

**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

**Hearing Date:** N/A

**Objection Deadline:** N/A

**MOTION PURSUANT TO DEL. BANKR. L.R. 9006-1(e) FOR  
AN ORDER SHORTENING THE TIME FOR NOTICE OF THE HEARING  
TO CONSIDER THE MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER  
APPROVING CROSS-BORDER INSOLVENCY PROTOCOL**

The above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) hereby move (the “**Motion to Shorten**”) this Court, pursuant to Rule 9006-1(e) of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), for entry of an order shortening the time for notice of the *Motion of the Debtors for Entry of an Order Approving Cross-Border Insolvency Protocol* (the “**Protocol Motion**”),<sup>2</sup> filed concurrently herewith, so that the Protocol Motion may be heard at the hearing currently scheduled for October 17, 2011 at 4:00 p.m. (ET) (the “**Bid Procedures Hearing**”).

1. The Federal Rules of Bankruptcy Procedure require seventeen (17) days

---

<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 (MFW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (MFW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (MFW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (MFW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (MFW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (MFW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (MFW). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

<sup>2</sup> Terms used but not defined herein shall have the meanings ascribed in the Protocol Motion.

notice prior to the hearing date for approval of a motion. Pursuant to Local Rule 9006-1(e), however, such period may be shortened by Order of the Court upon written motion specifying the exigencies supporting shortened notice. The Debtors submit that there is sufficient cause to justify shortening the notice period so that this Court may consider approval of the Protocol Motion at the Bid Procedures Hearing.

2. On September 29, 2011 (the “**Petition Date**”), each of the Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code (collectively, the “**Chapter 11 Cases**”). The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. Also on September 29, 2011, the Debtors filed the *Debtors’ Motion for Entry of (I) An Order Approving and Authorizing (A) Bidding Procedures in Connection with the Sale of Certain Assets of the Debtors, (B) Stalking Horse Bid Protections, (C) The Form and Manner of Notice of the Sale Hearing and (D) Other Related Relief; and (II) An 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* (the “**Sale Motion**”) [Docket No. 12].

3. On October 3, 2011, Graceway Canada Company (the “**Canadian Debtor**”)<sup>3</sup> filed an application in the Ontario Superior Court of Justice (Commercial List) (the “**Canadian Court**”) seeking the appointment of a receiver to oversee the sale of certain assets of the Canadian Debtor (the “**Canadian Proceeding**”) pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the “**CJA**”).

4. On October 4, 2011, the Canadian Court issued an order (the “**Receivership Order**”) pursuant to which it, *inter alia*, appointed RSM Richter Inc. as the receiver (the “**Receiver**”) in the Canadian Proceeding, imposed a stay of all proceedings against the Canadian Debtor and its property in Canada, created certain liens, and set forth certain other limitations and procedures for all parties-in-interest in the Canadian Proceeding. Also on October 4, 2011, as part of the Receivership Order, the Canadian Debtor received approval of the Cross-Border Protocol by the Canadian Court. The Cross-Border Protocol was attached as an appendix to the Receivership Order and becomes effective when the same order is entered by this Court.

5. The Debtors respectfully submit that they did not believe that it was appropriate for them to publicly file the Protocol Motion in this Court until such time as the Canadian Court granted the Canadian Debtor the protections set forth in the Receivership Order.

6. The Debtors further submit that there exists an exigency to approve the Protocol Motion to ensure that the sale process, including the hearing on the proposed bid procedures (the “**Bid Procedures**”), is properly coordinated between the two jurisdictions. Approval of the Protocol Motion will ensure that there are not contradictory rulings between the courts, all parties-in-interest have sufficient notice of the proceedings in each jurisdiction, the rights of the parties-in-interest are protected and the jurisdictional integrity of each court system is preserved. The coordination between the insolvency proceedings outlined in the Protocol Motion is essential to enable the Debtors to navigate the administrative and procedural issues relating to the concurrent insolvency proceedings.

