

Exhibit B

Settlement Agreement

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (this “*Agreement*”) is made and entered into as of February 13, 2012, by and among (i) Graceway Pharma Holding Corp., a Delaware corporation, Graceway Holdings, LLC, a Delaware limited liability company, Graceway Pharmaceuticals, LLC, a Delaware limited liability company, Chester Valley Holdings, LLC, a Delaware limited liability company, Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company, Graceway Canada Holdings, Inc., a Delaware corporation, and Graceway International, Inc., a Delaware corporation (each a “*Debtor*” and collectively the “*Debtors*”) and (ii) GTCR Golder Rauner, L.L.C., a Delaware limited liability company, GTCR Co-Invest II, L.P., a Delaware limited partnership, GTCR Co-Invest III, L.P., a Delaware limited partnership, GTCR Fund VIII, L.P., a Delaware limited partnership, GTCR Fund IX/A, L.P., a Delaware limited partnership, Fund VIII/B Graceway Splitter, L.P., a Delaware limited partnership, Fund IX/B Graceway Splitter, L.P., a Delaware limited partnership, and GTCR Golder Rauner II, L.L.C., a Delaware limited liability company (each a “*GTCR Entity*” and collectively, including any affiliates thereof, “*GTCR*”). Each Debtor and each GTCR Entity is referred to separately as a “*Party*” and all are referred to collectively as the “*Parties*.”

WHEREAS, on September 29, 2011 (the “*Petition Date*”), each of Debtors filed for bankruptcy protection (the “*Chapter 11 Cases*”) pursuant to Chapter 11 of the United States Bankruptcy Code (the “*Bankruptcy Code*”) before the United States Bankruptcy Court for the District of Delaware (the “*Bankruptcy Court*”);

WHEREAS, prior to the Petition Date, Graceway Holdings, LLC made a series of distributions in a total amount in excess of \$362,616,953.68 (the “*Distributions*”) including, but not limited to, dividend payments and tax distributions, to the owners of the equity interests of Graceway Holdings, LLC, including GTCR, pursuant to Section 4.1 of the Graceway Holdings, LLC Amended and Restated Limited Liability Company Agreement dated as of December 29, 2006;

WHEREAS, the Debtors have asserted that \$9,127,166.00 of such Distributions were made when the Debtors were insolvent and therefore may be subject to potential avoidance or equitable subordination or recovery actions under Bankruptcy Code Sections 105, 502(d), 510, 542, 543, 544, 545, 546, 547, 548, 550, 551, and 553 or other avoidance or similar actions under the Bankruptcy Code or similar laws of various states or foreign jurisdictions (collectively, “*Avoidance Actions*”);

WHEREAS, on January 25, 2012, the Debtors filed the *Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 483] (the “*Plan*”); the *Disclosure Statement for the Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 484] (the “*Disclosure Statement*”); and the *Motion of the Debtors for Entry of an Order (A) Approving the Disclosure Statement, (B) Establishing the Voting Record Date, Voting Deadline and Other Dates, (C) Approving Procedures for Soliciting, Receiving, and Tabulating Votes on the Plan and for Filing Objections to the Plan and (D) Approving the Manner and Forms of Notice and Other Related Documents* [Docket No. 485] (the “*Solicitation Procedures Motion*”). As set forth in the Solicitation Procedures Motion, the Debtors expect to seek the entry of an order confirming the Plan (the “*Confirmation Order*”); and

WHEREAS, the Parties now seek to resolve any and all Released Causes of Action (as defined below) against (a) each GTCR Entity and its respective current or former officers, directors, advisors, shareholders, members and/or enrollees and employees (and each of the foregoing entity's or person's respective successors, assigns and representatives) and (b) any other person or entity not otherwise identified in the preceding sub-clause (a) that directly or indirectly has received or in the future may receive any portion of the Distributions (other than any person that is an officer or director of the Debtors as of the Settlement Effective Date, in such person's capacity as an officer or director of the Debtors) (collectively, the "**Releasees**"), and have entered into good faith negotiations in connection therewith.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

A. Settlement:

1. Effective on the Settlement Effective Date (as defined below) each of the Debtors and each of their respective current and future estates, successors, assigns and representatives (including, for the avoidance of doubt, any representative appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code or otherwise) (collectively, the "**Releasors**") hereby (i) conclusively, absolutely, unconditionally, irrevocably and forever remises, acquits, waives, releases and discharges each of the Releasees from any and all Released Causes of Action, and (ii) covenants and agrees never to institute or cause to be instituted any suit, investigation or other form of action or proceeding of any kind or nature whatsoever against any of the Releasees based upon the Released Causes of Action.

