


UNITED STATES BANKRUPTCY COURT		District of Delaware	PROOF OF CLAIM
Name of Debtor: Graceway Pharmaceuticals, LLC		Case Number: 11-13036	
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.			
Name of Creditor (the person or other entity to whom the debtor owes money or property): Department of Health Care Services			
Name and address where notices should be sent: Department of Health Care Services Office of Legal Services, MS 0010 P.O. Box 997413, Sacramento, CA 95899-7413		<div style="font-size: 24px; font-weight: bold;">RECEIVED</div> <div style="font-size: 24px; font-weight: bold;">MAR 02 2012</div> <div style="font-size: 24px; font-weight: bold;">BMC GROUP</div>	COURT USE ONLY
Telephone number: (916) 440-7724 email: http://www.dhcs.ca.gov			<input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____
Name and address where payment should be sent (if different from above):			<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.
Telephone number: _____ email: _____			
1. Amount of Claim as of Date Case Filed: \$ <u>277,920.63</u>			
If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5. <input checked="" type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.			
2. Basis for Claim: <u>State supplemental drug rebates</u> (See instruction #2)			
3. Last four digits of any number by which creditor identifies debtor: 5 3 8 5	3a. Debtor may have scheduled account as: <u>CA Dept. of Health Services</u> (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)	
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information.		Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____	
Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: _____		Basis for perfection: _____	
Value of Property: \$ _____		Amount of Secured Claim: \$ _____	
Annual Interest Rate _____% <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		Amount Unsecured: \$ _____	
5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507 (a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.			
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. § 507 (a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. § 507 (a)(5).	Amount entitled to priority: \$ _____ Graceway Pharmaceuticals LLC  00224
<input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. § 507 (a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8).	<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. § 507 (a)(____).	
*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.			
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)			

7. Documents: Attached are **redacted** copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and **redacted** copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and the definition of "redacted".)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

8. Signature: (See instruction #8)

Check the appropriate box.

- I am the creditor. I am the creditor's authorized agent. I am the trustee, or the debtor, I am a guarantor, surety, indorser, or other codebtor.
(Attach copy of power of attorney, if any.) or their authorized agent. (See Bankruptcy Rule 3004.) (See Bankruptcy Rule 3005.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Steven A. Oldham
Title: Senior Staff Counsel
Company: Department of Health Care Services
Address and telephone number (if different from notice address above):

Steven A. Oldham Feb 24 2012
(Signature) (Date)

Telephone number: (916) 440-7724 email: steven.oldham@dhcs.ca.gov

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507 (a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

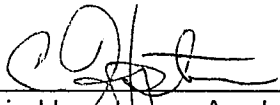
The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, attach a complete copy of any power of attorney, and provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

DECLARATION OF ERIC HAUPTMAN

1. I, Eric Hauptman declare:
2. I am an analyst in the Pharmacy Benefits Division's Drug Rebate Branch of the California Department of Health Care Services ("Department"). I have been employed in this capacity since May 14, 2007. In this capacity, I am responsible for collecting rebate moneys that become owed to the Department of Health Care Service's Medi-Cal program. I offer this declaration in support of the Department's Proof of Claim in this bankruptcy.
3. Medicaid is a state-federal cooperative program to provide medical services and products to indigents. The Medicaid program as administered in California is known as Medi-Cal.
4. Under 42 United States Code section 1396r-8 and pursuant to agreements with pharmaceutical manufacturers, payments (Federal Rebates) are owed by pharmaceutical manufacturers that sell medications distributed through State Medicaid programs, to afford lowest medication prices to Medicaid purchases. For outpatient medications to be reimbursed by the Medicaid program, manufacturers must enter into rebate repurchase agreements. The Center for Medicare and Medicaid services determines the amounts that are owed per unit of medication pursuant to agreements with the federal government. Amounts due under the program are owed to the states. The state Medicaid program state administrators, including the Department of Health Care Services in California, utilizing data concerning the number of units paid by under the Medicaid program, calculate and collect the amount of federal rebates owed by manufacturers, and provide statements to the manufacturers of the amounts owed to state Medicaid program administrators.
5. Under California Welfare and Institutions Code section 14105.33, manufacturers may also enter into confidential State Supplemental Drug Rebate Agreements with the Department. The manufacturers agree to pay a supplemental rebate in addition to their Federal Rebate. Graceway Pharmaceuticals, LLC (Graceway) has entered into such an agreement.
6. The Department invoices pharmaceutical manufacturers on a quarterly basis, and provides periodic statements of amounts owed.
7. Attached as Exhibit "A" is a true and correct summary of the supplemental rebates owed for labeler code 29336 from January 1, 2008 through September 30, 2011. The amount owed by Graceway for this labeler code is \$277,920.63.

I declare under penalty of perjury that the above is true and correct.

Date: February 24, 2012



Eric Hauptman, Analyst

Labeler No.**Graceway Pharmaceuticals, LLC****29336**

The following amounts owed by this labeler are from 1st Quarter 2008 through 3rd Quarter 2011; January 1, 2008 through September 30, 2011.

Invoice	Payable Principal	Outstanding Interest	Grand Total
FPACT (20081 - 20113)	\$47,947.99	\$10.10	
FPACT Supplemental (20082 - 20104)	\$1,335.54	\$212.60	
HCPCS (20104 - 20113)	\$304.09	\$0.03	
BCCTP (20084 - 20113)	\$764.01	(\$0.02)	
BCCTP Supplemental (20084 - 20104)	\$0.00	\$17.26	
Medi-Cal (20082 - 20113)	\$221,667.42	(\$1.52)	
Medi-Cal Supplemental (20082 - 20104)	\$399.23	\$87.76	
COHS (20082 - 20113)	\$4,186.13	(\$0.11)	
COHS Supplemental (20082 - 20104)	\$988.42	\$1.70	
Totals:	\$277,592.83	\$327.80	\$277,920.63



TOBY DOUGLAS
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

FEB 27 2012

BMC Group, Inc.

Attn: Graceway Pharmaceuticals
Claims Processing
P.O. Box 3020
Chanhasen, MN 55317-3020

Re: Graceway Pharmaceuticals, LLC et al.;
United States Bankruptcy Court, District of Delaware
Case No. 11-13036

Dear Sirs/Maam:

Enclosed for filing is an original and two copies of our **Proof of Claim** for the amount of **\$277,920.63**, including an accompanying Declaration of Eric Hauptman, in Support of Department of Health Care Services' Proof of Claim.

Please return an endorsed-filed copy of the Proof of Claim in the enclosed stamped, self-addressed envelope.

Sincerely,

Norman Scott
Assistant Chief Counsel

Steven A. Oldham
Senior Staff Counsel

Enclosures

cc: Eric Hauptman, Analyst
Drug Rebate Branch, MS 4604
Department of Health Care Services
P.O. Box 997413
Sacramento, CA 95899-7413

STATE OF CALIFORNIA
DEPARTMENT OF HEALTH CARE SERVICES
OFFICE OF LEGAL SERVICES
MS 0010
P.O. BOX 997413
SACRAMENTO, CA 95899-7413

RECEIVED
MAR 02 2012
BMC GROUP

BMC Group, Inc.
Attn: Graceway Pharmaceuticals
Claims Processing
P.O. Box 3020
Chanhassen, MN 55317-3020