

EXHIBIT A

Approved Budget

Pre-Sale Approved Budget
(\$ in 000s)

1 2 3 4 5 6 7 8 9 10

Week Ending:

Receipts

Pharma Sales
Royalties & Licensing
Other Receipts

Total Receipts

10/7/11 10/24/11 10/31/11 10/28/11 11/4/11 11/11/11 11/18/11 11/25/11 12/2/11 12/9/11
\$ 1,571 \$ 1,593 \$ 1,340 \$ 2,252 \$ 1,784 \$ - \$ 696 \$ 953 \$ 1,132 \$ 1,505

1,571 1,593 1,340 2,252 2,533 - 1,496 953 1,132 1,505

Operating Disbursements

Rebates (plus Post-Closing COOP)
Payroll & Benefits
Product, Packaging, Freight
R&D, Licensing, & Regulatory
Advertising & Promotion and Sales Expenses
Non-Restructuring Professional Fees

Ropes & Gray LLP
Edwards Angel Palmer & Dodge
Hogan Lovells US LLP
Other Non-Restructuring Professionals
Insurance
Taxes
Corporate, Occupancy, Utilities & Other Expenses

Total Operating Disbursements

1,207 1,524 776 2,662 1,198 1,554 1,366 2,206 1,163 1,189

Restructuring & Non-Operating Disbursements

Restructuring Professionals (Retained)
CapEx

Total Restructuring and Non-Op Disbursements

Financing Disbursements/Receipts

Canadian Loan & Interest
1st Lien Advisors
1st Lien Interest & Fees
1st Lien Agent

Total Financing Disbursements

(6,000) - - - - - - - - -
- - - - - 469 - - - 469
974 - - - 3 - - - - 3
- 125 - - 3 - - - -
(5,026) 125 - 3 469 - - - 3 469

Net Cash Flow

\$ 5,484 \$ (62) \$ 1,158 \$ (432) \$ 861 \$ (1,560) \$ 125 \$ (1,259) \$ (40) \$ (158)

Beginning Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Net Cash Flow	\$ 5,484	\$ (62)	\$ 1,158	\$ (432)	\$ 861	\$ (1,560)	\$ 125	\$ (1,259)	\$ (40)
Ending Balance	\$ 15,484	\$ 14,918	\$ 16,076	\$ 15,644	\$ 16,937	\$ 15,377	\$ 16,502	\$ 15,243	\$ 15,203

Pre-Sale Approved Budget
(\$ in '000s)

11 12 13 14 15 16 17

Est. Accrued
but Unpaid @
Closing ⁽¹⁾

Week Ending:

Receipts

Pharma Sales
Royalties & Licensing
Other Receipts

Total Receipts

Operating Disbursements

Rebates (plus Post-Closing CCRF)
Payroll & Benefits
Product, Packaging, Freight
R&D, Licensing, & Regulatory
Advertising & Promotion and Sales Expenses
Non-Restructuring Professional Fees
Ropes & Gray LLP
Edwards Angell Palmer & Dodge
Hogan Lovells US LLP
Other Non-Restructuring Professionals
Insurance
Taxes
Corporate, Occupancy, Utilities & Other Expenses

Total Operating Disbursements

Restructuring & Non-Operating Disbursements

Restructuring Professionals (Retained)
CapEx

Total Restructuring and Non-Op Disbursements

Financing Disbursements/(Receipts)

Canadian Loan & Interest
1st Lien Advisors
1st Lien Interest & Fees
1st Lien Agent

