UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

PROOF OF CLAIM

1. Name of Debtor (YOU MUST SELECT ONE AND MAY ONLY SELECT ONE DEBTOR):

- [X] Graceway Pharmaceuticals, LLC (11-13036)
- [ ] Graceway Pharma Holding Corp. (11-13037)
- [ ] Graceway Holdings, LLC (11-13038)
- [ ] Chester Valley Holdings, LLC (11-13039)
- [ ] Chester Valley Pharmaceuticals, LLC (11-13041)
- [ ] Graceway Canada Holdings, Inc. (11-13042)
- [ ] Graceway International, Inc. (11-13043)

This form should not be used to assert a claim for an administrative expense arising after the commencement of the case, which should be filed pursuant to 11 U.S.C. § 503. Additionally, this form should not be used to assert a claim under 11 U.S.C. § 503(b)(9), which should be filed pursuant to the 503(b)(9) Administration Order, entered on October 17, 2011 [Docket No. 122].

2. Name of Creditor (the person or other entity to whom the Debtor owes money or property):

Name and address where notices should be sent:

28445959000108
IOWA DEPARTMENT OF HUMAN SERVICES
ATTN: ROSSI ROWE
GOOLD HEALTH SYSTEMS, INC.
PO BOX 1090
45 COMMERCE DRIVE, STE 5
AUGUSTA, ME 04332-1090

[ ] Check this box to indicate that 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):

RECEIVED
MAR 27 2012
BMC GROUP

Telephone number:

[ ] Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

[ ] Check this box if you are the Debtor or trustee in this case.

Your Claim is Scheduled As Follows:

Schedule/Claim ID: S2019007965
CaseNbr/Name: 11-13036
Graceway Pharmaceuticals, LLC
AMOUNT/CLASSIFICATION:
UNKNOWN UNSECURED
(CONTINGENT UNLIQUIDATED)

If an amount is identified above, you have a claim scheduled by one of the Debtors as shown. Please review the bar date notice to determine whether you must file a proof of claim to preserve your rights. The bar date notice is available online at www.bmcgroup.com/graceway or upon request at the address on the back of this form.

THIS SPACE IS FOR COURT USE ONLY

3. Amount of Claim as of Date Case Filed: $ 46,700.00

If all or part of your claim is secured, complete item 6 below; however, if all of your claim is unsecured, do not complete item 6.
If all or part of your claim is entitled to priority, complete item 7.

[ ] Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

4. Basis for Claim: State & Federal Rebates
(See instruction #4 on reverse side.)

5. Last four digits of any number by which creditor identifies Debtor: 9336
5a. Debtor may have scheduled account as: _____
(See instruction #5a on reverse side.)

6. Secured Claim (See instruction #6 on reverse side.)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: [ ] Real Estate [ ] Motor Vehicle [ ] Equipment [ ] Other

Describe:

Value of Property: $_____ Annual Interest Rate ____%

Amount of arrearage and other charges as of time case filed included in secured claim, if any: $_____ Basis for perfection: _____

Amount of Secured Claim: $_____ Amount Unsecured: $_____

8. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

9. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. *(See instruction 9 and definition of "redacted" on reverse side.)*

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

If the documents are not available, please explain in an attachment.

7. **Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.**

Specify the priority of the claim.

- [ ] Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).
- [ ] Wages, salaries, or commissions (up to $11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. § 507(a)(4).
- [ ] Contributions to an employee benefit plan – 11 U.S.C. § 507(a)(5).
- [ ] 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).
- [ ] Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8).
- [ ] Other – Specify applicable paragraph of 11 U.S.C. § 507(a)(____).

Amount entitled to priority:

$_____

**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.*

10. Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Date: 3-26-12 Signature: C M Palmer Printed Name: Charles M. Palmer

FOR COURT USE ONLY

Graceway Pharmaceuticals LLC
00247

Iowa Department of Human Services: SSDC

IOWA MEDICAID SUPPLEMENTAL DRUG REBATE AGREEMENT

This Agreement is entered into by the following parties on the date last signed below:

Pharmaceutical Manufacturer ("Manufacturer")	**Department of the State of Iowa ("Department")**
Graceway Pharmaceuticals LLC **Labeler Code: 29336**	**Iowa Department of Human Services**
Manufacturer Primary Billing Address:	**Department Primary Billing Address:**
Graceway Pharmaceuticals, LLC 222 Valley Creek Blvd Suite 300 Exton, PA 19341	Iowa Medicaid Enterprise P.O. Box 310195 Des Moines, Iowa, 50331-0195
Manufacturer Primary Contact Person:	**Department Primary Contact Person:**
John Bliss	Rossi Rowe
Manufacturer Primary Contact Telephone:	**Department Primary Contact Telephone:**
267.948.0430	877-399-8556
Manufacturer Primary Contact e-mail:	**Department Primary Contact e-mail:**
John.bliss@gracewaypharam.com	rxoffers@rxssdc.org
Address for Notices required by Agreement ("Manufacturer Notice Address"):	**Address for Notices required by Agreement: ("Department Notice Address"):**
Graceway Pharmaceuticals LLC Attn: Legal Counsel 340 Martin Luther King Jr. Blvd Suite 500 Bristol TN 37620	Iowa Medicaid Enterprise Attn: Susan Parker, Pharmacy Consultant 100 Army Post Road Des Moines, Iowa 50315-6241
Termination Date: ("Termination Date")	**Effective Date ("Effective Date")**
December 31, 2011	January 1, 2011

In consideration of the mutual covenants in this Agreement, including the General Supplemental Rebate Terms, Attachment A to this Agreement, and Attachment B to this Agreement, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into this Agreement and have caused their duly authorized representatives to execute this Agreement below.

Manufacturer, by:	**Department, by:**
Signature: 10/5/2010	Signature: 12/6/10
Printed Name: Robert J. Moccia	Printed Name: Charles J. Krogmeier
Title: President & Chief Operating Officer	Title: Director, Department of Human Services

General Supplemental Rebate Terms

1. PURPOSE

The Department and the Manufacturer have entered into this Agreement for the purpose of establishing a Supplemental Rebate for the Medicaid population, which will be in addition to rebates received under the CMS Rebate Agreement received pursuant to 42 U.S.C. § 1396r-8 for the Manufacturer's Covered Product(s) quarterly utilization in the Iowa Medicaid Program. The parties also intend for this Agreement to meet the requirements of federal law at 42 U.S.C. § 1396r-8.

2. DEFINITIONS

2.1 **AMP** shall mean the Average Manufacturer Price as set forth in 42 U.S.C. § 1396r-8; as such statute may be amended from time to time.

2.2 **Best Price** shall mean Best Price as set forth in 42 U.S.C. § 1396r-8; as such statute may be amended from time to time.

