

EXHIBIT B

Second Supplemental Declaration of Mark Yarbrough

**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. 28

**DECLARATION OF MARK YARBROUGH IN SUPPORT OF THE
DEBTORS' FIRST SUPPLEMENTAL APPLICATION FOR AN ORDER
EXPANDING THE SCOPE OF THE RETENTION AND EMPLOYMENT OF
PRICEWATERHOUSECOOPERS LLP TO INCLUDE TAX COMPLIANCE SERVICES
NUNC PRO TUNC TO JANUARY 16, 2012**

Pursuant to Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), Mark Yarbrough, under penalty of perjury, declares as follows:

1. I am a Partner of the firm of PricewaterhouseCoopers LLP ("**PwC**"), an accounting and financial services firm that has offices within the United States. I am duly authorized to make and submit this declaration (the "**Second Supplemental Declaration**") on behalf of PwC in support of the First Supplemental Application² of the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**") for entry of an order expanding the scope

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), Case No. 11-13037 (PJW); Graceway Holdings, LLC, a Delaware limited liability company (2502), Case No. 11-13038 (PJW); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385), Case No. 11-13036 (PJW); Chester Valley Holdings, LLC, a Delaware limited liability company (9457), Case No. 11-13039 (PJW); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713), Case No. 11-13041 (PJW); Graceway Canada Holdings, Inc., a Delaware corporation (6663), Case No. 11-13042 (PJW); and Graceway International, Inc., a Delaware corporation (2399), Case No. 11-13043 (PJW). 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.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the First Supplemental Application.

of the retention and employment of PwC to include tax compliance services, *nunc pro tunc* to January 16, 2012.

2. Except as otherwise noted in this First Supplemental Declaration, I have personal knowledge of the matters set forth herein or have been informed of such matters by other professionals of PwC.

Background

3. On September 29, 2011 (the “**Petition Date**”), each of the Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code (collectively, the “**Chapter 11 Cases**”). On September 30, 2011, the Court entered an order consolidating these Chapter 11 Cases for procedural purposes only [Docket No. 42].

4. Also on the Petition Date, the Debtors filed the Application of the Debtors to Retain and Employ PricewaterhouseCoopers LLP as Tax Consultant *Nunc Pro Tunc* to the Petition Date (the “**Original Application**”), as well as my original declaration in support of the Original Application, which was annexed to the Original Application as Exhibit C (the “**Original Declaration**”) [Docket No. 28]. On October 16, 2011, the Debtors filed my supplemental declaration in support of the Original Application [Docket No. 109] (the “**First Supplemental Declaration**”). Attached to the Original Application as Exhibit B was the agreement between the Debtors and PwC for the provision of federal, international, state and local tax consulting and restructuring services.

5. PwC and the Debtors entered into a certain engagement agreement dated January 16, 2012, pursuant to which PwC agreed to provide tax compliance services to the Debtors for the Engagement Period (the “**Tax Compliance Engagement Agreement**”). A copy of the Tax Compliance Engagement Agreement is attached hereto as Exhibit 1. PwC estimates that its fees

for the tax compliance services will be \$90,000 for the tax year starting January 1, 2011 and ending December 31, 2011, and \$25,000 to \$40,000 for the 2012 short period tax year.

Disinterestedness

6. As set forth in my Original Declaration, in connection with PwC's proposed retention by the Debtors, PwC undertook a search to determine, and to disclose, whether it or its affiliates, is or has been employed by or has other relationships with any of the Debtors or their affiliates, subsidiaries, directors or officers, or any of the Debtors' significant creditors, customers, equity security holders, professionals or other entities with significant relationships with the Debtors (the "**Potential Parties in Interest**").

7. As further set forth in my Original Declaration, PwC may have in the past represented, may currently represent, and likely in the future will represent the entities identified on Schedule 2 to my Original Declaration in connection with matters unrelated to the Debtors and these Chapter 11 Cases.

8. Specifically, PwC determined that certain relationships should be disclosed as follows:

- a. PwC provides services in matters unrelated to the Debtors to certain Potential Parties in Interest listed on Schedule 2 to my Original Declaration or their affiliates.
- b. In the ordinary course of its business, PwC and its affiliates have business relationships in unrelated matters with its principal competitors, which together with their affiliates may be Potential Parties in Interest in these Chapter 11 Cases. For example, from time to time, PwC and one or more of such entities may work on assignments for the same client or may otherwise engage each other for various purposes.
- c. PwC and/or its affiliates have provided or currently provide professional services to certain equity holders of the Debtors listed on Schedule 2 to my Original Declaration in matters unrelated to the Debtors.

d. Certain Potential Parties in Interest may be adverse to and/or involved in litigation matters with PwC or its affiliates in connection with matters unrelated to the Debtors.