Total Financing Disbursements

Net Cash Flow

	12/6/11	12/23/11	12/30/11	1/6/12	1/13/12	1/20/12	1/27/12	Total
Pharma Sales	\$ 1,180	\$ 1,357	\$ 1,474	\$ 1,025	\$ 1,477	\$ 915	\$ 939	\$ 21,992
Royalties & Licensing	-	-	-	-	-	-	-	1,549
Other Receipts	-	-	-	-	-	-	-	-
Total Receipts	1,180	1,357	1,474	1,025	1,477	915	939	23,541
Rebates (plus Post-Closing CCRF)	321	-	290	107	398	21	331	2,980
Payroll & Benefits	127	682	10	708	29	809	26	8,480
Product, Packaging, Freight	584	1,832	83	77	202	162	76	7,739
R&D, Licensing, & Regulatory	70	70	157	189	73	73	73	1,875
Advertising & Promotion and Sales Expenses	251	201	201	148	489	139	139	4,153
Non-Restructuring Professional Fees	-	-	-	-	-	-	-	-
Ropes & Gray LLP	246	-	-	-	246	-	-	969
Edwards Angell Palmer & Dodge	97	-	-	-	97	-	-	482
Hogan Lovells US LLP	33	-	87	-	33	-	87	510
Other Non-Restructuring Professionals	-	-	-	-	-	-	-	985
Insurance	58	-	-	-	-	14	-	731
Taxes	35	35	35	88	124	35	35	1,265
Corporate, Occupancy, Utilities & Other Expenses	1,822	2,820	862	1,318	1,691	1,253	767	29,967
Total Operating Disbursements	622	-	-	-	1,444	-	-	6,591
Restructuring Professionals (Retained)	6	6	6	6	6	6	6	98
CapEx	627	6	6	6	1,450	6	6	8,768
Total Restructuring and Non-Op Disbursements	-	-	-	-	-	-	-	(6,000)
Canadian Loan & Interest	-	-	-	-	-	-	-	1,406
1st Lien Advisors	-	-	-	469	-	-	-	974
1st Lien Interest & Fees	-	-	-	-	-	-	-	137
1st Lien Agent	-	-	3	-	-	-	-	(3,483)
Total Financing Disbursements	-(1,269)	-(1,459)	603	-(768)	-(1,564)	-(343)	163	-(11,711)
Net Cash Flow	551	898	871	257	913	872	943	12,830

Balance Forward	\$ 6,000	\$ 7,474	\$ 6,162	\$ 6,776	\$ 6,776	\$ 6,846	\$ 6,846	\$ 7,474
Net Cash Flow	551	898	871	257	913	872	943	12,830
Ending Balance	\$ 6,551	\$ 8,372	\$ 7,033	\$ 7,033	\$ 7,689	\$ 7,718	\$ 8,661	\$ 19,304

Note:
(1) Does not include estimated CCR liabilities

Pre-Sale Approved Budget
(\$ in '000s)

Firm / Employees	Oct-11	Nov-11	Dec-11	Jan-12	Success Fee	Total	Estimated Unpaid Amt at Closing
Debtor							
Company Counsel (Latham)	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ 4,000	\$ 2,437
Local Counsel (Young Conaway)	150	150	150	150	-	600	366
Claims / Noticing Agent (BMC)	50	50	50	50	-	200	100
Investment Bank (Lazard)	175	175	175	175	2,263	2,963	2,660
Restructuring Consultant (A&M)	379	288	299	295	-	1,261	806
Subtotal	1,754	1,663	1,674	1,670	2,263	9,024	6,389
UCC							
UCC Professionals	67	67	67	67	-	267	162
Non-Restructuring Professionals (Retained)							
Ropes & Gray LLP	-	-	-	-	-	-	-
Edwards Angell Palmer & Dodge	300	300	175	175	-	950	477
Hogan Lovells US LLP	118	118	118	118	-	473	288
PricewaterhouseCoopers	40	40	40	40	-	160	97
Subtotal	458	458	333	333	-	1,583	862
Trustee Fee	10	10	10	10	-	40	40
Sub-Total	2,288	2,198	2,084	2,080	2,263	10,913	7,453
Other Non-Restructuring Professionals (Non-Retained)							
Other Non-Restructuring Advisors	87	87	87	87	-	346	43
1st Lien							
1st Lien Professionals	450	450	450	450	-	1,800	327
Total	2,825	2,735	2,621	2,617	2,263	13,060	7,824

Wind Down Approved Budget
(\$ in '000s)

	Feb-12 ⁽¹⁾	Mar-12	Apr-12	May-12	Jun-12	Total
Receipts						
Paragraph 4 Funding Amounts (excl. 1% Holdback Account)	\$ 49,185	\$ -	\$ -	\$ -	\$ -	\$ 49,185
Disbursements						
Lazard Success Fee	2,263	-	-	-	-	2,263
Designated Account, excl Wind Down Expenses	18,255	-	-	-	-	18,255
Wind Down Expenses - Professional Fees Only	1,403	1,403	1,153	903	903	5,766
Wind Down Expenses - Corporate, Employee & Other	799	578	452	400	373	2,603
Wind Down Expenses - PTO / Severance / COBRA	2,616	-	-	-	-	2,616
CCR Account	17,683	-	-	-	-	17,683
Total Disbursements	43,018	1,982	1,605	1,303	1,277	49,185
Net Cash Flow	6,167	(1,982)	(1,605)	(1,303)	(1,277)	-
Beginning Cash Balance	6,167	6,167	4,185	2,680	1,277	-
Net Cash Flow	(1,982)	(1,805)	(1,303)	(1,277)	-	-
Ending Cash Balance	4,185	2,680	1,277	-	-	-

Note:

(1) Feb 2012 includes Jan 28-31

EXHIBIT B

Intercompany Notes

TRANCHE A INTERCOMPANY TERM LOAN NOTE

\$3,800,000

September 30, 2011

FOR VALUE RECEIVED, the undersigned, GRACEWAY PHARMACEUTICALS, LLC, a Delaware limited liability company (the "**Borrower**"), hereby unconditionally promises to pay to GRACEWAY CANADA COMPANY, a Nova Scotia unlimited liability company, and its successors and assigns (the "**Lender**"), at the office of the Lender or at such other place as the Lender may from time to time designate to the Borrower in writing, in lawful money of the United States and in immediately available funds, the principal amount of THREE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$3,800,000), or, if less, the unpaid principal amount of the Tranche A Intercompany Loan of the Lender as may be outstanding under the Order (as defined below). The principal amount of this Tranche A Intercompany Term Loan Note (as amended, restated, amended and restated, supplemented or otherwise modified, this "**Note**") shall be paid in the amounts and on the dates specified in the Order to the account designated by the Lender. The Borrower further agrees to pay interest to the Lender on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in the Order.

Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in that certain Interim DIP Order dated September 30, 2011 (as amended, restated, amended and restated, superseded, supplemented or otherwise modified by a final order issued by the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"), the "**Order**"), upon the motion, dated September 29, 2011, of Graceway Pharma Holding Corp., Graceway Holdings, LLC, the Borrower, and the other debtors and debtors in possession in the Chapter 11 Cases, seeking an entry of an interim order pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(3), 364(d)(1), 364(e), 507 and 552 of Chapter 11 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure.

This Note is subject to the provisions of the Order. This Note is secured and guaranteed as provided in the Order and that certain Guaranty Agreement, dated as of the date hereof (the "**Guaranty**") (a copy of which is attached hereto as Exhibit A), by the guarantors party thereto in favor of the Lender. Reference is hereby made to the Order and the Guaranty for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the Lender in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all principal and all accrued interest then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Order.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Subject to the provisions of the Order, the Borrower may at any time without prior notice to the Lender prepay the Tranche A Intercompany Loan in whole or in part, in each instance, without penalty or premium. Any amount repaid under this Note may not be reborrowed.

Except to the extent the mandatory provisions of the Bankruptcy Code apply, this Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable hereto.

Without limitation of any party's right to appeal any Order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Note and to decide any claims or disputes which may arise or result from, or be connected with, this Note, any breach or default hereunder, or the transactions contemplated hereby and (ii) any and all claims relating to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereto hereby consent and submit to the exclusive jurisdiction and venue of the Bankruptcy Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding; *provided, however*, that, if the Bankruptcy Court is closed, all proceedings arising out of or relating to this Note shall be heard and determined in a Delaware state court or a federal court sitting in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding. The parties hereto consent to service of process by mail or any other manner permitted by law.

In the event of any inconsistency or conflict between the terms, conditions and provisions of this Note and the terms, conditions and provisions of the Order, the terms, conditions and provisions of the Order shall control.

THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS NOTE.

[Signature Page Follows]

GRACEWAY PHARMACEUTICALS, LLC

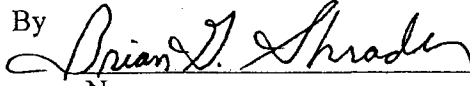
By 
Name:
Title:

Exhibit A

Guaranty Agreement

Attached.

GUARANTY AGREEMENT

As an inducement to GRACEWAY CANADA COMPANY, a Nova Scotia unlimited liability company (“we,” “our” or “us”), to make available to GRACEWAY PHARMACEUTICALS, LLC, a Delaware limited liability company (the “*Borrower*”), the Intercompany Loan upon and subject to the terms of that certain Interim DIP Order dated September 30, 2011 (as amended, restated, amended and restated, superseded, supplemented or otherwise modified by a final order issued by the United States Bankruptcy Court for the District of Delaware (the “*Bankruptcy Court*”), the “*Order*”), upon the motion, dated September 29, 2011, of Graceway Holding Corp., Graceway Holdings, LLC, the Borrower, and the other debtors and debtors in possession in the Chapter 11 Cases, seeking an entry of an interim order pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(3), 364(d)(1), 364(e), 507 and 552 of Chapter 11 of title 11 of the United States Code (as amended, the “*Bankruptcy Code*”) and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure, as evidenced by (a) that certain Tranche A Intercompany Term Loan Note dated September 30, 2011 (the “*Tranche A Note*”) made by the Borrower in favor of us and (b) that certain Tranche B Intercompany Term Loan Note dated September 30, 2011 made by the Borrower in favor of us (the “*Tranche B Note*”, together with the Tranche A Note, collectively, the “*Notes*”), each of the undersigned and their successors and assigns, do jointly and severally, hereby agree to be bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in the Order, the Notes (including, without limitation, the timely payment and performance of all of the Borrower’s obligations thereunder) and this Guaranty Agreement, and the full and prompt payment of any amounts, costs, expenses, claims, charges or liabilities incurred by us under the Order, the Notes or this Guaranty Agreement, including attorneys’ fees and costs, related to the making, performance, or enforcement of the Intercompany Loan, the Notes or this Guaranty Agreement (collectively, the “*Guaranteed Obligations*”), and agree that this Guaranty Agreement shall be construed as though the undersigned and each of them executed agreements containing the identical terms and conditions of the Tranche A Note and the Tranche B Note, respectively. The obligations of the undersigned are subject to the provisions of the Order. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given them in the Order.