2.3 **CMS Agreement** means the Manufacturer's drug rebate contract with the Centers for Medicare and Medicaid Services (CMS) entered pursuant to 42 U.S.C. § 1396r-8.

2.4 **CMS Basic Rebate** means, with respect to the Covered Product(s), the quarterly payment by the Manufacturer pursuant to the Manufacturer's CMS Agreement, made in accordance with 42 U.S.C. § 1396r-8(c)(1) and 42 U.S.C. § 1396r-8(c)(3).

2.5 **CMS CPI Rebate** means, with respect to the Covered Product(s), the quarterly payment by the Manufacturer pursuant to the Manufacturer's CMS Agreement, made in accordance with 42 U.S.C. § 1396r-8(c)(2).

2.6 **Covered Product(s)** means any prescription drug product listed in Attachment A.

2.7 **Guaranteed Net Price** shall mean the final fixed price of the drug assured by the Manufacturer to the State. It shall be calculated as the WAC minus the National Rebate and minus the State Supplemental Rebate necessary to equal the guaranteed net price to the State by the Manufacturer for the Covered Product for the Quarter.

2.8 **Medicaid Utilization Information** means the information on the total number of units of each dosage form and strength of the Manufacturer's Covered Products reimbursed during a Quarter under a Medicaid State Plan. This information is based on claims paid by the Department during a Quarter and not drugs that were dispensed during a Quarter (except it shall not include drugs dispensed prior to January 1, 1991). The Medicaid Utilization Information to be supplied includes: 1) NDC number; 2) Product name; 3) Units paid for during the Quarter by NDC number; 4) Total number of prescriptions paid for during the Quarter by NDC number; and 5) Total amount paid during the Quarter by NDC number. A State may, at its option, compute the total rebate anticipated, based on its own records, but it shall remain the responsibility of the labeler to correctly calculate the rebate amount based on its correct determination of AMP and, where applicable, Best Price. Medicaid Utilization Information excludes data from covered entities identified in 42 U.S.C. § 256b(a)(4) in accordance with 42 U.S.C. § 256b(a)(4)(A) and 42 U.S.C. § 1396r-8(a)(5)(C).

2.9 **National Drug Code (NDC)** is the identifying drug number maintained by the Food and Drug Administration (FDA). For the purposes of this Agreement the complete 11 digit NDC number will be used including labeler code (which is assigned by the FDA and identifies the establishment), product code (which identifies the specific product or formulation), and package size code.

2.10 **National Rebate** means the CMS Basic Rebate and the CMS CPI Rebate, collectively.

2.11 **Preferred Drug List (PDL)** shall mean the list developed by the Pharmaceutical and Therapeutics Committee (P & T Committee) and adopted by the Department pursuant to Iowa Code § 249A.20A.

2.12 **Quarter** means calendar quarter unless otherwise specified.

2.13 **Rebate Payment Due Date** means the date that is 30 days following Manufacturer's receipt of Medicaid Utilization Information from the Department.

2.14 **Recommended Drug List (RDL)** shall mean the list of drugs excluded from the Preferred Drug List pursuant to Iowa Code § 249A.20A.

2.15 **State Supplemental Rebate** means, with respect to the Covered Product(s), the quarterly payment by the Manufacturer pursuant to this Agreement.

2.16 **Step Care** shall mean a defined order of therapeutic choices within either the preferred or non-preferred drug list categories.

2.17 **Unit(s)** means drug unit in the lowest identifiable amount (e.g. tablet or capsule for solid dosage forms, milliliter for liquid forms, gram for ointments or creams).

2.18 **WAC** shall mean the Wholesale Acquisition Cost, which is the price paid by a wholesaler for drugs purchased from the wholesaler's supplier, typically the manufacturer of the drug. The WAC used for the State Supplemental Rebate invoicing shall be the lowest published WAC price of a Covered Product by NDC as published by First DataBank, MediSpan or Red Book on the last day of the Quarter that corresponds to the Quarter for which the Medicaid Utilization Information for the Covered Product is reported to the manufacturer.

3. MANUFACTURER'S RESPONSIBILITIES

3.1 Nothing in this agreement shall be construed as relieving the Manufacturer from its obligation to provide the Department National Rebates for the Covered Product(s).

3.2 In addition to the National Rebates, the Manufacturer will remit to the Department a State Supplemental Rebate for Covered Product(s) included on the PDL and/or RDL. The Manufacturer shall pay to the Department the State Supplemental Rebate amount in accordance with the formula set forth in Attachment B. This State Supplemental Rebate is in addition to the National Rebates.

3.3 Quarters shall be used in calculating both the National Rebates and the State Supplemental Rebate.

3.4 Absent a dispute raised pursuant to the Dispute Resolution section of this Agreement, Manufacturer shall make State Supplemental Rebate payments to the Department for each Quarter no later than the Rebate Payment Due Date. The Manufacturer is responsible for timely payment of the rebate by the Rebate Payment Due Date following receipt of, at a minimum, information on the number of Units paid, by NDC number.

3.5 The Manufacturer will pay the State Supplemental Rebate, including any applicable interest calculated in accordance with 42 U.S.C. § 1396b(d)(5). Interest on the Rebates payable this Agreement begins accruing 38 calendar days from receipt of Iowa's Medicaid Utilization Information sent to the Manufacturer, and interest will continue to accrue until the postmark date of the Manufacturer's payment. Rebate payments mailed more than 68 days from the date of invoice shall include interest, calculated in accordance with federal guidelines.

3.6 Nothing in this Agreement shall be construed as prohibiting the Manufacturer from discontinuing production, marketing or distribution of any Covered Product or from transferring or licensing any Covered Product to a third party. If the Manufacturer elects to discontinue production, marketing or distribution of any Covered Product or to transfer or license any Covered Product to a third party, the Manufacturer shall make every reasonable effort to notify the Department prior to such action so that the Department can negotiate with such third party for State Supplemental Rebates on such Covered Product or remove such Covered Product

from the PDL and/or RDL. Upon notification of the Manufacturer's election to discontinue production, marketing or distribution of any Covered Product or to transfer or license any Covered Product to a third party, the Covered Product shall be removed from the definition of "Covered Products."

3.7 Unless notified otherwise, the Manufacturer will send Rebate payments by certified mail, return receipt requested, to the Department Primary Billing Address identified on the first page of this Agreement.

4. DEPARTMENT RESPONSIBILITIES

4.1 Preferred Drug List: The Department shall place Covered Products in an advantaged position relative to non-preferred products regarding Preferred Drug List status, and depending on the designated preferred tier, the Department may place Covered Products in an advantaged position relative to other preferred products, "Step Care." Certain preferred drugs, including Step Care drugs, may be subject to prior authorization, i.e., preferred but with prior authorization. The Department will comply with all provisions of 42 U.S.C. § 1396r-8(d). Drugs of manufacturers who do not participate in the supplemental rebate program will be made available to Medicaid beneficiaries but may be subject to prior authorization.

