

EXHIBIT II

Declaration of Thomas E. Hill

**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

**DECLARATION OF THOMAS E. HILL IN SUPPORT OF
DEBTORS' OBJECTION TO CLAIMS FILED BY
TENNESSEE DEPARTMENT OF REVENUE**

I, Thomas E. Hill, pursuant to 28 U.S.C. § 1746, declare:

1. I am a managing director for Alvarez and Marsal North America, LLC (“**Alvarez**”), the court-approved restructuring advisors to the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”). In my capacity as a managing director of Alvarez, I am one of the persons responsible for overseeing the claims reconciliation and objection process in these Chapter 11 Cases. I have read the Debtors’ Objection to Claims Filed by Tennessee Department of Revenue (the “**Objection**”),² and am directly, or by and through my personnel or agents, familiar with the information contained therein, the exhibits attached thereto and the Proposed Order.

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 Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Objection.

2. Considerable resources and time have been expended in reviewing and reconciling the Proofs of Claims filed or pending against the Debtors in these Chapter 11 Cases. The claims were carefully reviewed and analyzed in good faith utilizing due diligence by the appropriate personnel. These efforts included time spent analyzing and attempting to verify the TDOR Tax Claims, resulting in the identification of TDOR Tax Claims that were amended and superseded by subsequently filed claims and should be disallowed, TDOR Tax Claims which are incorrectly classified by TDOR as priority claims or administrative expense claims and which are in fact general unsecured claims or contingent and unliquidated claims and TDOR Tax Claims in which the amount is overstated because it fails to take into account payments made by the ultimate parent of the Debtors, Graceway Pharma Holding Corp or otherwise relies on inaccurate calculations.

3. The information contained on Exhibits III.A through III.K to the Objection is true and correct to the best of my knowledge.

4. The Debtors have determined that the TDOR Tax Claims are supported by insufficient documentation. Accordingly, to prevent the claimants from receiving an unwarranted recovery, the Debtors seek to disallow in full the TDOR Tax Claims.

5. The Debtors have reviewed their books and records and have determined that certain TDOR Tax Claims are claims that have been amended and superseded by subsequently-filed Proofs of Claims. Therefore, the Debtors seek to disallow in full these TDOR Tax Claims.

6. The Debtors have reviewed the TDOR Tax Claims and have determined that certain TDOR Tax Claims are not entitled to administrative or priority status. Because the Debtors have determined that certain TDOR Tax Claims do not warrant administrative or

priority status, the Debtors seek to modify the priority of certain TDOR Tax Claims to reflect their proper unsecured status or contingent and unliquidated status, as appropriate.

7. The Debtors have filed all income and franchise tax returns for all tax periods that are due and owing, and the Debtors have paid all amounts due under such tax returns.

8. Certain of the TDOR Tax Claims appear to erroneously fail to consider the tax returns filed by Graceway Pharma Holding Corp. In September 2010 the Debtors modified their corporate structure. Prior to September 2010, the ultimate parent company of the Debtors had been Graceway Holdings, LLC – a limited liability company. In September 2010, Graceway Pharma Holding Corp. was formed by the members of Graceway Holdings, LLC. Graceway Pharma Holding Corp. became the ultimate parent company of the Debtors, and the members of Graceway Holdings, LLC exchanged their membership interests therein for shares of stock in Graceway Pharma Holding Corp.

9. Following the formation of Graceway Pharma Holding Corp., the Debtors' consolidated tax returns were filed by Graceway Pharma Holding Corp.

10. The Debtors have reconciled the TDOR Tax Claims against their books and records and have determined that they are not liable for portions of certain TDOR Tax Claims. Accordingly, the Debtors seek to reduce the amounts of such TDOR Tax Claims.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on April 6, 2012

_____/s/ Thomas E. Hill
Thomas E. Hill
Managing Director
Alvarez and Marsal North America, LLC