As an original and independent obligation under this Guaranty Agreement, the undersigned shall jointly and severally (a) indemnify us, and keep us indemnified, against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by the Borrower to make due and punctual payment of any of the Guaranteed Obligations or resulting from any of the Guaranteed Obligations being or becoming void, voidable, unenforceable or ineffective against the Borrower (including, but without limitation, all legal and other costs, charges and expenses incurred by us in connection with preserving or enforcing, or attempting to preserve or enforce, our rights under this Guaranty Agreement); and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not we have attempted to enforce any rights against any other Person or otherwise.

If more than one individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture (each, a “*Person*”) has executed this Guaranty Agreement, the term “the undersigned” as used herein, shall refer to

each such Person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

Subject to the terms of the Order, the undersigned hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder, (a) any guarantor of or party to the Notes may be released, substituted or added, (b) any right or remedy under the Order, the Notes, this Guaranty Agreement or any other instrument or agreement between us and the Borrower may be exercised, not exercised, impaired, modified, limited, destroyed or suspended and (c) we or any other Person may deal in any manner with the Borrower, any of the undersigned or any other Person.

Subject to the terms of the Order, should the Borrower or any of the undersigned be in breach or default under the Order, the Notes or this Guaranty Agreement, we may proceed directly against any or each of the undersigned without first proceeding against or notifying the Borrower and without proceeding against any others of the undersigned. Subject to the terms of the Order, upon notice from us that the Borrower has failed to pay monies due and owing to us under the Notes, the Order or this Guaranty Agreement, any and each of the undersigned agree to cure any monetary default within three (3) Business Days from such notice.

Payment by any of the undersigned in respect of the Guaranteed Obligations shall be made to us in immediately available funds at our office or at such other place which we may specify in writing from time to time. The undersigned shall make all payments in respect of the Guaranteed Obligations to us free and clear of, and without deduction or withholding for or on account of, (i) any setoff, counterclaim, defense, restrictions or conditions of any kind; (ii) any present or future duties, taxes, levies, imposts, fees, deductions, assessments, withholdings or other charges of any nature whatsoever or interest, penalties or other amounts in respect thereof imposed or levied by or on behalf of the federal government of Canada, the United States of America or of any state, province or territory thereof or any authority or agency therein or thereof having power to tax; or (iii) any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Guaranty Agreement, the Notes or the Order unless such deduction or withholding is required by law or the administrative practice of any taxation authority.

Notice to and demand upon the Borrower or any of the undersigned shall be deemed notice to or demand upon the Borrower and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of the Borrower or any of the undersigned shall not relieve any other of the undersigned from liability hereunder or under the Notes, except to the extent that all monies owed to us under the Notes have been paid in full.

This Guaranty Agreement constitutes a guaranty of payment and performance and not of collection, and each of the undersigned specifically waives any obligation we may have to proceed against the Borrower or any of the undersigned on any money or property held by the Borrower, any of the undersigned or by any other Person as collateral security, by way of set off or otherwise. Subject to the terms of the Order, the undersigned further agree that this Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time

payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by us upon the insolvency, bankruptcy or reorganization of the Borrower or any of the undersigned, all as though such payment has not been made.

We may at any time and from time to time, without notice to or the consent of the undersigned, and without impairing or releasing, discharging or modifying the undersigned's liabilities hereunder, (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Guaranteed Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Guaranteed Obligations, any other guaranties, or any security for any Guaranteed Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any obligations of the Borrower in such order, manner and amount as we may determine in our sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the undersigned, with respect to any Guaranteed Obligations in such manner as we deem appropriate in our sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

The obligations of each undersigned hereunder shall not be affected or impaired by any act, omission, matter or thing whatsoever (other than payment of monies owed to us under the Notes), occurring before, upon or after any demand for payment hereunder (and whether or not known to any of the undersigned or us) which, but for this provision, might constitute a whole or partial defense to a claim against any undersigned hereunder or might operate to release or otherwise exonerate any undersigned from any of its obligations hereunder or otherwise affect such obligations, whether occasioned by our default or otherwise.