9. To the best of my knowledge, three of the clients of listed on Schedule 2 to my Original Declaration accounted for more than 1.0% of PwC's revenues for the fiscal year ended June 30, 2011. However, none of these clients accounted for more than 1.5% of PwC's revenues for that fiscal year.

10. As set forth in my Original Declaration, PwC provided prepetition services to the Debtors beginning in September 2009. The Debtors paid PwC fees totaling approximately \$201,980 in the 90 days prior to the Petition Date. As of the Petition Date, no amounts were outstanding with respect to invoices issued by PwC prior to the Petition Date. An analysis of the payments made by the Debtors to PwC during the 90 days prior to the Petition Date is attached as Schedule 1 to my Supplemental Declaration.

11. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: ^{February} ~~January~~ 1, 2012

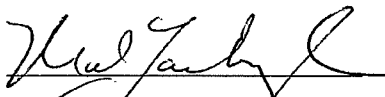

Mark Yarbrough, Partner
PricewaterhouseCoopers LLP

EXHIBIT 1

Tax Compliance Engagement Agreement



January 16, 2012

Mr. John Bellamy
Graceway Pharma Holding Corp. & Subsidiaries
340 Martin Luther King Jr. Boulevard
Suite 500
Bristol, TN 37620

Dear Mr. Bellamy:

This engagement letter confirms that Graceway Pharma Holding Corp. ("you" or "Graceway") has engaged PricewaterhouseCoopers LLP ("we" or "us" or "PwC") to provide the services described below. Graceway may procure services under this engagement letter for itself and for those of its consolidated subsidiaries or affiliates that Graceway binds to this engagement letter by its signature or which separately agree to the provisions of this engagement letter (collectively, the "Subsidiaries").

Scope of Our Services

You are engaging us to provide the following services (the "Services"):

PwC will prepare and sign as preparer the U.S. Corporation Income Tax Return, Form 1120, for Graceway for the tax year beginning January 1, 2011 through December 31, 2011. We will also prepare and sign the required state corporate income tax returns for the period above, as requested by Graceway and as listed in Exhibit I. Entities listed in Exhibit I are considered Subsidiaries (as defined above) and are also bound to the terms of this engagement letter. PwC will prepare and sign as preparer the U.S. Corporation Income Tax Return, Form 1120, for Graceway for the tax year beginning January 1, 2012 through the applicable termination date of the corporation. We will also prepare and sign the required state corporate income tax returns for the period above, as requested by Graceway and as listed in Exhibit I.

We will complete Schedule UTP, if applicable, based on information you provide to us during the course of the engagement. We may gather such information by providing you with a checklist or information request during the course of the engagement. To the extent that you require additional assistance to gather and analyze information for purposes of the Schedule UTP reporting, such services will be the subject of a separate engagement letter.

Unless otherwise agreed with PwC, Graceway will be responsible for preparation and filing of all other tax or information returns required to be filed with the authorities including, for example, city and county income or gross receipts filings, payroll tax filings, sales and use tax filings, information reporting filings, etc.

Most of the tax returns that we will prepare require signatures, under the penalties of perjury, of an officer of Graceway affirming that the tax returns and the accompanying schedules and statements are true, correct, and complete to the best of his or her knowledge. Graceway is responsible for understanding and agreeing with the various amounts, computations, and statements made in the tax returns before they are filed with the taxing authorities.

It is our understanding that you will file returns as prepared by PwC unless you inform us otherwise.

*PricewaterhouseCoopers LLP, 800 Green Valley Road, Suite 500, Greensboro, NC 27408
T: (336) 665 2700, F: (336) 665 2699, www.pwc.com/us*

Graceway is required to maintain and retain adequate documentation to support the tax returns as filed as penalties can be imposed by taxing authorities for the failure to produce adequate documentation supporting the items included in a tax return.

