

**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

**SECOND 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 "**Second Supplemental Declaration**") to supplement my prior declaration (the "**Supplemental Declaration**"), filed in the above-captioned cases on October 14, 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**").

Additional Potential Parties In Interest

3. Since the filing of the Supplemental 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.

4. 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

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

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.

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

6. To the best of my knowledge and based upon the results of the relationship search described herein and the additional disclosures described above, A&M continues to not represent any interests adverse to the Debtors' estates and remains a "disinterested person" as that term is defined in Section 101(14), as modified by Section 1107(b), of the Bankruptcy Code.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct..

Dated: Nov 30th, 2011

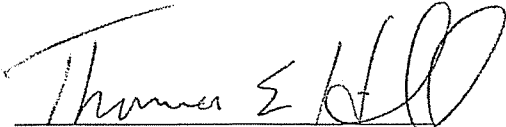

Thomas E. Hill, Managing Director
at Alvarez & Marsal North America, LLC

EXHIBIT A TO SECOND SUPPLEMENTAL DECLARATION

SUPPLEMENTAL LIST OF POTENTIAL PARTIES IN INTEREST

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

Goldman Sachs Credit Partners, L.P.

3M

Tricare

3M Company

Metaphor Inc.

Value Recovery Fund LLC

Lowenstein Sandler, PC

Elliot Greenleaf

EXHIBIT B TO SECOND 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

3M Company
Goldman Sachs Credit Partners
AT&T Mobility

Significant Equity Holders of Current and Former A&M Clients²

Goldman Sachs Credit Partners

Creditors in A&M Engagements³

3M Company

Professionals & Advisors⁴

Lowenstein Sandler PC
Barrier Advisors

Significant Joint Venture Partners⁵

Goldman Sachs Credit Partners

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 equity holders of clients or former clients of A&M or its affiliates in wholly unrelated matters.

³ A&M is currently advising or has previously advised these parties or their affiliates as creditors or various official creditors' committees in which these parties or their affiliates were members or which represented the interests of these parties or their affiliates.

⁴ These professionals have represented clients in matters where A&M was also an advisor (or provided crisis management) to the same client. In certain cases, these professionals may have engaged A&M on behalf of such client.

⁵ 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.