As used in this Agreement, the term "Released Causes of Action" means any and all claims (including, but not limited to any "claim" as defined in Section 101(5) of the Bankruptcy Code), demands, rights, suits, remedies, indebtedness, agreements, promises, Causes of Action (as defined in the Plan), obligations, damages or liabilities of any nature whatsoever, in law, in equity or otherwise, whether or not known, foreseen or unforeseen, existing or hereafter arising, suspected or claimed, that the Releasors ever had, claimed to have, now have, may have, claim to have or may claim to have in the future against the Releasees, or any of them, by reason of any matter, cause, thing, act, transaction, agreement, event or omission of the Releasees, or any of them, including, without limitation, any and all of the Avoidance Actions relating to or arising from any of the Distributions, other than claims or liabilities arising out of or relating to any act or omission of a Releasee that constitutes fraud or willful misconduct as determined by final order of a court of competent jurisdiction; provided, however, that the foregoing shall not include any rights of the Releasors to enforce obligations of the Releasees under this Settlement Agreement, the Approval Order (as defined below) or any other order of the Bankruptcy Court, including, without limitation, the Confirmation Order, the Plan and all contracts, instruments, releases and other agreements delivered in connection therewith.

2. No later than one (1) business day after the Settlement Effective Date, GTCR shall (a) pay \$4,500,000.00 directly to the First Lien Facility Agent for the benefit of the First Lien Claimholders (each as defined in the Plan); and (b) pay \$1,500,000.00 directly to the

Debtors' estates (as defined in the Plan) which amount shall constitute "Other Assets" under the Plan.

3. No later than two (2) business days after the date hereof, the Debtors shall file a motion with the Bankruptcy Court ("**Settlement Motion**") seeking the entry of an order, in the form attached hereto as Exhibit A (the "**Approval Order**") (it being hereby acknowledged and agreed by each of the Parties that the Approval Order is acceptable to each of them), approving this Agreement and authorizing and directing the distribution described in Section 2 above. The form and substance of the Settlement Motion shall be reasonably acceptable to each of the Parties. Each of the Parties agrees to support (and not object to or support any other party's objection to) the Settlement Motion and, if requested by the Debtors, to exercise commercially reasonable efforts to obtain Bankruptcy Court approval thereof.

4. The Parties acknowledge and agree that upon the Bankruptcy Court's entry of the Approval Order, none of them will appeal, or support any other person in appealing, such order.

5. Within five (5) business days following the Settlement Effective Date and without further order of the Bankruptcy Court GTCR hereby agrees (i) to file a notice of withdrawal of all proofs of claim filed in the Chapter 11 Cases on behalf of any GTCR Entity or its respective current or former officers, directors, advisors, shareholders, members, enrollees or employees (the "**GTCR Proofs of Claims**") and (ii) not to file any further proofs of claim in the Chapter 11 Cases. The Approval Order shall provide that as soon as GTCR files a notice of withdrawal of the GTCR Proofs of Claims, the Debtors' claims and noticing agent shall be authorized to mark the GTCR Proofs of Claims as withdrawn on the official claims register in the Chapter 11 Cases.

B. Settlement Effective Date:

6. This Agreement shall become effective and binding upon the Parties upon the first date on which both of the following has occurred (such date, the "**Settlement Effective Date**"): (a) the Bankruptcy Court shall have entered the Approval Order and such order shall have become final and non-appealable; and (b) each GTCR Entity shall have received an executed settlement agreement side letter from certain of the First Lien Claimholders in form and substance reasonably acceptable to GTCR.