The undersigned expressly acknowledge that the obligations hereunder survive the termination of the Notes and/or the Order.

Any waiver, extension of time or other indulgence granted by us or our agents, successors or assigns, with respect to the Notes or the Order shall in no way modify or amend this Guaranty Agreement which shall be continuing, absolute, unconditional and irrevocable. Subject to the terms of the Order, this Guaranty Agreement may be assigned by us voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder. Absent our written consent, the undersigned may not assign their obligations under this Guaranty Agreement.

Our failure to enforce all or any portion of our rights under this Guaranty Agreement shall not constitute a waiver of our ability to do so at any point in the future.

Except to the extent the mandatory provisions of the Bankruptcy Code apply, this Guaranty Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable hereto.

Without limitation of any party's right to appeal any Order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Guaranty

Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Guaranty Agreement, any breach or default hereunder, or the transactions contemplated hereby and (ii) any and all claims relating to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereto hereby consent and submit to the exclusive jurisdiction and venue of the Bankruptcy Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding; *provided, however*, that, if the Bankruptcy Court is closed, all proceedings arising out of or relating to this Guaranty Agreement shall be heard and determined in a Delaware state court or a federal court sitting in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding. The parties hereto consent to service of process by mail or any other manner permitted by law.

THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS GUARANTY AGREEMENT.

Subject to the terms of the Order, if we choose to proceed against the undersigned under this Guaranty Agreement, and we prevail, the undersigned shall reimburse us our costs and expenses associated with the litigation, including our reasonable attorneys' fees, court costs and expenses.

The undersigned hereby specifically waives, presentment, notice, notice of protest, demand, notice of dishonor, and notice of default with respect to any obligation set forth in the Notes, the Order or this Guaranty Agreement.

If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Guaranty Agreement, the Notes or the Order, it becomes necessary to convert into the currency of such jurisdiction (the "**Judgment Currency**") any amount due under this Guaranty Agreement or under any of the Notes or the Order in any currency other than the Judgment Currency (the "**Currency Due**"), then conversion shall be made at the exchange rate determined by us, at which we are able, on the relevant date, to purchase the Currency Due with the Judgment Currency prevailing on the Business Day before the day of which judgment is given. In the event that there is a change in the exchange rate prevailing between the Business Day before the day on which the judgment is given and the date of receipt by us of the amount due, the undersigned will, on the date of receipt by us, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by us on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by us is the amount then due under this Guaranty Agreement or under any of the Notes or the Order in the Currency Due. If the amount of the Currency Due which we are able to purchase is less than the amount of the Currency Due originally due to it, the undersigned shall indemnify and save us harmless from and against loss or damage arising as a result of such deficiency. The indemnity contained herein shall constitute an obligation separate and independent from the other obligations contained in this Guaranty Agreement or under any of the Notes or the Order, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by

us from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Guaranty Agreement or under any of the Notes or the Order or under any judgment or other order.

In the event of any inconsistency or conflict between the terms, conditions and provisions of this Guaranty Agreement and the terms, conditions and provisions of the Order, the terms, conditions and provisions of the Order shall control.

This Guaranty Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Guaranty Agreement by facsimile transmission or e-mail (e.g., .pdf or .tif files) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this
Guaranty Agreement as of this 30th day of September, 2011.

GUARANTORS:

GRACEWAY PHARMA HOLDING CORP.,
a Delaware corporation

By: Brian G. Shrader

Name:

Title:

GRACEWAY HOLDINGS, LLC,
a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

CHESTER VALLEY HOLDINGS, LLC,
a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

CHESTER VALLEY PHARMACEUTICALS,
LLC, a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

GRACEWAY CANADA HOLDINGS, INC.,
a Delaware corporation

By: Brian G. Shrader

Name:

Title:

GRACEWAY INTERNATIONAL, INC.,
a Delaware corporation

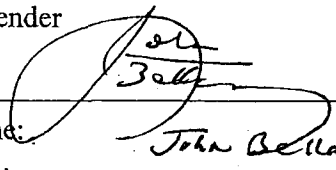
By Brian J. Shroder

Name:

Title:

