

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

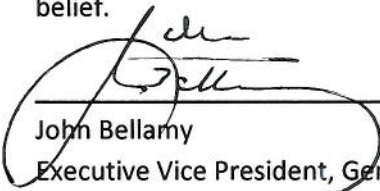
In Re:  
GRACEWAY PHARMACEUTICALS, LLC, et al.<sup>1</sup>  
Debtors

Chapter 11  
Case Number: 11-13036-PJW  
Jointly Administered  
Hon. Peter J. Walsh

**Monthly Operating Report**  
**For the Period March 1, 2012 through March 31, 2012**

Required Documents	Form No.	Documents Complete	Explanation Attached	Debtors' Statement
Schedule of Operating Cash Flow	MOR-1	X		
Schedule of Disbursements by Legal Entity	MOR- 1a	X		
Schedule of Professional Fees and Expenses Paid	MOR- 1b	X		
Bank Account Reconciliations, Bank Statements and Cash Disbursements Journal				X
Statements of Operations	MOR-2	X		
Balance Sheets	MOR-3	X		
Status of Post Petition Taxes				X
Summary of Unpaid Post Petition Accounts Payable	MOR-4	X		
Trade Accounts Receivable and Aging	MOR-5	X		
Debtor Questionnaire	MOR-6	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that the information contained in this monthly operating report (including attached schedules) is true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
John Bellamy  
Executive Vice President, General Counsel  
Corporate Secretary and Compliance Officer  
Graceway Pharmaceuticals, LLC

Date

4-25-2012

Notes:

1. Refer to Appendix A for a full listing of the Debtors.

The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee. The financial statements provided here do not include consolidated results for Graceway Pharmaceuticals, LLC (the "Company"), as the Company has one non-US, non-debtor subsidiary. All information contained herein is unaudited and subject to future adjustment. The Company maintains its books and records on a business unit reporting level and those units do not in all cases correspond to legal entities. Certain assumptions have been made as noted herein. In addition, the Company maintains certain liabilities on its balance sheet (such as benefits and tax related liabilities) that may relate to one or more of the Company's subsidiaries and no conclusion as to the legal obligation is made by the presentation herein.

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**General Notes**

**Condensed Combined Debtor-in-Possession Financial Statements** – The condensed combined financial statements and supplemental information contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles in the United States of America (“U.S. GAAP”) in all material respects. In addition, the financial statements and supplemental information contained herein represent the condensed combined financial information for the Company and its 6 debtor subsidiaries listed in Appendix A (collectively the “Debtors”) only. The Company’s non-debtor subsidiaries are not included in the condensed combined income statements or condensed combined balance sheets.

Accounting Standards Codification (“ASC”) Topic 852, “Reorganizations” (“ASC Topic 852”), which is applicable to companies in chapter 11, generally does not change the manner in which financial statements are prepared. It does require, however, that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The Debtors’ condensed combined financial statements contained herein have been prepared in accordance with the guidance in ASC Topic 852. The unaudited condensed combined financial statements have been derived from the books and records of the Debtors. This information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with U.S. GAAP, and upon the application of such procedures, the Debtors believe that the financial information could be subject to changes, and these changes could be material. The information furnished in this report includes primarily normal recurring adjustments, but does not include all of the adjustments that would typically be made in accordance with U.S. GAAP.

The results of operations contained herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the combined results of operations, financial position, and cash flows of the Debtors in the future.

**Intercompany Transactions** – Receivables and payables between the Debtors have been eliminated—however, intercompany transactions between the Debtors and non-debtor affiliates have not been eliminated in the financial statements contained herein. No conclusion as to the legal obligation related to these intercompany transactions is made by the presentation herein.

**Liabilities Subject to Compromise** – As a result of the chapter 11 filings, the payment of prepetition indebtedness is subject to compromise or other treatment under a plan of reorganization. The determination of how liabilities will ultimately be settled and treated cannot be made until the Court approves a chapter 11 plan of reorganization. Accordingly, the ultimate amount of such liabilities is not determinable at this time. ASC Topic 852 requires prepetition liabilities that are subject to compromise to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. The liabilities subject to compromise are preliminary and may be subject to future adjustments depending on Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation or other events.