C. Representations and Warranties:

7. Each Party (severally and not jointly) represents and warrants to the other Parties, only as to itself and not as to each of the others, that the following statements are true and correct as of the date hereof with respect to such Party:

- (a) *Power, Authority and Authorization.* Subject to entry of the Approval Order, each Party has the requisite power and corporate, limited liability company, limited partnership or similar authority to enter into this Agreement and perform all of the obligations under this Agreement, and the execution, delivery and performance of this Agreement by such Party has been duly authorized by all necessary corporate, limited liability company, limited partnership or similar action on the part of such Party, and the person executing this Agreement on behalf of such Party is duly authorized to do so and thereby bind that Party.

- (b) *No Conflicts.* The execution, delivery and performance of this Agreement by such Party does not and shall not (i) violate any provision of law, rule or regulation applicable to it or its organizational documents or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it is a party or under its organizational documents.
- (c) *Binding Obligation.* This Agreement is a legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws, both foreign and domestic, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability; provided, however, that this Agreement shall only be binding on the Debtors following entry of the Approval Order.

D. Miscellaneous:

8. *Choice of Law:* This Agreement shall be governed by and construed under and in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. The Bankruptcy Court shall retain jurisdiction over any action or proceeding arising out of or relating to this Agreement, and all claims in respect of such action or proceeding may be heard and determined in such court. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ITS RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT.

9. *Successors and Assigns:* This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their respective heirs, affiliates and successors.

10. *Binding Effect:* The Parties' respective rights, obligations, remedies and protections provided for in this Agreement and the Approval Order shall survive the conversion, dismissal or closing of the Debtors' bankruptcy cases, appointment of a chapter 7 or chapter 11 trustee therein, substantive consolidation thereof and confirmation of the Debtors' joint plan of liquidation, and the terms and provisions of this Agreement shall continue in full force and effect notwithstanding the entry of any order effecting the foregoing.

11. *No Admission; Reservation of Rights.* The Parties understand and agree that any claim, cause of action or defense that any Party may have against another is disputed, and that the Parties are entering into this Agreement for the purpose of settling such disputes by compromise in order to avoid further litigation. Neither the execution nor delivery of this Agreement shall constitute an admission of any wrongdoing or liability whatsoever on the part of any of the Parties.

12. *Further Assurances.* The Parties hereby agree promptly to execute and deliver any and all such further instruments and documents and to take all such further actions as may be reasonably required by the other Parties to effectuate the terms and conditions of this Agreement.

13. *Construction.* No Party shall be deemed the drafter of this Agreement. The headings herein are solely for the convenience of the Parties and do not form a substantive part

of this Agreement. If any term or other provision of this Agreement is finally held by a court having competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy: (i) said term or other provision shall be enforced to the maximum extent allowed and/or construed in order to effect the intent of the Parties as closely as possible; and (ii) all other conditions and provisions of this Agreement not otherwise affected shall nevertheless remain in full force and effect.

14. *Entire Agreement.* This Agreement constitutes the entire agreement and understanding among the Parties with respect to the settlement of the dispute settled hereby, sets forth all terms and conditions of this Agreement, and cancels and supersedes any and all prior agreements, representations, and/or understandings, whether written or oral, among the Parties relating to the subject matter of this Agreement. Further, neither this Agreement nor any terms hereof may be amended, changed, waived or discharged unless such amendment, change, waiver or discharge is in a writing signed by the Party against whom enforcement is sought.

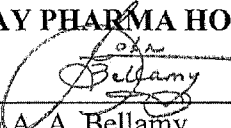
15. *Representation by Counsel.* The Parties acknowledge the benefit of professional advice rendered by legal counsel of their own selection prior to entering into this Agreement. The Parties further acknowledge that they have had a sufficient opportunity to discuss and review this Agreement with their attorneys and fully understand and agree to the terms set forth herein.

16. *Counterparts.* This Agreement may be executed in counterparts. Each counterpart shall be deemed an original. All counterparts shall constitute a single agreement. A facsimile of a signed copy of the Agreement shall serve as an original executed copy for all purposes.

17. *Specific Performance.* It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as its sole and exclusive remedy of any such breach, including, without limitation, an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

IN WITNESS WHEREOF, the Parties hereto have signed this Agreement as of the day and year first written above.