4.2 Recommended Drug List: If the Department is prohibited by state law from placing certain pharmaceutical products on the PDL, those products may be placed on the Recommended Drug List, or RDL. Unlike the Preferred Drug List in which non-preferred drugs are subject to prior authorization, the drugs designated as non-recommended in the Recommended Drug List will not require prior authorization solely due to their status on the RDL. Otherwise, the same P&T Committee processes apply to drugs on the RDL. Some drugs may be designated as recommended due to the Manufacturer's State Supplemental Rebate offer. The Department will publish the RDL directed at providers.

4.3 The Department will provide State Medicaid Utilization Information to the Manufacturer on a quarterly basis. The Department will report to the Manufacturer the Medicaid Utilization Information for claims paid during the Quarter within ninety (90) days of the last day of each Quarter. This reporting shall be done in a manner consistent with the Federal Drug Rebate program. This data will be based on paid claims data (data used to reimburse pharmacy providers) for the Iowa Medicaid Program.

4.4 The Department will maintain the data systems and audits as are necessary to ensure the accuracy of the data used to calculate the State Supplemental Rebate. In the event material discrepancies are discovered, the Department will make available supporting data that is then in existence concerning the claimed utilization, which may include an adjustment to the amount of the Rebates. Any such payment adjustment shall be included on the next Quarterly invoice.

4.5 The Department shall maintain electronic claims records for the most recent four Quarters that will permit the Manufacturer to verify through an audit process the Medicaid Utilization Information provided by the Department. The Department and the Manufacturer will develop mutually beneficial audit procedures, should such an audit be required to resolve disputes regarding Medicaid Utilization Information.

4.6 Upon implementation of this Agreement, and from time to time thereafter, the Department and the Manufacturer will meet to discuss any data or data system improvements that are necessary or desirable to ensure that the data and any information provided by the Department to the Manufacturer are adequate for the purposes of this Agreement.

4.7 The Department warrants that it received CMS authorization to receive State Supplemental Rebates as provided under this Agreement and that the Manufacturer's participation in this State Supplemental Rebate program will not affect the Manufacturer's Best Price and the AMP.

5. DISPUTE RESOLUTION

5.1 Utilization disputes will be handled in the same manner as the National Rebates dispute resolution process.

5.2 In the event that in any Quarter a discrepancy in calculation of that quarter's State Supplemental Rebate is noted by the Manufacturer, which the Manufacturer and the Department in good faith are unable to resolve, the Manufacturer will provide written notice of the discrepancy, by NDC number, to the Department by the Rebate Payment Due Date.

5.3 If the Manufacturer in good faith believes the Department's calculation of the State Supplemental Rebate is erroneous, the Manufacturer shall pay the Department that portion of the State Supplemental Rebate claimed that is not disputed by the Rebate Payment Due Date. The balance in dispute, if any, plus a reasonable rate of interest as set forth in 42 U.S.C. § 1396b(d)(5), will be paid by the Manufacturer by the due date of the next quarterly payment after resolution of the dispute.

5.4 The Department and the Manufacturer will use their best efforts to resolve the discrepancy within sixty (60) days of receipt of written notification. Either party may, at any time and at its own expense, hire a mutually agreed upon independent auditor to verify the accuracy of the Department's calculation of the State Supplemental Rebate or the Manufacturer's calculations and payment figures. Should an audit of pharmacy records be required to resolve disputes, the Department will cooperate with the Manufacturer and provide information by zip code of pharmacy provider upon the Manufacturer's request.

5.5 In the event that the Department and the Manufacturer are not able to resolve a discrepancy within sixty (60) days, the Manufacturer may appeal in accordance with the rules for appeals to the Department outlined in 441 Iowa Administrative Code Chapter 7 in writing to:

Iowa Department of Human Services
Administrative Appeals

Appeals Section, 5th Fl
1305 East Walnut St
Des Moines IA 50319-0114

6. CONFIDENTIALITY PROVISIONS

6.1 Pursuant to 42 U.S.C. § 1396r-8(b)(3)(D) and this Agreement, information disclosed by the Manufacturer in connection with this Agreement is confidential and, not withstanding other laws, will not be disclosed by the Secretary or State Medicaid Agency in a form which reveals the Manufacturer, or prices charged by the Manufacturer, except as necessary by the Secretary to carry out the provisions of and to permit review under 42 U.S.C. § 1396r-8 by the Comptroller General. To the extent that the Department utilizes the services of a third-party to develop and maintain the PDL and RDL, or to administer any part of this Agreement, all provisions of this section shall apply to the third-party, and the Department shall have the third-party sign a written agreement ensuring the third-party will comply with all aspects of this section. In the event that the Department is required by law to disclose any provision of this Agreement or pricing information to any person other than as provided above, the Department shall provide advance written notice to the Manufacturer sufficiently in advance of the proposed disclosure to allow the Manufacturer to seek a protective order or other relief. The foregoing shall not prevent the disclosure by the Manufacturer to the Department of information regarding the National Rebates for Covered Products.

6.2 The parties agree that information revealing the identity of Medicaid recipients is confidential and shall not be disclosed except as necessary to carry out this Agreement or as may be required by judicial order.

6.3 The Manufacturer will hold the Medicaid Utilization Information confidential. If the Manufacturer audits this information or receives further information on such data, that information shall also be held confidential. The Manufacturer shall have the right to disclose Medicaid Utilization Information to auditors who agree to keep such information confidential.

6.4 The provisions of this section and any confidentiality agreement executed pursuant to this section shall survive termination or expiration of this Agreement.

7. NONRENEWAL OR TERMINATION

7.1 This Agreement shall be effective on the Effective Date and, absent early termination pursuant to the terms of this Agreement, shall continue in force until the Termination Date.

7.2 This Agreement may be terminated, in whole or in part, by either party by giving written notice to the other party as indicated:

(a) During the Agreement period, if the generic equivalent of any Covered Product should become available, either party may terminate this Agreement as to such Covered Product by giving at least sixty (60) days prior notice..

(b) Either party may terminate this Agreement in whole or in part for any reason or no reason at all by providing written notice at least one hundred and eighty (180) days prior to the effective date of the termination. Termination shall become effective the 180th day after a party gives written notice requesting termination

(c) In the event that the Department determines, as a result of a drug utilization therapeutic review, that a specific Covered Product of the Manufacturer or a therapeutic class of Covered Products included on the Iowa Medicaid Preferred Drug List, should require prior authorization for appropriateness of therapy based on best clinical practice standards, and the specific Covered Product is disadvantaged relative to the other preferred brand products in that class, the parties agree that written notice of termination of the agreement for the Covered Product shall be at least sixty (60) days prior to the effective date of the prior authorization implementation. Termination shall become effective on the effective date of the prior authorization implementation.