ACCEPTED AND AGREED
as of this 30th day of September, 2011

GRACEWAY CANADA COMPANY,
as Lender

By:  _____

Name: John Bellamy

Title: VP + General Counsel

TRANCHE B INTERCOMPANY TERM LOAN NOTE

\$2,200,000

September 30, 2011

FOR VALUE RECEIVED, the undersigned, GRACEWAY PHARMACEUTICALS, LLC, a Delaware limited liability company (the "**Borrower**"), hereby unconditionally promises to pay to GRACEWAY CANADA COMPANY, a Nova Scotia unlimited liability company, and its successors and assigns (the "**Lender**"), at the office of the Lender or at such other place as the Lender may from time to time designate to the Borrower in writing, in lawful money of the United States and in immediately available funds, the principal amount of TWO MILLION TWO HUNDRED THOUSAND DOLLARS (\$2,200,000), or, if less, the unpaid principal amount of the Tranche B Intercompany Loan of the Lender as may be outstanding under the Order (as defined below). The principal amount of this Tranche B Intercompany Term Loan Note (as amended, restated, amended and restated, supplemented or otherwise modified, this "**Note**") shall be paid in the amounts and on the dates specified in the Order to the account designated by the Lender. The Borrower further agrees to pay interest to the Lender on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in the Order.

Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in that certain Interim DIP Order dated September 30, 2011 (as amended, restated, amended and restated, superseded, supplemented or otherwise modified by a final order issued by the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"), the "**Order**"), upon the motion, dated September 29, 2011, of Graceway Pharma Holding Corp., Graceway Holdings, LLC, the Borrower, and the other debtors and debtors in possession in the Chapter 11 Cases, seeking an entry of an interim order pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(3), 364(d)(1), 364(e), 507 and 552 of Chapter 11 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure.

This Note is subject to the provisions of the Order. This Note is secured and guaranteed as provided in the Order and that certain Guaranty Agreement, dated as of the date hereof (the "**Guaranty**") (a copy of which is attached hereto as Exhibit A), by the guarantors party thereto in favor of the Lender. Reference is hereby made to the Order and the Guaranty for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the Lender in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all principal and all accrued interest then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Order.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Subject to the provisions of the Order, the Borrower may at any time without prior notice to the Lender prepay the Tranche B Intercompany Loan in whole or in part, in each instance, without penalty or premium. Any amount repaid under this Note may not be reborrowed.

Except to the extent the mandatory provisions of the Bankruptcy Code apply, this Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable hereto.

Without limitation of any party's right to appeal any Order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Note and to decide any claims or disputes which may arise or result from, or be connected with, this Note, any breach or default hereunder, or the transactions contemplated hereby and (ii) any and all claims relating to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereto hereby consent and submit to the exclusive jurisdiction and venue of the Bankruptcy Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding; *provided, however*, that, if the Bankruptcy Court is closed, all proceedings arising out of or relating to this Note shall be heard and determined in a Delaware state court or a federal court sitting in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding. The parties hereto consent to service of process by mail or any other manner permitted by law.

In the event of any inconsistency or conflict between the terms, conditions and provisions of this Note and the terms, conditions and provisions of the Order, the terms, conditions and provisions of the Order shall control.

THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS NOTE.

[Signature Page Follows]

GRACEWAY PHARMACEUTICALS, LLC

By

Brian J. Shroder

Name:

Title:

Exhibit A

Guaranty Agreement

Attached.

GUARANTY AGREEMENT

As an inducement to GRACEWAY CANADA COMPANY, a Nova Scotia unlimited liability company (“we,” “our” or “us”), to make available to GRACEWAY PHARMACEUTICALS, LLC, a Delaware limited liability company (the “**Borrower**”), the Intercompany Loan upon and subject to the terms of that certain Interim DIP Order dated September 30, 2011 (as amended, restated, amended and restated, superseded, supplemented or otherwise modified by a final order issued by the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”), the “**Order**”), upon the motion, dated September 29, 2011, of Graceway Holding Corp., Graceway Holdings, LLC, the Borrower, and the other debtors and debtors in possession in the Chapter 11 Cases, seeking an entry of an interim order pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(3), 364(d)(1), 364(e), 507 and 552 of Chapter 11 of title 11 of the United States Code (as amended, the “**Bankruptcy Code**”) and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure, as evidenced by (a) that certain Tranche A Intercompany Term Loan Note dated September 30, 2011 (the “**Tranche A Note**”) made by the Borrower in favor of us and (b) that certain Tranche B Intercompany Term Loan Note dated September 30, 2011 made by the Borrower in favor of us (the “**Tranche B Note**”, together with the Tranche A Note, collectively, the “**Notes**”), each of the undersigned and their successors and assigns, do jointly and severally, hereby agree to be bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in the Order, the Notes (including, without limitation, the timely payment and performance of all of the Borrower’s obligations thereunder) and this Guaranty Agreement, and the full and prompt payment of any amounts, costs, expenses, claims, charges or liabilities incurred by us under the Order, the Notes or this Guaranty Agreement, including attorneys’ fees and costs, related to the making, performance, or enforcement of the Intercompany Loan, the Notes or this Guaranty Agreement (collectively, the “**Guaranteed Obligations**”), and agree that this Guaranty Agreement shall be construed as though the undersigned and each of them executed agreements containing the identical terms and conditions of the Tranche A Note and the Tranche B Note, respectively. The obligations of the undersigned are subject to the provisions of the Order. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given them in the Order.