We will complete the preparation of the tax returns so they can be timely filed by the extended due date for the federal income tax return of September 17, 2012. We will endeavor to provide you with the returns so they can be timely filed by the original due date for the federal income tax return of March 15, 2012. In the event the agreed timetable requires that Graceway provide us with needed information or assistance within a specified period of time, the failure to timely provide this assistance may require adjustment to our completion date. In addition, in the event unforeseen circumstances occur that impact our ability to meet the final completion date, we will contact Graceway to discuss an acceptable revised completion date.

Use of the PricewaterhouseCoopers LLP WebDMS system ("WebDMS")

Access to WebDMS system may be provided as a convenience to Graceway personnel to facilitate performance of the Services. In the event that WebDMS is used to facilitate performance of the Services, you agree to notify us of the names of your personnel who are authorized to have access to the WebDMS system and to notify us timely of any changes thereto. Graceway will notify us of any documents that should not be accessible to all your authorized users. In addition, it is understood that your access to WebDMS shall be subject to the standard terms and conditions required upon registration for use of the WebDMS system.

Form TD F 90-22.1 (FBAR)

Federal law requires that certain individuals and entities report financial interests in, and signatory authority or certain other authority over, foreign financial accounts with more than \$10,000 in aggregate value in a calendar year on Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. The form is not a tax form and is not filed with a tax return. Instead the form must be filed separately with the IRS by June 30 of the year following the calendar year in which aggregate amounts held in the foreign financial accounts meet the threshold. The definition of financial accounts is broadly defined and includes certain interests held indirectly. Failure to comply with these laws could result in significant civil and criminal penalties. Unless otherwise specifically agreed in writing, PwC will not prepare, file, or provide assistance with respect to the Form TD F 90-22.1.

Electronic Filing

The Internal Revenue Service and some states offer or require electronic filing for certain tax returns. As part of the services covered by this engagement letter, PwC will be the Electronic Return Originator (ERO) with respect to the returns indicated with an asterisk on Exhibit I. Your designation of PwC as the ERO allows the taxing authorities to disclose to us the following: 1) any acknowledgement that return(s) have been accepted, 2) the reason(s) for any delay in processing a return or refund, and 3) information regarding any refund offset. If a particular return is ineligible or unable to be processed electronically after making reasonable efforts to do so pursuant to the procedures established by the appropriate tax authority, PwC will provide you with a paper return that must be filed in accordance with the terms noted in this engagement letter.

Additional Services

From time to time, Graceway may request PwC to provide services outside the scope of these tax return preparation services that may not be significant enough to require a separate engagement letter ("Additional Services"). Subject to our acceptance, PwC will provide Additional Services necessary to respond to matters presented to PwC by Graceway, or matters PwC brings to the attention of Graceway for which Graceway agrees PwC should provide assistance. The following illustrates the nature of the Additional Services intended to be covered by this engagement letter:

- **Recurring tax consulting services**

We will provide advice, answers to questions and/or opinions on tax planning or reporting matters, including research, discussions, preparation of memoranda, and attendance at meetings relating to such matters, as mutually determined to be necessary.

- **Matters involving tax authorities**

We will provide advice and/or assistance with respect to matters involving the Internal Revenue Service ("IRS") or other tax authorities on an as-needed or as-requested basis.

These examples are not meant to limit the Additional Services we may provide to Graceway under the terms of this engagement letter. We will keep you fully apprised of the nature of any Additional Services we are providing under this engagement letter. All related periodic billings (see discussion below) will describe the Additional Services rendered during the period.

Ownership and Use

We are providing these Services and deliverables solely for your use and benefit and pursuant to a client relationship exclusively with you. We disclaim any contractual or other responsibility or duty of care to others based upon these Services or upon any deliverables or advice we provide.

You will own all tangible written material prepared for and delivered to you under this engagement letter, except as follows: we own our working papers, preexisting materials and any general skills, know-how, processes, or other intellectual property (including a non-client specific version of any deliverables) which we may have discovered or created as a result of the Services. You have a nonexclusive, non-transferable license to use such materials included in the deliverables for your own use as part of such deliverables.

In addition to deliverables, we may develop software or electronic materials (including spreadsheets, documents, databases and other tools) to assist us with an engagement. If we make these available to you, they are provided "as is" and your use of these materials is at your own risk.

