

Exhibit G

Settlement Agreement

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (this "*Agreement*") is made and entered into as of March 20, 2012, by and among (i) Graceway Pharma Holding Corp., a Delaware corporation, Graceway Holdings, LLC, a Delaware limited liability company, Graceway Pharmaceuticals, LLC, a Delaware limited liability company, Chester Valley Holdings, LLC, a Delaware limited liability company, Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company, Graceway Canada Holdings, Inc., a Delaware corporation, and Graceway International, Inc., a Delaware corporation (each a "*Debtor*" and collectively the "*Debtors*"), and (ii) Edwards Wildman Palmer LLP, a limited liability partnership ("*EWP*"). Each Debtor and EWP is referred to separately as a "*Party*" and all are referred to collectively as the "*Parties*."

WHEREAS, on September 29, 2011 (the "*Petition Date*"), each of Debtors filed for bankruptcy protection pursuant to Chapter 11 of the United States Bankruptcy Code (the "*Bankruptcy Code*") before the United States Bankruptcy Court for the District of Delaware (the "*Bankruptcy Court*") (collectively, the "*Chapter 11 Cases*");

WHEREAS, as of the Petition Date, EWP held a retainer in the amount of approximately \$367,000, which was provided by the Debtors to be applied to EWP's fees and expenses related to work performed on behalf of the Debtors (the "*Retainer*");

WHEREAS, on October 21, 2011, the Debtors filed the *Debtors' Application for an Order Pursuant to Section 327(e) of the Bankruptcy Code Authorizing the Debtors to Retain and Employ Edwards Wildman Palmer LLP as Special Intellectual Property Counsel for the Debtors Nunc Pro Tunc to the Petition Date* [Docket No. 149] (the "*EWP Application*") and on November 7, 2011, the Bankruptcy Court entered the *Order Authorizing the Debtors to Retain and Employ Edwards Wildman Palmer LLP as Special Intellectual Property Counsel for the Debtors Nunc Pro Tunc to the Petition Date* [Docket No. 221];

WHEREAS, on November 7, 2011, the Bankruptcy Court entered the *Final Order (I) Authorizing Debtors to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364 and (III) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. § 364* [Docket No. 219] (the "*Final DIP Order*");

WHEREAS, on November 22, 2011, the Bankruptcy Court entered the *Order Authorizing (A) the Sale of Certain Assets of the Debtors Free and Clear of All Claims, Liens, Liabilities, Rights, Interests and Encumbrances; (B) the Debtors to Enter Into and Perform Their Obligations under the Asset Purchase Agreement; (C) the Debtors to Assume and Assign Certain Executory Contracts and Unexpired Leases; and (D) Granting Related Relief* [Docket No. 306] (the "*Sale Order*");

WHEREAS, on December 2, 2011, the transactions contemplated by the Sale Order were consummated (the "*Closing*") and the Debtors filed that certain Amendment No. 1, dated as of December 2, 2011, regarding a revised budget reflecting the Closing [Docket No. 330] and on January 6, 2012 the Debtors filed that certain Amendment No. 2, dated as of January 5, 2012,

regarding a further revised budget [Docket No. 431] providing for total budgeted amounts relating to legal services performed by EWP in the amount of \$600,000;

WHEREAS, the Closing having occurred, the Debtors no longer require EWP's services and EWP has ceased providing, and will not in the future provide, additional services to the Debtors under the terms of the EWP Application or otherwise;

WHEREAS, on December 28, 2011, the Bankruptcy Court entered the *Order Authorizing the Debtors to Enter into an Agreement with Edwards Wildman Palmer LLP* [Docket No. 417] which approved that certain Agreement between the Debtors, EWP and the First Lien Agent (as defined in the Final DIP Order) dated as of December 9, 2011 pursuant to which it was agreed, among other things, that EWP could apply \$67,000 of the Retainer to reimburse EWP for fees and expenses incurred by third party vendors and paid by EWP for the Debtors' benefit prior to the Petition Date and that EWP could apply the remaining \$300,000 of the Retainer solely to the fees and expenses of EWP arising after the Petition Date and allowed by the Bankruptcy Court;