As an original and independent obligation under this Guaranty Agreement, the undersigned shall jointly and severally (a) indemnify us, and keep us indemnified, against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by the Borrower to make due and punctual payment of any of the Guaranteed Obligations or resulting from any of the Guaranteed Obligations being or becoming void, voidable, unenforceable or ineffective against the Borrower (including, but without limitation, all legal and other costs, charges and expenses incurred by us in connection with preserving or enforcing, or attempting to preserve or enforce, our rights under this Guaranty Agreement); and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not we have attempted to enforce any rights against any other Person or otherwise.

If more than one individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture (each, a “**Person**”) has executed this Guaranty Agreement, the term “the undersigned” as used herein, shall refer to

each such Person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

Subject to the terms of the Order, the undersigned hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder, (a) any guarantor of or party to the Notes may be released, substituted or added, (b) any right or remedy under the Order, the Notes, this Guaranty Agreement or any other instrument or agreement between us and the Borrower may be exercised, not exercised, impaired, modified, limited, destroyed or suspended and (c) we or any other Person may deal in any manner with the Borrower, any of the undersigned or any other Person.

Subject to the terms of the Order, should the Borrower or any of the undersigned be in breach or default under the Order, the Notes or this Guaranty Agreement, we may proceed directly against any or each of the undersigned without first proceeding against or notifying the Borrower and without proceeding against any others of the undersigned. Subject to the terms of the Order, upon notice from us that the Borrower has failed to pay monies due and owing to us under the Notes, the Order or this Guaranty Agreement, any and each of the undersigned agree to cure any monetary default within three (3) Business Days from such notice.

Payment by any of the undersigned in respect of the Guaranteed Obligations shall be made to us in immediately available funds at our office or at such other place which we may specify in writing from time to time. The undersigned shall make all payments in respect of the Guaranteed Obligations to us free and clear of, and without deduction or withholding for or on account of, (i) any setoff, counterclaim, defense, restrictions or conditions of any kind; (ii) any present or future duties, taxes, levies, imposts, fees, deductions, assessments, withholdings or other charges of any nature whatsoever or interest, penalties or other amounts in respect thereof imposed or levied by or on behalf of the federal government of Canada, the United States of America or of any state, province or territory thereof or any authority or agency therein or thereof having power to tax; or (iii) any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Guaranty Agreement, the Notes or the Order unless such deduction or withholding is required by law or the administrative practice of any taxation authority.

Notice to and demand upon the Borrower or any of the undersigned shall be deemed notice to or demand upon the Borrower and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of the Borrower or any of the undersigned shall not relieve any other of the undersigned from liability hereunder or under the Notes, except to the extent that all monies owed to us under the Notes have been paid in full.

This Guaranty Agreement constitutes a guaranty of payment and performance and not of collection, and each of the undersigned specifically waives any obligation we may have to proceed against the Borrower or any of the undersigned on any money or property held by the Borrower, any of the undersigned or by any other Person as collateral security, by way of set off or otherwise. Subject to the terms of the Order, the undersigned further agree that this Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time

payment or any of the guaranteed obligations is rescinded or must otherwise be restored or returned by us upon the insolvency, bankruptcy or reorganization of the Borrower or any of the undersigned, all as though such payment has not been made.

We may at any time and from time to time, without notice to or the consent of the undersigned, and without impairing or releasing, discharging or modifying the undersigned's liabilities hereunder, (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Guaranteed Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Guaranteed Obligations, any other guaranties, or any security for any Guaranteed Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any obligations of the Borrower in such order, manner and amount as we may determine in our sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the undersigned, with respect to any Guaranteed Obligations in such manner as we deem appropriate in our sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

The obligations of each undersigned hereunder shall not be affected or impaired by any act, omission, matter or thing whatsoever (other than payment of monies owed to us under the Notes), occurring before, upon or after any demand for payment hereunder (and whether or not known to any of the undersigned or us) which, but for this provision, might constitute a whole or partial defense to a claim against any undersigned hereunder or might operate to release or otherwise exonerate any undersigned from any of its obligations hereunder or otherwise affect such obligations, whether occasioned by our default or otherwise.

