

EXHIBIT B

Agreement

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (this “*Agreement*”) is made and entered into as of March 23, 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) Humana Inc. (“*Humana*”). Each Debtor and Humana is referred to separately as a “*Party*” and all are referred to collectively as the “*Parties*.”

RECITALS

WHEREAS, on September 29, 2011 (the “*Petition Date*”), each of Debtors filed for bankruptcy protection 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*”) (collectively, the “*Chapter 11 Cases*”);

WHEREAS, on December 2, 2011, the Debtors filed a motion to, among other things, reject certain executory contracts, effective as of December 31, 2011 [Docket No. 333] (the “*Rejection Motion*”). The Debtors designated certain managed care rebate agreements by and between Graceway Pharmaceuticals, LLC and Humana to be rejected under the Rejection Motion. On December 28, 2011, the Bankruptcy Court entered the Order granting the Rejection Motion [Docket No. 416];

WHEREAS, on January 27, 2012, Humana filed a proof of claim against the Debtors asserting Humana was owed at least \$93,847.94 (Claim No. 212) as of the Petition Date (the “*Humana Unsecured Proof of Claim*”). Humana has also asserted that it is owed an administrative claim in the amount of \$47,776.58 for which a proof of claim has not yet been filed (the “*Humana Administrative Claim*” and together with the Humana Unsecured Proof of Claim, the “*Humana Claims*”);

WHEREAS, on February 28, 2012, the Debtors filed the *First Amended Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 551] (the “*Plan*”); on March 1, 2012, the Debtors filed the *Disclosure Statement for the First Amended Joint Plan of Liquidation of Graceway Pharmaceuticals, LLC, et al.* [Docket No. 566]; and on March 1, 2012, the Bankruptcy Court entered the *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. 572]. The Debtors expect to seek the entry of an order confirming the Plan (the “*Confirmation Order*”); and

WHEREAS, the Debtors and Humana have agreed to settle, resolve and release all claims, disputes and issues between the Debtors and Humana, including, but not limited to, the Humana Claims, on the terms and conditions set forth herein

AGREEMENT

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

A. Settlement:

1. Within five (5) days of the Settlement Effective Date (as defined below), the Debtors shall pay Humana \$45,000 (the "Settlement Payment") on account of and in final satisfaction of the Humana Administrative Claim.

2. Effective on the Settlement Effective Date, but subject to Humana's receipt of the Settlement Payment, all claims of Humana against the Debtors shall be, and hereby are, deemed withdrawn and denied without further action of any Party and Humana hereby waives in full any and all claims against the Debtors; provided, however, that if the recovery to general unsecured claimants exceeds 15% of the aggregate amount of general unsecured claims, the Humana Unsecured Proof of Claim shall be reinstated and shall no longer be deemed withdrawn and denied, and instead shall be allowed in full as a general unsecured nonpriority claim.

3. 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 Humana 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 Humana based upon the Released Causes of Action.

4. Effective on the Settlement Effective Date, but subject to Humana's receipt of the Settlement Payment, Humana hereby (i) conclusively, absolutely, unconditionally, irrevocably and forever remises, acquits, waives, releases and discharges 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) 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 Debtors based upon the Released Causes of Action.

5. 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 such Party ever had, claimed to have, now have, may have, claim to have or may claim to have in the future against the other Party or Parties, by reason of any matter, cause, thing, act, transaction, agreement, event or omission of such Party or Parties,

including, without limitation, any and all of the Avoidance Actions (as defined in the Plan); *provided, however*, that the foregoing shall not include any rights to enforce obligations under this 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.

6. No later than two (2) business days after the date hereof, the Debtors shall file a motion with the Bankruptcy Court (the “*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 Parties to effectuate the terms of this Agreement. The form and substance of the Settlement Motion shall be reasonably acceptable to each of the Parties.

7. 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.

8. Humana hereby agrees not to file any further proofs of claim in the Chapter 11 Cases.

B. Settlement Effective Date:

9. This Agreement shall become effective and binding upon the Parties upon the first date on which the Bankruptcy Court shall have entered the Approval Order and such order shall have become final and non-appealable (the “*Settlement Effective Date*”).

C. Representations and Warranties:

10. 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 be binding on the Parties only following entry of the Approval Order.

D. Miscellaneous:

11. *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.

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

13. *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.

14. *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.

15. *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.

16. *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 reconstrued 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.

17. *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.

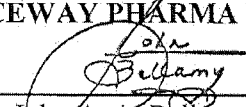
18. *Representation by Counsel.* The Parties acknowledge the benefit of professional advice rendered by legal counsel of their own selection prior to entering into this Agreement. The Parties further acknowledge that they have had a sufficient opportunity to discuss and review this Agreement with their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

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

20. *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: President

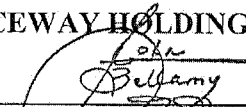
Notice Address:

340 Martin Luther King Jr. Blvd.

Suite 400

Bristol, TN 37620

GRACEWAY HOLDINGS, LLC


By: 

Name: John A. A. Bellamy

Title: President

Notice Address: same as above

GRACEWAY PHARMACEUTICALS, LLC

By: 

Name: John A. A. Bellamy

Title: President

Notice Address: same as above

CHESTER VALLEY HOLDINGS, LLC

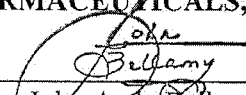
By: 

Name: John A. A. Bellamy

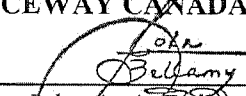
Title: President

Notice Address: same as above


**CHESTER VALLEY
PHARMACEUTICALS, LLC**

By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

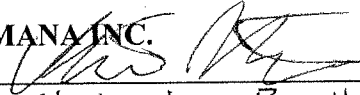
GRACEWAY CANADA HOLDINGS, INC.

By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

GRACEWAY INTERNATIONAL, INC.

By: 
Name: John A. A. Bellamy
Title: President
Notice Address: same as above

HUMANA INC.

By:  _____

Name: Christopher Petele

Title: Legal Counsel

Notice Address: 500 W. Main, Louisville KY