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**MOR-1**

**Debtors Combined Schedule of Operating Cash Flow  
For the Period March 1, 2012 through March 31, 2012  
(In thousands of dollars)**

	<i>US March Monthly 2012</i>
<b>Cash flows from operating activities:</b>	
Net income (loss)	\$ (1,744)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>	
Gain/Loss on Sale of Assets	(1)
Impairment of Assets	(46)
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable, net	47
Prepaid assets	(68)
Accounts payable and Accrued Expenses	(1,235)
Other Liabilities <sup>1</sup>	1
<b>Net cash provided by operating activities</b>	<b><u>(3,046)</u></b>
<b>Cash flows from investing activities:</b>	
Change in Assets-Tangible & Intangible	1
<b>Net cash used in investing activities</b>	<b><u>1</u></b>
<b>Cash flows from financing activities:</b>	
Payment of long-term debt: 1st Lien, 3M TAA, & Capital Leases	(4,551)
Dividends/Distributions/Withdrawals Paid <sup>2</sup>	6,000
<b>Net cash used in financing activities</b>	<b><u>1,449</u></b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b><u>(1,596)</u></b>
Cash and cash equivalents, beginning of period	39,499
Cash and cash equivalents, end of period	<b><u>\$ 37,903</u></b>

**Notes:**

- <sup>1</sup> Other Liabilities represents the change in Liabilities Subject to Compromise (excluding long-term debt which is reflected as a financing activity).
- <sup>2</sup> Receipt of proceeds from GTCR related to Settlement of Avoidance Actions.

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**MOR-1a**  
**Schedule of Disbursements by Legal Entity <sup>1</sup>**  
**For the Period March 1, 2012 through March 31, 2012**

	Filing Entities	Case No.	Total Disbursements
1	Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385)	11-13036	\$ 3,122,864
2	Graceway Pharma Holding Corp., a Delaware corporation (9175)	11-13037	-
3	Graceway Holdings, LLC, a Delaware limited liability company (2502)	11-13038	-
4	Chester Valley Holdings, LLC a Delaware limited liability company (9457)	11-13039	-
5	Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713)	11-13041	-
6	Graceway Canada Holdings, Inc., a Delaware corporation (6663)	11-13042	-
7	Graceway International, Inc., a Delaware corporation (2399)	11-13043	-
			<u>\$ 3,122,864</u>

**Notes:**

1. Most of the Debtors' disbursements are made through centralized cash management accounts; however, the Debtors have estimated the allocation of disbursements based on the legal entity on whose behalf a disbursement was made. All allocations are subject to certain assumptions and uncertainties.

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**MOR-1b**

**Schedule of Professional Fees and Expenses Paid  
For the Period March 1, 2012 through March 31, 2012<sup>1</sup>**

Professional	Amount Paid This Period			Cumulative Amount Paid Since Petition Date		
	Fees	Expenses	Total	Fees	Expenses	Total <sup>1</sup>
Hogan Lovells	\$ -	\$ -	\$ -	\$ 9,567	\$ -	\$ 9,567
McDermott, Will, & Emery	-	-	-	12,706	-	12,706
Latham & Watkins	1,023,639	24,099	1,047,738	2,278,025	45,322	2,323,347
Lazard	548,799	-	548,799	2,743,799	66	2,743,866
BMC <sup>2</sup>	-	-	-	95,553	125,632	221,184
Young Conaway Stargatt Taylor	59,316	2,230	61,546	204,238	22,536	226,774
Alvarez & Marsal	317,620	5,125	322,745	794,319	46,940	841,259
FTI	86,890	82	86,972	408,439	652	409,091
Elliott Greenleaf	58,871	1,577	60,448	218,034	6,634	224,668
Lowenstein Sandler	44,628	-	44,628	223,139	8,891	232,030
PWC	-	-	-	9,237	-	9,237
Stikeman Elliott	-	-	-	33,432	208	33,639
CT Corporation	-	-	-	16,707	-	16,707
	<b>\$ 2,139,764</b>	<b>\$ 33,112</b>	<b>\$ 2,172,876</b>	<b>\$ 7,047,195</b>	<b>\$ 256,881</b>	<b>\$ 7,304,076</b>