WHEREAS, on December 28, 2011, EWP filed a proof of claim asserting a claim in the amount of at least \$301,155.51 for prepetition legal services and further asserting that such claim was secured by a lien on the proceeds of the Debtors' patents and any judgments obtained or decrees or other orders entered in favor of the Debtors as a result of EWP's services [Claim No. 164] (as amended or supplemented, the "**EWP Proof of Claim**");

WHEREAS, on January 23, 2012, the Debtors sent a letter (the "**Demand Letter**") to EWP asserting that EWP had received transfers of property from the Debtors during the ninety days immediately preceding the Petition Date in the amount of \$1,594,128.46 and that such transfers were voidable pursuant to Section 547(b) of the Bankruptcy Code (the "**Asserted Preferential Transfers**");

WHEREAS, on February 2, 2012, EWP sent the Debtors a letter (the "**EWP Response**") asserting that EWP had several defenses to the Asserted Preferential Transfers, and on February 28, 2012, EWP sent the Debtors a subsequent letter and corresponding affidavit of Peter J. Manso further detailing EWP's potential defenses to the Asserted Preferential Transfers;

WHEREAS, EWP has filed five (5) fee applications [Docket Nos. 376, 377, 378, 432, 562] asserting that EWP is owed \$365,777.92 for legal services performed for the Debtors since the Petition Date; and

WHEREAS, on February 28, 2012, the Debtors filed the *First Amended Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 551] (the "**Plan**"); on March 1, 2012, the Debtors filed the *Disclosure Statement for the First Amended Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 566]; and on March 1, 2012, the Bankruptcy Court entered the *Order (A) Approving the Disclosure Statement, (B) Establishing the Voting Record Date, Voting Deadline and Other Dates, (C) Approving Procedures for Soliciting, Receiving, and Tabulating Votes on the Plan and for Filing Objections to the Plan and (D) Approving the Manner and Forms of Notice and Other Related Documents*

[Docket No. 572]. The Debtors expect to seek the entry of an order confirming the Plan (the "**Confirmation Order**").

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

A. Settlement:

1. No later than one (1) business day after the Settlement Effective Date (as defined below), EWP will (i) pay \$300,000.00 directly to the First Lien Agent for the benefit of the First Lien Lenders (each as defined in the Final DIP Order); and (ii) pay \$100,000.00 directly to the Debtors' estates (which \$100,000.00 amount will constitute "Other Assets" under the Plan).

2. EWP hereby agrees, effective as of the Settlement Effective Date, to waive and release any claims EWP has, had, or will ever have to any postpetition fees and expenses in excess of \$300,000 and further agrees that any and all fees and expenses of EWP arising after the Petition Date and allowed by the Bankruptcy Court shall be paid solely from the Retainer.

3. Effective on the Settlement Effective Date each of the Debtors and each of their respective current and future estates, successors, assigns and representatives (including, for the avoidance of doubt, any representative appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code or otherwise) hereby (i) conclusively, absolutely, unconditionally, irrevocably and forever remises, acquits, waives, releases and discharges EWP from any and all Released Causes of Action (as defined below), and (ii) covenants and agrees never to institute or cause to be instituted any suit, investigation or other form of action or proceeding of any kind or nature whatsoever against EWP based upon the Released Causes of Action.

4. Effective on the Settlement Effective Date, EWP hereby (i) conclusively, absolutely, unconditionally, irrevocably and forever remises, acquits, waives, releases and discharges each of the Debtors and each of their respective current and future estates, successors, assigns and representatives (including, for the avoidance of doubt, any representative appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code or otherwise) from any and all Released Causes of Action, and (ii) covenants and agrees never to institute or cause to be instituted any suit, investigation or other form of action or proceeding of any kind or nature whatsoever against any of the Debtors based upon the Released Causes of Action; *provided, however*, that nothing contained herein shall limit EWP's claims for postpetition fees and expenses in an amount not to exceed \$300,000 as set forth in Paragraph 2 above.