GRACEWAY PHARMA HOLDING CORP.

By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General Counsel

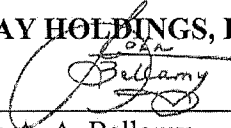
Notice Address:

340 Martin Luther King Jr. Blvd.

Suite 400

Bristol, TN 37620

GRACEWAY HOLDINGS, LLC

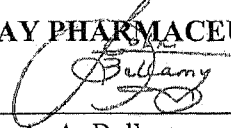
By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General Counsel

Notice Address: same as above

GRACEWAY PHARMACEUTICALS, LLC

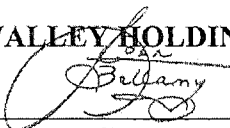
By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General Counsel

Notice Address: same as above

CHESTER VALLEY HOLDINGS, LLC

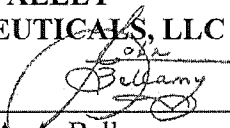
By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General
Counsel

Notice Address: same as above

**CHESTER VALLEY
PHARMACEUTICALS, LLC**

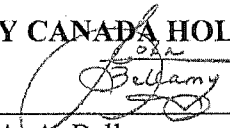
By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General
Counsel

Notice Address: same as above

GRACEWAY CANADA HOLDINGS, INC.

By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General
Counsel

Notice Address: same as above

GRACEWAY INTERNATIONAL, INC.

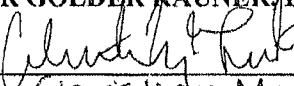
By: 

Name: John A. A. Bellamy

Title: Executive Vice President & General
Counsel

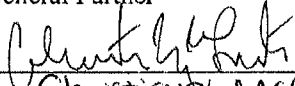
Notice Address: same as above

GTCR GOLDER RAUNER, L.L.C.

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

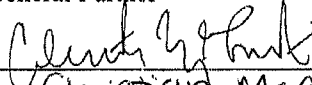
GTCR CO-INVEST II, L.P.

By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

GTCR CO-INVEST III, L.P.

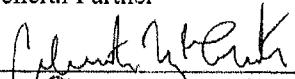
By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

GTCR FUND VIII, L.P.

By: GTCR Partners VIII, L.P.
Its: General Partner

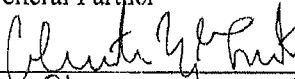
By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

GTCR FUND IX/A, L.P

By: GTCR Partners IX, L.P.
Its: General Partner

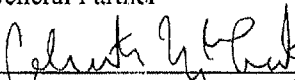
By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

FUND VIII/B GRACEWAY SPLITTER, L.P.

By: GTCR Partners VIII, L.P.
Its: General Partner

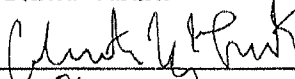
By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

FUND IX/B GRACEWAY SPLITTER, L.P.

By: GTCR Partners IX, L.P.
Its: General Partner

By: GTCR Golder Rauner II, L.L.C.
Its: General Partner

By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

GOLDER RAUNER II, L.L.C.

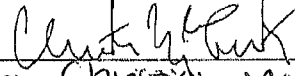
By: 
Name: Christian McGrath
Title: General Counsel
Notice Address: 300 North LaSalle Street
Suite 5600
Chicago, Illinois 60654

EXHIBIT A

Approval Order

**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

Related Docket No. _____

**ORDER AUTHORIZING THE DEBTORS TO ENTER INTO
A SETTLEMENT AGREEMENT WITH GTCR**

Upon consideration of the motion (the "Motion")² the above-captioned debtors and debtors in possession in these chapter 11 cases (collectively, the "Debtors"), seeking entry of an order pursuant to Sections 105(a) and 363(b) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), to enter a Settlement Agreement by and among the Debtors and GTCR; and the Court being satisfied based on the representations made in the Motion and the Settlement Agreement; and it appearing that the Settlement Agreement and the relief requested in the Motion are in the best interests of the Debtors, their creditors and estates; and it appearing that proper and adequate notice has been given and that no other 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), 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 400, 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 same meanings ascribed to them in the Motion or the Settlement Agreement, as applicable.