Confidentiality

"Confidential Information" means non-public information that Graceway marks as "confidential" or "proprietary" or that otherwise should be understood by a reasonable person to be confidential in nature. All terms of this engagement letter, including but not limited to fee and expense structure, are considered Confidential Information. Confidential Information does not include any information which (i) is rightfully known to PwC prior to its disclosure; (ii) is released to any other person or entity (including governmental agencies) without restriction; (iii) is independently developed by PwC without use of or reliance on Confidential Information; or (iv) is or later becomes publicly available without violation of this engagement letter or may be lawfully obtained by PwC from a non-party. PwC will protect the confidentiality of Confidential Information that it receives, except as required by applicable law, statute, rule, regulation or professional standard. If disclosure is required by law, statute, rule or regulation (including any subpoena or other similar form of process), or by professional standards, PwC shall (other than in connection with routine supervisory examinations by regulatory authorities with jurisdiction and without breaching any legal or regulatory requirement) provide the Graceway with prior prompt written notice thereof and, if practicable under the circumstances, allow the Graceway to seek a restraining order or other appropriate relief.

Our Responsibilities

We will perform the Services in accordance with the Statements on Standards for Tax Services established by the American Institute of Certified Public Accountants. Accordingly, we will not provide an audit or attest opinion or other form of assurance, and we will not verify or audit any information provided to us.

Your Responsibilities

To facilitate our work, Graceway will need to provide the information requested in the Tax Compliance Request for Information which will be provided to you at a future date.

You are responsible for all management functions and decisions relating to this engagement, including evaluating and accepting the adequacy of the scope of the Services in addressing your needs. You are also responsible for the results achieved from using any Services or deliverables, and it is your responsibility to establish and maintain your internal controls. You will designate a competent member of your management to oversee the Services.

We expect that you will provide timely, accurate and complete information and reasonable assistance, and we will perform the engagement on that basis.

Fees and Expenses

Tax Return Preparation and Related Consulting Services

The fee for services relative to this project as described in the "Scope of Services" section of this engagement letter are estimated to be \$90,000 for the tax year 1/1/2011 to 12/31/11 based on the rates per hour referenced below. These fees will be billed according to the following schedule with any adjustments to the final fee amount approved by the client:

Upon signing the engagement letter (January 20th): \$15,000
February 15, 2012: \$25,000
March 15, 2012: \$40,000
April 15, 2012: \$10,000

The fee for services relative to this project as described in the "Scope of Services" section of this engagement letter for the tax year beginning 1/1/2012 and ending on the date Graceway is terminated are estimated to be within the range of \$25,000 to \$45,000 for the 2012 short period tax year based on the rates per hour referenced below. A fixed fee estimate for services to be provided will be difficult to determine until the tax returns for the period ended December 31, 2011 are filed and filing requirements reviewed.

Miscellaneous consulting services which relate to general tax and compliance issues will be provided to Graceway and will be based on the rates per hour referenced below based on the time incurred. Tax consulting services shall include, but are not limited to, correspondence with taxing authorities, federal and state tax inquiries or audits, calculations required to determine the applicable amount of cancelled debt, assistance with calculating the gain and/or loss on the sale of assets, and assistance with questions and inquiries relating to tax matters and other items that may be relevant to Graceway for prior, current and future tax years. All PwC Subcontractor (defined below) fees are included in the agreed fee.

Our fee is based on the time required by our professionals to complete the engagement. Amounts billed for services performed by PwC or the PwC Subcontractors (defined below) shall be considered fees and not expenses and will be billed at rates determined by PwC based upon experience, skill and other factors or as otherwise agreed by the parties.

Partner / Principal	\$625 - \$680
Director	\$355 - \$425
Manager	\$265 - \$340
Senior Associate	\$210 - \$240
Associate and other staff	\$135 - \$165

Additional Services

Our fee for additional services is based on the time required by our professionals to complete the engagement. Amounts billed for services performed by PwC or the PwC Subcontractors (defined below) shall be considered fees and not expenses and will be billed at rates determined by PwC based upon experience, skill and other factors based on our standard hourly rates.

We also will bill Graceway for our reasonable out-of-pocket expenses, any applicable sales, use or value added tax, and PwC's internal per ticket charges for booking travel.

The amount of our fee is based on the assumption that we will receive the information and assistance as detailed throughout this engagement letter. In the event we believe an additional fee is required as the result of the failure of Graceway to meet any of these requests or for any other reason, we will inform you promptly.

