

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Ref. Docket No. 26

**SUPPLEMENTAL DECLARATION OF THOMAS E. HILL IN SUPPORT OF
DEBTORS' APPLICATION FOR AN ORDER PURSUANT TO SECTIONS
327(a) AND 328(a) OF THE BANKRUPTCY CODE AUTHORIZING THE
DEBTORS TO RETAIN AND EMPLOY ALVAREZ & MARSAL NORTH
AMERICA, LLC AS RESTRUCTURING ADVISORS FOR THE DEBTORS
NUNC PRO TUNC TO THE PETITION DATE**

I, Thomas E. Hill, being duly sworn, hereby state as follows:

1. I am a Managing Director with Alvarez & Marsal North America, LLC (together with its wholly owned subsidiaries, professional services provider affiliates (all of which are owned by Alvarez & Marsal North America, LLC's parent company) and employees, agents, independent contractors, and employees, "A&M"), a restructuring advisory services firm with numerous offices throughout the country. Unless otherwise stated in this Supplemental Declaration (as defined below), I have personal knowledge of the facts set forth herein and, if called as a witness, I would testify thereto. Certain of the disclosures set forth herein relate to matters within the knowledge of other employees of A&M and are based on information provided by them. To the extent any information disclosed herein requires amendment or

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy). On October 4, 2011, Graceway Canada Company filed an application in the Ontario Superior Court of Justice (Commercial List) pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C. 43.

modification upon A&M's completion of further review, an additional supplemental declaration will be submitted to this Court reflecting such amended or modified information.

2. I submit this declaration (the "**Supplemental Declaration**") to supplement my prior declaration (the "**Original Declaration**"), filed in the above-captioned cases on September 29, 2011 in support of the *Debtors' Application for an Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing Debtors to Retain and Employ Alvarez & Marsal North America, LLC as Restructuring Advisors for the Debtors Nunc Pro Tunc to the Petition Date* [Docket No. 26] (the "**Application**")² on the terms and conditions set forth in the Application and the engagement letter between Graceway Pharmaceuticals, LLC and A&M, dated March 19, 2010, and amended August 27, 2010 (the "**Engagement Letter**").

Disinterestedness and Eligibility

3. As set forth in my Original Declaration, known connections between former or recent clients of A&M and the Potential Parties in Interest were compiled for purposes of preparing the Original Declaration. These connections are listed in Schedule B annexed to the Original Declaration.

4. To the best of my knowledge, except as set forth in the Original Declaration, A&M's services for the clients listed on Schedule B to the Original Declaration do not relate to the Debtors, and A&M does not hold or represent any interest adverse to the Debtors' estates.

5. To the best of my knowledge, none of the clients of A&M listed on Schedule B to the Original Declaration have remitted payment of more than 1% of A&M's client collections for the twelve months ending September 30, 2011 (the "**Prior Year**"). However we note that A&M is routinely engaged by agents on behalf of lending groups (the "**Agents**") with respect to

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Application.

matters wholly unrelated to these proceedings ("Creditor Advisory Engagements") where billings are generally submitted to/paid by the related borrower though occasionally assumed by the lenders. It is possible that one or more of the financial institutions identified on Schedule B to the Original Declaration is a lender and/or Agent on multiple unrelated Creditor Advisory Engagements which may, in the aggregate, account for greater than 1% of A&M's client collections should one or more of the borrowers on these engagements default under their payment obligations and the Agent absorb a disproportionate share of the reimbursement obligation. However, such information is not regularly tracked by A&M.

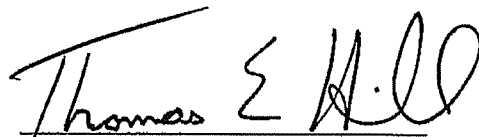
6. Furthermore, since the filing of the Original Declaration, A&M has continued to search its databases for parties in interest listed whose names A&M obtained after the filing of the Original Declaration (the "Potential Parties in Interest"). The supplemental list of Potential Parties in Interest is set forth on Exhibit A hereto. A&M compared the names of each of the Potential Parties in Interest to the names in the master electronic database of A&M's current and former clients. This exercise revealed that certain of the Potential Parties in Interest are current, or were former, A&M clients or are or were otherwise related to A&M.

7. Attached as Exhibit B hereto is a supplemental list of Potential Parties in Interest that additional post-petition review and inquiries have revealed are former or recent clients of A&M or are or were otherwise related to A&M. Based on the information generated from this inquiry, and based on follow-up inquiries with A&M employees as necessary, to the best of my knowledge as of the date of this Supplemental Declaration, A&M does not represent the entities listed on Exhibit B in any matters adverse or related to the interests of the Debtors or their estates in these Chapter 11 Cases.

8. If any new material relevant facts or relationships are discovered or arise, A&M will promptly file a supplemental declaration.

By reason of the foregoing, I believe A&M is eligible for retention by the Debtors pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and the applicable Bankruptcy Rules and Local Rules.

Dated: Oct. 14, 2011

A handwritten signature in black ink, appearing to read "Thomas E. Hill". The signature is written in a cursive style with a prominent horizontal line above the first name.

Thomas E. Hill, Managing Director
at Alvarez & Marsal North America, LLC

EXHIBIT A TO SUPPLEMENTAL DECLARATION

SUPPLEMENTAL LIST OF POTENTIAL PARTIES IN INTEREST

**Postpetition Additions to Master Conflicts Check List For
Graceway Pharmaceuticals, LLC, et al.**

NYS Dept. of Health

Tennessee Dept. of Health

Agency for Healthcare Administration

Commonwealth of Pennsylvania

California Dept. of Health Care Services

Laboratories Vargas, S.A.

Maine Medicaid Agency

Quadrant HealthCom, Inc.

AFCO

Haymarket Media, Inc.

Innovation Printing & Communication

EXHIBIT B TO SUPPLEMENTAL DECLARATION

**SUPPLEMENTAL LIST OF POTENTIAL PARTIES IN INTEREST WHO ARE
FORMER OR RECENT A&M CLIENTS OR ARE OTHERWISE INVOLVED IN
MATTERS IN WHICH A&M IS ALSO INVOLVED AND THAT ARE UNRELATED TO
THE DEBTORS OR THESE CHAPTER 11 CASES**

Current and Former Clients of A&M and/or its Affiliates¹

Commonwealth of Pennsylvania

Significant Joint Venture Partners²

Maine Medicaid Agency

¹ A & M and/ or an affiliate is currently providing or has previously provided certain consulting services to these parties or their affiliates in wholly unrelated matters.

² These parties or their affiliates are significant joint venture partners of other clients or former clients of A&M or its affiliates in wholly unrelated matters.