further notice is required; and upon the record herein; and after due deliberation thereon; and sufficient cause appearing therefore; it is hereby ORDERED that:

1. The Motion is GRANTED.
2. The Settlement Agreement, attached as Exhibit B to the Motion, is approved pursuant to Sections 105 and 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019(a).
3. The Debtors are authorized and directed to perform their obligations under the Settlement Agreement.
4. Effective on the Settlement Effective Date, each of the Debtors and each of their respective current and future estates, successors, assigns and representatives (including, for the avoidance of doubt, any representative appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code or otherwise) hereby (i) conclusively, absolutely, unconditionally, irrevocably and forever remises, acquits, waives, releases and discharges each of the Releasees (as defined below) from any and all Released Causes of Action (as defined below), and (ii) covenants and agrees never to institute or cause to be instituted any suit, investigation or other form of action or proceeding of any kind or nature whatsoever against any of the Releasees based upon the Released Causes of Action.

- (a) For purposes of this Order, the term “Releasees” means, collectively, (a) each GTCR Entity and its respective current or former officers, directors, advisors, shareholders, members and/or enrollees and employees (and each of the foregoing entity’s or person’s respective successors, assigns and representatives) and (b) any other person or entity not otherwise identified in the preceding sub-clause (a) that directly or indirectly has received or in the future may receive any portion of the Distributions (other than any person that is an officer or director of the Debtors as of the Settlement Effective Date, in such person’s capacity as an officer or director of the Debtors).
- (b) For purposes of this Order, the term “Released Causes of Action” means any and all claims (including, but not

limited to any “claim” as defined in Section 101(5) of the Bankruptcy Code), demands, rights, suits, remedies, indebtedness, agreements, promises, Causes of Action, obligations, damages or liabilities of any nature whatsoever, in law, in equity or otherwise, whether or not known, foreseen or unforeseen, existing or hereafter arising, suspected or claimed, that the Releasors ever had, claimed to have, now have, may have, claim to have or may claim to have in the future against the Releasees, or any of them, by reason of any matter, cause, thing, act, transaction, agreement, event or omission of the Releasees, or any of them, including, without limitation, any and all of the Avoidance Actions relating to or arising from any of the Distributions, other than claims or liabilities arising out of or relating to any act or omission of a Releasee that constitutes fraud or willful misconduct as determined by final order of a court of competent jurisdiction; provided, however, that the foregoing shall not include any rights of the Releasors to enforce obligations of the Releasees under the Settlement Agreement, this Order or any other order of the Bankruptcy Court, including, without limitation, the Confirmation Order, the Plan and all contracts, instruments, releases and other agreements delivered in connection therewith.

5. No later than one (1) business day after the Settlement Effective Date, GTCR shall (a) pay \$4,500,000.00 directly to the First Lien Facility Agent for the benefit of the First Lien Claimholders; and (b) pay \$1,500,000.00 directly to the Debtors’ estates which amount shall constitute “Other Assets” under the Plan.

6. Within five (5) business days following the Settlement Effective Date and without further order of this Court, GTCR shall file a notice of withdrawal (the “**Notice of Withdrawal**”) of all proofs of claim filed in the Chapter 11 Cases on behalf of any GTCR Entity or its respective current or former officers, directors, advisors, shareholders, members, enrollees or employees (the “**GTCR Proofs of Claim**”). GTCR shall not file any further proofs of claim in the Chapter 11 Cases.

7. Once the Notice of Withdrawal has been filed, the Debtors' claims and noticing agent shall be authorized to mark the GTCR Proofs of Claim as withdrawn on the official claims register in these Chapter 11 Cases.

8. This Order and the Settlement Agreement shall be binding upon the Debtors and GTCR, any trustees appointed in these proceedings, any trustees appointed in any subsequent proceedings under the Bankruptcy Code relating to the Debtors, and all other parties-in-interest.

9. The Debtors are authorized and empowered to take all steps necessary and appropriate to carry out and otherwise effectuate the terms conditions and provisions of the Settlement Agreement.

10. This Court retains jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: _____, 2012
Wilmington, Delaware

Peter J. Walsh
United States Bankruptcy Judge