Payment Schedule

Invoices will be submitted on a monthly basis, in accordance with Bankruptcy Court guidelines and as noted above for the fixed fee projects.

Termination and Dispute Resolution

Either party may terminate the Services by giving notice to that effect.

Any unresolved dispute relating in any way to the Services or this engagement letter shall be resolved by arbitration. The arbitration will be conducted in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("Rules") then in effect. The arbitration will be conducted before a panel of three arbitrators selected using the screened process provided in the Rules. The arbitration panel, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this engagement letter. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort. It shall also have no power to award damages inconsistent with the Limitations on Liability provisions below or any other terms in this engagement letter. Judgment on any arbitration award may be entered in any court having jurisdiction. All aspects of the arbitration shall be treated as confidential. You accept and acknowledge that any demand for arbitration arising from or in connection with the Services must be issued within one year from the date you became aware or should reasonably have become aware of the facts that give rise to our alleged liability and, in any event, no later than two years after the cause of action accrued.

This engagement letter and any dispute relating to the Services will be governed by and construed, interpreted and enforced in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflict of laws that would require the laws of another jurisdiction to apply.

Limitations on Liability

Except to the extent finally determined to have resulted from our gross negligence or intentional misconduct, our aggregate liability for all claims, losses, liabilities or damages in connection with this engagement letter or the Services, whether as a result of breach of contract, tort (including negligence) or otherwise, regardless of the theory of liability asserted, is limited to no more than the total amount of annual fees paid to us for the particular Service giving rise to the liability under this engagement letter. In addition, we will not be liable in any event for lost profits, consequential, indirect, punitive, exemplary or special damages. Also, we shall have no liability arising from or relating to any third party hardware, software, information or materials selected or supplied by you.

Indemnification

You agree to indemnify and hold PwC and the Beneficiaries (defined below) harmless from and against any and all third party claims, losses, liabilities and damages arising from or relating to the Services or deliverables under this engagement letter, except to the extent finally determined to have resulted from PwC's gross negligence or intentional misconduct relating to such Services and/or deliverables.

Other PricewaterhouseCoopers Firms and Subcontractors

PwC is the U.S. firm of the global network of separate and independent PricewaterhouseCoopers firms (exclusive of PwC, the "Other PwC Firms"). PwC may draw on the resources of and/or subcontract to its subsidiaries, the Other PwC Firms and/or third party contractors and subcontractors, in each case within or outside of the United States (each, a "PwC Subcontractor") in connection with the provision of Services and/or for internal, administrative and/or regulatory compliance purposes. Graceway agrees that PwC may provide information PwC receives in connection with this engagement letter to the PwC Subcontractors for such purposes. PwC will be solely responsible for the provision of the Services (including those performed by the PwC Subcontractors) and for the protection of the information provided to the PwC Subcontractors. The PwC Subcontractors and theirs and PwC's respective partners, principals or employees (collectively, the "Beneficiaries") shall have no liability or obligations arising out of this engagement letter. Graceway agrees to: (a) bring any claim or other legal proceeding of any nature arising from the Services against PwC and not against the Beneficiaries; and (b) ensure or procure that the Subsidiaries do not assert any such claim or other legal proceeding against PwC or the Beneficiaries. If any of the Subsidiaries receive Services under this engagement letter, Graceway agrees to provide a copy of this engagement letter to such Subsidiaries, and Graceway will notify them that although the Beneficiaries may interact with them, the delivery of the Services is governed by the terms of this engagement letter (including the liability limitations herein), and Graceway's Subsidiaries should notify Graceway of any disputes or potential claims arising from the Services. PwC disclaims any contractual or other responsibility or duty of care to any other subsidiaries or affiliates. While PwC is entering into this engagement letter on its own behalf, this section also is intended for the benefit of the Beneficiaries.

Consents to Disclose Client Information

Notwithstanding anything to the contrary in this engagement letter, Graceway agrees that PwC may disclose Graceway's current and/or prior years' tax return information to PwC Subcontractors within or outside the United States for the purposes described above. Graceway authorizes PwC to participate in discussions with and to disclose your information, including your tax return information, to your agents, representatives, administrators or professional advisors (including accountants, attorneys, financial and other professional advisors), their respective officers, directors or employees, and other parties as you may direct. The foregoing consents are valid until further notice by Graceway. Graceway may request in writing a more limited disclosure than the foregoing.

