

**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

Related Docket No. 623

**ORDER AUTHORIZING THE DEBTORS TO ENTER INTO  
AN AGREEMENT WITH EDWARDS WILDMAN PALMER LLP**

Upon consideration of the motion (the "Motion")<sup>2</sup> of the above-captioned debtors and debtors in possession (collectively, the "Debtors") seeking entry of an order pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019(a) to enter a Settlement Agreement by and among the Debtors and Edwards Wildman Palmer LLP ("EWP"); 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:

<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 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.

<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.

1. The Motion is GRANTED.
2. The Settlement Agreement, attached as Exhibit G to the Motion, is approved pursuant to Sections 105 and 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019(a).
3. The Debtors are authorized and directed to perform their obligations under the Settlement Agreement.
4. No later than one (1) business day after the Settlement Effective Date, EWP shall (i) pay \$300,000.00 directly to the First Lien Agent for the benefit of the First Lien Lenders; and (ii) pay \$100,000.00 directly to the Debtors' estates (which \$100,000.00 amount shall constitute "Other Assets" under the Plan).
5. EWP shall, effective as of the Settlement Effective Date, waive and release any claims EWP has, had, or will ever have to any postpetition fees and expenses in excess of \$300,000, and any and all fees and expenses of EWP arising after the Petition Date and allowed by this Court shall be paid solely from the Retainer.
6. 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.
7. 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 of the Settlement Agreement.

8. For purposes of this Order, 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 the Settlement 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.

9. EWP shall (i) 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 this Court and (ii) not file any further proofs of claim in the Chapter 11 Cases. 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.

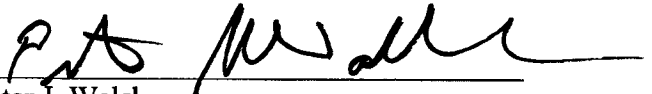
10. Within five (5) business days after the Settlement Effective Date, the Debtors shall distribute \$300,000 of Cash Collateral to the First Lien Agent for application to the First Lien Obligations.

11. This Order and the Agreement shall be binding upon the Debtors, the First Lien Agent, EWP, any trustees appointed in these proceedings, any trustees appointed in any subsequent 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 Agreement.

13. This Court retains jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: April 10, 2012  
Wilmington, Delaware

  
Peter J. Walsh  
United States Bankruptcy Judge