7. A hearing to consider the various second day pleadings and the Bid

---

<sup>3</sup> The Canadian Debtor is also the Debtors’ post-petition lender. On September 30, 2011, the Court entered an order authorizing the Debtors to enter into a six million dollar priming debtor-in-possession financing facility

Procedures proposed in the Sale Motion is currently scheduled for October 17, 2011 at 4:00 p.m. (ET). After conferring with counsel to the Canadian Debtor, the Debtors submit that it would be most efficient for this Court and the Canadian Court to conduct a joint hearing to consider the Bid Procedures proposed by the Debtors and the Canadian Debtor. Accordingly, the Debtors respectfully request that a hearing on the relief requested in the Protocol Motion also be held on October 17, 2011 at 4:00 p.m. (ET) so that if the relief requested in the Protocol Motion is granted, a joint hearing with the Canadian Court can be held with respect to the Bid Procedures immediately following this Court's consideration of the Protocol Motion. The Debtors further request that objections to the Protocol Motion be made on or before 4:00 p.m. (ET) on October 14, 2011.

8. Notice of the Protocol Motion and this Motion to Shorten will be served by courier service or overnight delivery, as appropriate, on (a) the United States Trustee for the District of Delaware; (b) financing counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (c) special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (d) counsel to the administrative agent for the lenders under the Debtors' prepetition second lien credit facility; (e) the administrative agent for the lenders under the Debtors' prepetition unsecured mezzanine credit facility; (f) the creditors listed on the Debtors' consolidated list of 30 largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (g) the Food and Drug Administration; (h) the Internal Revenue Service; (i) the Canadian Debtor and lender under the Debtors' debtor-in-possession financing facility; (j) counsel to the Canadian Debtor and lender under the Debtors' debtor-in-possession financing facility; (k) the Receiver; (l) counsel to the Receiver; and (m) all parties requesting notice pursuant to Bankruptcy Rule 2002.

---

with the Canadian Debtor [Docket No. 52].

9. A copy of the Motion is available on the Court's website: [www.deb.uscourts.gov](http://www.deb.uscourts.gov). Additional copies of the Motion are available for free on the website of the Debtors' proposed claims, noticing, soliciting and balloting agent, BMC Group, Inc., at [www.bmcgroup.com/graceway](http://www.bmcgroup.com/graceway), or can be requested by calling (888) 909-0100 from within the United States or +1 (310) 321-5555 if calling from outside the United States. Given the nature of the relief requested by the Protocol Motion, the Debtors submit that the proposed notice period is sufficient and provides parties in interest an opportunity to review and respond to the Protocol Motion, if necessary.

10. Based on the foregoing, the Debtors submit (a) that cause exists to justify shortening the notice period for the hearing on approval of the relief requested in the Protocol Motion and (b) that notice to the parties identified in the preceding paragraphs will be adequate and sufficient. Accordingly, the Debtors request that the Protocol Motion be heard at the Bid Procedures Hearing, and that objections, if any, be made on or before 4:00 p.m. on October 14, 2011.

WHEREFORE, the Debtors respectfully request the Court to enter an order, substantially in the form attached hereto as Exhibit A, scheduling a hearing on the Protocol Motion for October 17, 2011 at 4:00 p.m. (ET) and requiring that any responses to the Protocol Motion be made on or before 4:00 p.m. (ET) on October 14, 2011.

Dated: October 4, 2011  
Wilmington, Delaware

Respectfully Submitted,

/s/ Kara Hammond Coyle

Michael R. Nestor (No. 3526)  
Kara Hammond Coyle (No. 4410)  
YOUNG CONAWAY STARGATT & TAYLOR, LLP  
1000 West Street, 17th Floor  
Wilmington, Delaware 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253

-and-

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

ATTORNEYS FOR DEBTORS  
AND DEBTORS-IN-POSSESSION