**List of Retained Professionals, including Ordinary Course Professionals:**

- Latham & Watkins – Debtors’ Counsel
- Lazard – Debtors’ Investment Banker
- BMC – Claims/Noticing Agent
- Young Conaway Stargatt Taylor – Debtors’ Counsel
- Alvarez & Marsal – Debtors’ Restructuring Advisors
- Edwards Wildman Palmer – Debtors’ Special Intellectual Property Counsel
- PWC – Debtors’ Tax Consultant
- Hogan Lovells – Ordinary Course Professional
- Brown Edwards – Ordinary Course Professional
- Curcio & Stout – Ordinary Course Professional
- FTI – Financial Advisor to the Official Unsecured Creditors’ Committee
- Elliott Greenleaf – Co-Counsel to the Official Unsecured Creditors’ Committee
- Stikeman Elliott – Special Canadian Counsel to the Official Unsecured Creditors’ Committee
- Lowenstein Sandler – Counsel to the Official Unsecured Creditors’ Committee
- McDermott, Will, & Emery - Ordinary Course Professional
- CT Corporation - Ordinary Course Professional

<sup>1</sup> Excludes payments made to professionals retained by secured creditors and excludes any pre-petition retainers applied to post-petition fees / expenses when authorized pursuant to interim compensation procedures.

<sup>2</sup> Excludes payments for data room services.

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Debtors Statement with respect to Bank Account Reconciliations, Bank Statements  
and Cash Disbursements Journal

**For the Period March 1, 2012 through March 31, 2012**

Bank Account Reconciliations & Cash Disbursements Journals

The Debtors affirm that bank reconciliations are prepared for all open and active bank accounts on a monthly basis. The Debtors affirm that within its financial accounting systems, check registers and/or disbursements journals are maintained for each disbursement account.

Bank statements

The Debtors affirm that bank statements for all open and active bank accounts are retained by the Debtors.

Closed Bank Accounts

The Debtors affirm that the following bank accounts were closed during the current reporting period.

Debtor	Bank/Institution	Date of Closing
Graceway Pharma/Lazard	Wells Fargo	3/13/2012
Graceway International Inc	Wells Fargo	3/19/2012

Opened Bank Accounts

The Debtors affirm that no bank accounts were opened during the current reporting period.

Debtor	Bank/Institution	Description	Date Opened
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**MOR-2**

**Debtors Condensed Statements of Operations <sup>1,2</sup>**  
**For the Period March 1, 2012 through March 31, 2012**  
**(In thousands of dollars)**  
**(Unaudited)**

	Graceway - US Debtors Total	Graceway International Inc. 11-13043	Graceway Pharmaceuticals LLC 11-13036
	<b>March 1, 2012 through March 31, 2012</b>		
<b>Revenues:</b>			
Net sales	\$ -	\$ -	\$ -
Royalty revenues	-	-	-
<i>Total revenues</i>	-	-	-
Cost of revenues	272	-	272
<i>Gross margin</i>	(272)	-	(272)
	0.00%	0.00%	0.00%
<b>Operating costs and expenses:</b>			
Selling, General, and Administrative <sup>3</sup>	1,509	-	1,509
Research and Development	-	-	-
Amortization	-	-	-
Depreciation	-	-	-
Impairment of Assets <sup>4</sup>	(46)	-	(46)
Loss on extinguishment of debt	-	-	-
<i>Total operating costs &amp; expenses</i>	1,463	-	1,463
<i>Operating income</i>	(1,735)	-	(1,735)
Interest expense	-	-	-
<b>Other income</b>			
Interest income	2	-	2
Other net (includes gain/loss fixed asset disposals) <sup>5</sup>	1	-	1
Other Income	-	-	-
Currency (Gain) Loss	12	-	12
Income taxes	-	-	-
<i>Income (Loss) From Continuing Operations</i>	(1,744)	-	(1,732)
<b>Discontinued Operations</b>			
Discontinued Operations (Gain) Loss	-	-	-
Tax Benefit/Expense from Discontinued Ops	-	-	-
<i>(Gain) Loss on Discontinued Operations<sup>6</sup></i>	-	-	-
<i>Net Income (Loss)</i>	\$ (1,744)	\$ -	\$ (1,732)
 <i>EBITDA</i>	 \$ (1,781)	 \$ -	 \$ (1,781)
<i>Restructuring / Reorganization Costs</i>	<i>1,232</i>	<i>\$ -</i>	<i>\$ 1,232</i>

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**MOR-2 Continued**  
**Debtors Condensed Statements of Operations <sup>1,2</sup>**  
**For the Period September 29, 2011 through March 31, 2012**  
**(In thousands of dollars)**  
**(Unaudited)**