7.3 This Agreement, or a portion thereof, may be immediately terminated upon the occurrence of any one of the following events:

(a) A determination by any court or any authorized governmental authority that the arrangements and transactions under this Agreement or any similar agreement constitute a violation of any law or regulation including without limitation 42 U.S.C. § 1320a-7b(b) prohibiting illegal remunerations. (For the purposes of this Section, "authorized governmental authority" shall mean any officer or agency of the Federal Government (e.g., Office of Inspector General, Department of Justice, Department of Health and Human Services) or the State of Iowa (e.g., Iowa Attorney General) having substantive jurisdiction over the subject matter of this Agreement; any state or federal program with which this Agreement is connected; any actions which must be taken by either party hereto in order to perform its obligations under this Agreement or any laws or regulations affecting the legality of this Agreement); or

(b) A determination by CMS that the State Supplemental Rebates paid or payable by the Manufacturer under this Agreement will affect or be included in Best Price or AMP calculations for determining rebates paid pursuant to 42 U.S.C. § 1396r-8.

Termination under this subsection may be in whole or in part and may relate to certain Covered Products or to all Covered Products addressed by this Agreement.

7.4 Up until the effective date of termination, the Manufacturer's Covered Product(s) will not be discouraged or disadvantaged in any way inconsistent with this Agreement. After the effective date of the termination, the Manufacturer's Covered Product(s) will be available to the Iowa Medicaid Program beneficiaries but may require prior authorization, and the Manufacturer's obligation to pay State Supplemental Rebates will terminate.

7.5 Any renewal or termination will not affect rebates due or owning on or before the effective date of termination.

8. GENERAL PROVISIONS

8.1 This Agreement will be governed and construed in accordance with 42 U.S.C. § 1396r-8, Title 42 of the Code of Federal Regulations, and all other applicable federal law and regulations.

8.2 Any notice required to be given pursuant to the terms and provisions of this Agreement will be in writing and will be sent by parcel delivery service (UPS, FedEx or DHL). Notice to the Department will be sent to the Department Notice Address identified on the first page of this Agreement. Notice to the Manufacturer will be sent to the Manufacturer Notice Address identified on the first page of this Agreement.

8.3 The Manufacturer agrees to be bound by the laws of the State of Iowa and agrees that this Agreement shall be construed and interpreted in accordance with Iowa law without giving effect to the conflicts of laws provisions thereof. This provision does not supersede federal law to the extent federal law is applicable and controlling.

8.4 Nothing herein shall be construed or interpreted as limiting or otherwise affecting the Department's or the Manufacturer's ability to pursue its rights arising out of the terms and conditions of the Agreement in the event that a dispute between the parties is not otherwise resolved.

8.5 The Manufacturer and the agents and employees of the Manufacturer in the performance of this Agreement will act in an independent capacity and not as officers, employees or agents of the State of Iowa.

8.6 In the event of a transfer in ownership of the Manufacturer, the Agreement shall be automatically assigned to the new owner subject to the conditions of this Agreement.

8.7 Nothing in this Agreement will be construed so as to require the commission of any act contrary to law. If any provision of this Agreement is found to be invalid or illegal by a court of law, or inconsistent with federal requirements, this Agreement will be construed in all respects as if any invalid, unenforceable, or inconsistent provision were eliminated, and without any effect on any other provision. The parties agree to negotiate replacement provisions, to afford the parties as much of the benefit of their original bargain as is possible.

8.8 The Department and the Manufacturer declare that this Agreement, including attachments, contains a total integration of all rights and obligations of both parties. There are no extrinsic conditions, collateral agreements or undertakings of any kind. In regarding this Agreement as the full and final expression of their contract, it is the express intention of both parties that any and all prior or contemporaneous agreements, promises, negotiations or representations, either oral or written, relating to the subject matter and period of time governed by this Agreement which are not expressly set forth herein are to have no force, effect, or legal consequences of any kind.

8.9 The following provisions of this Agreement may be altered by an amendment in writing signed by both parties and approved by the appropriate Department:

- Notice Provision
- Effective Date identified on the first page of this Agreement
- Attachment A (Covered Products)
- Attachment B (Rebate Formula)

The remainder of this Agreement will not be altered except by an amendment in writing signed by both parties and approved by CMS and the appropriate State control agencies. Any modification of the formula to include non-Medicaid population groups must be authorized by CMS.

8.10 Neither party contemplates any circumstances under which indemnification of the other party would arise. Nevertheless, should such circumstances arise, the Manufacturer agrees to indemnify, defend and hold harmless the State, its officers, agents and employees from any and all claims and losses accruing or

resulting to any person, firm or corporation who may be injured or damaged by the Manufacturer in the performance of this Agreement.

8.11 This Agreement is not assignable by the Manufacturer either in whole or in part without the written consent of the Department, which will not unreasonably be withheld. This Agreement is not assignable by the Department either in whole or in part without the written consent of the Manufacturer, which will not unreasonably be withheld.

8.12 Inasmuch as the State Supplemental Rebate required by this Agreement is for Iowa Medicaid Program beneficiaries, it is agreed that the State Supplemental Rebate does not establish a new Best Price or AMP for purposes of the participating Manufacturer's CMS Agreement. Performance under this Agreement shall be contingent on the non-occurrence of the event described in Section 7.3(b) of this Agreement, and on CMS's valid authorization of the Iowa Supplemental Rebate Program of which this Agreement forms a part.

8.13 It is the Department's belief that the business arrangement contemplated by this Agreement is not subject to the provisions of 42 U.S.C. § 1320a-7b(b) prohibiting illegal remuneration. Should the above provisions apply, it is the Department's belief that the business arrangement contemplated by this Agreement meets the discount exception found in 42 U.S.C. § 1320a-7b(b)(3)(A), which excludes from prohibited activities the practice of discounting or other reductions in price obtained by a provider of services or other entity under a Federal health care program, if the reduction in price is properly disclosed and appropriately reflected in the costs claimed or charges made by the provider or entity under a Federal health care program. The Department currently provides CMS full and unfettered access to all information held by the Department regarding the implementation of the Iowa Medicaid Program, and shall continue to do so.

8.14 Noncompliance with any obligations hereunder due to force majeure, such as acts of God, laws or regulations of any government, war, terrorism, civil commotion, destruction of production facilities and materials, fire, earthquake, storm, labor

disturbances, shortage of materials, failure of public utilities or common carriers, and any other causes beyond the reasonable control of the parties, shall not constitute breach of this Agreement.