Regulatory Matters

Notwithstanding anything to the contrary in this engagement letter, you have no obligation of confidentiality with respect to any portions of any materials, advice or deliverables to the extent they concern the tax structure or tax treatment of any transaction.

Codification of Economic Substance

Federal law (IRC Section 6662(b)) subjects taxpayers to a strict liability penalty equal to 40% (or 20% if adequately disclosed in a tax return) of any underpayment of tax attributable to that portion of a transaction which is determined to lack economic substance under IRC Section 7701(o) or fails to satisfy any other similar rule of law. The higher penalty will be due if a transaction that is determined to lack economic

substance is not "adequately disclosed" in the taxpayer's return. Penalties can also be imposed by states to the extent that state laws have adopted similar provisions.

You are responsible for identifying transactions to which the economic substance doctrine applies and determining whether disclosure should be made, and if so, the adequacy of any disclosure. Any additional PwC time spent preparing such disclosures is outside the scope of the Services set forth in this engagement letter. There is no guidance on the substantive aspects of the codified economic substance doctrine. To the extent that we prepare disclosures and/or provide any advice with respect to Graceway's determination of the economic substance of a transaction and any related penalties that might be imposed, such disclosures prepared and/or advice rendered as part of our Services will be based on applicable case law, reasonable interpretation of legislation and available guidance.

The strict liability penalty is not affected by whether the position taken on the return meets standards regarding levels of confidence. Moreover, under IRC Section 6664(c), no exceptions (including the reasonable cause exception) to the imposition of such penalties are available and therefore no advice will protect you from any such penalties. Therefore, PwC shall not be liable for any federal or state penalties imposed on you if any portion of a transaction is determined to lack economic substance or fails to satisfy any similar rule of law or if the disclosure of such transaction is determined to be inadequate.

Other Written Advice

Based on our discussions, it is anticipated that the written advice PwC provides during the course of this engagement will be Other Written Advice as defined by Circular 230. Accordingly, unless otherwise prohibited or we agree to issue a Covered Opinion as defined by Circular 230, our written advice may include a disclosure stating that the advice was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed, including, but not limited to penalties that may apply if the transaction that is the subject of our engagement is found to lack economic substance or fails to satisfy any other similar rule of law. Our advice will contain any other disclosures required by Circular 230.

Tax Return Disclosure and Tax Advisor Listing Requirements

Certain federal and state regulations require taxpayers to disclose their participation in certain reportable transactions to the taxing authorities. Graceway shall advise PwC if Graceway determines that any matter covered by this engagement letter is a reportable transaction that is required to be disclosed. This advice will take the form of your written responses in the Reportable Transaction Compliance Checklist. Your responses will form the basis for Form 8886 disclosures. We will explain this checklist to you and complete up to one Form 8886 for your review and submission. Any additional PwC time spent: (1) reviewing or assessing related information flows; (2) reviewing or assessing current related policies, procedures or systems; (3) analyzing or identifying reportable transactions; (4) gathering or retaining required documentation; or (5) preparing additional Forms 8886, would be performed outside the scope of the arrangements set forth in this engagement letter and would necessitate an addendum to this engagement letter.

Certain federal and state regulations also require PwC to submit information returns and maintain lists of certain client engagements if PwC is a material advisor to clients that have participated in a reportable transaction. Therefore, if PwC determines, after consultation with Graceway, that Graceway has participated in a transaction causing PwC to have a registration and/or list maintenance obligation, PwC will place Graceway's name and other required information on a list. PwC will contact Graceway if PwC is required to provide Graceway's name to the U.S. Internal Revenue Service or any state in connection with any matter under this engagement letter.

Federal (Internal Revenue Code Section 6694) and State Preparer Standards

Federal law and certain state laws impose obligations on tax return preparers with respect to a position reported on a tax return or claim for refund that does not meet certain standards regarding levels of confidence. If during the course of this engagement we identify a position that does not meet these standards, we will advise you about your penalty exposure and whether you can avoid penalty through disclosure. If we are preparing the return or claim for refund and it is concluded that disclosure is required, we will prepare the disclosure and provide it to you.

Our work may require consultation with a PwC subject matter specialist to reach and document the level of technical support for the position. We will discuss with you any additional fees that may be incurred as a result of complying with these requirements.

