

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

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Ref. Doc. Nos. 21, 128, 444

**THIRD SUPPLEMENTAL DECLARATION OF JOSEF S. ATHANAS IN SUPPORT OF
DEBTORS' APPLICATION FOR AN ORDER PURSUANT TO SECTIONS 327(a) AND
328(a) OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS TO RETAIN
AND EMPLOY LATHAM & WATKINS LLP AS ATTORNEYS FOR THE DEBTORS
NUNC PRO TUNC TO THE PETITION DATE**

I, Josef S. Athanas, being duly sworn, state the following under penalty of perjury.

1. I am a partner in the law firm of Latham & Watkins LLP ("L&W"),² an international law firm with offices across the United States, Europe and Asia. Except as otherwise indicated, all facts set forth in this third supplemental declaration (the "Third Supplemental Declaration") are based upon my personal knowledge, information supplied to me by other L&W professionals or paraprofessionals, or learned from my review of relevant documents. To the extent any information disclosed herein requires amendment or modification upon L&W's completion of further review or as additional party in interest information becomes

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 400, Bristol, TN 37620 (Attn: John Bellamy). On October 4, 2011, Graceway Canada Company filed an application in the Ontario Superior Court of Justice (Commercial List) pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C. 43.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Application (defined below).

available to L&W, an additional supplemental declaration will be submitted to this Court reflecting such amended or modified information.

2. I submit this Third Supplemental Declaration to supplement my prior Declaration, filed in the above-captioned cases on September 29, 2011 [Docket No. 21] (the “**Original Declaration**”), in support of the *Debtors’ Application for an Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing the Debtors to Retain and Employ Latham & Watkins LLP as Attorneys for the Debtors Nunc Pro Tunc to the Petition Date* [Docket No. 21] (the “**Application**”), my supplemental declaration filed in the above-captioned cases on October 18, 2011 [Docket No. 135] (the “**First Supplemental Declaration**”), and my second supplemental declaration filed in the above-captioned cases on January 10, 2012 [Docket No. 444] (the “**Second Supplemental Declaration**,” and together with the Original Declaration and the First Supplemental Declaration, the “**Prior Declarations**”).

Disinterestedness

3. As stated in each of the Prior Declarations, L&W and certain of its partners, counsel, and associates may have in the past represented, may currently represent and likely in the future will represent parties in interest in these Chapter 11 Cases other than the Debtors in connection with matters unrelated to the Debtors and these Chapter 11 Cases. In the ordinary course of business, L&W maintains a detailed computer database that contains nearly every name of all past and current L&W clients and certain related parties. L&W utilizes an administrative department staffed by conflict specialists to maintain and use that database.

4. Since the filing of the Second Supplemental Declaration, L&W has continued to monitor its databases for parties in interest listed in the Prior Declarations whom L&W or its attorneys may represent or have represented. Additionally, L&W has searched its databases for parties in interest whose names L&W obtained after the filing of the Second Supplemental

Declaration. The names L&W has obtained since filing the Second Supplemental Declaration are set forth on Exhibit A hereto (together with the Potential Parties in Interest set forth in each of the Prior Declarations, the "**Potential Parties in Interest**"). L&W conflict specialists entered the names of the Potential Parties in Interest into L&W's computer database. This exercise revealed the following: (1) Advanstar Communications Inc. is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases and has been a client of L&W in the past on matters unrelated to the Debtors and these Chapter 11 Cases; (2) the State of New Jersey is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases; (3) the State of Montana is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases; (4) the State of Kentucky is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases; (5) the State of Oklahoma is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases; (6) the State of Missouri is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases; and (7) the State of Pennsylvania is a current client of L&W on matters unrelated to the Debtors and these Chapter 11 Cases.

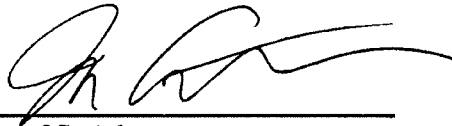
5. While L&W has undertaken, and continues to undertake, extensive efforts to identify connections with the Debtors and the Potential Parties in Interest, it is possible that connections with some Potential Parties in Interest have not yet been identified. L&W's investigation and research of the Potential Parties in Interest has failed to eliminate the possibility that potential parties in interest other than those set forth in the Prior Declarations or set forth herein may be current or former clients of L&W because (a) the names of the Potential Parties in Interest are similar to, but not identical to, current or former L&W clients or (b) the

names of the Potential Parties in Interest are common names that appeared on our conflict search results, but do not appear to be the same individuals or entities that are parties in interest herein.

6. L&W will periodically review its relationships with parties that appear in these Chapter 11 Cases to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new material and relevant facts or relationships are discovered or arise, L&W will use reasonable efforts to identify such further developments and will promptly file a supplemental declaration, as required by Bankruptcy Rule 2014(a).

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

Executed this 28th day of February, 2012.



Josef S. Athanas
LATHAM & WATKINS LLP
Suite 5800
233 South Wacker Drive
Chicago, IL 60606
Telephone: (312) 876-7700
Facsimile: (312) 993-9767

Exhibit A

Advanstar Communications Inc.
Arkansas Dept of Human Svcs Dms Pharmacy
Brian Berman
Carey International
Elias Nyberg
Ernest Grubb
John Mchugh, MD
M Shane Chapman
Marc Glashofer, MD
May J. Chow, MD
Mercer Island Dermatology
MI Dept of Comm Health Med Svcs Admin
Missouri Department of Revenue
Montana DPHHS
Neal Bhatia
Ronald Brancaccio
Saddler's Photography
Sh Media, LLC
The Angiogenesis Foundation
Vincent W Li, LLC