State of Iowa

Attachment A
Covered Products

The products to which this Supplemental Rebate Agreement shall appply are the following:

MANUFACTURER	NDC	PRODUCT DESCRIPTION	FORMULA
GRACEWAY PHARMACEUTICALS	29336081521	MAXAIR AUTOH AER 200MCG	2

State of Iowa
Attachment B
Rebate Formula

Redacted

Manufacturer Name	NDC	Product Description	WAC	National Rebate	Tier1	Formula2	Contracted GNP	Contract Effective Date
GRACEWAY PHARMACEUTICALS	29336081521	MAXAIR AUTOH AER 200MCG	[redacted]	[redacted]	4	2	[redacted]	01/01/2011 - 12/31/2011

[1]Tiers (Preferred Brand Levels)

Preferred Brand Levels, referred to as Tiers in the offer entry system, represent how the Member States will use an offer in a given tier. Manufacturers may submit an offer in any combination of or all of the eight possible tiers. An offer must be made for all state grouping categories in any selected tier.

Levels 1-3

- Step-care will not be used to influence the preferred prescribing choices of physicians in these levels
- The preferred brand level or tier number represents the number of preferred drugs in that PDL category

Level 4

- Step-care will not be used to influence the preferred prescribing choices of physicians in this level
- Your drug will be one of four or more drugs in that PDL category

Levels 5-7:

This offer assumes that every drug within this range is subject to Prior Authorization (PA) and that your drug would be designated as the first, second, or third choice after a PA is received. Step care will be used to influence the prescribing choices of physicians.

Level 8:

This offer assumes that the Manufacturer's drug would be designated as one of the agents subject to Prior Authorization (PA). Step care will not be used to influence the prescribing choices of physicians, unless there are other products listed in Level 1, 2, and 3 on the Preferred Drug List (PDL). Although the prescriber must go through the PA process to determine if a medicine can be utilized, there is no interference with product selection.

[2]Formulas

Formula 1: Percentage of WAC. Formula for Supplemental Rebate calculation: WAC*% of WAC =Supplemental Rebate Amount per unit

Formula 2: Guaranteed Net Price. Formula for Supplemental Rebate calculation: WAC-CMS Rebate-Guaranteed Net Price=Supplemental Rebate Amount per Unit

REBATE AGREEMENT
Between
The Secretary of Health and Human Services
(hereinafter referred to as "the Secretary")
and
The Manufacturer Identified in Section XI of this Agreement
(hereinafter referred to as "the Labeler")

The Secretary, on behalf of the Department of Health and Human Services and all States and the District of Columbia (except to the extent that they have in force an Individual State Agreement) which have a Medicaid State Plan approved under 42 U.S.C. section 1396a, and the Labeler, on its own behalf, for purposes of section 4401 of the Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, and section 1927 of the Social Security Act (hereinafter referred to as "the Act"), 42 U.S.C. 1396s, hereby agree to the following:

I DEFINITIONS

The terms defined in this section will, for the purposes of this agreement, have the meanings specified in section 1927 of the Act as interpreted and applied herein.

(a) "Average Manufacturer Price (AMP)" means, with respect to a Covered Outpatient Drug of the Manufacturer for a calendar quarter, the average unit price paid to the Manufacturer for the drug in the States by wholesalers for drugs distributed to the retail pharmacy class of trade (excluding direct sales to hospitals, health maintenance organizations and to wholesalers where the drug is relabeled under that distributor's national drug code number). Federal Supply Schedule prices are not included in the calculation of AMP. AMP includes cash discounts allowed and all other price reductions (other than rebates under section 1927 of the Act), which reduce the actual price paid. It is calculated as a weighted average of prices for all the Manufacturer's package sizes for each Covered Outpatient Drug sold by the Manufacturer during that quarter. Specifically, it is calculated as Net Sales divided by numbers of units sold, excluding free goods (i.e. drugs or any other items given away, but not contingent on any purchase requirements). For Bundled Sales, the allocation of the discount is made proportionately to the dollar value of the units of each drug sold under the bundled arrangement. The Average Manufacturer Price for a quarter must be adjusted by the Manufacturer if cumulative discounts or other arrangements subsequently adjust the prices actually realized.

(b) "Base Consumer Price Index-Urban (CPI-U)" is the CPI-U for September, 1990. For drugs approved by FDA after October 1, 1990, "Base CPI-U" means the CPI-U for the month before the month in which the drug was first marketed.

(c) "Base Date AMP" means the AMP for the 7/1/90-9/30/90 quarter for purposes of computing the AMP as of 10/1/90. For drugs approved by FDA after October 1, 1990, "Base Date AMP" means the AMP for the first day of the first month in which the drug was marketed. In order to meet this definition, the drug must have been marketed on that first day. If the drug was not marketed on that first day, "Base Date" means the AMP for the first day of the month in which the product was marketed for a full month.

(d) "Best Price" means, with respect to Single Source and Innovator Multiple Source Drugs, the lowest price at which the manufacturer sells the Covered Outpatient Drug to any purchaser in the United States in any pricing structure (including capitated payments), in the same quarter for which the AMP is computed. Best price includes prices to wholesalers, retailers, nonprofit entities, or governmental entities within the States (excluding Depot Prices and Single Award Contract Prices of any agency of the Federal Government). Federal Supply Schedule prices are included in the calculation of the best price.

The best prices shall be inclusive of cash discounts, free goods, volume discounts, and rebates, (other than rebates under Section 1927 of the Act).

It shall be determined on a unit basis without regard to special packaging, labeling or identifiers on the dosage form or product or package, and shall not take into account prices that are Nominal in amount. For Bundled Sales, the allocation of the discount is made proportionately to the dollar value of the units of each drug sold under the bundled arrangement. The best price for a quarter shall be adjusted by the manufacturer if cumulative discounts, rebates or other arrangements subsequently adjust the prices actually realized.

(e)"Bundled Sale" refers to the packaging of drugs of different types where the condition of rebate or discount is that more than one drug type is purchased, or where the resulting discount or rebate is greater than that which would have been received had the drug products been purchased separately.

(f)"Centers for Medicare & Medicaid Services (CMS)" (formerly HCFA) means the agency of the Department of Health and Human Services having the delegated authority to operate the Medicaid Program.

(g)"Consumer Price Index-Urban (CPI-U)" means the index of consumer prices developed and updated by the U.S. Department of Commerce. As referenced in section 1927(c) of the Act, it is the CPI for all urban consumers (U.S. Average) and, except for the base CPI-U, it shall be the index for the month before the beginning of the calendar quarter for which the rebate is made.

(h) "Covered Outpatient Drug" will have the meaning as set forth in Section 1927(k)(2),(k)(3) and (k)(4) of the Act, and with respect to the Manufacturer includes all such drug products meeting this definition. For purposes of coverage under this agreement, all of those Covered Outpatient Drugs are identified by the Manufacturer's labeler code segment of the NDC number. Certain Covered Outpatient Drugs, such as specified by Section 1927 (d) (1) (3) of the Act, may be restricted or excluded from Medicaid payment at State option but shall be included by the Manufacturer for purposes of this agreement.