	Graceway - US Debtors Total	Graceway International Inc. 11-13043	Graceway Pharmaceuticals LLC 11-13036
<b>September 29, 2011 through March 31, 2012</b>			
<b>Revenues:</b>			
Net sales	\$ 15,769	\$ -	\$ 15,769
Royalty revenues	770	-	770
<b>Total revenues</b>	<b>20,150</b>	<b>-</b>	<b>20,150</b>
Cost of revenues	2,955	-	2,955
<b>Gross margin</b>	<b>17,195</b>	<b>-</b>	<b>17,195</b>
	85.33%	0.00%	85.33%
<b>Operating costs and expenses:</b>			
Selling, General, and Administrative <sup>3</sup>	21,711	3	21,708
Research and Development	352	-	352
Amortization	3,808	-	3,808
Depreciation	696	-	696
Impairment of Assets <sup>4</sup>	3,151	-	3,151
Loss on extinguishment of debt	-	-	-
<b>Total operating costs &amp; expenses</b>	<b>29,716</b>	<b>3</b>	<b>29,713</b>
<b>Operating income</b>	<b>(12,522)</b>	<b>(3)</b>	<b>(12,519)</b>
Interest expense	756	-	756
<b>Other income</b>			
Interest income	9	-	9
Other net (includes gain/loss fixed asset disposals) <sup>5</sup>	9	-	9
Other Income	-	-	-
Currency (Gain) Loss	12	-	12
Income taxes	9	116	(107)
<b>Income (Loss) From Continuing Operations</b>	<b>(13,268)</b>	<b>(119)</b>	<b>(13,149)</b>
<b>Discontinued Operations</b>			
Discontinued Operations (Gain) Loss	(350,480)	-	(350,480)
Tax Benefit/Expense from Discontinued Ops	(769)	-	(769)
<b>(Gain) Loss on Discontinued Operations <sup>6</sup></b>	<b>(351,250)</b>	<b>-</b>	<b>(351,250)</b>
<b>Net Income (Loss)</b>	<b>\$ 337,981</b>	<b>\$ (119)</b>	<b>\$ 338,100</b>
<b>EBITDA</b>	<b>\$ (8,478)</b>	<b>\$ (3)</b>	<b>\$ (8,475)</b>
<b>Restructuring / Reorganization Costs</b>	<b>\$ 12,533</b>	<b>\$ -</b>	<b>\$ 12,533</b>

See Notes to Debtors Condensed Statements of Operations on the following page

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**MOR-2**

**Notes to Debtors Condensed Statements of Operations<sup>1, 2</sup>**  
**For the Periods September 29, 2011 through March 31, 2012**  
**(Unaudited)**

Notes:

1. The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee. All information contained herein is unaudited and subject to future adjustment.
2. The Debtors Condensed Statements of Operations include the financial results for the Debtors. Affiliated Debtors not reported separately in this schedule have no Operational activity nor Balance Sheet items. The statements do not eliminate intercompany revenues, costs or management fees, but rather adds all of the amounts from each of the 7 entities that comprise the Debtors. As noted, these statements do not include non-debtor entities controlled by the Debtors and therefore do not represent the consolidated financial results of the Company and each of its subsidiaries.
3. The Selling, General, and Administrative costs for March 1, 2012 through March 31, 2012 period includes \$1.2 million of professional and other fees associated with the chapter 11 process. Period September 29, 2011 through March 31, 2012 includes \$12.5 million of professional and other fees associated with the chapter 11 process.
4. This represents Assets Held for Sale which will be liquidated in 2012 as well as impaired capital leases resulting from cancellation of contracts.
5. This represents the net loss incurred on the furniture and office equipment at the Exton, PA facility as well as office equipment once utilized by the sales force.
6. Discontinued Operations captures the book basis for the gain on the Asset Sale to Medicis Corporation.