The undersigned expressly acknowledge that the obligations hereunder survive the termination of the Notes and/or the Order.

Any waiver, extension of time or other indulgence granted by us or our agents, successors or assigns, with respect to the Notes or the Order shall in no way modify or amend this Guaranty Agreement which shall be continuing, absolute, unconditional and irrevocable. Subject to the terms of the Order, this Guaranty Agreement may be assigned by us voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder. Absent our written consent, the undersigned may not assign their obligations under this Guaranty Agreement.

Our failure to enforce all or any portion of our rights under this Guaranty Agreement shall not constitute a waiver of our ability to do so at any point in the future.

Except to the extent the mandatory provisions of the Bankruptcy Code apply, this Guaranty Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in such state without regard to principles of conflicts or choice of laws or any other law that would make the laws of any other jurisdiction other than the State of New York applicable hereto.

Without limitation of any party's right to appeal any Order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Guaranty

Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Guaranty Agreement, any breach or default hereunder, or the transactions contemplated hereby and (ii) any and all claims relating to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereto hereby consent and submit to the exclusive jurisdiction and venue of the Bankruptcy Court and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding; *provided, however*, that, if the Bankruptcy Court is closed, all proceedings arising out of or relating to this Guaranty Agreement shall be heard and determined in a Delaware state court or a federal court sitting in the State of Delaware, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such proceeding. The parties hereto consent to service of process by mail or any other manner permitted by law.

THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS GUARANTY AGREEMENT.

Subject to the terms of the Order, if we choose to proceed against the undersigned under this Guaranty Agreement, and we prevail, the undersigned shall reimburse us our costs and expenses associated with the litigation, including our reasonable attorneys' fees, court costs and expenses.

The undersigned hereby specifically waives, presentment, notice, notice of protest, demand, notice of dishonor, and notice of default with respect to any obligation set forth in the Notes, the Order or this Guaranty Agreement.

If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Guaranty Agreement, the Notes or the Order, it becomes necessary to convert into the currency of such jurisdiction (the "**Judgment Currency**") any amount due under this Guaranty Agreement or under any of the Notes or the Order in any currency other than the Judgment Currency (the "**Currency Due**"), then conversion shall be made at the exchange rate determined by us, at which we are able, on the relevant date, to purchase the Currency Due with the Judgment Currency prevailing on the Business Day before the day of which judgment is given. In the event that there is a change in the exchange rate prevailing between the Business Day before the day on which the judgment is given and the date of receipt by us of the amount due, the undersigned will, on the date of receipt by us, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by us on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by us is the amount then due under this Guaranty Agreement or under any of the Notes or the Order in the Currency Due. If the amount of the Currency Due which we are able to purchase is less than the amount of the Currency Due originally due to it, the undersigned shall indemnify and save us harmless from and against loss or damage arising as a result of such deficiency. The indemnity contained herein shall constitute an obligation separate and independent from the other obligations contained in this Guaranty Agreement or under any of the Notes or the Order, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by

us from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Guaranty Agreement or under any of the Notes or the Order or under any judgment or other order.

In the event of any inconsistency or conflict between the terms, conditions and provisions of this Guaranty Agreement and the terms, conditions and provisions of the Order, the terms, conditions and provisions of the Order shall control.

This Guaranty Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Guaranty Agreement by facsimile transmission or e-mail (e.g., .pdf or .tif files) shall be as effective as delivery of a manually executed counterpart hereof.

[Signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this Guaranty Agreement as of this 30th day of September, 2011.

GUARANTORS:

GRACEWAY PHARMA HOLDING CORP.,
a Delaware corporation

By: Brian G. Shrader

Name:

Title:

GRACEWAY HOLDINGS, LLC,
a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

CHESTER VALLEY HOLDINGS, LLC,
a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

CHESTER VALLEY PHARMACEUTICALS,
LLC, a Delaware limited liability company

By: Brian G. Shrader

Name:

Title:

GRACEWAY CANADA HOLDINGS, INC.,
a Delaware corporation

By: Brian G. Shrader

Name:

Title:

GRACEWAY INTERNATIONAL, INC.,
a Delaware corporation

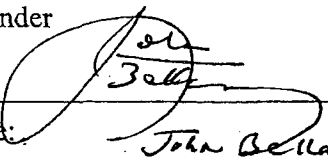
By Brian J. Shroder

Name:

Title:

ACCEPTED AND AGREED
as of this 30th day of September, 2011

GRACEWAY CANADA COMPANY,
as Lender

By: 
Name: John Bellamy
Title: VP + General Counsel