(i) "Depot Price" means the price(s) available to any depot of the federal government, for purchase of drugs from the Manufacturer through the depot system of procurement.

(j) "Individual State Agreement" means an agreement between a State and a Manufacturer authorized or approved by CMS as meeting the requirements specified in Section 1927(a)(1) or (a)(4) of the Act. Amendments or other changes to agreements under 1927(a)(4) shall not be included in this definition unless specifically accepted by CMS.

An existing agreement that met these requirements as of the date of enactment of P.L. No. 101-508 (November 5, 1990), can be modified to give a greater rebate percentage.

(k) "Innovator Multiple Source Drug" will have the meaning set forth in Section 1927(k)(7)(A)(ii) of the Act and shall include all Covered Outpatient Drugs approved under a New Drug Application (NDA), Product License Approval (PLA), Establishment License Approval (ELA) or Antibiotic Drug Approval (ADA). A Covered Outpatient Drug marketed by a cross-licensed producer or distributor under the approved NDA shall be included as an innovator multiple source drug when the drug product meets this definition.

(l) "Manufacturer" will have the meaning set forth in Section 1927(k)(5) of the Act except, for purposes of this agreement, it shall also mean the entity holding legal title to or possession of the NDC number for the Covered Outpatient Drug.

(m) "Marketed" means that a drug was first sold by a manufacturer in the States after FDA approval.

(n) "Medicaid Utilization Information" means the information on the total number of units of each dosage form and strength of the Manufacturer's Covered Outpatient Drugs reimbursed during a quarter under a Medicaid State Plan. This information is based on claims paid by the State Medicaid Agency during a calendar quarter and not drugs that were dispensed during a calendar quarter (except it shall not include drugs dispensed prior to January 1, 1991). The Medicaid Utilization Information to be supplied includes: 1) NDC number; 2) Product name; 3) Units paid for during the quarter by NDC number; 4) Total number of prescriptions paid for during the quarter by NDC

number; and 5) Total amount paid during the quarter by NDC number. A State may, at its option, compute the total rebate anticipated, based on its own records, but it shall remain the responsibility of the labeler to correctly calculate the rebate amount based on its correct determination of AMP and, where applicable, Best Price.

(o) "National Drug Code (NDC)" is the identifying drug number maintained by the Food and Drug Administration (FDA). For the purposes of this agreement the complete 11 digit NDC number will be used including labeler code (which is assigned by the FDA and identifies the establishment), product code (which identifies the specific product or formulation), and package size code. For the purposes of making Rebate Payments, Manufacturers must accept the NDC number without package size code from States that do not maintain their records by complete NDC number.

(p) "Net Sales" means quarterly gross sales revenue less cash discounts allowed and all other price reductions (other than rebates under section 1927 of the Act) which reduce the actual price paid; and as further defined under the definition of AMP.

(q) "New Drug" means a Covered Outpatient Drug approved as a new drug under section 201(p) of the Federal Food, Drug, and Cosmetic Act.

(r) "New Drug Coverage" begins with the date of FDA approval of the NDA, PLA, ELA or ADA, for a period of six months from that date, with the exception of drugs not under the rebate agreement or classes of drugs States elect to exclude.

(s) "Nominal Price", for purposes of excluding prices from the Best Price calculation, means any price less than 10% of the AMP in the same quarter for which the AMP is computed.

(t) "Noninnovator Multiple Source Drug" shall have the meaning as set forth in Section 1927(k)(7)(A)(iii) of the Act. It also includes Covered Outpatient Drugs approved under an ANDA or AADA.

(u) "Quarter" means calendar quarter unless otherwise specified.

(v) "Rebate Payment" means, with respect to the Manufacturer's Covered Outpatient Drugs, the quarterly payment by the Manufacturer to the State Medicaid Agency, calculated in accordance with section 1927 of the Act and the provisions of this agreement. The terms "Base CPI-U" and "Base Date AMP" will be applicable to the calculations under 1927(c).

(w) "Secretary" means the Secretary of the United States Department of Health and Human Services, or any successor thereto, or any officer or employee of the Department of Health and Human Services or successor agency to whom the authority to implement this agreement has been delegated.

(x) "Single-Award Contract" means a contract between the Federal Government and a Manufacturer resulting in a single supplier for a Covered Outpatient Drug within a class of drugs. The Federal Supply Schedule is not included in this definition as a single award contract.

(y) "Single-Award Contract Price" means a price established under a Single-Award Contract.

(z) "Single Source Drug" will have the meaning set forth in Section 1927 (k) (7) (A) (iv) of the Act. It also includes a Covered Outpatient Drug approved under a PLA, ELA or ABA.

(aa) "States" means the 50 states and the District of Columbia.

(bb) "State Medicaid Agency" means the agency designated by a State under Section 1902(a)(5) of the Act to administer or supervise the administration of the Medicaid program.

(cc) "Unit" means drug unit in the lowest identifiable amount (e.g. tablet or capsule for solid dosage forms, milliliter for liquid forms, gram for ointments or creams). The Manufacturer will specify the unit associated with each Covered Outpatient Drug, as part of the submission of data, in accordance with the Secretary's instructions provided pursuant to Appendix A.

(dd) "Unit Rebate Amount" means the unit amount computed by the Health Care Financing Administration to which the Medicaid utilization information may be applied by States in invoicing the Manufacturer for the rebate payment due.

(ee) "Wholesaler" means any entity (including a pharmacy or chain of pharmacies) to which the labeler sells the Covered Outpatient Drug, but that does not relabel or repackage the Covered Outpatient Drug.

II MANUFACTURER'S RESPONSIBILITIES

In order for the Secretary to authorize that a State receive payment for the Manufacturer's drugs under Title XIX of the Act, 42 U.S.C. Section 1396 et seq., the Manufacturer agrees to the following:

(a) To calculate and, except as provided under section V(b) of this agreement, to make a Rebate Payment to each State Medicaid Agency for the Manufacturer's Covered Outpatient Drugs paid for by the State Medicaid Agency during a quarter.

A separate listing of all Covered Outpatient Drugs and other information, in accordance with CMS's specifications pursuant to Appendix A, must be submitted within 30 calendar days of entering into this agreement and be updated quarterly. The Manufacturer's quarterly report is to include all new NDC numbers and continue to list those NDC numbers for drugs no longer marketed.

(b) Except as provided under V(b), to make such rebate payments for each calendar quarter within 30 days after receiving from the State the Medicaid Utilization Information defined in this agreement. Although a specific amount of information has been defined in I(n) of this agreement, the Manufacturer is responsible for timely payment of the rebate within 30 days of receiving, at a minimum, information on the number of units paid, by NDC number.