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**MOR-3**  
**Debtors Condensed Balance Sheets**<sup>1, 2</sup>  
**As of the Petition Date and March 31, 2012**  
**(In thousands of dollars)**  
**(Unaudited)**

	Graceway - US Debtors Total	Graceway International Inc. 11-13043	Graceway Pharmaceuticals LLC 11-13036	Graceway - US Debtors Total	Graceway International Inc. 11-13043	Graceway Pharmaceuticals LLC 11-13036
	<u>29-Sep-11</u>			<u>31-Mar-12</u>		
<b><u>ASSETS</u></b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 7,256	\$ 3,443	\$ 3,813	\$ 15,926	\$ -	\$ 15,926
Restricted Cash <sup>3</sup>	143	-	143	21,978	-	21,978
Accounts Receivable, net of allowance of	15,929	543	15,386	14,532	516	14,016
Intercompany Receivable	-	(1,014)	1,014	99	2,454	(2,355)
Misc. Receivables	1,397	-	1,397	-	-	-
Inventories	2,551	-	2,551	-	-	-
Prepaid Expenses	4,170	-	4,170	68	-	68
Other Current Assets	684	-	684	-	-	-
<b>Total Current Assets</b>	<b>32,131</b>	<b>2,972</b>	<b>29,158</b>	<b>52,602</b>	<b>2,970</b>	<b>49,632</b>
<b>Long Term Assets</b>						
Property Plant and Equipment, Net <sup>4</sup>	7,616	-	7,616	1,550	-	1,550
Goodwill	8,638	-	8,638	-	-	-
Intangible Assets	74,977	-	74,977	-	-	-
Debt Issuance and Acquisition Costs	6,285	-	6,285	3,704	-	3,704
Other Assets	20,115	-	20,115	19,906	-	19,906
<b>Total Long Term Assets</b>	<b>117,633</b>	<b>-</b>	<b>117,633</b>	<b>25,160</b>	<b>-</b>	<b>25,160</b>
<b>Total Assets</b>	<b>\$ 149,763</b>	<b>\$ 2,972</b>	<b>\$ 146,791</b>	<b>\$ 77,762</b>	<b>\$ 2,970</b>	<b>\$ 74,792</b>
<b><u>LIABILITIES &amp; MEMBERS' EQUITY/DEFICIT</u></b>						
<b>Current Liabilities</b>						
Accounts Payable, Accrued Expenses, & Other	\$ (2,343)	\$ -	\$ (2,343)	\$ (9,077)	\$ -	\$ (9,077)
<b>Total Current Liabilities</b>	<b>(2,343)</b>	<b>-</b>	<b>(2,343)</b>	<b>(9,077)</b>	<b>-</b>	<b>(9,077)</b>
<b>Liabilities Subject To Compromise</b>						
Obligations to Third Parties	(56,717)	34	(56,751)	(47,456)	(84)	(47,372)
Current Portion of LT Debt & Lease Payable	(848,136)	-	(848,136)	(440,176)	-	(440,176)
Dividends Payable	(1,848)	-	(1,848)	-	-	-
<b>Total Liabilities Subject To Compromise</b>	<b>(906,701)</b>	<b>34</b>	<b>(906,735)</b>	<b>(487,631)</b>	<b>(84)</b>	<b>(487,548)</b>
<b>Members' (Equity) / Deficit</b>						
	<b>759,281</b>	<b>(3,006)</b>	<b>762,287</b>	<b>418,946</b>	<b>(2,886)</b>	<b>421,833</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ (149,763)</b>	<b>\$ (2,972)</b>	<b>\$ (146,791)</b>	<b>\$ (77,762)</b>	<b>\$ (2,970)</b>	<b>\$ (74,792)</b>

See Notes to Debtors Condensed Balance Sheets on the following page

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**MOR-3**

**Notes to Debtors Condensed Combined Balance Sheets <sup>1, 2</sup>**  
**As of the Petition Date and March 31, 2012**  
**(In thousands of dollars)**

1. The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee. All information contained herein is unaudited and subject to future adjustment.
2. The Debtors Condensed Combined Balance Sheets include the financial results for the Debtors. Affiliated Debtors not reported separately in this schedule have no Operational activity nor Balance Sheet items. The statements do not eliminate intercompany accounts, but rather adds all of the amounts from each of the 7 entities that comprise the Debtors. As noted, these statements do not include non-debtor entities controlled by the Debtors and therefore do not represent the consolidated financial results of the Company and each of its subsidiaries. Intercompany investments and intercompany receivables and payables between the Debtors have been eliminated.
3. Restricted cash accounts and their amounts are listed below. Pursuant to an order of the bankruptcy court, these funds are segregated from the Debtors' centralized cash management system and are not available for general corporate purposes by the Debtors.