Other Matters

No party to this engagement letter may assign or transfer this engagement letter, or any rights, obligations, claims or proceeds from claims arising under it, without the prior written consent of the other party, and any assignment without such consent shall be void and invalid. If any provision of this engagement letter is found to be unenforceable, the remainder of this engagement letter shall be enforced to the extent permitted by law. If we perform the Services prior to both parties executing this engagement letter, this engagement letter shall be effective as of the date we began the Services. Neither party shall be liable to the other for any delay or failure to perform any of the Services or obligations in this engagement letter due to causes beyond its reasonable control.

You agree we may use your name in experience citations and recruiting materials. This engagement letter supersedes any prior understandings, proposals or agreements with respect to the Services, and any changes must be agreed to in writing.

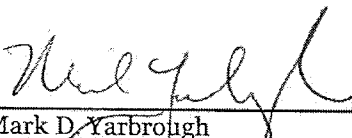
PwC is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the Services, non-CPA owners may be involved in providing Services under this engagement letter.

* * * * *

We are pleased to have the opportunity to provide services to you. If you have any questions about this engagement letter, please discuss them with Mark Yarbrough at (336) 665-3449. If the Services and terms outlined in this engagement letter are acceptable, please sign one copy of this engagement letter in the space provided and return it to the undersigned. You may return the signed copy to the undersigned by mail or air courier to PwC, 800 Green Valley Road, Suite 500, Greensboro, NC 27408, by facsimile to the undersigned's attention at (813) 741-7090 or attached as a pdf, jpeg or similar file type to an e-mail to the undersigned at brooks.a.stewart@us.pwc.com.

Very truly yours,

PricewaterhouseCoopers LLP

By: 

Mark D. Yarbrough
Partner

Attachment(s): Exhibit I – Listing of Returns to be Prepared
Reportable Transactions Compliance Checklist

ACKNOWLEDGED AND AGREED:



Graceway Pharma Holding Corp., individually and on behalf of itself and its Subsidiaries and Affiliates:

**Signature of Bankruptcy Trustee,
On Behalf of Graceway:**

Please print name:

Title:

Date:

Graceway Pharma Holding Corp. and Subsidiaries
 Detail Listing of Returns Prepared
 Tax Year 1/1/2011 to 12/31/2011

Entity Name	Jurisdiction (Federal/State)	Return Form	Filing Method (Separate/ Combined)	Return Type (Income/ Franchise/Etc.)
Graceway Pharma Holding Corp. and Subsidiaries	Federal	1120*	Consolidated	Income
Graceway Pharma Holding Corp. and Subsidiaries	Michigan	4567*	Combined	Income/Gross Receipts
Graceway Pharma Holding Corp. and Subsidiaries	Minnesota	M4	Combined	Franchise
Graceway Pharma Holding Corp.	California	100w / 100-WE	Separate	Franchise/ Income
Graceway Pharma Holding Corp.	Washington DC	D-20	Separate	Franchise
Graceway Pharma Holding Corp.	Kentucky	720	Separate	Income
Graceway Pharma Holding Corp.	North Carolina	CD-405	Separate	Income/ Franchise
Graceway Pharma Holding Corp.	Pennsylvania	RCT-101	Separate	Income/ Franchise
Graceway Pharma Holding Corp.	Tennessee	FAE 170	Separate	Franchise/ Excise
Graceway Pharma Holding Corp.	Texas	05-102	Separate	Information Report
Graceway Pharma Holding Corp.	Texas	05-158	Combined	Franchise
Graceway Pharma Holding Corp.	West Virginia	WV/CNF- 120	Separate	Income/ Franchise
Graceway Pharma Holding Corp.	Wisconsin	4	Separate	Income/ Franchise
Graceway Canada Holdings, Inc.	Tennessee	FAE 170	Separate	Franchise/ Excise
Graceway International, Inc.	Tennessee	FAE 170	Separate	Franchise/ Excise
Chester Valley Holdings, LLC	Pennsylvania	RCT-101	Separate	Franchise
Chester Valley Pharmaceuticals, LLC	Pennsylvania	RCT-101	Separate	Franchise
Graceway Pharmaceuticals, LLC	Pennsylvania	RCT-101	Separate	Franchise
Graceway Holdings, LLC	Pennsylvania	RCT-101	Separate	Franchise

* Return will be electronically filed

Note: State return filing positions for the short tax year beginning 1/1/2012 to be determined.