(c) To comply with the conditions of 42 U.S.C. section 1396s, changes thereto and implementing regulations as the Secretary deems necessary and specifies by actual prior notice to the manufacturer.

(d) That rebate agreements between the Secretary and the Manufacturer entered into before March 1, 1991 are retroactive to January 1, 1991. Rebate agreements entered into on or after March 1, 1991 shall be effective the first day of the calendar quarter that begins more than 60 days after the date the agreement is entered into.

(e) To report to the Secretary, in accordance with specifications pursuant to Appendix A, that information on the Average Manufacturer Price and, in the case of Single Source and Innovator Multiple Source Drugs, the Manufacturer's Best Price for all Covered Outpatient Drugs. The Manufacturer agrees to provide such information within 30 days of the last day of each quarter beginning with (1) the January 1, 1991-March 31, 1991 quarter or (2) the quarter in which any subsequent effective date of this agreement lies. Other information in Appendix A shall also be required within 30 days of the last day of the quarter. Adjustments to AMP or Best Price for prior quarters shall also be reported on this quarterly basis.

(f) In the case of Single Source and Innovator Multiple Source drugs, to report to the Secretary, in a manner prescribed by the Secretary, the information in Appendix A on the Base Date AMP. The Manufacturer agrees to provide such information within 30 days of the date of signing this agreement.

(g) To directly notify the States of a New Drug's Coverage.

(h) To continue to make a Rebate Payment on all of its Covered Outpatient Drugs for as long as an agreement with the Secretary is in force and State Medicaid Utilization Information reports that payment was made for that drug, regardless of whether the Manufacturer continues to market that drug. If there are no sales by the Manufacturer during a quarter, the AMP and Best Price last reported continue to be used in calculating rebates.

(i) To keep records (written or electronic) of the data and any other material from which the calculations of AMP and Best Price were derived. In the absence of specific guidance in section 1927 of the Act, Federal regulations and the terms of this agreement, the Manufacturer may make reasonable assumptions in its calculations of AMP and Best Price, consistent with the intent of section 1927 of the Act, Federal regulations and the terms of this agreement. A record (written or electronic) outlining these assumptions must also be maintained.

III SECRETARY'S RESPONSIBILITIES

(a) The Secretary will use his best efforts to ensure that the State agency will report to the Manufacturer, within 60 days of the last day of each quarter, and in a manner prescribed by the Secretary, Medicaid Utilization Information paid for during the quarter.

(b) The Secretary may survey those Manufacturers and Wholesalers that directly distribute their covered outpatient drugs to verify manufacturer prices and may impose civil monetary penalties as provided in section 1927(b)(3)(B) of the Act and IV of this agreement.

(c) The Secretary may audit Manufacturer calculations of AMP and Best Price.

IV PENALTY PROVISIONS

(a) The Secretary may impose a civil monetary penalty under III(b), up to $100,000 for each item, on a wholesaler, manufacturer, or direct seller of a Covered Outpatient Drug, if a wholesaler, manufacturer or direct seller of a Covered Outpatient Drug refuses a request for information about charges or prices by the Secretary in connection with a survey or knowingly provides false information. The provisions of section 1128A of the Act (other than subsection (a) (with respect to amounts of penalties or additional assessments) and (b)) shall apply as set forth in section 1927(b)(3)(B).

(b) The Secretary may impose a civil monetary penalty, in an amount not to exceed $100,000, for each item of false information as set forth in 1927(b)(3)(C)(ii).

(c) The Secretary may impose a civil monetary penalty for failure to provide timely information on AMP, Best Price or Base Date AMP. The amount of the penalty shall be increased by $10,000 for each day in which such information has not been provided, as set forth in 1927(b)(3)(C)(i).

V DISPUTE RESOLUTION -- MEDICAID UTILIZATION INFORMATION

(a) In the event that in any quarter a discrepancy in Medicaid Utilization Information is discovered by the Manufacturer, which the Manufacturer and the State in good faith are unable to resolve, the Manufacturer will provide written notice of the discrepancy, by NDC number, to the State Medicaid Agency prior to the due date in II(b).

(b) If the Manufacturer in good faith believes the State Medicaid Agency's Medicaid Utilization Information is erroneous, the Manufacturer shall pay the State Medicaid Agency that portion of the rebate amount claimed which is not disputed within the required due date in II (b). The balance due, if any, plus a reasonable rate of interest as set forth in section 1903(d)(5) of the Act, will be paid or credited by the Manufacturer or the State by the due date of the next quarterly payment in II(b) after resolution of the dispute.

(c) The State and the Manufacturer will use their best efforts to resolve the discrepancy within 60 days of receipt of such notification. In the event that the State and the Manufacturer are not able to resolve a discrepancy within 60 days, CMS shall require the State to make available to the Manufacturer the State hearing mechanism available under the Medicaid Program (42 Code of Federal Regulations section 447.253 (c)).

(d) Nothing in this section shall preclude the right of the Manufacturer to audit the Medicaid Utilization Information reported (or required to be reported) by the State. The Secretary shall encourage the Manufacturer and the State to develop mutually beneficial audit procedures.

(e) Adjustments to Rebate Payments shall be made if information indicates that either Medicaid Utilization Information, AMP or Best Price were greater or less than the amount previously specified.

(f) The State hearing mechanism is not binding on the Secretary for purposes of his authority to implement the civil money penalty provisions of the statute or this agreement.

VI DISPUTE RESOLUTION – PRESCRIPTION DRUGS ACCESS AND STATE SYSTEMS ISSUES

(a) A State's failure to comply with the drug access requirements of section 1927 of the Act shall be cause for the Manufacturer to notify CMS and for CMS to initiate compliance action against the State under section 1904 of the Act. A request for compliance action may also occur when the Manufacturer shows a pattern or history of inaccuracy in Medicaid Utilization Information.

(b) Such compliance action by CMS will not relieve the Manufacturer from its obligation of making the Rebate Payment as provided in section 1927 of the Act and this agreement.

VII CONFIDENTIALITY PROVISIONS

(a) Pursuant to Section 1927(b)(3)(D) of the Act and this agreement, information disclosed by the Manufacturer in connection with this Agreement is confidential and, not withstanding other laws, will not be disclosed by the Secretary or State Medicaid Agency in a form which reveals the Manufacturer, or prices charged by the Manufacturer, except as necessary by the Secretary to carry out the provisions of section 1927 of the Act, and to permit review under section 1927 of the Act by the Comptroller General.

(b) The Manufacturer will hold State Medicaid Utilization Information confidential. If the Manufacturer audits this information or receives further information on such data, that information shall also be held confidential. Except where otherwise specified in the Act or agreement, the Manufacturer will observe State confidentiality statutes, regulations and other properly promulgated policy.