Utility Deposit Escrow	\$ 35,154
GWP LLC-Cure Account	104,088
GWP LLC-Holdback Account	4,187,414
GWP LLC-CCR Account	17,209,050
GWP LLC-Employee Account	441,864

\$ 21,977,569.68

4. This is the fair market value of remaining assets held for sale in 2012.



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**Declaration Regarding the Status of Post Petition Taxes of the Debtors  
As of March 31, 2012**

STATE OF TENNESSEE,

SULLIVAN COUNTY


John Bellamy hereby declares and states:

1. I am Executive Vice President, General Counsel, and Corporate Secretary and Compliance Officer, for Graceway Pharmaceuticals, LLC, a corporation organized under the laws of the State of Delaware and the Debtor in the above-captioned chapter 11 cases (the "Debtors"). I am familiar with the Debtors' day-to-day operations, business affairs and books and records.
2. All statements in this Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
3. To the best of my knowledge, the Debtors have filed all necessary federal, state and local tax returns and made all required post petition tax payments in connection therewith on a timely basis or have promptly remediated any late filings or payments that may have occurred due to unintentional oversights.<sup>1</sup>

Dated: 4 - 25, 2012

Bristol, Tennessee

Respectfully submitted,

  
\_\_\_\_\_  
John Bellamy

EVP, General Counsel, and Corporate Secretary & Compliance Officer

<sup>1</sup>The Debtors use ADP for the remittance of all payroll taxes.

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In Re:  
GRACEWAY PHARMACEUTICALS, LLC, et al.  
Debtors

Chapter 11  
Case Number: 11-13036-PJW  
Jointly Administered  
Hon. Peter J. Walsh

**MOR-4**

**Combined Debtors Summary of Unpaid Post Petition Accounts Payable <sup>1</sup>**  
**March 31, 2012**

	Days Past Due					<u>Total</u>
	<u>Current</u>	<u>1 - 30</u>	<u>31-60</u>	<u>61-90</u>	<u>&gt;91</u>	
Combined Debtors	\$ 1,156,475	\$ 411,710	\$ 428,166	\$ 582,764	\$ -	\$ 2,579,116
	44.8%	16.0%	16.6%	22.6%	0.0%	100.0%

Notes:

- 1 The post petition accounts payable reported represent open and outstanding trade vendor invoices that have been entered into the Debtors' accounts payable system and prepetition amounts that the Debtors intend to pay in accordance with various orders of the Bankruptcy Court.  
*This summary does not include accruals for invoices not yet received or approved.*

UNITED STATES BANKRUPTCY COURT  
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**MOR-5**

**Combined Debtors Trade Accounts Receivable and Aging  
March 31, 2012**

	Total due	Not due yet	Days Past Due <sup>1</sup>			
			1 to 45	46 to 90	91 to 120	Over 120
Trade Accounts Receivable <sup>2</sup>	\$16,521,406	\$ 4,892	\$ (424,994)	\$ (650,536)	\$ 5,336,196	\$12,255,848
Gross Receivables <sup>3</sup>	\$16,521,406	\$ 4,892	\$ (424,994)	\$ (650,536)	\$ 5,336,196	\$12,255,848
<sup>4</sup>	100%	0%	-3%	-4%	32%	74%

**Notes:**

1. Aged from net due date of invoice.
2. Represents consolidated accounts receivable for the Debtors prior to contra deductions explained in footnote #3.
3. Gross Receivables does not include \$1.8 million in allowance for bad debt nor \$160 thousand for prompt pay provisions.
4. Aging percentages are calculated based on trade accounts receivable.



UNITED STATES BANKRUPTCY COURT  
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**MOR-6**  
**Debtor Questionnaire**  
**For the Period March 1, 2012 through March 31, 2012**

		Yes	No
1.	Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2.	Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation.		X
3.	Have all post petition tax returns been timely filed? If no, provide an explanation.	X	
4.	Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation.	X	
5.	Have any bank accounts been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3. 2		X

Monthly Operating Report  
March 1, 2012 through March 31, 2012

UNITED STATES BANKRUPTCY COURT  
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**Appendix A**  
**Debtors Listing**

<b>Debtor Name</b>	<b>Case No.</b>
Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385)	11-13036
Graceway Pharma Holding Corp., a Delaware corporation (9175)	11-13037
Graceway Holdings, LLC, a Delaware limited liability company (2502)	11-13038
Chester Valley Holdings, LLC a Delaware limited liability company (9457)	11-13039
Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713)	11-13041
Graceway Canada Holdings, Inc., a Delaware corporation (6663)	11-13042
Graceway International, Inc., a Delaware corporation (2399)	11-13043