5. As used in this Agreement, the term "**Released Causes of Action**" means any and all claims (including, but not limited to any "claim" as defined in Section 101(5) of the Bankruptcy Code), demands, rights, suits, remedies, indebtedness, agreements, promises, Causes of Action (as defined in the Plan), obligations, damages or liabilities of any nature whatsoever, in law, in equity or otherwise, whether or not known, foreseen or unforeseen, existing or hereafter arising, suspected or claimed, that such Party ever had, claimed to have, now have, may have, claim to have or may claim to have in the future against the other Party or Parties, by reason of any matter, cause, thing, act, transaction, agreement, event or omission of such Party or Parties,

including, without limitation, any and all of the Avoidance Actions (as defined in the Plan); *provided, however*, that the foregoing shall not include any rights to enforce obligations under this Agreement, the Approval Order (as defined below) or any other order of the Bankruptcy Court, including, without limitation, the Confirmation Order, the Plan and all contracts, instruments, releases and other agreements delivered in connection therewith.

6. No later than two (2) business days after the date hereof, the Debtors shall file a motion with the Bankruptcy Court (the "**Settlement Motion**") seeking the entry of an order, in the form attached hereto as Exhibit A (the "**Approval Order**") (it being hereby acknowledged and agreed by each of the Parties that the Approval Order is acceptable to each of them), approving this Agreement and authorizing and directing the distribution described in Paragraph 1 above and authorizing the distribution described in Paragraph 7 below. The form and substance of the Settlement Motion shall be reasonably acceptable to each of the Parties. Each of the Parties agrees to support (and not object to or support any other party's objection to) the Settlement Motion and, if requested by the Debtors, to exercise commercially reasonable efforts to obtain Bankruptcy Court approval thereof.

7. The Parties acknowledge and agree that upon the Bankruptcy Court's entry of the Approval Order, none of them will appeal, or support any other person in appealing, such order.

8. EWP hereby agrees (i) to file a notice of withdrawal of the EWP Proof of Claim within five (5) business days following the Settlement Effective Date and without further order of the Bankruptcy Court and (ii) not to file any further proofs of claim in the Chapter 11 Cases. The Approval Order shall provide that as soon as EWP files a notice of withdrawal of the EWP Proof of Claim, the Debtors' claims and noticing agent shall be authorized to mark the EWP Proof of Claim as withdrawn on the official claims register in the Chapter 11 Cases.

9. Within five (5) business days after the Settlement Effective Date, the Debtors shall distribute \$300,000 of Cash Collateral to the First Lien Agent for application to the First Lien Obligations (each as defined in the Final DIP Order).

B. Settlement Effective Date:

10. This Agreement shall become effective and binding upon the Parties upon the first date on which the Bankruptcy Court shall have entered the Approval Order and such order shall have become final and non-appealable.

C. Representations and Warranties:

11. Each Party (severally and not jointly) represents and warrants to the other Parties, only as to itself and not as to each of the others, that the following statements are true and correct as of the date hereof with respect to such Party:

- (a) *Power, Authority and Authorization.* Subject to entry of the Approval Order, each Party has the requisite power and corporate, limited liability company, limited partnership or similar authority to enter into this Agreement and perform all of the obligations under this Agreement, and the execution, delivery and performance of this Agreement by such Party has been duly authorized by all

necessary corporate, limited liability company, limited partnership or similar action on the part of such Party, and the person executing this Agreement on behalf of such Party is duly authorized to do so and thereby bind that Party.

- (b) *No Conflicts.* The execution, delivery and performance of this Agreement by such Party does not and shall not (i) violate any provision of law, rule or regulation applicable to it or its organizational documents or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it is a party or under its organizational documents.
- (c) *Binding Obligation.* This Agreement is a legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws, both foreign and domestic, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability; *provided, however,* that this Agreement shall only be binding on the Debtors following entry of the Approval Order.

D. Miscellaneous:

12. *Choice of Law.* This Agreement shall be governed by and construed under and in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. The Bankruptcy Court shall retain jurisdiction over any action or proceeding arising out of or relating to this Agreement, and all claims in respect of such action or proceeding may be heard and determined in such court. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ITS RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT.

13. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their respective heirs, affiliates and successors.

14. *Binding Effect.* The Parties' respective rights, obligations, remedies and protections provided for in this Agreement and the Approval Order shall survive the conversion, dismissal or closing of the Debtors' bankruptcy cases, appointment of a chapter 7 or chapter 11 trustee therein, substantive consolidation thereof and confirmation of the Debtors' joint plan of liquidation, and the terms and provisions of this Agreement shall continue in full force and effect notwithstanding the entry of any order effecting the foregoing.