(c) Notwithstanding the nonrenewal or termination of this Agreement for any reason, these confidentiality provisions will remain in full force and effect.

VIII NONRENEWAL AND TERMINATION

(a) Unless otherwise terminated by either party pursuant to the terms of this Agreement, the Agreement shall be effective for an initial period of one year beginning on the date specified in section II(d) of this agreement and shall be automatically renewed for additional successive terms of one year unless the Labeler gives written notice of intent not to renew the agreement at least 90 days before the end of the current period.

(b) The Manufacturer may terminate the agreement for any reason, and such termination shall become effective the later of the first day of the first calendar quarter beginning 60 days after the Manufacturer gives written notice requesting termination, or the ending date of the term of the agreement if notice has been given in accordance with VII(a).

(c) The Secretary may terminate the Agreement for violations of this agreement or other good cause upon 60 days prior written notice to the Manufacturer of the existence of such violation or other good cause. The Secretary shall provide, upon request, a Manufacturer with a hearing concerning such a termination, but such hearing shall not delay the effective date of the termination.

(d) If this rebate agreement is nonrenewed or terminated, the Manufacturer is prohibited from entering into another rebate agreement as provided in section 1927(b)(4)(C) of the Act until a period of one calendar quarter has elapsed from the effective date of the termination, unless the Secretary finds good cause for earlier reinstatement.

(e) Any nonrenewal or termination will not affect rebates due before the effective date of termination.

IX GENERAL PROVISIONS

(a) Any notice required to be given pursuant to the terms and provisions of this Agreement will be sent in writing.

Notice to the Secretary will be sent to:

Center for Medicaid and State Operations
Family and Children's Health Programs Group
Division of Benefits, Coverage and Payment
Post Office Box 26686
Baltimore, MD 21207-0486

Notices to CMS concerning data transfer and information systems issues are to be sent to:

Center for Medicaid and State Operations
Finance, Systems and Quality Group
Division of State Systems
Post Office Box 26686
Baltimore, MD 21207-0486

The CMS address may be updated upon written notice to the Manufacturer.

Notice to the Manufacturer will be sent to the address as provided with this agreement and updated upon Manufacturer notification to CMS at the address in this agreement.

(b) In the event of a transfer in ownership of the Manufacturer, this agreement is automatically assigned to the new owner subject to the conditions specified in section 1927 and this agreement.

(c) Nothing in this Agreement will be construed to require or authorize the commission of any act contrary to law. If any provision of this Agreement is found to be invalid by a court of law, this Agreement will be construed in all respects as if any invalid or unenforceable provision were eliminated, and without any effect on any other provision.

(d) Nothing in this Agreement shall be construed as a waiver or relinquishment of any legal rights of the Manufacturer or the Secretary under the Constitution, the Act, other federal laws, or State laws.

(e) The rebate agreement shall be construed in accordance with Federal common law and ambiguities shall be interpreted in the manner which best effectuates the statutory scheme.

(f) The terms "State Medicaid Agency" and "Manufacturer" incorporate any contractors which fulfill responsibilities pursuant to the agreement unless specifically provided for in the rebate agreement or specifically agreed to by an appropriate CMS official.

(g) Except for the conditions specified in II(c) and IX(a), this Agreement will not be altered except by an amendment in writing signed by both parties. No person is authorized to alter or vary the terms unless the alteration appears by way of a written amendment, signed by duly appointed representatives of the Secretary and the Manufacturer.

(h) In the event that a due date falls on a weekend or Federal holiday, the report or other item will be due on the first business day following that weekend or Federal holiday.

X APPENDIX

Appendix A attached hereto is part of this agreement.

XI SIGNATURES

FOR THE SECRETARY OF HEALTH AND HUMAN SERVICES

By:_____ _____
Date

Title: Deputy Director
Finance, Systems and Quality Group
Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services
Department of Health and Human Services

ACCEPTED FOR THE MANUFACTURER

I certify that I have made no alterations, amendments, or other changes to this rebate agreement.

By: _____
(signature) (please print name)

Title: _____

Name of Manufacturer: _____

Manufacturer Address _____

_____

Manufacturer Labeler Code(s): _____

Date: _____

Department of Justice

THOMAS J. MILLER
ATTORNEY GENERAL

DIANE STAHLE
SPECIAL ASSISTANT ATTORNEY GENERAL

J. BRADLEY HORN
ASSISTANT ATTORNEY GENERAL

ADDRESS REPLY TO:
REGENTS AND HUMAN SERVICES DIVISION
HOOVER BUILDING, 2nd FLR.
1305 E. WALNUT STREET
DES MOINES, IOWA 50319-0109
TELEPHONE: (515) 281-8330
TELEFAX: (515) 281-7219

March 26, 2012

BMC Group, Inc.
Attn: Graceway Pharmaceuticals Claims Processing
18750 Lake Drive East
Chanhassen, MN 55317-3020

Re: Proof of Claim: Graceway Pharmaceuticals, LLC
Iowa Department of Human Services

To Whom It May Concern:

Enclosed is a proof of claim submitted by the Iowa Department of Human Services in the Graceway Pharmaceuticals, LLC bankruptcy, Case No. 11-13036. This Proof of Claim relates to state and federal rebates owed by the debtor company. Please let me know if you have any questions.

Sincerely,

J. Bradley Horn, Assistant AG

Fed Ex

BMC Group, Inc.

Attn: Graceway Pharmaceuticals Claims Processing

18750 Lake Drive East

Chanhassen, MN 55317-3020

952-404-5700

From: (515) 281-5317
J. Bradley Horn
Iowa Attorney Generals Office
1305 E. Walnut St.
2nd Floor
Des Moines, IA 50319

Origin ID: DSMA

FedEx Express

J12101112190225

Ship Date: 26MAR12
ActWgt: 1.0 LB
CAD: 100120815/INET3250

Delivery Address Bar Code

RECEIVED
MAR 27 2012
BMC GROUP

Ref # 401-1200
Invoice #
PO #
Dept #

SHIP TO: (952) 404-5700 BILL SENDER

Gateway Pharmaceuticals Claims Proc
BMC Group, Inc.
18750 LAKE DR E

CHANHASSEN, MN 55317

TUE - 27 MAR A1
PRIORITY OVERNIGHT

TRK# 0201 7982 0952 1860

NA FBLA

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MSP

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Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com.FedEx will not be responsible for any claim in excess of $100 per package, whether the result of loss, damage, delay, non-delivery,misdelivery,or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim.Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental,consequential, or special is limited to the greater of $100 or the authorized declared value. Recovery cannot exceed actual documented loss.Maximum for items of extraordinary value is $500, e.g. jewelry, precious metals, negotiable instruments and other items listed in our ServiceGuide. Written claims must be filed within strict time limits, see current FedEx Service Guide.