlement Effective Date, the Debtors shall pay to Metaphor \$25,000.00 in cash solely from the Sale Proceeds held in the 1.0% Holdback Account, free and clear of any liens, claims or encumbrances.<sup>4</sup>

8. Allowed Unsecured Claim. Effective on the Settlement Effective Date, Metaphor shall be allowed, without counterclaim or offset of any kind or nature, a general non-priority unsecured claim of \$398,230.85 against Graceway Pharmaceuticals, LLC.

9. Waiver of Avoidance Claims. The Debtors hereby waive and release any avoidance claim against Metaphor (including claims arising under Sections 544, 547 and 548 of the Bankruptcy Code).

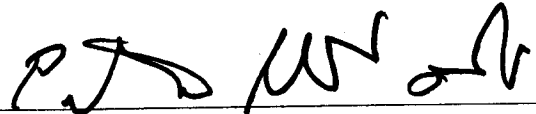
10. Mutual Releases. Effective as of the Settlement Effective Date, each of the Debtors and Metaphor waives, releases and discharges each of the other Parties, their affiliates, member firms and associated entities, and its and their respective attorneys, financial advisors, employees, officers, directors, agents and other authorized representatives, successors and assigns, from all claims, demands, damages, obligations, liabilities, losses, costs, expenses, fees, and causes of action, in each case, asserted or unasserted, known or unknown, existing as of the date of execution of the Settlement Agreement or arising thereafter, including, without limitation, all claims, demands, damages, obligations, liabilities, losses, costs, expenses, fees, and causes of action in connection with, arising from or related to the Adversary Proceeding, the Metaphor Pleadings and/or the execution and delivery of the Settlement Agreement; provided, however, that such waiver, release and discharge shall not include any obligation of any Party

under the Settlement Agreement or any damages, liabilities, claims or causes of action in connection with, arising from or related to the breach by any Party of the terms and conditions contained in the Settlement Agreement.

11. This Order and the Settlement Agreement shall be binding upon the Debtors, Metaphor, any trustees appointed in these proceedings, any trustees appointed in any subsequent chapter 7 proceedings under the Bankruptcy Code relating to the Debtors, and all other parties-in-interest.

12. The Debtors are authorized and empowered to take all steps necessary and appropriate to carry out and otherwise effectuate the terms conditions and provisions of the Settlement Agreement.

Dated: Dec 30, 2011  
Wilmington, Delaware

  
Peter J. Walsh  
United States Bankruptcy Judge

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<sup>4</sup> The First Lien Agent does not object to the payment from the 1.0% Holdback Account free and clear of its liens thereon.