15. *No Admission; Reservation of Rights.* The Parties understand and agree that any claim, cause of action or defense that any Party may have against another is disputed, and that the Parties are entering into this Agreement for the purpose of settling such disputes by compromise in order to avoid further litigation. Neither the execution nor delivery of this Agreement shall constitute an admission of any wrongdoing or liability whatsoever on the part of any of the Parties.

16. *Further Assurances.* The Parties hereby agree promptly to execute and deliver any and all such further instruments and documents and to take all such further actions as may be reasonably required by the other Parties to effectuate the terms and conditions of this Agreement.

17. *Construction.* No Party shall be deemed the drafter of this Agreement. The headings herein are solely for the convenience of the Parties and do not form a substantive part of this Agreement. If any term or other provision of this Agreement is finally held by a court having competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy: (i) said term or other provision shall be enforced to the maximum extent allowed and/or reconstrued in order to effect the intent of the Parties as closely as possible; and (ii) all other conditions and provisions of this Agreement not otherwise affected shall nevertheless remain in full force and effect.

18. *Entire Agreement.* This Agreement constitutes the entire agreement and understanding among the Parties with respect to the settlement of the dispute settled hereby, sets forth all terms and conditions of this Agreement, and cancels and supersedes any and all prior agreements, representations, and/or understandings, whether written or oral, among the Parties relating to the subject matter of this Agreement. Further, neither this Agreement nor any terms hereof may be amended, changed, waived or discharged unless such amendment, change, waiver or discharge is in a writing signed by the Party against whom enforcement is sought.

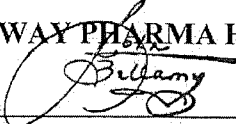
19. *Representation by Counsel.* The Parties acknowledge the benefit of professional advice rendered by legal counsel of their own selection prior to entering into this Agreement. The Parties further acknowledge that they have had a sufficient opportunity to discuss and review this Agreement with their attorneys and fully understand and agree to the terms set forth herein.

20. *Counterparts.* This Agreement may be executed in counterparts. Each counterpart shall be deemed an original. All counterparts shall constitute a single agreement. A facsimile of a signed copy of the Agreement shall serve as an original executed copy for all purposes.

21. *Specific Performance.* It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as its sole and exclusive remedy of any such breach, including, without limitation, an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

IN WITNESS WHEREOF, the Parties hereto have signed this Agreement as of the day and year first written above.

GRACEWAY PHARMA HOLDING CORP.

By: 

Name: John A. A. Bellamy

Title: President


Notice Address:

340 Martin Luther King Jr. Blvd.

Suite 400

Bristol, TN 37620

GRACEWAY HOLDINGS, LLC


By: 

Name: John A. A. Bellamy

Title: President

Notice Address: same as above

GRACEWAY PHARMACEUTICALS, LLC


By: 

Name: John A. A. Bellamy

Title: President

Notice Address: same as above

CHESTER VALLEY HOLDINGS, LLC

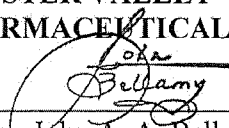
By: 

Name: John A. A. Bellamy

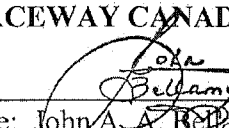
Title: President

Notice Address: same as above

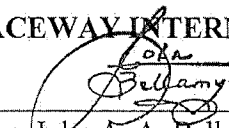
**CHESTER VALLEY
PHARMACEUTICALS, LLC**

By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

GRACEWAY CANADA HOLDINGS, INC.

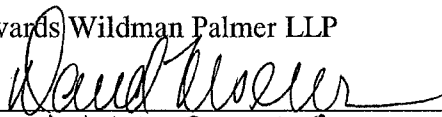
By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

GRACEWAY INTERNATIONAL, INC.

By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

Edwards Wildman Palmer LLP

By:



Name: DAVID FISCHER

Title: EQUITY PARTNER

Notice Address: 225 W Wacker Dr
Chicago, IL 60606